# URALKALI GROUP

## Consolidated Financial Statements
## prepared in accordance with
## International Financial Reporting Standards (IFRS)
## for the year ended 31 December 2013
## and Independent Auditor's Report

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# *Independent Auditor's Report*

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

We have audited the accompanying consolidated financial statements of Open Joint Stock Company Uralkali (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as of 31 December 2013 and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Consolidated Financial Statements

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

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

10 April 2014

Moscow, Russian Federation

## *URALKALI GROUP*
## *CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2013*
*(in thousands of US dollars, unless otherwise stated)*

| | Note | 31 December 2013 | 31 December 2012* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets:** | | | |
| Property, plant and equipment | 9 | 3,235,456 | 3,385,128 |
| Prepayments for acquisition of property, plant and equipment and intangible assets | | 145,689 | 78,998 |
| Goodwill | 10 | 1,802,398 | 1,939,538 |
| Intangible assets | 11 | 5,457,299 | 5,854,916 |
| Investments in associates | 14 | 1,259 | 12,887 |
| Deferred income tax asset | 34 | 21,635 | 23,465 |
| Income tax prepayments recoverable after more than 12 months | 13 | 259,455 | - |
| Other non-current assets | | 20,727 | 7,220 |
| Derivative financial assets | 24 | - | 27,590 |
| Restricted cash | 18 | - | 3,576 |
| **Total non-current assets** | | **10,943,918** | **11,333,318** |
| **Current assets:** | | | |
| Inventories | 15 | 250,495 | 242,167 |
| Trade and other receivables | 16 | 518,062 | 560,857 |
| Current income tax prepayments | | 8,290 | 347,528 |
| Derivative financial assets | 24 | - | 1,181 |
| Other financial assets at fair value through profit or loss | 17 | - | 133,941 |
| Restricted cash | 18 | 3,055 | 142,332 |
| Deposits | 18 | - | 137,000 |
| Cash and cash equivalents | 18 | 930,168 | 1,386,244 |
| | | **1,710,070** | **2,951,250** |
| Non-current assets held for sale | 9 | 6,311 | 6,469 |
| **Total current assets** | | **1,716,381** | **2,957,719** |
| **TOTAL ASSETS** | | **12,660,299** | **14,291,037** |
| **EQUITY** | | | |
| Share capital | 19 | 35,762 | 35,762 |
| Treasury shares | 19 | (5,722) | (58) |
| Share premium | | 4,371,815 | 6,884,228 |
| Revaluation reserve | | 5,302 | 5,302 |
| Currency translation reserve | | (1,301,324) | (680,145) |
| Retained earnings | | 2,621,644 | 2,505,035 |
| **Equity attributable to the company's equity holders** | | **5,727,477** | **8,750,124** |
| **Non-controlling interests** | | **14,133** | **8,265** |
| **TOTAL EQUITY** | | **5,741,610** | **8,758,389** |
| **LIABILITIES** | | | |
| **Non-current liabilities:** | | | |
| Borrowings | 22 | 2,936,827 | 2,820,271 |
| Bonds issued | 23 | 646,035 | - |
| Post-employment benefit obligations | 35 | 43,394 | 44,007 |
| Deferred income tax liability | 34 | 975,531 | 1,079,886 |
| Provisions | 20 | 86,996 | 84,670 |
| Derivative financial liabilities | 24 | 62,043 | 13,906 |
| **Total non-current liabilities** | | **4,750,826** | **4,042,740** |
| **Current liabilities:** | | | |
| Borrowings | 22 | 1,459,564 | 1,122,075 |
| Bonds issued | 23 | 4,033 | - |
| Trade and other payables | 25 | 556,613 | 266,447 |
| Provisions | 20 | 40,118 | 14,684 |
| Derivative financial liabilities | 24 | 71,340 | 17,560 |
| Mine flooding provision | 21 | - | 32,924 |
| Current income tax payable | | 1,083 | 1,602 |
| Other taxes payable | | 35,112 | 34,616 |
| **Total current liabilities** | | **2,167,863** | **1,489,908** |
| **TOTAL LIABILITIES** | | **6,918,689** | **5,532,648** |
| **TOTAL LIABILITIES AND EQUITY** | | **12,660,299** | **14,291,037** |

* These amounts reflect adjustments made in connection with the adoption of IAS 19 (R) (Note 3).

Approved for issue and signed on behalf of the Board of Directors 10 April 2014

Dmitry Osipov
Chief Executive Officer

Viktor Belyakov
Chief Financial Officer

The accompanying notes on pages 6 to 51 are an integral part of these consolidated financial statements.

| | Note | 2013 | 2012 |
|---|---|---|---|
| Revenues | 26 | 3,322,615 | 3,949,793 |
| Cost of sales | 27 | (944,525) | (990,799) |
| **Gross profit** | | **2,378,090** | **2,958,994** |
| Distribution costs | 28 | (879,924) | (770,664) |
| General and administrative expenses | 29 | (278,705) | (231,375) |
| Taxes other than income tax | | (39,691) | (39,032) |
| Other operating income and expenses, net | 31 | (117,479) | (66,074) |
| **Operating profit** | | **1,062,291** | **1,851,849** |
| Mine flooding costs | 33 | (4,203) | (3,534) |
| Finance income | 32 | 121,792 | 166,880 |
| Finance expense | 32 | (352,972) | (78,788) |
| **Profit before income tax** | | **826,908** | **1,936,407** |
| Income tax expense | 34 | (160,580) | (339,796) |
| **Net profit for the year** | | **666,328** | **1,596,611** |
| **Profit attributable to:** | | | |
| Owners of the Company | | 666,859 | 1,600,807 |
| Non-controlling interests | | (531) | (4,196) |
| **Net profit for the year** | | **666,328** | **1,596,611** |
| **Earnings per share – basic and diluted (in US cents)** | 36 | **24.35** | **54.01** |

| | Note | 2013 | 2012 |
|---|---|---|---|
| **Net profit for the period** | | **666,328** | **1,596,611** |
| **Other comprehensive income/(loss)** | | | |
| **Items that will not be reclassified to profit or loss:** | | | |
| Remeasurement of post-employment benefit obligations | 35 | 671 | (6,793) |
| **Items that may be subsequently reclassified to profit or loss:** | | | |
| Effect of translation to presentation currency | | (621,179) | 464,142 |
| **Total other comprehensive (loss)/income for the year** | | **(620,508)** | **457,349** |
| **Total comprehensive income for the year** | | **45,820** | **2,053,960** |
| **Total comprehensive income for the year attributable to:** | | | |
| Owners of the Company | | 46,351 | 2,058,156 |
| Non-controlling interests | | (531) | (4,196) |

| | Note | 2013 | 2012 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before income tax | | 826,908 | 1,936,407 |
| | | | |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment and amortisation of intangible assets | | 415,304 | 459,505 |
| Reversal of mine flooding provision | 21 | (31,399) | - |
| Net loss on disposals and write-off of property, plant and equipment | 31 | 14,082 | 31,934 |
| Write-down of non-current assets held for sale to fair value less costs to sell and impairment of fixed assets reclassified to non-current assets held for sale | 31 | - | 50,912 |
| Write-off of CB "Eurotrust" deposits | 31 | 34,070 | - |
| Accrual of provision for impairment of receivables, net | 31 | 346 | 2,115 |
| Net change in provisions | 20 | 45,040 | (54,739) |
| Loss from write-off of net assets of BPC | 12, 31 | 2,602 | - |
| Other finance income and expense, net | | 183,444 | (60,626) |
| Foreign exchange gain, net | 32 | (33,037) | (37,724) |
| | | | |
| **Operating cash flows before working capital changes** | | **1,457,360** | **2,327,784** |
| Decrease/(Increase) in trade and other receivables | | 84,308 | (96,325) |
| (Increase)/Decrease in inventories | | (18,990) | 15,688 |
| Increase in trade and other payables | | 170,805 | 29,013 |
| Increase in other taxes payable | | 2,618 | 11,185 |
| | | | |
| **Cash generated from operations** | | **1,696,101** | **2,287,345** |
| Interest paid | 22, 23 | (273,441) | (215,183) |
| Income taxes paid net of refund received | | (185,149) | (319,916) |
| **Net cash generated from operating activities** | | **1,237,511** | **1,752,246** |
| | | | |
| **Cash flows from investing activities** | | | |
| Acquisition of intangible assets | | (10,526) | (4,588) |
| Acquisition of property, plant and equipment | | (416,192) | (399,431) |
| Proceeds from sales of property, plant and equipment and non-current assets held for sale | | 1,916 | 19,627 |
| Proceeds from sale of other financial assets at fair value through profit or loss and other investments | | 128,111 | 54,134 |
| Acquisition of associates | 14 | (1,259) | |
| Acquisition of subsidiaries, net of cash acquired | 6 | (3,989) | - |
| Acquisition of other investments | 41 | (15,000) | - |
| Decrease in restricted cash and deposits | | 279,853 | 130,863 |
| Interest received | | 88,692 | 67,993 |
| **Net cash generated from /(used in) investing activities** | | **51,606** | **(131,402)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Repayments of borrowings | 22 | (4,800,707) | (523,100) |
| Proceeds from borrowings | 22 | 5,410,684 | 1,055,329 |
| Syndication fees and other financial charges paid | 22 | (40,032) | (13,873) |
| Proceeds from bonds issued | 23 | 650,000 | - |
| Cash proceeds from derivatives | 24 | 86,134 | 93,714 |
| Cash paid for derivatives | 24 | (21,770) | (18,613) |
| Purchase of treasury shares | | (2,518,078) | (539,814) |
| Finance lease payments | 32 | (1,519) | (1,558) |
| Dividends paid to the Company's shareholders | | (429,931) | (901,468) |
| **Net cash used in financing activities** | | **(1,665,219)** | **(849,383)** |
| | | | |
| Effect of foreign exchange rate changes on cash and cash equivalents | | (79,974) | 10,935 |
| | | | |
| **Net (decrease)/increase in cash and cash equivalents** | | **(456,076)** | **782,395** |
| | | | |
| **Cash and cash equivalents at the beginning of the year** | 18 | **1,386,244** | **603,849** |
| | | | |
| **Cash and cash equivalents at the end of the year** | 18 | **930,168** | **1,386,244** |

## *CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013*

*(in thousands of US dollars, unless otherwise stated)*

| | **Attributable to equity holders of the Company** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Treasury Shares** | **Share premium/ (discount)** | **Revaluation reserve** | **Retained earnings** | **Currency translation reserve** | **Total attributable to owners of the Company** | **Non-controlling interests** | **Total equity** |
| **Balance at 1 January 2012*** | **37,638** | **(746)** | **6,879,880** | **5,302** | **2,269,957** | **(1,144,287)** | **8,047,744** | **12,461** | **8,060,205** |
| | | | | | | | | | |
| Profit/(loss) for the period | - | - | - | - | 1,600,807 | - | 1,600,807 | (4,196) | 1,596,611 |
| Other comprehensive income/(loss) | - | - | - | - | (6,793) | 464,142 | 457, 349 | - | 457,349 |
| **Total comprehensive income/(loss) for the period** | - | - | - | - | **1,594,014** | **464,142** | **2,058,156** | **(4,196)** | **2,053,960** |
| | | | | | | | | | |
| **Transactions with owners** | | | | | | | | | |
| Dividends declared (Note 19) | - | - | - | - | (815,962) | - | (815,962) | - | (815,962) |
| Purchase of treasury shares | - | (1,188) | (538,626) | - | - | | (539,814) | - | (539,814) |
| Cancellation of treasury shares | (1,876) | 1,876 | 542,974 | - | (542,974) | - | - | - | - |
| **Total transactions with owners** | **(1,876)** | **688** | **4,348** | **-** | **(1,358,936)** | **-** | **(1,355,776)** | **-** | **(1,355,776)** |
| **Balance at 1 January 2013*** | **35,762** | **(58)** | **6,884,228** | **5,302** | **2,505,035** | **(680,145)** | **8,750,124** | **8,265** | **8,758,389** |
| | | | | | | | | | |
| Profit/(loss) for the period | - | - | - | - | 666,859 | - | 666,859 | (531) | 666,328 |
| Other comprehensive income/(loss) | - | - | - | - | 671 | (621,179) | (620,508) | - | (620,508) |
| **Total comprehensive income/(loss) for the period** | - | - | - | - | **667,530** | **(621,179)** | **46,351** | **(531)** | **45,820** |
| | | | | | | | | | |
| **Transactions with owners** | | | | | | | | | |
| Dividends declared (Note 19) | - | - | - | - | (550,921) | - | (550,921) | - | (550,921) |
| Purchase of treasury shares | - | (5,664) | (2,512,413) | - | - | - | (2,518,077) | - | (2,518,077) |
| **Total transactions with owners** | **-** | **(5,664)** | **(2,512,413)** | **-** | **(550,921)** | **-** | **(3,068,998)** | **-** | **(3,068,998)** |
| | | | | | | | | | |
| Non-controlling interest acquired in business combination | - | - | - | - | - | - | - | 7,445 | 7,445 |
| Disposal of non-controlling interest | - | - | - | - | - | - | `- | (1,046) | (1,046) |
| **Balance at 31 December 2013** | **35,762** | **(5,722**) | **4,371,815** | **5,302** | **2,621,644** | **(1,301,324)** | **5,727,477** | **14,133** | **5,741,610** |

* These amounts reflect adjustments made in connection with the adoption of IAS 19 (R) (Note 3).

## 1 The Uralkali Group and its operations

Open Joint Stock Company Uralkali (the "Company") and its subsidiaries (together the "Group") produce mineral fertilizers, primarily potassium based, which are extracted and processed in the vicinity of the cities of Berezniki and Solikamsk, Russia. They are distributed both on domestic and foreign markets. The Group manufactures various types of products, the most significant being a wide range of potassium salts. The Group is a major Russia-based potash manufacturer. For the year ended 31 December 2013 approximately 81% of potash fertilizers was exported (for the year ended 31 December 2012: 78%).

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

As of 31 December 2013 and 31 December 2012 the Group had no ultimate controlling party.

The Company was incorporated as an open joint stock company in the Russian Federation on 14 October 1992. The Company has its registered office at 63 Pyatiletki St., Berezniki, Perm region, Russian Federation. Almost all of the Group's production capacities and all long-term assets are located in the Russian Federation.

As of 31 December 2013 the Group employed approximately 21.1 thousand employees (31 December 2012: 21.2 thousand).

## 2 Basis of preparation and significant accounting policies

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

### *2.1 Basis of preparation*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention except for certain financial instruments that are presented at fair value as described in Note 2.13.

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

### *2.2 Consolidated financial statements*

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

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

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

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

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

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

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

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

### *2.2 Consolidated financial statements (continued)*

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

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred over the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of all identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the assets transferred. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

### *2.3 Non-controlling interest*

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

Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction directly in equity.

### *2.4 Joint operations*

A joint operation is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. Joint operation is accounted for using continuing recognition of Group's relevant share of assets, liabilities, revenues and expenses. Unrealised gains and losses on transactions between the Group and its joint operation are eliminated.

### *2.5 Investments in associates*

Associates are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. The Group's share of the post-acquisition profits or losses of associates is recorded in the consolidated statement of income, and its share of post-acquisition movements in reserves is recognised in reserves. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

### *2.6 Property, plant and equipment*

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

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

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

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

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.

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

| | **Useful lives in years** |
|---|---|
| Buildings | 10 to 50 |
| Mine development costs | 10 to 30 |
| Plant and equipment | 2 to 30 |
| Transport | 5 to 15 |
| Others | 2 to 15 |
| Land | Not depreciated |

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

### *2.7 Non-current assets classified as held for sale*

Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction (including loss of control of a subsidiary holding the assets) within twelve months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale property, plant and equipment, investment properties and intangible assets are not depreciated or amortised.

### *2.8 Operating leases*

Leases where a significant portion of 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 profit or loss.

Operating leases include long-term leases of land with rental payments contingent on cadastral values regularly reviewed by the government.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

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

### *2.9 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.

### *2.10 Goodwill*

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

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

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

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

### *2.11 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 on 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.

### *2.12 Classification of financial assets and liabilities*

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 designed as such upon 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.

Financial assets at fair value through profit or loss designed as such upon initial recognition represents derivative financial instruments and other financial assets at fair value through profit or loss.

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

### *2.12 Classification of financial assets and liabilities (continued)*

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 is presented in the interest expense line item. 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 management.

Changes in fair value of financial assets at fair value through profit or loss designed as such upon initial recognition are recognised in the line item fair value gains/(losses) on financial assets at fair value through profit or loss and other investments. Coupon income 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 financial instruments 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.

### *2.13 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 price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

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

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

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

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

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

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

### *2.13 Classification of financial assets and liabilities (continued)*

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

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

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

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

### *2.14 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.

### *2.15 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.

### *2.16 Income taxes*

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

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

### *2.16 Income taxes (continued)*

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

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

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

Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post-acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

### *2.17 Inventories*

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

### *2.18 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.

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

### *2.19 Cash and cash equivalents (continued)*

***Change in the presentation of dual currency deposits.***

In these consolidated financial statements the Group has changed the classification of dual currency deposits placed with banks from Cash and cash equivalents to Deposits. In order to conform with the current period presentation deposits amounting to US$ 137,000 were reclassified in the statement of financial position at 31 December 2012. The consolidated statement of cash flows for the year ended 31 December 2013 and the information in Note 18 “Cash and cash equivalents, deposits and restricted cash” at 31 December 2012 have been adjusted accordingly. The line item change in restricted cash and deposits in the consolidated statement of cash flows for the year ended 31 December 2012 was adjusted from increase US$ (137,739) to decrease US$ 130,863.

### *2.20 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.

### *2.21 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.

### *2.22 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.

### *2.23 Value added tax*

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

### *2.24 Borrowings*

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

The Group capitalises borrowing costs relating to assets that take a substantial period of time to prepare for 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 execution 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.

### *2.25 Provisions*

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

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

### *2.25 Provisions (continued)*

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

The estimated future filling cavities costs, discounted to net present value, are added to respective items of property, plant and equipment and corresponding obligations. The additions of property, plant and equipment are depreciated on a straight-line basis over the useful life of the corresponding asset. The unwinding of the obligation is recognised in profit or loss as part of other financial expenses. 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.

### *2.26 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.

### *2.27 Foreign currency transactions*

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

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

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

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

(ii) income and expenses for each statement of income and cash flows are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses and cash flows are translated at the dates of the transactions);

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

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

At 31 December 2013, the official rate of exchange, as determined by the Central Bank of the Russian Federation (CBRF), was US$ 1 = RR 32.73 (31 December 2012: US$ 1 = RR 30.37). The official Euro to RR exchange rate at 31 December 2013, as determined by the CBRF, was Euro 1 = RR 44.97 (31 December 2012: Euro 1 = RR 40.23). The average official rate of exchange for the twelve months ended 31 December 2013 was US$ 1 = RR 31.85, was Euro 1 = RR 42.31 (for the year ended 31 December 2012: US$ 1 = RR 31.09, Euro 1 = RR 39.95).

### *2.28 Revenue recognition*

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

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

### *2.28 Revenue recognition (continued)*

Sales of potash of other producers are recognized in the line item other operating income and expenses net of all related costs.

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

### *2.29 Transhipment costs*

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

### *2.30 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.

### *2.31 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.

### *2.32 Pension costs*

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

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

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

### *2.33 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.

### *2.34 Segment reporting*

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

### *2.35 Cash-settled share-based compensation*

For cash–settled share awards, the services received from employees are measured at fair value and recognised in the consolidated statement of profit or loss as an expense over the vesting period with recognition of a corresponding liability. The fair value of the liability is remeasured at each reporting date and at the date of settlement with changes in fair value recognised in the consolidated statement of profit or loss.

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

### *2.36 Going concern*

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

## 3 Adoption of new or revised standards and interpretations

The following new standards and interpretations became effective for the Group from 1 January 2013:

***IFRS 10 "Consolidated Financial Statements" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)*** replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation – special purpose entities. The Standard did not have any material impact on the Group's consolidated financial statements.

***IFRS 11 "Joint Arrangements" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)*** replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers. The Standard did not have any material impact on the Group's consolidated financial statements.

***IFRS 12 "Disclosure of Interests in Other Entities" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)*** applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements previously found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Standard resulted in additional disclosures in these consolidated financial statements. Refer to Note 40.

***IFRS 13 "Fair Value Measurement" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)*** improved consistency and reduced complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Standard resulted in additional disclosures in these consolidated financial statements. Refer to Note 39.

***IAS 27 "Separate Financial Statements" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013)*** was changed to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The amended Standard did not have any material impact on the Group's consolidated financial statements.

***IAS 28 "Investments in Associates and Joint Ventures" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013).*** The amendment of IAS 28 incorporates the accounting for joint ventures using the equity method into the Standard because this method is applicable to both joint ventures and associates. The amended standard did not have any material impact on the Group's consolidated financial statements.

***Amendments to IAS 1 "Presentation of Financial Statements" (issued in June 2011, effective for annual periods beginning on or after 1 July 2012)*** changed the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to "statement of profit or loss and other comprehensive income". The amended standard resulted in changed presentation of consolidated financial statements, but did not have any impact on measurement of transactions and balances.

***Amended IAS 19 "Employee Benefits" (issued in June 2011, effective for periods beginning on or after 1 January 2013)*** makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Group reported the accumulated amount of these remeasurements in retained earnings in equity. Retrospective application of the standard had the following impact on the consolidated financial statements:

## 3 Adoption of new revised standards and interpretations (continued)

The effect was as follows on amounts at 1 January 2012:

| | **As originally presented** | **Effect of adopting revised IAS 19** | **As adjusted at 1 January 2012** |
|---|---:|---:|---:|
| Post-employment benefit obligations | 23,450 | 2,705 | 26,155 |

The effect was as follows on amounts at 31 December 2012:

| | **As originally presented** | **Effect of adopting revised IAS 19** | **As adjusted at 31 December 2012** |
|---|---:|---:|---:|
| Post employment benefit obligations | 37,809 | 6,198 | 44,007 |

The effect was as follows on the amounts in the statements of income and other comprehensive income for the year ended 31 December 2012:

| | **As originally presented** | **Effect of adopting revised IAS 19** | **As adjusted for the year 2012** |
|---|---:|---:|---:|
| Cost of sales, General and administrative expenses: employee benefits | 13,360 | (3,300) | 10,060 |
| Other comprehensive income: | | | |
| Remeasurement of post-employment benefit obligations | - | 6,793 | 6,793 |

***"Disclosures – Offsetting Financial Assets and Financial Liabilities" – Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013).*** The amendment requires disclosures that enable users of an entity's consolidated financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amended standards did not have any material impact on the Group's consolidated financial statements.

***Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013).*** The improvements consist of changes IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. The amended standards did not have any material impact on the Group's consolidated financial statements.

***"Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12" (issued in June 2012 and effective for annual periods beginning 1 January 2013).*** The amendments clarify the transition guidance in IFRS 10 "Consolidated Financial Statements". The amended standards did not have any material impact on the Group's consolidated financial statements other than application of the relief from disclosure of certain comparative information in the notes to the financial statements.

***Other revised standards and interpretations:*** IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", considers when and how to account for the benefits arising from the stripping activity in mining industry. The interpretation did not have an impact on the Group's consolidated financial statements. Amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards – Government Loans". The amendment is not relevant to the Group.

## 4 New accounting pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2014 or later, and which the Group has not early adopted.

***IFRS 9 "Financial Instruments: Classification and Measurement".*** The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary. The Group does not intend to adopt the existing version of IFRS 9.

***Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014).*** The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Group is considering the implications of the amendment and its impact on the Group.

***Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014).*** The Group does not expect the amendment to have any impact on its financial statements.

## 4 New accounting pronouncements (continued)

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

***Amendments to IAS 36 – "Recoverable amount disclosures for non-financial assets" (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period).*** The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The amendment is not expected to have any material impact on the Group's financial statements.

***Amendments to IAS 39 – "Novation of Derivatives and Continuation of Hedge Accounting" (issued in June 2013 and effective for annual periods beginning 1 January 2014).*** The Group does not apply hedge accounting.

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

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

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

## 5 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognised in the 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 flooding.*** On 28 October 2006, the Group ceased production operations in Mine 1 due to natural groundwater inflow that reached a level which could not be properly controlled. On 1 November 2006, the commission of Rostekhnadzor issued an act on its technical investigation of the cause of flooding in Mine 1.

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

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

In the appendices to the report of the second commission of Rostekhnadzor, there is a calculation of the value of lost mineral resources (from US$ 775,454 to US$ 2,584,909) and a calculation of losses resulting from mineral extraction tax not received by the government due to flooding (from US$ 29,454 to US$ 98,230). The Company evaluates the risk that claims for compensation for mineral deposits lost as a result of mine flooding could arise as "possible" and the risk of compensation for respective mineral extraction tax as "remote".

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

***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 conditions of assets and estimated period during which these assets will bring economic benefit to the Group (Note 9).

The Group holds operating mining licences which were prolonged 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.

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

***Impairment of goodwill.*** The Group tests goodwill for impairment at least annually (Note 10). The goodwill relates to the acquisition of the Silvinit Group, CJSC Solikamsky Stroitelny Trest, OJSC BBT and CJSC VNII Galurgia. The goodwill is primarily attributable to the expected future operational and marketing synergies of the combined group and is allocated to CGU Uralkali Group (Note 10).

***Trade and other receivables.*** The Group's management analyses overdue trade and other accounts receivable at each reporting date. Overdue accounts receivable are not provided for if management has certain evidence of their recoverability. If management has no reliable information about the recoverability of overdue receivables, a 100% impairment provision is accrued for trade and other receivables overdue by more than 90 days; receivables overdue by more than 45 (but less than 90) days are provided for at 50% of their carrying amount.

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

***Tax legislation.*** Russian tax, currency and customs legislation is subject to varying interpretations (Note 37).

***Provision for filling cavities.*** A provision has been established in the consolidated financial statements for the Group's obligation to replace the earth extracted from the Solikamsk mines (Note 20).

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

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

- The extent of the filling cavities works which will have to be performed in the future may vary depending on the actual environmental situation. Management believes that the legal obligation to replace the earth in the mines is consistent with the cavities filling plan agreed with the State mine supervisory body;
- The future unit cost of replacing one cubic meter of the earth in the mines may vary depending on the technology and the cost of resources used. Management assumes that the unit cost of replacing a cubic meter of earth in future years, during the period for which the current filling cavities plan is in place, adjusted for the effect of inflation, will not be materially different from the actual cost incurred in 2013;
- Management applied its judgment in determining the rate used in discounting the future real cash outflows associated with the filling cavities works, reflecting the time value of money. In 2013 management applied discount rates of 6.97%, 7.08%, and 8.15% for different mines, respectively (In 2012: 6.6%).

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

***Impairment of intangible assets.*** Intangible assets are assessed for indicators of impairment at each reporting date.

At 31 December 2013 the intangible assets of the Group primarily comprised mining licences. A certain high degree of management estimates and judgment are required to assess whether the recoverable amount of the intangible assets exceed 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.

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

Because the assumptions used to estimate the above factors might change from period to period, the results of management estimates might change from period to period. During 2013 the price of potash on the domestic and international markets has decreased. Management considered that as an indicator of potential impairment and performed an assessment of the intangible assets for impairment.

The recoverable amount has been assessed with reference to value-in-use models. Based on the assessment of value-in-use, the recoverable amount of intangible assets at 31 December 2013 exceeds its carrying amount.

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

***Restructuring provision.*** The Group accrued a provision for the closing down of the ore-treatment plant and carnallite plant subdivision at Berezniki 1 (Note 20).

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

- Estimates were used to determine the costs of dismantling and restoration works for the liquidation of the ore-treatment plant and the carnallite plant at Berezniki 1;
- Management applied its judgment in determining the rate used in discounting the future real cash outflows associated with the dismantling works, reflecting the time value of money. The discount rate used is in the range from 6.15% to 7.16% depending on the timing of expenses.

## 6 Business combinations

The following business combinations occurred in 2013:

### *6.1 Acquisition of OJSC Galurgia*

On 6 December 2013 the Company acquired OJSC Galurgia, an institute specializing in scientific research and commercial engineering design in the potash and salt industries. OJSC Galurgia was an associate of the Company before the acquisition. The acquisition was made through the purchase of 162,000 Galurgia ordinary shares, representing approximately 27.11% of its ordinary share capital, for total cash consideration of US$ 1,706.

The financial position and the results of operations of OJSC Galurgia were included in the Group's consolidated financial statements from 6 December 2013.

The table below sets forth the fair values of OJSC Galurgia's identifiable assets, liabilities and contingent liabilities at the date of acquisition:

| | Note | Attributed fair value |
|---|---|---|
| **Assets** | | |
| Property, plant and equipment | 9 | 20,243 |
| Intangible assets | 11 | 9,609 |
| Other non-current financial assets | | 98 |
| Trade and other receivables* | | 4,714 |
| Inventories | | 82 |
| Cash and cash equivalents | | 3,686 |
| **Total assets** | | **38,432** |
| | | |
| **Liabilities** | | |
| Deferred income tax liability | 34 | 3,120 |
| Post-employment benefit obligations | 35 | 324 |
| Trade and other payables | | 13,895 |
| **Total liabilities** | | **17,339** |
| **Total identifiable net assets at fair value** | | **21,093** |

## 6 Business combinations (continued)

### *6.1 Acquisition of OJSC Galurgia (continued)*

The excess of the fair values of total identifiable net assets over the total consideration was recognized in the consolidated statement of income.

| | Note | US$ thousands |
|---|---|---|
| Total identifiable net assets at fair value | | 21,093 |
| Fair value of the non-controlling interest | | (5,642) |
| Fair value of existing interest in acquiree | 14 | (9,732) |
| Negative goodwill recognised as income | 31 | (4,013) |
| **Total purchase consideration** | | **1,706** |

* The gross contractual amount of trade and other receivable did not differ from their fair value at acquisition date as management considers it the best estimate of contractual cash flows to be received.

The Group finalised the purchase price allocation in the consolidated financial statements for the year ended 31 December 2013.

If the acquisition had occurred on 1 January 2013, Group revenue for 2013 would have been increased on US$ 4,530 and profit for 2013 would have been increased on US$ 868.

### *6.2 Acquisition of CJSC VNII Galurgia*

On 11 December 2013 the Company obtained control over CJSC VNII Galurgia, an institute dealing with scientific research developments and design in the potash, salt and accompanying industries. The acquisition was made through the purchase of 424 CJSC VNII Galurgia ordinary shares, representing approximately 68.39% of its ordinary share capital, for total cash consideration of US$ 8,665.

The financial position and the results of operations of CJSC VNII Galurgia were included in the Group's consolidated financial statements from 11 December 2013.

The table below sets forth the fair values of CJSC VNII Galurgia's identifiable assets and liabilities at the date of acquisition:

| | Note | Attributed fair value |
|---|---|---|
| **Assets** | | |
| Property, plant and equipment | 9 | 691 |
| Intangible assets | 11 | 8,220 |
| Trade and other receivables* | | 6,756 |
| Inventories | | 1,016 |
| Cash and cash equivalents | | 2,696 |
| **Total assets** | | **19,379** |
| | | |
| **Liabilities** | | |
| Deferred income tax liability | | 1,715 |
| Post-employment benefit obligations | 35 | 183 |
| Trade and other payables | | 8,470 |
| **Total liabilities** | | **10,368** |
| **Total identifiable net assets at fair value** | | **9,011** |

The excess of the total consideration paid by the Group over the fair values of assets and liabilities represents the goodwill.

| | Note | US$ thousands |
|---|---|---|
| Total identifiable net assets at fair value | | 9,011 |
| Fair value of the non-controlling interest | | (1,802) |
| Fair value of existing interest in acquiree | | (1,046) |
| Goodwill | 10 | 2,502 |
| **Total purchase consideration** | | **8,665** |

* The gross contractual amount of trade and other receivables did not differ from their fair value at acquisition date as management considers it to be the best estimate of contractual cash flow expected to be collected.

The goodwill is attributable to the expected future optimization of the construction and repair works for the Group. The goodwill will not be deductible for tax purposes in future periods.

## 6 Business combinations (continued)

### *6.2 Acquisition of OJSC Galurgia (continued)*

The Group finalized the purchase price allocation in the consolidated financial statements for the year ended 31 December 2013.

If the acquisition had occurred on 1 January 2013, Group revenue for the year ended 31 December 2013 would have been increased on US$ 3,434 and profit for 2013 would have been increased on US$ 753.

## 7 Related parties

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

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions only if such terms can be substantiated.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding are detailed below.

In 2013 JSC United Chemical Company Uralchem and ONEXIM Group have become significant shareholders of the Company.

| **Statement of financial position caption** | **Nature of relationship** | **31 December 2013** | **31 December 2012** |
|---|---|---:|---:|
| *Balances* | | | |
| Prepayments for acquisition of property, plant and equipment | Associate | - | 4,799 |
| Prepayments for acquisition of property, plant and equipment | Other related parties | - | 4,022 |
| Trade and other receivables | Associate | - | 64 |
| Trade and other receivables | Other related parties | - | 6 |
| Trade and other payables | Associate | - | 616 |
| Advances received | Related party through significant shareholder | 4,887 | - |

| | | **2013** | **2012** |
|---|---|---:|---:|
| *Transactions* | | | |
| Acquisition of property, plant and equipment | Associate | 13,580 | 24,095 |
| Acquisition of property, plant and equipment | Other related parties | 8,225 | 4,704 |
| Acquisition of inventories | Associate | - | 7,572 |
| Acquisition of inventories | Other related parties | 2,676 | - |

| **Statement of income caption** | **Nature of relationship** | **2013** | **2012** |
|---|---|---:|---:|
| Other domestic revenue | Related party through significant shareholder | 1,730 | - |
| Other domestic revenue | Associate | - | 202 |
| Other domestic revenue | Other related parties | - | 9,228 |
| Transportation and other revenues | Associate | - | 7 |
| Transportation and other revenues | Other related parties | - | 1 |
| Repairs and maintenance | Associate | 4,371 | 3,657 |
| Repairs and maintenance | Other related parties | - | 915 |
| Other expenses | Associate | 33 | 842 |
| Other expenses | Other related parties | 2,321 | 2,509 |
| Interest income | Other related parties | - | 33 |
| Monitoring costs | Associate | 1,912 | 2,519 |

## 7 Related parties (continued)

***Cross shareholding***

As of 31 December 2013 UK-Tehnologia, a 100% owned subsidiary of the Group, owned 12.5% of the ordinary shares of the Company (31 December 2012: nil). As of 31 December 2012 Enterpro Services Ltd., a 100% owned subsidiary of the Group, owned 0.13% of the ordinary shares of the Company.

***Management's compensation***

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

In 2011 the Board of Directors approved the main principles of the long-term incentive strategy of Uralkali's top management. The amounts payable depended on total shareholder return relative to the Company's peers and adjusted to the volatility of the Russian stock market versus the US market. In 2013 the long-term incentive programme was updated. Several conditions of the program were changed to reflect market developments and specified the conditions in case of changes in shareholder structure.

In December 2013 a one-time premium payment to top management was accrued in accordance with the program due to acquisition of Company's shares by JSC United Chemical Company Uralchem and ONEXIM Group.

The Group's liability as of 31 December 2012 was estimated to be nil as vesting conditions of the program were not met.

Key management compensation is presented below:

| | **2013** | | **2012** | |
|---|---|---|---|---|
| | **Expense** | **Accrued liability (Note 25)** | **Expense** | **Accrued liability (Note 25)** |
| Short-term employee benefits | 21,216 | 6,069 | 15,968 | 4,529 |
| One-time premium payment | 41,629 | 28,826 | - | - |
| **Total** | **62,845** | **34,895** | **15,968** | **4,529** |

## 8 Segment reporting

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

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

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

| | **Note** | **2013** | **2012** |
|---|---|---|---|
| Revenues | 26 | 3,322,615 | 3,949,793 |
| **Segment result/ Net profit** | | **666,328** | **1,596,611** |
| | | | |
| Depreciation and amortization | | (415,304) | (459,505) |
| Mine flooding costs | 33 | (4,203) | (3,534) |
| Finance income | 32 | 121,792 | 166,880 |
| Finance expense | 32 | (352,972) | (78,788) |
| Income tax expense | 34 | (160,580) | (339,796) |

## 8 Segment reporting (continued)

b) Geographical information

The analysis of Group sales by region was:

| | 2013 | 2012 |
|---|---:|---:|
| Russia | 523,063 | 649,377 |
| Latin America, China, India, South East Asia | 2,159,021 | 2,597,574 |
| USA, Europe | 594,827 | 676,510 |
| Other countries | 45,704 | 26,332 |
| **Total revenue** | **3,322,615** | **3,949,793** |

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 2013 and 2012, respectively.

d) In addition to the above segment disclosures management is preparing additional information that splits the result of the Potash segment activity between export potash sales, domestic potash sales and other sales. Direct cost of sales and distribution expenses are allocated proportionally based on revenues. Indirect expenses, such as general and administrative expenses, other operating income and expenses and taxes other than income tax are allocated between categories proportionally based on cost of sales. Some costs are considered as unallocated (loss on disposal of fixed assets, impairment of assets reclassified to non-current assets held for sale, write-down of non-current assets held for sale to fair value less costs to sell, reversal and additions of provisions, net results on sale of Belaruskali and Silvinit goods, mine flooding costs, finance income and expense, income tax expense).

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

| | Export potash sales | Domestic potash sales | Total potash sales | Other sales | Unallo-cated | Total |
|---|---:|---:|---:|---:|---:|---:|
| **Tonnes (thousands)** | **8,006** | **1,861** | **9,867** | **-** | **-** | **9,867** |
| Revenues | 2,799,552 | 408,201 | 3,207,753 | 114,862 | - | 3,322,615 |
| Cost of sales | (720,462) | (167,433) | (887,895) | (56,630) | - | (944,525) |
| Distribution, general and administrative expenses, other operating income and expenses and taxes other than income tax | (1,197,166) | (77,072) | (1,274,238) | (41,561) | - | (1,315,799) |
| **Operating profit** | **881,924** | **163,696** | **1,045,620** | **16,671** | **-** | **1,062,291** |
| Mine flooding costs | | | | | (4,203) | (4,203) |
| Finance income and expense, net | | | | | (231,180) | (231,180) |
| Profit before income tax | | | | | 826,908 | **826,908** |
| Income tax expense | | | | | (160,580) | (160,580) |
| **Segment result/Net profit** | | | | | | **666,328** |

This split for the year ended 31 December 2012 was as follows:

| | Export potash sales | Domestic potash sales | Total potash sales | Other sales | Unallo-cated | Total |
|---|---:|---:|---:|---:|---:|---:|
| **Tonnes (thousands)** | **7,281** | **2,081** | **9,362** | **-** | **-** | **9,362** |
| Revenues | 3,300,416 | 528,494 | 3,828,910 | 120,883 | - | 3,949,793 |
| Cost of sales | (714,888) | (204,355) | (919,243) | (71,556) | - | (990,799) |
| Distribution, general and administrative expenses, other operating income and expenses and taxes other than income tax | (1,001,222) | (69,051) | (1,070,273) | (36,683) | (189) | (1,107,145) |
| **Operating profit/(loss)** | **1,584,306** | **255,088** | **1,839,394** | **12,644** | **(189)** | **1,851,849** |
| Mine flooding costs | | | | | (3,534) | (3,534) |
| Finance income and expense, net | | | | | 88,092 | 88,092 |
| Profit before income tax | | | | | 1,936,407 | 1,936,407 |
| Income tax expense | | | | | (339,796) | (339,796) |
| **Segment result/Net profit** | | | | | | **1,596,611** |

## 9 Property, plant and equipment

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

| | **Buildings** | **Mine development costs** | **Plant and equipment** | **Transport** | **Assets under construction** | **Other** | **Land** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| Balance as of 31 December 2012 | 899,224 | 749,565 | 1,719,456 | 311,473 | 925,611 | 54,826 | 8,017 | 4,668,172 |
| Additions | - | - | - | 12,669 | 390,809 | - | - | 403,478 |
| Changes in estimates adjusted against property, plant and equipment (Note 20) | - | (14,955) | - | - | - | - | - | (14,955) |
| Transfers | 85,287 | 148,446 | 135,749 | 24,192 | (388,333) | (5,414) | 73 | - |
| Disposals | (6,471) | (704) | (40,066) | (2,632) | (2,368) | (1,622) | (20) | (53,883) |
| Acquisition of subsidiaries (Note 6) | 12,119 | - | 662 | 450 | 6,520 | 73 | 1,110 | 20,934 |
| Write-off of fixed assets (Note 31) | - | - | (1,492) | - | (198) | - | - | (1,690) |
| Effect of translation to presentation currency | (66,947) | (57,544) | (126,371) | (23,369) | (66,458) | (3,729) | (528) | (344,946) |
| **Balance as of 31 December 2013** | **923,212** | **824,808** | **1,687,938** | **322,783** | **865,583** | **44,134** | **8,652** | **4,677,110** |
| **Accumulated Depreciation** | | | | | | | | |
| Balance as of 31 December 2012 | 174,338 | 232,444 | 754,682 | 108,654 | - | 12,926 | - | 1,283,044 |
| Depreciation charge | 29,772 | 50,876 | 190,788 | 24,224 | - | 2,909 | - | 298,569 |
| Disposals | (1,718) | 96 | (34,101) | (2,313) | - | (1,325) | - | (39,361) |
| Write-off of fixed assets (Note 31) | - | - | (1,288) | - | - | - | - | (1,288) |
| Effect of translation to presentation currency | (13,308) | (18,106) | (58,521) | (8,413) | - | (962) | - | (99,310) |
| **Balance as of 31 December 2013** | **189,084** | **265,310** | **851,560** | **122,152** | **-** | **13,548** | **-** | **1,441,654** |
| **Net Book Value** | | | | | | | | |
| **Balance as of 31 December 2012** | **724,886** | **517,121** | **964,774** | **202,819** | **925,611** | **41,900** | **8,017** | **3,385,128** |
| **Balance as of 31 December 2013** | **734,128** | **559,498** | **836,378** | **200,631** | **865,583** | **30,586** | **8,652** | **3,235,456** |

## 9 Property, plant and equipment (continued)

| | Buildings | Mine development costs | Plant and equipment | Transport | Assets under construction | Other | Land | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| Balance as of 31 December 2011 | 793,300 | 608,486 | 1,479,088 | 285,675 | 864,357 | 54,765 | 35,566 | 4,121,237 |
| Additions | - | - | - | 13,838 | 373,565 | - | - | 387,403 |
| Changes in estimates adjusted against property, plant and equipment (Note 20) | - | 35,736 | - | - | - | - | - | 35,736 |
| Transfers | 80,724 | 75,432 | 192,451 | - | (356,204) | 4,669 | 2,928 | - |
| Disposals | (6,997) | (7,739) | (39,823) | (5,391) | (8,213) | (7,826) | (329) | (76,318) |
| Impairment of fixed assets reclassified to assets held for sale (Note 31) | (5,664) | - | - | - | - | - | (25,277) | (30,941) |
| Reclassification to non-current assets held for sale | (2,004) | - | - | - | - | - | (6,319) | (8,323) |
| Write-off of fixed assets (Note 31) | (9,112) | (1,302) | (4,568) | - | - | - | - | (14,982) |
| Effect of translation to presentation currency | 48,977 | 38,952 | 92,308 | 17,351 | 52,106 | 3,218 | 1,448 | 254,360 |
| **Balance as of 31 December 2012** | **899,224** | **749,565** | **1,719,456** | **311,473** | **925,611** | **54,826** | **8,017** | **4,668,172** |
| **Accumulated Depreciation** | | | | | | | | |
| Balance as of 31 December 2011 | 143,668 | 179,767 | 532,546 | 83,258 | - | 12,262 | - | 951,501 |
| Depreciation charge | 25,878 | 42,533 | 213,797 | 22,517 | - | 3,166 | - | 307,891 |
| Disposals | (1,230) | (934) | (26,162) | (2,591) | - | (3,231) | - | (34,148) |
| Reclassification to non-current assets held for sale | (95) | - | - | - | - | - | - | (95) |
| Write-off of fixed assets (Note 31) | (3,020) | (689) | (1,882) | - | - | - | - | (5,591) |
| Effect of translation to presentation currency | 9,137 | 11,767 | 36,383 | 5,470 | - | 729 | - | 63,486 |
| **Balance as of 31 December 2012** | **174,338** | **232,444** | **754,682** | **108,654** | **-** | **12,926** | **-** | **1,283,044** |
| **Net Book Value** | | | | | | | | |
| **Balance as of 31 December 2011** | **649,632** | **428,719** | **946,542** | **202,417** | **864,357** | **42,503** | **35,566** | **3,169,736** |
| **Balance as of 31 December 2012** | **724,886** | **517,121** | **964,774** | **202,819** | **925,611** | **41,900** | **8,017** | **3,385,128** |

## 9 Property, plant and equipment (continued)

### *Fully depreciated assets still in use*

As of 31 December 2013 and 31 December 2012 the gross carrying value of fully depreciated property, plant and equipment still in use was US$ 456,043 and US$ 407,516, respectively.

### *Assets pledged under loan agreements*

The Group had no property, plant and equipment pledged as of 31 December 2013. As of 31 December 2012 the carrying value of property, plant and equipment pledged under bank loans was US$ 183,528 (Note 22).

### *Property, plant and equipment write-off*

During the year ended 31 December 2013 the Group wrote off fixed assets with a gross book value and accumulated depreciation of US$ 1,690 and US$ 1,288, respectively, and recognised a loss of US$ 402 in the consolidated statement of income.

During the year ended 31 December 2012 the Group wrote off fixed assets with a gross book value and accumulated depreciation of US$ 14,982 and US$ 5,591, respectively, due to the abandonment of an ore-treatment plant and carnallite plant at Berezniki 1 (Note 20), and recognised a loss of US$ 9,391 in the consolidated statement of income.

### *Reclassification to assets held for sale*

In the year ended 31 December 2013 the Group did not reclassify any property, plant and equipment to assets held for sale.

In the year ended 31 December 2012 the Group reclassified plots of land and premises with a gross book value and accumulated depreciation of US$ 8,323 and US$ 95, respectively. Impairment in the amount of US$ 30,941 (Note 31) was recognized prior to reclassification to non-current assets held for sale for the year ended 31 December 2012.

In the year ended 31 December 2012 the Group wrote-down the titanium sponge complex held for sale to fair value less costs to sell (Note 31) and then disposed the assets for the amount of US$ 8,445.

## 10 Goodwill

| | Note | 2013 | 2012 |
|---|---|---|---|
| Gross book value at 1 January | | 1,939,538 | 1,829,694 |
| Accumulated impairment losses at 1 January | | | - |
| **Carrying amount 1 January** | | **1,939,538** | **1,829,694** |
| Acquisition of subsidiaries | 6 | 2,502 | - |
| Effect of translation to presentation currency | | (139,642) | 109,844 |
| **Carrying amount at 31 December** | | **1,802,398** | **1,939,538** |
| Gross book value at 31 December | | 1,802,398 | 1,939,538 |
| Accumulated impairment losses at 31 December | | - | - |
| **Carrying amount at 31 December** | | **1,802,398** | **1,939,538** |

The goodwill is primarily attributable to the expected future operational and marketing synergies arising from the acquisition of subsidiaries, which are attributable to the combined business as a whole and not to individual assets of subsidiaries. Allocation of goodwill to cash generated unit (CGU):

| **CGU allocated** | **Acquisition** | **31 December 2013** | **31 December 2012** |
|---|---|---|---|
| Uralkali Group | Silvinit Group | 1,774,989 | 1,912,705 |
| Uralkali Group | CJSC SST | 13,725 | 14,783 |
| Uralkali Group | OJSC BBT | 11,182 | 12,050 |
| Uralkali Group | CJSC VNII Galurgia (Note 6) | 2,502 | - |
| **Total carrying amount of goodwill** | | **1,802,398** | **1,939,538** |

## 10 Goodwill (continued)

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:

| | 2013 | 2012 |
|---|---|---|
| RR/US$ exchange rate | From 33 to 39 | 32 |
| Growth rate beyond one year | 3% p.a. | 3% p.a. |
| Pre-tax discount rate | 10.3% p.a. | 10.6% p.a. |
| Long-term inflation rate | From 2% to 6% p.a. | 3% p.a. |

The Group did not recognise any impairment of goodwill in the consolidated financial statements for the years ended 31 December 2013 and 31 December 2012.

## 11 Intangible assets

| | Note | Mining licences | Software | Other | Total |
|---|---|---|---|---|---|
| **Cost as of 1 January 2012** | | **5,703,894** | **19,774** | **447** | **5,724,115** |
| **Accumulated amortisation** | | **(117,002)** | **(15,074)** | **-** | **(132,076)** |
| **Balance as of 1 January 2012** | | **5,586,892** | **4,700** | **447** | **5,592,039** |
| Additions | | - | 5,316 | - | 5,316 |
| Capitalised borrowing costs | | 78,838 | - | | 78,838 |
| Disposals | | (84) | (703) | - | (787) |
| Amortisation charge | 27, 29 | (151,252) | (3,674) | - | (154,926) |
| Disposals of accumulated amortisation | | 84 | 356 | - | 440 |
| Effect of translation to presentation currency | | 333,688 | 294 | 14 | 333,996 |
| **Cost as of 31 December 2012** | | **6,127,042** | **25,681** | **461** | **6,153,184** |
| **Accumulated amortisation** | | **(278,876)** | **(19,392)** | **-** | **(298,268)** |
| **Balance as of 31 December 2012** | | **5,848,166** | **6,289** | **461** | **5,854,916** |
| Additions | | - | 596 | 1,672 | 2,268 |
| Acquisition of subsidiary | 6 | - | 385 | 17,444 | 17,829 |
| Capitalised borrowing costs | | 124,797 | - | - | 124,797 |
| Disposals | | - | (1,270) | (284) | (1,554) |
| Amortisation charge | 27, 29 | (116,969) | (2,488) | (1,240) | (120,697) |
| Disposals of accumulated amortisation | | - | 1,270 | 779 | 2,049 |
| Effect of translation to presentation currency | | (421,288) | (510) | (511) | (422,309) |
| **Cost as of 31 December 2013** | | **5,807,302** | **23,510** | **18,770** | **5,849,582** |
| **Accumulated amortisation** | | **(372,596)** | **(19,238)** | **(449)** | **(392,283)** |
| **Balance as of 31 December 2013** | | **5,434,706** | **4,272** | **18,321** | **5,457,299** |

## 11 Intangible assets (continued)

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

| Licensed plot | | 31 December 2013 | 31 December 2012 |
|---|---|---|---|
| Solikamskiy plot (south part) | SKRU-2 | 1,996,792 | 2,211,460 |
| Novo-Solikamskiy plot | SKRU-3 | 1,898,447 | 2,088,882 |
| Solikamskiy plot (north part) | SKRU-1 | 177,359 | 210,551 |
| Polovodovskiy plot (south part) | | 300,611 | 293,365 |
| Polovodovskiy plot (north part) | | 1,061,497 | 1,043,230 |
| **Total** | | **5,434,706** | **5,847,488** |

On 1 April 2013 the Company prolonged its operating licences 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. These licences have been prolonged till 2018 – 2021 at a nominal cost.

In March 2013, simultaneously with the mining licenses prolongation, Uralkali submitted new technical specifications for the Solikamskiy plot mines development. According to those specifications, potash reserves were reallocated between mines and licenced plots. On the basis of the change in the expected pattern of production, Uralkali has grouped the licences of Solikamskiy plot (south part), Solikamskiy plot (north part) and Novosolikaskiy plot for the purposes of calculating the amortization charge for the respective licences. This resulted in the change of depletion rates starting from 1 April 2013. In addition, the Polovodovo mine plot was divided into south and north parts. The south part will be exploited from SKRU-3, while a  mine will be constructed for the north part.

These changes were accounted for as changes in estimates and resulted in a decrease of the amortization expense for the year ended 31 December 2013 in the amount of US$ 50,447 in comparison with the previous methods. If the change in pattern of production occurred from 1 January 2013 the amortization expense would have decreased by a further  US$ 18,538. Similar effect is expected in the foreseeable future.

## 12 Joint arrangement

Until July 2013 the Company had a 50% interest in JSC Belarusian Potash Company (“BPC”) – the remaining 50% was divided between Belaruskali (which owns 45%) and Belarusian Railways (which owns 5%). According to BPC’s charter, all decisions on shareholders meeting could be taken only with a majority of 75%. Therefore, BPC operations were under the joint control of Belaruskali and the Company (the “Participants”). BPC's principal activity was the marketing and exporting, as an agent, of potash fertilizers produced by the Participants.

On 29 July 2013 Uralkali announced a new sales strategy together with a decision to stop export sales through BPC and direct all export sales through Uralkali Trading SA. At the same time the Group lost joint control over BPC operations and the Group’s share in assets and liabilities of BPC was derecognised. The consolidated statement of income reflects the revenue from sales by BPC of Uralkali’s products, together with the related costs of sales, distribution and administrative costs for period from 1 January to 29 July 2013.

BPC’s charter provides for separate accounting of the operations of each participant, including separate accounting for the sales of the participants’ goods and the related cost of sale and distribution costs. Administrative expenses incurred by BPC were shared as follows from 1 January to 29 July 2013: 50% (year ended 31 December 2012: not more than 78%) allocated to Belaruskali operations, and 50% (year ended 31 December 2012: not less than 22%) allocated to Group operations The Group has assumed  that administrative expenses incurred by BPC upon Uralkali’s decision as of 29 July 2013 to stop export sales through BPC should be allocated 100% to Belaruskali operations. The distribution of net income to each participant is made on the basis of their relevant results after deducting administrative costs, unless both participants decide not to distribute.

The Group has incurred a loss in the amount of US$ 2,602 due to the termination of the arrangement with BPC for the year ended 31 December 2013 (Note 31). The loss stemmed from the write-off of BPC’s net assets.

On 26 August 2013, Mr. Vladislav Baumgertner, the Group's Chief Executive Officer at the time, was taken into custody in Minsk, Belarus in relation to an investigation under part 3 of Article 424 of the Criminal Code of Belarus (“Abuse of Power or Authority”).  Public statements made by Belorussian officials upon his arrest, stated that, as a result of Mr. Baumgertner's actions, BPC and the Belorussian State had incurred losses of approximately US$ 100,000.

## 12 Joint arrangement (continued)

Mr. Baumgertner was released from custody and returned to Russia in November 2013 where he subsequently was placed under house arrest. To Management's knowledge neither Mr. Baumgertner, any Group company nor other member of management have received any official legal clam in relation to the Group's relationship with BPC. While management will continue to monitor the situation, it does not expect any further actions to be taken in relation to this issue by either Belorussian or other governmental authorities.

## 13 Income tax prepayments – amount recoverable after more than 12 months

On 16 April 2013 the Company concluded an agreement with the government of Perm Region to maintain minimum income tax payments of at least RR 6 billion (US$ 183,323) per year in 2013 – 2015. As a result it will utilize its existing income tax prepayments in several years. The amount of income tax prepayments recoverable after more than 12 months in the amount of US$ 307,035 was recorded at amortised cost using a discount rate of 6.97%. As of 31 December 2013 its carrying value was US$ 259,455.

## 14 Investments in associates

The Group has the following investments in associates:

| | **Country of incorporation** | **31 December 2013** | **31 December 2012** |
|---|---|---|---|
| OJSC Galurgiya | Russia | Reclassified to Subsidiary | 46% |
| Intrako | Russia | 33.75% | - |

The table below summarises the movements in the carrying amount of the Group's investment in associates.

| | **Note** | **2013** | **2012** |
|---|---|---|---|
| **Carrying amount at 1 January** | | **12,887** | **12,563** |
| Share of profit of associates | | (6,561) | 354 |
| **Share of net assets of associates** | | **6,326** | **12,917** |
| Acquisition of associate | | 1,259 | - |
| Revaluation of existing interest in acquires | 31 | 4,402 | |
| Associate reclassified to subsidiary | 6 | (9,732) | - |
| Loss from disposals of associate | | - | (129) |
| Fair value of disposed associate | | - | (642) |
| Effect of translation to presentation currency | | (996) | 741 |
| **Carrying amount at 31 December** | | **1,259** | **12,887** |

On 6 December 2013 the Company acquired OJSC Galurgia, an Institute specializing in scientific research and commercial engineering designing in potash and salt industry branches. OJSC Galurgia was an associate of the Company before the acquisition (Note 6).

## 15 Inventories

| | **31 December 2013** | **31 December 2012** |
|---|---|---|
| Raw materials and spare parts | 112,542 | 115,713 |
| Finished products | 122,585 | 115,236 |
| Work in progress | 2,538 | 2,204 |
| Other inventories | 12,830 | 9,014 |
| **Total inventories** | **250,495** | **242,167** |

As of 31 December 2013 no inventories were pledged as security for bank loans (31 December 2012: US$ 4,339) (Note 22).

Other inventories mainly represent the residential buildings, which are constructed by the Group.

## 16 Trade and other receivables

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Trade receivables | 348,191 | 420,995 |
| Other accounts receivable | 23,374 | 16,214 |
| Less: provision for impairment of trade and other receivables | (9,563) | (9,576) |
| **Total financial receivables** | **362,002** | **427,633** |
| | | |
| VAT recoverable | 75,773 | 42,011 |
| Other taxes receivable | 35,778 | 60,166 |
| Advances to suppliers | 37,642 | 25,033 |
| Insurance expenses prepaid | - | 626 |
| Other prepayments | 6,867 | 5,388 |
| **Total trade and other receivables** | **518,062** | **560,857** |

As of 31 December 2013 trade receivables of US$ 330,255 (31 December 2012: US$ 349,509), net of provision for impairment, were denominated in foreign currencies. 86% of this balance was denominated in US$ (31 December 2012: 93%) and 14% was denominated in Euro (31 December 2012: 7%). Management believes that the fair value of accounts receivable does not differ significantly from their carrying amount.

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

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Trade receivables | Other receivables | Trade receivables | Other receivables |
| **As of 1 January** | **(7,175)** | **(2,401)** | **(6,121)** | **(2,268)** |
| Provision accrued | (440) | (1,319) | (1,833) | (2,927) |
| Provision acquired | (157) | - | - | - |
| Provision reversed | 565 | 848 | 1,126 | 2,927 |
| Effect of translation to presentation currency | 302 | 214 | (347) | (133) |
| **As of 31 December** | **(6,905)** | **(2,658)** | **(7,175)** | **(2,401)** |

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

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

| | 31 December 2013 | | 31 December 2012 | |
|---|---|---|---|---|
| | Trade receivables | Other receivables | Trade receivables | Other receivables |
| *Current and not impaired* | | | | |
| Insured | 50,902 | - | 178,746 | - |
| Not insured or factored | 255,735 | 12,405 | 93,439 | 7,771 |
| **Total current and not impaired** | **306,637** | **12,405** | **272,185** | **7,771** |
| *Past due but not impaired* | | | | |
| less than 45 days overdue | 22,763 | 6,905 | 123,675 | 4,952 |
| 45 to 90 days overdue | 1,711 | - | 16,857 | 33 |
| over 90 days overdue | 9,380 | 1,375 | - | 955 |
| **Total past due but not impaired** | **33,854** | **8,280** | **140,532** | **5,940** |
| *Determined to be impaired (gross)* | | | | |
| 45 to 90 days overdue | 1,711 | 61 | 2,206 | 198 |
| over 90 days overdue | 5,989 | 2,628 | 6,072 | 2,305 |
| **Total gross amount of impaired accounts receivable** | **7,700** | **2,689** | **8,278** | **2,503** |
| **Total financial receivables (gross)** | **348,191** | **23,374** | **420,995** | **16,214** |
| | | | | |
| Less impairment provision | (6,905) | (2,658) | (7,175) | (2,401) |
| **Total financial receivables** | **341,286** | **20,716** | **413,820** | **13,813** |

## 16 Trade and other receivables (continued)

As of 31 December 2013 and 2012 no trade and other receivables were pledged as collateral.

As of 31 December 2013 and 2012 accounts receivable classified as "Neither insured nor factored" included receivables from key and prominent customers. A significant portion of receivables trade under letters of credit.

At 31 December 2013, the Group had a residual exposure to factored accounts receivables that had a carrying value of US$ 9,139 immediately after they were factored for US$ 93,993. The associated liabilities were recognised as other payables in amount of US$ 9,139. The Group is exposed to late payment risk, as it guaranteed payment of interest over a period of up to 240 days from the past due date.

## 17 Other financial assets at fair value through profit or loss

As of 31 December 2013 the balance of other financial assets at fair value through profit or loss is nil. As of 31 December 2012 other financial assets at fair value through profit or loss are represented by highly liquid US$ denominated corporate bonds neither past due nor impaired. Analysis by credit quality of other financial assets at fair value through profit or loss is as follows:

| **Rating agency** | **Rating** | **31 December 2013** | **31 December 2012** |
|---|---|---|---|
| Fitch Ratings | BBB- | - | 18,526 |
| Fitch Ratings | BBB | - | 14,535 |
| Moody's/Fitch Ratings | Baa1/BBB | - | 83,286 |
| Moody's/Standard & Poor's | Baa3/BBB- | - | 17,594 |
| **Total other financial assets at fair value through profit or loss** | | **-** | **133,941** |

Coupon income from corporate bonds in the amount of US$ 4,821 is included in interest income for the year ended 31 December 2013 (for the year ended 31 December 2012: US$ 12,227) (Note 32).

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

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

| | **Interest rates** | **31 December 2013** | **31 December 2012** |
|---|---|---|---|
| **Cash on hand and bank balances** | | | |
| RR denominated cash on hand and bank balances | | 71,624 | 251,479 |
| US$ denominated bank balances | | 757,956 | 235,693 |
| EUR denominated bank balances | | 26,486 | 7,688 |
| Other currencies denominated balances | | 18,694 | 890 |
| **Term deposits** | | | |
| US$ term deposits | 4 % p.a. (2012: from 0.15% to 4.5 % p.a.) | 2,312 | 816,165 |
| EUR term deposits | 2% p.a. (2012: 0.20%) | 17,832 | 14,322 |
| RR term deposits | from 4.38% p.a. to 9,25% p.a. (2012: from 5.6% p.a. to 10.2% p.a.) | 35,264 | 60,007 |
| **Total cash and cash equivalents** | | **930,168** | **1,386,244** |
| **Deposits** | | | |
| Dual currency deposits | nil (2012: from 3.1% to 3.54% p.a.) | - | 137,000 |
| **Total deposits** | | **-** | **137,000** |
| **Restricted cash** | | | |
| Non-current restricted cash | nil (2012: 0.09% p.a.) | - | 3,576 |
| Current restricted cash | 9% p.a. (2012: from 7.8% to 8.5% p.a.) | 3,055 | 142,332 |
| **Total cash and cash equivalents, deposits and restricted cash** | | **933,223** | **1,669,152** |

As of 31 December 2013 and 31 December 2012, term deposits, except those included in restricted cash, have various original maturities but may upon request be withdrawn without any restrictions.

## 18 Cash and cash equivalents, deposits and restricted cash (continued)

At 31 December 2012, non-current restricted cash in the amount of US$ 3,576 consists of cash kept on bank accounts as collateral in accordance with interest rate swap agreements.

Dual currency deposits are deposits where the bank has an option to convert deposits at specified exchange rates in case the US$ exchange rate exceeds the specified threshold.

## 19 Shareholders' equity

| | Number of ordinary shares (in millions) | Ordinary shares | Treasury shares | Total |
|---|---|---|---|---|
| **At 1 January 2012** | **3,094** | **37,638** | **(746)** | **36,892** |
| Cancellation of treasury shares | (158) | (1,876) | 1,876 | - |
| Treasury shares purchased | - | - | (1,188) | (1,188) |
| **At 1 January 2013** | **2,936** | **35,762** | **(58)** | **35,704** |
| Treasury shares purchased | | | (5,664) | (5,664) |
| **At 31 December 2013** | **2,936** | **35,762** | **(5,722)** | **30,040** |

The number of unissued authorised ordinary shares is 1,730 million (31 December 2012: 1,730 million) with a nominal value per share of 1.528 US cents (0.5 RR) (31 December 2012: 1.646 US cents (0.5 RR)). All shares stated in the table above have been issued and fully paid.

In July 2012 the Group finalized its internal legal restructuring. The Company's authorized share capital decreased from 3,094,637,905 to 2,936,015,891 ordinary shares resulting from the cancellation of treasury shares owned by CJSC IK Silvinit-Resource, CJSC JV Kama, Enterpro Services Ltd. and the Company.

***Treasury shares.*** Treasury shares as of 31 December 2013 comprise 367,165,972 ordinary shares of the Company owned by CJSC UK-Technology, a wholly owned subsidiary of the Group. Treasury shares were acquired through a number of  transactions during 2013.

Treasury shares as of 31 December 2012 comprise 3,671,000 ordinary shares of the Company owned by Enterpro Services Ltd., a wholly owned subsidiary of the Group.

***Profit distribution.*** In accordance with Russian legislation, the Company distributes profits as dividends or transfers them to reserves. The Company's statutory accounting reports are the basis for profit distribution and other appropriations. Russian law identifies net profit as the basis for distribution. For the year ended 31 December 2013, the current period net statutory profit of the Company, as reported in the published annual statutory reporting forms, was US$ 983,548 (for the year ended 31 December 2012: US$ 1,578,486) and the closing balance of the accumulated profit including the current period net statutory profit totaled US$ 2,057,396 (31 December 2012: US$ 1,767,316). However, this legislation and other statutory laws and regulations are open to legal interpretation and accordingly management believes, at present, that it would not be appropriate to disclose the amount of the distributable reserves in these consolidated financial statements.

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

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

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

In December 2012 the General Meeting of Shareholders of the Company approved interim dividends amounting to US$ 449,703 (15 US cents per share).

In June 2012 the General Meeting of Shareholders of the Company approved dividends (based on the financial results for the year ended 31 December 2011) amounting to US$ 377,523 (12 US cents per share).

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

## 20 Provisions

| | Note | Legal provision | Provision for filling cavities | Restruc-turing provision | Resettlement provision | Total |
|---|---|---|---|---|---|---|
| **Carrying amount at 1 January 2012** | | **52,869** | **46,607** | **18,562** | | **118,038** |
| Changes in estimates adjusted against property, plant and equipment | 9 | - | 35,736 | - | - | 35,736 |
| Reversal of provision | 31 | (54,739) | - | - | - | (54,739) |
| Utilisation of provision | | - | (12,442) | (4,856) | | (17,298) |
| Unwinding of the present value discount and effect of changes in discount rates | | - | 8,941 | 2,187 | - | 11,128 |
| Effect of translation to presentation currency | | 1,870 | 3,568 | 1,051 | - | 6,489 |
| **Current liabilities** | | **-** | **9,680** | **5,004** | **-** | **14,684** |
| **Non-current liabilities** | | **-** | **72,730** | **11,940** | **-** | **84,670** |
| **Carrying amount at 31 December 2012** | | **-** | **82,410** | **16,944** | **-** | **99,354** |
| **Carrying amount at 1 January 2013** | | **-** | **82,410** | **16,944** | **-** | **99,354** |
| Changes in estimates adjusted against property, plant and equipment | 9 | - | (14,955) | - | - | (14,955) |
| Accrual of provision | 31 | - | - | - | 77,926 | 77,926 |
| Utilisation of provision | | | (10,697) | (4,163) | (18,026) | (32,886) |
| Unwinding of the present value discount and effect of changes in discount rates | | - | 5,203 | 507 | - | 5,710 |
| Effect of translation to presentation currency | | - | (5,302) | (1,121) | (1,613) | (8,036) |
| **Current liabilities** | | **-** | **8,550** | **1,732** | **29,836** | **40,118** |
| **Non-current liabilities** | | **-** | **48,109** | **10,436** | **28,451** | **86,996** |
| **Carrying amount at 31 December 2013** | | **-** | **56,659** | **12,168** | **58,287** | **127,114** |

***Legal provision.*** In January 2011 A.G. Lomakin filed a claim in the Perm Territory Arbitrage (Commercial) Court against OJSC Silvinit and CJSC Komputersher Registrator (a company that kept the share register of OJSC Silvinit) seeking compensation of damages in the amount of US$ 60,528. A.G. Lomakin claimed that shares of OJSC Silvinit belonging to him were unlawfully transferred from his account in the register without his consent. After the merger the Company became OJSC Silvinit's legal successor. The Perm Territory Arbitrage (Commercial) Court sustained the claim of A.G. Lomakin and recovered the damages jointly from the Company and CJSC Komputersher Registrator in the amount of US$ 60,528. The court of appellate and cassation instances upheld the decision of the Perm Territory Arbitrage (Commercial) Court. In April 2012 the claimed amount was paid in full to A.G. Lomakin by CJSC Komputersher Registrator. The provision was reversed in the consolidated financial statements for the year ended 31 December 2012.

***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 -1 998. 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.

During the year ended 31 December 2012 the Group reassessed the estimate of provision for filling cavities due to changes in volume of cavities to be filled. Therefore, the amount of provision for filling cavities was recalculated and the appropriate changes were disclosed as a change in estimates.

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

## 20 Provisions (continued)

***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 2013-2015 for the relocation of people living in inadequate housing facilities in Berezniki, including the construction of new infrastructure facilities and demolition of the vacated buildings. The agreement will be effected pursuant to the State programme on “Securing quality housing and facilities for the citizens of the Perm Region” and is in line with the decisions adopted by the Governmental Commission on 24 May 2013. As part of its commitment to corporate social responsibility, Uralkali has undertaken to provide to the Perm Region and the town of Berezniki a total of US$ 77,926 (including US$ 18,026 already disbursed in 2013). The balance is payable in instalments by 1 August 2015. The amount of provision was discounted using a discount rate 6.48% from US$ 61,108 to US$ 58,287.

## 21 Mine flooding

| | Note | 2013 | 2012 |
|---|---|---|---|
| **Balance at 1 January** | | **32,924** | **31,060** |
| Reversal of provision | 5 | (31,399) | - |
| Effect of translation to presentation currency | | (1,525) | 1,864 |
| **Balance at 31 December** | | **-** | **32,924** |

In March 2010, the Board of Directors of the Company approved voluntary compensation to OJSC “Russian Railways”, as a part of its social responsibility, of additional expenditures in relation to the construction of a 53-kilometer railway bypass in the amount of US$ 32,924 as of 31 December 2012. The Company has not paid any amount of this voluntary compensation and the Company has no contractual obligation to proceed with payment of this compensation. At 31 December 2013 the Company evaluated the possibility of compensation being paid as “remote” and, accordingly, reversed the provision.

## 22 Borrowings

| | 2013 | 2012 |
|---|---|---|
| Bank loans | 4,380,953 | 3,925,691 |
| Finance lease payable | 15,438 | 16,655 |
| **Total borrowings** | **4,396,391** | **3,942,346** |

a) Bank loans

As of 31 December 2013 and 31 December 2012 the fair value of the current and non-current borrowings is not materially different from their carrying amounts.The Group does not apply hedge accounting. The Group entered into cross-currency interest rate swap agreements in order to decrease interest rate payments (Note 24).

| | Note | 2013 | 2012 |
|---|---|---|---|
| **Balance at 1 January** | | **3,925,691** | **3,282,071** |
| Bank loans received, denominated in US$ | | 3,296,046 | 560,000 |
| Bank loans received, denominated in RR | | 2,114,638 | 495,329 |
| Bank loans repaid, denominated in US$ | | (3,223,308) | (143,138) |
| Bank loans repaid, denominated in RR | | (1,577,399) | (378,461) |
| Interest accrued | | 263,434 | 218,564 |
| Interest paid | | (260,858) | (215,183) |
| Recognition of syndication fees and other financial charges | | (35,330) | (13,873) |
| Amortisation of syndication fees and other financial charges | 32 | 22,844 | 21,179 |
| Foreign exchange gain/(loss), net | | 152,247 | (120,235) |
| Effect of translation to presentation currency | | (297,052) | 219,438 |
| **Balance at 31 December** | | **4,380,953** | **3,925,691** |

## 22 Borrowings (continued)

a) Bank loans (continued)

The table below shows interest rates as of 31 December 2013 and 31 December 2012 and the split of the bank loans into short-term and long-term.

| Short-term borrowings | Interest rates | 31 December 2013 | 31 December 2012 |
|---|---|---|---|
| Bank loans in US$: floating interest | From 1 month Libor +1.8 to 3 month Libor +3.1% (31 December 2012: From 1 month Libor +1.8 to 1 month Libor +2.95%) | 394,006 | 457,741 |
| Bank loans in US$: fixed interest | nil (31 December 2012 From 1.45% to 1.5%) | - | 130,104 |
| Bank loans in RR: floating interest | From MosPrime Rate 3M+1.5% to MosPrime Rate 3M+2.59% (31 December 2012: From MosPrime Rate 3M+1.5% to MosPrime Rate 3M+1.9%) | 106,668 | 123,562 |
| Bank loans in RR: fixed interest | 9.05%<br>(31 December 2012: From 8.05% to 11.5%) | 958,890 | 410,668 |
| **Total short-term bank loans** | | **1,459,564** | **1,122,075** |

| Long-term borrowings | Interest rates | 31 December 2013 | 31 December 2012 |
|---|---|---|---|
| Bank loans in US$: floating interest | From 1 month Libor +1.8% to 3 month Libor +3.1% (31 December 2012: From 1 month Libor +1.8% to 1 month Libor +3.1%) | 1,770,061 | 1,505,877 |
| Bank loans in RR: floating interest | From MosPrime 3M +1.5% to MosPrime 3M +2.59% (31 December 2012: MosPrime 3M +1.5%) | 1,151,329 | 270,928 |
| Bank loans in RR: fixed interest | nil (31 December 2012: 9.05%) | - | 1,026,811 |
| **Total long-term bank loans** | | **2,921,390** | **2,803,616** |

As of 31 December 2013 no equipment or inventories were pledged as security for bank loans. As of 31 December 2012, loans (including short-term borrowings) were guaranteed by collateral of property, plant and equipment (Note 9) and other inventories (Note 15).

Bank loans of US$ 1,293,432 (31 December 2012: US$ 2,674,981) were collateralised by future sales proceeds of the Group under export contracts with certain customers acceptable to the banks.

The Group's bank borrowings mature as follows:

| | 2013 | 2012 |
|---|---|---|
| - within 1 year | 1,459,564 | 1,122,075 |
| - between 2 and 5 years | 2,788,057 | 2,803,616 |
| - after 5 years | 133,332 | - |
| **Total bank loans** | **4,380,953** | **3,925,691** |

b) Finance lease payable

In December 2009, OJSC BBT entered into a new financial lease agreement with Federal State Unitary Enterprise Rosmorport for 49 years. Under this agreement, BBT has leased berth No. 106 and renegotiated the lease terms for berth No. 107. As of 31 December 2013, the leased berths were included in property, plant and equipment with a net book value of US$ 13,836 (31 December 2012: US$ 14,651).

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

| | 2013 | 2012 |
|---|---|---|
| - within 1 year | 1,498 | 1,613 |
| - between 2 and 5 years | 5,991 | 6,453 |
| - after 5 years | 59,907 | 66,178 |
| **Minimum lease payments at the end of the year** | **67,396** | **74,244** |
| Less future finance charges | (51,958) | (57,589) |
| **Present value of minimum lease payments** | **15,438** | **16,655** |

## 23 Bonds issued

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

| | Note | 2013 | 2012 |
|---|---|---|---|
| **Balance at 1 January** | | **-** | **-** |
| Issue of bonds denominated in US$ | | 650,000 | - |
| Interest accrued | | 16,200 | - |
| Interest paid | | (12,583) | |
| Recognition of syndication fees | | (4,702) | - |
| Amortisation of syndication fees | 32 | 627 | - |
| Foreign exchange loss | | 30,810 | - |
| Effect of translation to presentation currency | | (30,284) | - |
| **Balance at 31 December** | | **650,068** | **-** |

The fair value of the outstanding bonds issued balance at 31 December 2013 was US$ 626,750 according to Irish Stock Exchange quotations.

## 24 Derivative financial assets and liabilities

At 31 December 2013, the derivative financial assets and liabilities were represented by the cross-currency interest rate swaps, entered in conjunction with RR-denominated loans in the notional amount of US$ 2,239,682 (31 December 2012: US$ 2,209,451):

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| **Assets** | | |
| Current | - | 1,181 |
| Non-current | - | 27,590 |
| **Liabilities** | | |
| Current | 71,340 | 17,560 |
| Non-current | 62,043 | 13,906 |
| **Net derivative liabilities** | **133,383** | **2,695** |

The Group pays US$ at fixed rates varying from 2.77% to 3.80% (for the year ended 31 December 2012: 2.85% to 4.00%) and recieves RR at fixed rate 9.05% (for the year ended 31 December 2012: 8.05% to 9.31%). Maturity of the swaps is linked to loans redemption.

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

| | Note | 2013 | 2012 |
|---|---|---|---|
| **Opening balance as of 1 January** | | **2,695** | **97,482** |
| Cash proceeds from derivatives | 32 | 86,134 | 93,714 |
| Cash paid for derivatives | | (21,770) | (18,613) |
| Changes in the fair value | 32 | 70,139 | (173,067) |
| Effect of translation to presentation currency | | (3,815) | 3,179 |
| **Closing balance as of 31 December** | | **133,383** | **2,695** |

## 25 Trade and other payables

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Trade payables | 208,407 | 66,984 |
| Accrued liabilities | 2,475 | 15,069 |
| Dividends payable | 205,046 | 84,056 |
| Other payables | 21,170 | 23,327 |
| **Total financial payables** | **437,098** | **189,436** |
| | | |
| Accrued liabilities | 65,416 | 35,805 |
| Advances received | 25,421 | 13,513 |
| Other payables | 28,678 | 27,693 |
| **Total trade and other payables** | **556,613** | **266,447** |

## 25 Trade and other payables (continue)

As of 31 December 2013 trade and other accounts payable of US$ 132,804 (31 December 2012: US$ 51,245) were denominated in foreign currencies: 95% of this balance was denominated in US$ (31 December 2012: 94%) and 5% was denominated in Euro (31 December 2012: 6%).

## 26 Revenues

| | 2013 | 2012 |
|---|---|---|
| **Export** | | |
| Potassium chloride | 1,763,216 | 2,210,088 |
| Potassium chloride (granular) | 1,036,336 | 1,090,328 |
| **Domestic** | | |
| Potassium chloride | 408,201 | 528,494 |
| Other | 65,018 | 60,972 |
| Transportation and other revenues | 49,844 | 59,911 |
| **Total revenues** | **3,322,615** | **3,949,793** |

## 27 Cost of sales

| | Note | 2013 | 2012 |
|---|---|---|---|
| Depreciation | | 259,961 | 263,700 |
| Employee benefits | 30 | 213,952 | 219,454 |
| Fuel and energy | | 143,758 | 130,701 |
| Materials and components used | | 125,949 | 144,732 |
| Amortisation of licences | 11 | 116,969 | 151,252 |
| Repairs and maintenance | | 68,845 | 59,906 |
| Transportation between mines by railway | | 11,851 | 10,462 |
| Change in work in progress, finished goods and goods in transit | | (1,127) | 4,918 |
| Utilities | | 516 | 822 |
| Other costs | | 3,851 | 4,852 |
| **Total cost of sales** | | **944,525** | **990,799** |

## 28 Distribution costs

| | Note | 2013 | 2012 |
|---|---|---|---|
| Railway tariff and rent of wagons | | 374,593 | 340,268 |
| Freight | | 225,038 | 217,292 |
| Commissions and loyalty fees | | 69,020 | 23,898 |
| Transport repairs and maintenance | | 48,532 | 54,320 |
| Transhipment | | 36,567 | 34,552 |
| Rent expenses | | 13,060 | 8,998 |
| Employee benefits | 30 | 25,704 | 16,324 |
| Freight and transhipment of river vessels | | 21,422 | 23,722 |
| Depreciation | | 16,448 | 16,688 |
| Customs fees | | 4,785 | 1,738 |
| Travel expenses | | 1,499 | 1,351 |
| Other costs | | 43,256 | 31,513 |
| **Total distribution costs** | | **879,924** | **770,664** |

## 29 General and administrative expenses

| | Note | 2013 | 2012 |
|---|---|---|---|
| Employee benefits | 30 | 144,642 | 112,266 |
| Consulting, audit and legal services | | 26,514 | 18,721 |
| Rent | | 11,113 | 8,794 |
| Security | | 10,911 | 10,954 |
| Depreciation | | 10,846 | 9,164 |
| Materials and fuel | | 8,478 | 9,520 |
| Mine-rescue crew | | 8,029 | 8,106 |
| Bank charges | | 6,266 | 1,949 |
| Repairs and maintenance | | 5,902 | 4,937 |
| Insurance | | 5,013 | 5,264 |
| Communication and information system services | | 4,670 | 3,610 |
| Amortisation of intangible assets | 11 | 3,728 | 3,674 |
| Travel expenses | | 3,624 | 3,591 |
| Other expenses | | 28,969 | 30,825 |
| **Total general and administrative expenses** | | **278,705** | **231,375** |

## 30 Employee benefits

| | Note | 2013 | 2012 |
|---|---|---|---|
| **Employee benefits – Cost of sales** | 27 | **213,952** | **219,454** |
| Wages, salaries, bonuses and other compensations | | 163,907 | 168,696 |
| Contribution to social funds | | 48,416 | 42,721 |
| Post-employment benefits | 35 | 1,629 | 8,037 |
| **Employee benefits – Distribution costs** | 28 | **25,704** | **16,324** |
| Wages, salaries, bonuses, other compensations and contribution to social funds | | 25,704 | 16,324 |
| **Employee benefits – General and administrative expenses** | 29 | **144,642** | **112,266** |
| Wages, salaries, bonuses and other compensations | | 119,716 | 88,524 |
| Contribution to social funds | | 24,570 | 21,719 |
| Post-employment benefits | 35 | 356 | 2,023 |
| **Total labour costs** | | **384,298** | **348,044** |

## 31 Other operating income and expenses, net

| | Note | 2013 | 2012 |
|---|---|---|---|
| Resettlement provision | 20 | 77,926 | - |
| Write-off of CJSC CB "Eurotrust" deposits | | 34,070 | - |
| Social cost and charity | | 18,179 | 20,234 |
| Net loss on disposals of property, plant and equipment | | 14,082 | 31,934 |
| Impairment of fixed assets reclassified to non-current assets held for sale | 9 | - | 30,941 |
| Write-down of non-current assets held for sale to fair value less costs to sell | 9 | - | 19,971 |
| Loss from write-off of net assets of BPC's | 12 | 2,602 | - |
| Accrual of provision for impairment of receivables | 16 | 346 | 2,115 |
| Loss on sale of other goods and services | | 737 | 189 |
| Litigation settlements | 37 | 1,385 | 12,750 |
| Reversal of legal provision | 20 | - | (54,739) |
| Negative goodwill recognised as income | 6 | (4,013) | - |
| Revaluation of existing interest in acquirees | 6 | (4,402) | - |
| Reversal of mine flooding provision | 21 | (31,399) | - |
| Other expenses, net | | 7,966 | 2,679 |
| **Total other operating income and expenses, net** | | **117,479** | **66,074** |

## 31 Other operating income and expenses, net (continued)

In May and October 2013 the Company placed cash term deposits with CJSC CB “Eurotrust” (Eurotrust). At 31 December 2013 deposits of US$ 35,000 were owing from the bank of which US$ 9,070 were past due. On 20 January 2014 a part of these deposits totalling US$ 930 was returned. On 11 February 2014 the Central Bank of Russia withdrew ZAO CB “Eurotrust’s” licence for banking operations and appointed a temporary administrator to liquidate the bank. Uralkali had filed claims in court totalling US$ 34,070 plus interest and penalties and requested that the Company be included in the list of creditors. As of 21 March 2014 ZAO CB “Eurotrust” was declared bankrupt. Management has fully written off the value of these deposits.

## 32 Finance income and expenses

The components of finance income and expenses were as follows:

| | Note | 2013 | 2012 |
|---|---|---|---|
| Fair value gain on derivative financial assets and liabilities | 24 | - | 58,253 |
| Interest income | | 82,734 | 70,244 |
| Foreign exchange income, net | | 33,037 | 37,724 |
| Dividend income | | - | 659 |
| Fair value gain on investments | | 6,021 | - |
| **Finance income** | | **121,792** | **166,880** |

| | | 2013 | 2012 |
|---|---|---|---|
| Fair value loss on derivative financial assets and liabilities | 24 | 169,538 | - |
| Interest expense, net | | 92,852 | 26,240 |
| Syndication fee and other financial charges | | 28,494 | 21,179 |
| Discounting, unwinding of the present value discount and effect of changes in discount rates | | 54,630 | 11,128 |
| Letters of credit fees | | 5,939 | 9,622 |
| Fair value losses on investments | | - | 9,061 |
| Finance lease expense | | 1,519 | 1,558 |
| **Finance expenses** | | **352,972** | **78,788** |

The interest expense was reduced by the income received from currency-interest rate swap transactions in the total amount of US$ 86,134 (for the year ended 31 December 2012: US$ 93,714) (Note 24).

Fair value loss on derivative financial assets and liabilities includes loss on conversion of dual currency deposits in amount of US$ 13,265 (for the year ended 31 December 2012 loss: US$ 21,100).

Coupon income from corporate bonds classified as other financial assets at fair value through profit or loss in the amount of US$ 4,821 is included in interest income (for the year ended 31 December 2012: US$ 12,227).

Interest expense in the total amount of US$ 104,093 was capitalised in the cost of property, plant and equipment and intangible assets for the year ended 31 December 2013 (for the year ended 31 December 2012: US$ 98,612). Foreign exchange loss in the total amount of US$ 60,235 was capitalised for the year ended 31 December 2013 (for the year ended 31 December 2012: nil).The capitalisation rate was 6.04% (for the year ended 31 December 2012: 6.20%).

## 33 Mine flooding costs

Mine flooding costs comprised from monitoring costs related to flooding at Mine 1 (Note 5) in amount US$ 4,203 (for the year ended 31 December 2012: US$ 3,534).

## 34 Income tax expense

| | **2013** | **2012** |
|---|---|---|
| Current income tax expense | 187,282 | 8,806 |
| Adjustments recognised in the period for current income tax of prior periods | 5,355 | - |
| Adjustments recognised in the period for deferred income tax of prior periods | (11,710) | - |
| Deferred income tax | (20,347) | 330,990 |
| **Income tax expense** | **160,580** | **339,796** |

In the year ended 31 December 2012 the Group utilized deferred tax assets in respect of tax losses carried forward in the amount of US$ 299,394. The tax losses were recognized at OJSC Kamskaya Gornaya Kompania (“KGK”), a wholly owned subsidiary of the Group until July 2012, and were utilized by the Company after its internal legal restructuring.

Income before taxation and non-controlling interests for financial reporting purposes is reconciled to tax expense as follows:

| | **2013** | **2012** |
|---|---|---|
| **Profit before income tax** | **826,908** | **1,936,407** |
| Theoretical tax charge at statutory rate of 15.5% | 128,171 | 300,143 |
| Corrections of prior year current tax | (6,339) | - |
| Tax effect of items which are not deductible or assessable for taxation purposes, net | 30,325 | 29,912 |
| Effect of different tax rates in countries in which the Group operates | 1,969 | 2,870 |
| Other | 6,454 | 6,871 |
| **Consolidated tax charge** | **160,580** | **339,796** |

In the year ended 31 December 2013 and 2012, respectively, most companies of the Group were registered in the Russian Federation, Perm region and were taxed at the rate of 15.5% on taxable profits. In 2013 and 2012, foreign operations were taxed applying respective national income tax rates.

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

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

## 34 Income tax expenses (continued)

The tax effect of the movements in the temporary differences for the year ended 31 December 2012 was the following:

| | 31 December 2011 | (Charged)/ credited to profit or loss | Effect on translation to presentation currency | 31 December 2012 |
|---|---|---|---|---|
| **Tax effects of taxable and deductible temporary differences:** | | | | |
| Property, plant and equipment | (188,413) | 3,642 | (11,223) | (195,994) |
| Intangible assets | (866,028) | 10,318 | (51,746) | (907,456) |
| Inventories | 26,388 | (16,026) | 1,205 | 11,567 |
| Borrowings | (1,319) | 1,526 | (42) | 165 |
| Accounts receivable | 14,487 | (12,791) | 570 | 2,266 |
| Derivative financial assets and liabilities | 15,110 | (15,487) | 536 | 159 |
| Accounts payable | 6,689 | (2,160) | 350 | 4,879 |
| Tax loss carry forward | 304,317 | (299,394) | 11,169 | 16,092 |
| Provision for filling cavities | 9,535 | 2,604 | 634 | 12,773 |
| Other | 2,289 | (3,222) | 61 | (872) |
| **Net deferred tax liability** | **(676,945)** | **(330,990)** | **(48,486)** | **(1,056,421)** |
| **Reflected in the consolidated statement of financial position as follows:** | | | | |
| Deferred income tax asset | 39,289 | - | - | 23,465 |
| Deferred income tax liability | (716,234) | - | - | (1,079,886) |
| **Deferred income tax liability, net** | **(676,945)** | **-** | **-** | **(1,056,421)** |

The tax effects on intangible assets mainly relates to the licenses, which are amortized based on the unit of production method (Note 11).

The Group has not recognised a deferred income tax assets and liability in respect of taxable temporary differences associated with investments in subsidiaries in the amount of US$ 280,831 (31 December 2012: US$ 439,562). The Group controls the timing of the reversal of these temporary differences and does not expect their reversal in the foreseeable future.

## 35 Post-employment benefit obligations

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

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

## 35 Post employment benefit obligations (continued)

The movements in the liability for post-employment benefit plans were as follows:

| | **2013** | | **2012** | |
|---|---|---|---|---|
| | **Post-employment** | **Other long-term** | **Post-employment** | **Other long-term** |
| **Present value of defined benefit obligations as of 1 January** | **35,965** | **8,044** | **26,155** | **-** |
| Current service cost | 1,877 | 650 | 2,085 | 624 |
| Interest cost | 2,622 | 615 | 1,900 | 17 |
| Past service cost | - | 42 | - | 7,886 |
| *Remeasurement (gains)/losses:* | | | | |
| Actuarial (gains)/losses - Experience | (934) | (281) | 1,413 | - |
| Actuarial (gains)/losses arising from changes in financial assumptions | (1,280) | (652) | 5,380 | (536) |
| Actuarial losses arising from changes in demographic assumptions | 1,543 | 349 | - | - |
| Benefits paid | (2,325) | (130) | (2,729) | (133) |
| Liabilities assumed in a business combination (Note 6) | 453 | 54 | - | - |
| Effect of translation to presentation currency | (2,627) | (591) | 1,761 | 184 |
| **Present value of defined benefit obligations as of 31 December** | **35,294** | **8,100** | **35,965** | **8,042** |

The amount of net expense for the defined benefit pension plans recognised in the consolidated statement of income (Note 30) was as follows:

| | **2013** | | **2012** | |
|---|---|---|---|---|
| | **Post-employment** | **Other long-term** | **Post-employment** | **Other long-term** |
| Service cost | | | | |
| Current service cost | 1,877 | 650 | 2,085 | 624 |
| Past service loss from settlements and curtailments | - | 42 | - | 7,886 |
| Net interest expenses | 2,622 | 615 | 1,900 | 17 |
| Remeasurement gains (other long term benefits only) | - | (584) | - | (535) |
| **Components of defined benefit costs recorded in statement of income** | **4,499** | **723** | **3,985** | **7,992** |

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

| | **2013** | | **2012** | |
|---|---|---|---|---|
| | **Post-employment** | **Other long-term** | **Post-employment** | **Other long-term** |
| Remeasurement (gains)/losses – Experience | (934) | - | 5,380 | - |
| Remeasurement losses – changes in assumptions | 263 | - | 1,413 | - |
| **Components of defined benefit costs recorded in Other comprehensive income** | **(671)** | **-** | **6,793** | **-** |

## 35 Post employment benefit obligations (continued)

Movements in net liability for the year ended 31 December 2013 and 2012 were as follows:

| | **2013** | | **2012** | |
|---|---|---|---|---|
| | **Post-employment** | **Other long-term** | **Post-employment** | **Other long-term** |
| Opening net liability arising from defined benefit obligation | 35,965 | 8,042 | 26,155 | - |
| Components of defined benefit costs recorded in statement of income | 4,499 | 723 | 3,985 | 7,992 |
| Components of defined benefit costs recorded in Other comprehensive income | (671) | - | 6,793 | - |
| Contributions from the employer | (2,325) | (130) | (2,729) | (133) |
| Increase in liabilities as a result of business combination (Note 6) | 453 | 54 | - | - |
| Translation difference | (2,627) | (589) | 1,761 | 183 |
| **Closing net liability arising from defined benefit obligation** | **35,294** | **8,100** | **35,965** | **8,042** |

Sensitivity in the current period was as follows:

| | **2013 Post-employment** |
|---|---|
| Growth in discount rate by 1% | (2,424) |
| Decline in discount rate by 1% | 2,863 |
| Growth in salary growth by 1% | 1,088 |
| Decline in salary growth by 1% | (381) |
| Growth in rate of employee turnover by 1% | (1,298) |
| Decline in rate of employee turnover by 1% | 1,473 |

As of 31 December 2013 and 2012, respectively, the principal actuarial assumptions for the post-employment benefit plans were as follows:

| | **2013** | **2012** |
|---|---|---|
| Discount rate | 7.75% | 7.1% |
| Duration of defined benefit obligation | 5.5 | 5.4 |
| Salary increase | 6.00% | 6.00% |
| Inflation | 5.60% | 5.60% |
| Benefits increase (fixed-amount) | 5.60% | 5.60% |
| Mortality tables | Russian popul (2010) | Russian popul (1986-87) |

## 36 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares (Note 19). The Company has no dilutive potential ordinary shares: therefore, the diluted earnings per share equal the basic earnings per share.

| | **2013** | **2012** |
|---|---|---|
| Net profit attributable to owners of the Company | 666,859 | 1,600,807 |
| Weighted average number of ordinary shares in issue (millions) | 2,739 | 2,964 |
| **Earnings per share (expressed in US cents per share)** | **24.35** | **54.01** |

## 37 Contingencies, commitments and operating risks

### *37.1 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 accrued or disclosed in these consolidated financial statements.

Between September and November 2008, a number of purported class action lawsuits were filed in US federal district courts in Minnesota and Illinois. Class actions are civil lawsuits typically filed by a plaintiff seeking monetary damages on behalf of the named plaintiff and all others who are similarly situated. The plaintiffs in the suits filed in Minnesota and Illinois are various corporations and individuals who have filed the suits purportedly on behalf of all direct and indirect purchasers of potash from one of the defendants in the United States. The complaint alleges price fixing violations of the US Sherman Act since 1 July 2003. The Company and BPC (Note 12) were listed among the defendants, as well as certain other potash producers. On 20 September 2012 the Company signed settlement agreements to exit the US antitrust case. The agreements were signed with direct and indirect plaintiffs for US$ 10,000 and US$ 2,750 respectively. On 6 June 2013, the US District Court for the Northern District of Illinois approved the agreement with direct plaintiffs for US$ 10,000, and on 12 June 2013 – the agreement with indirect plaintiffs for US$ 2,750 was also approved. Under the settlement agreements, the Company was released from any liability in connection with the plaintiffs' claims. BPC as a defendant was also released as well as Uralkali Trading SA. The Company did not admit any liability in the settlement agreements. The Company believes that these settlements were in the best interest of the Company to avoid the burdens, costs and distraction of protracted litigation.

### *37.2 Tax legislation*

Russian tax, currency and customs law are subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such laws as applied to the Group's transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by the relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Amended Russian transfer pricing legislation took effect from 1 January 2012. These transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The legislation provides the possibility for the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

Management believes that its pricing policy is arm's length and it has implemented internal controls to be in compliance with this transfer pricing legislation.

Given that the practice of implementation of these Russian transfer pricing rules has not yet developed, the impact of any challenge of the Group's transfer prices cannot be reliably estimated. However, if challenged, it may be significant to the financial position and/or the overall operations of the Group.

The Group's management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency legislation and customs positions will be sustained. Accordingly, as of 31 December 2013 and 31 December 2012, no provision for potential tax liabilities had been recorded. Management will continue to monitor the situation as legislation and practice evolve in the jurisdictions in which the Group operates.

The Russian Ministry of Finance has recently issued draft legislation on controllable foreign companies and is also developing tax residency and beneficial ownership legislation. The Russian Government is committed to introduce the new legislation shortly (potentially starting from 2015). The new rules may have a significant impact on taxation of the Group's foreign trading structure in Russia.

In addition to the above matters, management estimates that the Group has other possible obligations from exposure to other than remote tax risks in amount of US$ 4,538 as of 31 December 2013 (31 December 2012: US$ 4,445). These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Management will vigorously defend the entity's positions and interpretations that were applied in determining taxes recognised in these financial statements if these are challenged by the authorities.

## 37 Contingencies, commitments and operating risks (continued)

### *37.3 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.

### *37.4 Environmental matters*

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

### *37.5 Operating environment of the Group*

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

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

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

### *37.6 Capital expenditure commitments*

As of 31 December 2013 the Group had contractual commitments for the purchase of property, plant and equipment from third parties for US$ 358,141 (31 December 2012: US$ 379,576). As of 31 December 2013, the Group had no contractual commitments for the purchase of property, plant and equipment from related parties (31 December 2012: US$ 47,711).

As of 31 December 2013 the Group had contractual commitments for the purchase of intangible assets from third parties for US$ 12,594 (31 December 2012: nil).

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

### *37.7 Operating lease commitments*

As of 31 December 2013 and 2012, respectively, the Group leased property, plant and equipment, mainly land plots. The future minimum lease payments under non-cancellable operating leases are as follows:

| | **2013** | **2012** |
|---|---:|---:|
| Not later than 1 year | 4,052 | 3,698 |
| Later than 1 year and not later than 5 years | 18,552 | 18,490 |
| Later than 5 years | 69,429 | 65,494 |
| **Total operating lease commitments** | **92,033** | **87,682** |

## 38 Financial risk management

### *38.1 Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Overall risk management procedures adopted by the Group focus on the unpredictability of financial and commodity markets and seek to minimise potential adverse effects on the Group's financial performance.

***(a) Market risk***

*(i) Foreign exchange risk*

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

The Group operates internationally and exports approximately 81% of potash fertilizers produced. As a result the Group is exposed to foreign exchange risk arising from various currency exposures. Export sales are primarily denominated in US$ or Euro. The Group maintains a balance between US$ and Euro sales in order to mitigate the risk of US$/Euro exchange rate fluctuations. The Company is exposed to the risk of RR/US$ and RR/Euro exchange rates fluctuations. The Group benefits from the weak exchange rate of the RR against the US$ and Euro, since all the Group major expenses are denominated in RR.

As of 31 December 2013, if the RR had weakened/strengthened by 10% against the US$ and Euro with all other variables held constant, the post-tax profit for the year would have been US$ 330,708 higher/lower (31 December 2012: US$ 230,426 higher/lower), mainly as a result of foreign exchange gains/losses on the translation of US$ and Euro denominated trade receivables, cash in bank, deposits, foreign exchange losses/gains on the translation of US$ denominated borrowings and bonds issued and changes of fair value of derivative financial assets and liabilities.

*(ii) Price risk*

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

*(iii) Interest rate risk*

The Group's income and operating cash flows are exposed to market interest rates changes. The Group is exposed to fair value interest rate risk through market value fluctuations of interest bearing short- and long-term borrowings, whose interest rates comprise a fixed component. Borrowings issued at variable rates expose the Group to cash flow interest rate risk (Note 22, 23). The Group has interest-bearing assets which are at fixed interest rates (Note 17).

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 2013, if LIBOR rates on US$ and MosPrime rates on RR denominated borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been US$ 14,835 (year ended 31 December 2012: US$ 14,968) and US$ 3,741 (year ended 31 December 2012: US$ 4,184) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings and changes of fair value of derivative financial assets and liabilities with floating rates terms.

***(b) Credit risk***

Credit risk arises from the possibility that counterparties to transactions may default on their obligations, causing financial losses for the Group. The objective of managing credit risk is to prevent losses of liquid funds deposited or invested in such counterparties. Financial assets, which potentially subject Group entities to credit risk, consist primarily of trade receivables, other financial assets at fair value through profit or loss, derivative financial assets, cash and bank deposits. The maximum exposure to credit risk resulting from financial assets is equal to the carrying amount of the Group's financial assets – US$ 1,300,952 (31 December 2012: US$ 2,266,717).

## 38 Financial risk management (continued)

### *38.1 Financial risk factors (continued)*

### *(b) Credit risk (continued)*

The Group is exposed to concentrations of credit risk. As of 31 December 2013 the Group had twenty five counterparties (31 December 2012: twenty seven) with aggregated receivables balances above US$ 3,055. The total aggregate amount of these balances was US$ 257,503 (31 December 2012: US$ 427,712) or 69% of the gross amount of financial trade and other receivables (31 December 2012: 98%). 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 16).

Most customers from developing countries are supplied on secured payment terms, including letters of credit or factoring arrangements. These terms include deliveries against opened letters of credit and arrangements with banks on non-recourse discounting of promissory notes received from customers. Only customers from developed countries with a high reputation are supplied on a credit basis. 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 16).

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 2013 and 2012, if otherwise not stated in table below:

| **Rating** | **2013** | **2012** |
|---|---:|---:|
| Moody's, Fitch, Standard&Poor's | | |
| From AAA / Aaa to A- / A3 (including national scale) | 799,057 | 850,038 |
| From BBB+ / Baa1 to BBB- / Baa3 (including national scale) | 118,713 | 469,569 |
| From BB+ / Ba1 to B- / B3 (including national scale) | 7,678 | 282,952 |
| Unrated* | 7,775 | 66,593 |
| **Total cash, cash equivalents, deposits and restricted cash not past due nor impaired** | **933,223** | **1,669,152** |

* 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.

## 38 Financial risk management (continued)

### *38.1 Financial risk factors (continued)*

*(c) Liquidity risk (continued)*

| | Note | Less than<br>1 year | Between<br>2 and 5 years | Over<br>5 years |
|---|---|---|---|---|
| **As of 31 December 2013** | | | | |
| Trade and other payables | 25 | 437,098 | - | - |
| Borrowings | | 1,673,116 | 3,101,237 | 136,904 |
| Bonds issued | | 4,033 | 762,274 | - |
| Provisions | | 41,299 | 84,365 | 40,212 |
| Finance lease liabilities | 22 | 1,498 | 5,991 | 59,907 |
| Derivative financial liabilities | | (20,984) | (109,434) | - |
| **As of 31 December 2012** | | | | |
| Trade and other payables | 25 | 189,436 | - | - |
| Borrowings | | 1,300,440 | 2,957,323 | - |
| Provisions | | 15,310 | 63,218 | 75,898 |
| Finance lease liabilities | 22 | 1,613 | 6,453 | 66,178 |
| Derivative financial liabilities | | 101,394 | 65,873 | - |

### *38.2 Capital management*

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

Starting from 2011, the Group monitors capital using capital employed ratio calculated as the sum of long- and short-term bank borrowings divided by the sum of long- and short-term bank borrowings and total equity.

The capital employed ratios as of 31 December 2013 and 31 December 2012 were as follows:

| | 31 December<br>2013 | 31 December<br>2012 |
|---|---|---|
| Total bank borrowings (Note 22) | 4,380,953 | 3,925,691 |
| Total equity and bank borrowings | 10,122,563 | 12,690,278 |
| **Capital employed ratio** | **43%** | **31%** |

As of 31 December 2013 and 31 December 2012 management has set a level of 30% capital employed ratio as a long-term strategic goal.

## 39 Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions, and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

***Financial assets and liabilities carried at fair value.*** Derivatives (Level 2) and other financial assets at fair value through profit or loss (Level 1) are carried in the consolidated statement of financial position at their fair value. Fair values of corporate bonds and shares were determined based on prices quoted in an active market. Fair values of derivative financial assets and liabilities were determined using discounting cash flows valuation technique with inputs (discount rates for RR and US$) observable in markets.

## 39 Fair value of financial instruments (continued)

***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 2013 and 31 December 2012, the fair value of the current and non-current borrowings, trade and other payables is not materially different from their carrying amounts.

## 40 Principal subsidiaries and associates

The Group had the following principal subsidiaries and associates as of 31 December 2013:

| Name | Nature of business | Percentage of voting rights | Percentage of ownership | Country of registration |
|---|---|---|---|---|
| **Subsidiaries:** | | | | |
| LLC "CMT "BSHSU" | Construction | 100.00% | 100.00% | Russia |
| LLC "Vagon Depo Balahonzi" | Repair and maintenance | 100.00% | 100.00% | Russia |
| LLC "Uralkali-Remont" | Repair and maintenance | 100.00% | 100.00% | Russia |
| CJSC "Avtotranskali" | Transportation | 100.00% | 100.00% | Russia |
| OJSC "Baltic Bulk Terminal" | Sea terminal | 100.00% | 100.00% | Russia |
| LLC "Satelit-Service" | IT services | 100.00% | 100.00% | Russia |
| CJSC VNII Galurgii (Note 6) | Scientific institute | 80.00% | 80.00% | Russia |
| OJSC Galurgia (Note 6) | Scientific institute | 73.25% | 73.25% | Russia |
| CJSC Solikamskii Stroitelnii Trest | Building | 72.05% | 72.05% | Russia |
| Uralkali Trading S.A. | Trading | 100.00% | 100.00% | Switzerland |
| Uralkali Trading Chicago | Trading | 100.00% | 100.00% | USA |
| **Associates:** | | | | |
| CJSC "Registrator "Intraco" | Share register | 33.75% | 33.75% | Russia |

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

| *In thousands of Russian Roubles* | Place of business (and country of incorporation if different) | Proportion of non-controlling interest | Proportion of non-controlling interest's voting rights held | Profit or loss attributable to non-controlling interest | Accumulated non-controlling interest in the subsidiary | Dividends paid to non-controlling interest during the year |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2013** | | | | | | |
| CJSC Solikamskii Stroitelnii Trest | Russia | 27.95% | 27.95% | (531) | 6,689 | - |
| OJSC Galurgia (Note 6) | Russia | 26.75% | 26.75% | - | 5,642 | - |
| CJSC VNII Galurgii (Note 6) | Russia | 20.00% | 20.00% | - | 1,802 | - |
| **Year ended 31 December 2012** | | | | | | |
| CJSC Solikamskii Stroitelnii Trest | Russia | 27.95% | 27.95% | (4,196) | 8,265 | 47 |

## 40 Principal subsidiaries and associates (continued)

The summarised financial information of these subsidiaries was as follows at 31 December 2013:

| | Current assets | Non-current assets | Current liabilities | Non-current liabilities | Revenue | Profit/ (Loss) | Total compre-hensive income |
|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2013** | | | | | | | |
| CJSC Solikamskii Stroitelnii Trest | 37,739 | 37,446 | (34,899) | (2,759) | 31,238 | (1,901) | (1,901) |
| OJSC Galurgia (Note 6) | 15,000 | 27,777 | (14,391) | (3,142) | - | - | - |
| CJSC VNII Galurgii (Note 6) | 10,414 | 8,966 | (8,653) | (1,715) | - | - | - |
| **Year ended 31 December 2012** | | | | | | | |
| CJSC Solikamskii Stroitelnii Trest | 24,589 | 36,892 | (18,618) | (2,480) | 36,736 | (14,655) | (14,655) |

## 41 Events after reporting date

In December 2013 Uralkali Trading SA has concluded an agreement with Federal Land Development Authority of Malaysia (FELDA) to create a joint venture for potash distribution. The joint venture started operating from 1 January 2014 and will focus on securing potash deliveries to the plantations of FELDA and other government plantations in Malaysia and other countries.

In February 2014 Uralkali acquired 25% in Equiplan Participacoes S.A. for US$ 30,000 paid by cash, which is the main shareholder in Terminais Portuários da Ponta do Felix S.A. port terminal in the city of Antonina, Brazil. A prepayment in amount of US$ 15,000 was made in 2013.