

9. CONSOLIDATED FINANCIAL STATEMENTS

ОАО ТМК

Notes to the Consolidated Financial Statements (continued)

(All amounts are in thousands of US dollars, unless specified otherwise)

23) Finance Lease Liability (continued)

Future minimum lease payments were as follows as at December 31, 2013:

	Minimum payments	Present value of payments
2014	5,968	3,796
2015-2018	21,377	14,377
After 2018	39,281	33,592
Total minimum lease payments	66,626	51,765
Less amounts representing finance charges	(14,861)	–
Present value of minimum lease payments	51,765	51,765

24) Employee Benefits Liability

The Group operates post-employment and other long-term employee benefit schemes in accordance with the collective bargaining agreements, local regulations and practices. These plans cover a large portion of the Group's employees and include benefits in the form of lump-sum post-employment payments, pensions, financial support to pensioners, jubilee payments to employees and pensioners, etc. These benefits generally depend on years of service, level of compensation and amount of benefit under the collective bargaining agreement. The Group pays the benefits when they fall due for payment. All employee benefit schemes are unfunded.

The following table summarises changes in the present value of the defined benefit obligation by country:

	Russia		USA		Others		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013
At January 1	46,245	53,861	2,430	2,557	2,607	1,896	51,282	58,314
Current service cost	1,432	2,261	401	574	736	415	2,569	3,250
Interest expense	2,811	3,698	82	98	39	58	2,932	3,854
Past service cost	(4,154)	(2,793)	–	–	43	–	(4,111)	(2,793)
Curtailment gain	–	–	(88)	(585)	–	–	(88)	(585)
Net benefit expense recognised in profit or loss	89	3,166	395	87	818	473	1,302	3,726
(Gains)/losses arising from changes in demographic assumptions	(1,009)	1,794	3	(3)	(373)	–	(1,379)	1,791
(Gains)/losses arising from changes in financial assumptions	(6,734)	(4,428)	235	(191)	(83)	209	(6,582)	(4,410)
Experience (gains)/losses	1,458	(698)	6	9	13	40	1,477	(649)
Actuarial (gains)/losses recognised in other comprehensive (income)/loss	(6,285)	(3,332)	244	(185)	(443)	249	(6,484)	(3,268)
Benefits paid	(3,051)	(3,675)	(1,076)	(29)	(131)	(119)	(4,258)	(3,823)
Exchange differences	(18,178)	(3,775)	–	–	(254)	17	(18,432)	(3,758)
Other	–	–	–	–	–	91	–	91
At December 31	18,820	46,245	1,993	2,430	2,597	2,607	23,410	51,282
Short-term	1,949	4,935	277	1,093	140	187	2,366	6,215
Long-term	16,871	41,310	1,716	1,337	2,457	2,420	21,044	45,067

Net benefit expense was recognised as cost of sales, general and administrative expenses and selling and distribution expenses in the income statement for the years ended December 31, 2014 and 2013. Actuarial gains/(losses) for post-employment benefits were recognised in other comprehensive income/(loss).

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Notes to the Consolidated Financial Statements (continued)

(All amounts are in thousands of US dollars, unless specified otherwise)

24) Employee Benefits Liability (continued)

The principal actuarial assumptions used in determining the Group's defined benefit obligations are shown below:

	Russia		USA		Others	
	2014	2013	2014	2013	2014	2013
Discount rate	13.00%	8.00%	4.10%	4.95%	3.10%	3.7%-3.8%
Inflation	7.50%	5.00%	–	–	2.60%	3.50%
Average long-term rate of compensation increase	9.10%	6.60%	4.00%	4.00%	2.60%	1.4%-2.1%
Turnover	Age-related curve depending on experience data for a year	Age-related curve depending on experience data for a year	Standard Crocker Sarason Termination Table T-11	Standard Crocker Sarason Termination Table T-11	1.88%-5.44%	1.0%

A quantitative sensitivity analysis for significant assumptions as at December 31, 2014 is provided below:

	Volatility range		Russia Effect on obligation increase/(decrease)		USA Effect on obligation increase/(decrease)		Others Effect on obligation increase/(decrease)	
	Low	High	Low	High	Low	High	Low	High
Discount rate	-1%	1%	1,600	(1,422)	131	(113)	128	(110)
Inflation	-1%	1%	(1,422)	1,600	–	–	(113)	129
Average long-term rate of compensation increase	-1%	1%	(356)	444	(74)	77	(113)	129
Turnover	-3% – -1%	1% – 3%	1,813	(1,600)	44	(40)	247	(120)

25) Other Non-Current Liabilities

Other non-current liabilities consisted of the following:

	2014	2013
Liabilities under put options of non-controlling interest shareholders in subsidiaries	15,326	31,697
Derivative financial instruments	2,076	3,501
Deferred government grants	1,198	2,138
Other long-term liabilities	8,299	8,779
	26,899	46,115