EUROCHEM GROUP

INTERNATIONAL ACCOUNTING STANDARD No. 34

CONSOLIDATED CONDENSED INTERIM (THREE MONTHS) FINANCIAL INFORMATION AND REVIEW REPORT

31 MARCH 2014

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as at and for the Three months ended 31 March 2014

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Auditor's Report on the Review of the Consolidated Condensed Interim Financial Information as at and for the Three months ended 31 March 2014

To the Shareholders and Board of Directors of EuroChem Group:

Introduction

We have reviewed the accompanying consolidated condensed statement of financial position of Open Joint Stock Company Mineral Chemical Company "EuroChem" and its subsidiaries (together, the "Group") as at 31 March 2014 and the related consolidated condensed statements of comprehensive income, cash flows and changes in equity for the three month period then ended. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
19 May 2014

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(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

	Note	31 March 2014	31 December 2013
ASSETS			
Non-current assets:			
Property, plant and equipment	7	158,165,843	152,870,922
Mineral rights		15,404,632	15,277,028
Goodwill		13,801,076	12,677,150
Intangible assets		7,313,439	6,999,679
Investment in associates	8	5,049,645	3,531,640
Restricted cash	11	96,179	88,558
Originated loans		453,225	415,660
Derivative financial assets	14	121,010	1,063,749
Deferred income tax assets		7,056,688	5,969,585
Other non-current assets		688,037	719,894
Total non-current assets		**208,149,774**	**199,613,865**
Current assets:			
Inventories	9	23,076,402	22,670,751
Trade receivables	10	19,686,877	11,895,075
Prepayments, other receivables and other current assets	10	8,025,302	8,731,171
Originated loans		107,061	98,188
Derivative financial assets	14	86,897	331,543
Fixed-term deposits	11	1,513,994	2,441,756
Cash and cash equivalents	11	14,542,646	16,552,395
Total current assets		**67,039,179**	**62,720,879**
TOTAL ASSETS		**275,188,953**	**262,334,744**
LIABILITIES AND EQUITY			
Equity attributable to owners of the parent:			
Share capital		6,800,000	6,800,000
Treasury shares		(44,687,136)	(44,687,136)
Capital contribution		-	1,589,459
Retained earnings and other reserves		161,256,120	157,941,327
		123,368,984	**121,643,650**
Non-controlling interests		155,060	169,113
Total equity		**123,524,044**	**121,812,763**
Non-current liabilities:			
Bank borrowings and other loans received	12	66,405,316	65,651,730
Bonds issued	13	36,612,005	34,383,438
Derivative financial liabilities	14	1,088,524	142,385
Deferred income tax liabilities		6,740,450	6,475,782
Other non-current liabilities and deferred credits		5,490,192	5,101,882
Total non-current liabilities		**116,336,487**	**111,755,217**
Current liabilities:			
Bank borrowings and other loans received	12	14,624,659	8,370,741
Derivative financial liabilities	14	411,317	225,263
Trade payables		8,715,639	8,539,042
Other accounts payable and accrued expenses		9,032,931	10,079,456
Income tax payable		1,125,724	524,524
Other taxes payable		1,418,152	1,027,738
Total current liabilities		**35,328,422**	**28,766,764**
Total liabilities		**151,664,909**	**140,521,981**
TOTAL LIABILITIES AND EQUITY		**275,188,953**	**262,334,744**

Approved on behalf of the Board of Directors
19 May 2014

Dmitry Strezhnev
Chief Executive Officer

Andrey Ilyin
Chief Financial Officer

The accompanying notes on pages 5 to 22 are an integral part of this consolidated condensed interim financial information.

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

	Note	Three months ended 31 March 2014	Three months ended 31 March 2013
Sales	15	49,415,784	46,651,378
Cost of sales	16	(29,643,332)	(29,383,406)
Gross profit		**19,772,452**	**17,267,972**
Distribution costs	17	(6,637,458)	(5,905,345)
General and administrative expenses	18	(1,785,768)	(1,466,224)
Other operating income/(expenses), net	19	(93,994)	(54,646)
Operating profit		**11,255,232**	**9,841,757**
Share of profit from associates	8	179,900	-
Interest income		75,449	53,674
Interest expense		(1,201,777)	(1,226,205)
Financial foreign exchange gain/(loss), net		(7,351,915)	(1,675,722)
Other financial gain/(loss), net	20	(2,381,595)	(311,593)
Profit before taxation		**575,294**	**6,681,911**
Income tax expense	21	(1,541,168)	(1,862,562)
Profit/(loss) for the period		**(965,874)**	**4,819,349**
Other comprehensive income/(loss) that may be reclassified to profit and loss in subsequent periods			
Currency translation differences, net of tax		4,266,614	(442,332)
Revaluation of available-for-sale investments, net of tax		-	72,648
Total other comprehensive income/(loss) for the period that may be reclassified to profit and loss in subsequent periods		**4,266,614**	**(369,684)**
Total comprehensive income for the period		**3,300,740**	**4,449,665**
Profit/(loss) of the period attributable to:			
Owners of the parent		(964,570)	4,820,874
Non-controlling interests		(1,304)	(1,525)
		(965,874)	**4,819,349**
Total comprehensive income/(loss) attributable to:			
Owners of the parent		3,314,793	4,452,216
Non-controlling interests		(14,053)	(2,551)
		3,300,740	**4,449,665**
Earnings/(loss) per share – basic and diluted (in RR)	22	(16.24)	80.87

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

	Note	Three months ended 31 March 2014	Three months ended 31 March 2013
Operating profit		**11,255,232**	**9,841,757**
Income tax paid		(1,493,585)	(2,318,422)
Operating profit less income tax paid		**9,761,647**	**7,523,335**
Depreciation and amortisation	18	2,617,522	2,454,161
Net loss on disposals and write-off of property, plant and equipment		54,434	24,546
Change in provision for impairment of receivables and provision/(reversal of provision) for obsolete and damaged inventories, net		28,942	(21,032)
Other non-cash (income)/expenses, net		744,901	(263,660)
Gross cash flow		**13,207,446**	**9,717,350**
Changes in operating assets and liabilities:			
Trade receivables		(7,794,249)	(1,961,633)
Advances to suppliers		1,094,910	971,786
Other receivables		(440,973)	1,124,470
Inventories		(364,246)	929,153
Trade payables		121,753	(1,243,960)
Advances from customers		(913,627)	(297,309)
Other payables		(614,679)	(841,253)
Restricted cash, other assets and liabilities		(7,621)	403,968
Net cash – operating activities		**4,288,714**	**8,802,572**
Cash flows from investing activities			
Capital expenditure on property, plant and equipment and intangible assets		(6,246,713)	(7,353,777)
Purchase of mineral rights		(246,567)	-
Payment related to mineral rights acquisition		(4,452)	-
Acquisition of interest in associates		(1,338,105)	-
Proceeds from sale of property, plant and equipment		18,514	28,845
Net change in fixed-term deposits		930,665	2,653,698
Interest received		70,694	54,905
Net cash – investing activities		**(6,815,964)**	**(4,616,329)**
Free cash inflow/(outflow)		**(2,527,250)**	**4,186,243**
Cash flows from financing activities			
Proceeds from bank borrowings	12	2,528,430	4,269,571
Repayment of bank borrowings	12	(2,351,712)	-
Prepaid and additional transaction costs		(25,051)	(42,019)
Interest paid		(740,290)	(633,870)
Acquisition of additional interest in subsidiaries		-	(12,022)
Purchase of treasury shares	23	-	(7,297,873)
Net cash – financing activities		**(588,623)**	**(3,716,213)**
Effect of exchange rate changes on cash and cash equivalents		1,106,124	86,391
Net increase/(decrease) in cash and cash equivalents		**(2,009,749)**	**556,421**
Cash and cash equivalents at the beginning of the period	**11**	**16,552,395**	**15,444,147**
Cash and cash equivalents at the end of the period	**11**	**14,542,646**	**16,000,568**

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

	Note	Attributable to owners of the parent								
		Share capital	Treasury shares	Capital contri-bution	Cumulative currency translation differences	Revaluation of available-for-sale investments	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2013		**6,800,000**	**(39,047,045)**	**-**	**1,485,464**	**(130,121)**	**137,500,636**	**106,608,934**	**187,609**	**106,796,543**
Comprehensive income/(loss)										
Profit/(loss) for the period		-	-	-	-	-	4,820,874	4,820,874	(1,525)	4,819,349
Other comprehensive income/(loss)										
Currency translation differences		-	-	-	(441,306)	-	-	(441,306)	(1,026)	(442,332)
Revaluation of available-for-sale investments		-	-	-	-	72,648	-	72,648	-	72,648
Total other comprehensive income/(loss)					(441,306)	72,648	-	(368,658)	(1,026)	(369,684)
Total comprehensive income/(loss)					**(441,306)**	**72,648**	**4,820,874**	**4,452,216**	**(2,551)**	**4,449,665**
Transactions with owners										
Purchase of treasury shares		-	(7,981,872)	-	-	-	-	(7,981,872)	-	(7,981,872)
Acquisition of additional interest in subsidiaries		-	-	-	-	-	1,180	1,180	(13,202)	(12,022)
Total transactions with owners		**-**	**(7,981,872)**	-	-	-	**1,180**	**(7,980,692)**	**(13,202)**	**(7,993,894)**
Balance at 31 March 2013		**6,800,000**	**(47,028,917)**	**-**	**1,044,158**	**(57,473)**	**142,322,690**	**103,080,458**	**171,856**	**103,252,314**
Balance at 1 January 2014		**6,800,000**	**(44,687,136)**	**1,589,459**	**6,663,503**	**-**	**151,277,824**	**121,643,650**	**169,113**	**121,812,763**
Comprehensive income/(loss)										
Profit/(loss) for the period		-	-	-	-	-	(964,570)	(964,570)	(1,304)	(965,874)
Other comprehensive income/(loss)										
Currency translation differences		-	-	-	4,279,363	-	-	4,279,363	(12,749)	4,266,614
Total other comprehensive income		-	-	-	4,279,363	-		4,279,363	(12,749)	4,266,614
Total comprehensive income		**-**	**-**	**-**	**4,279,363**	**-**	**(964,570)**	**3,314,793**	**(14,053)**	**3,300,740**
Transactions with owners										
Reclassification from capital contribution to bank borrowings and other loans received	12	-	-	(1,589,459)	-	-	-	(1,589,459)	-	(1,589,459)
Total transactions with owners		-	-	**(1,589,459)**	-	-	-	**(1,589,459)**	-	**(1,589,459)**
Balance at 31 March 2014		**6,800,000**	**(44,687,136)**	**-**	**10,942,866**	**-**	**150,313,254**	**123,368,984**	**155,060**	**123,524,044**

The accompanying notes on pages 5 to 22 are an integral part of this consolidated condensed interim financial information.

1 The EuroChem Group and its operations

EuroChem Group comprises the parent entity, Open Joint Stock Company Mineral Chemical Company "EuroChem" (the "Company"), and its subsidiaries (collectively the "Group" or "EuroChem Group"). The Company was incorporated on 27 August 2001 as a closed joint stock company. On 3 April 2006 the Company changed its legal form to an open joint stock company.

A company that holds business interests beneficially for Mr. Andrey Melnichenko and his family owns 100% of Linea Ltd registered in Bermuda, which in turn owns 92.2% (31 December 2013: 92.2%) of EuroChem Group S.E., which owns 87.36% of the Company as at 31 March 2014 (31 December 2013: 87.36%). As at 31 March 2014 7.8% of EuroChem Group S.E. (31 December 2013: 7.8%) is held indirectly by Mr. Dmitry Strezhnev, CEO of the Group. The remaining 12.64% of the Company is held by EuroChem Capital Management Ltd, the Group's wholly-owned subsidiary, and presented as treasury shares in the consolidated condensed statement of financial position (31 December 2013: 12.64%).

The Group's principal activity is the production of mineral fertilisers (nitrogen and phosphates groups) as well as mineral extraction (iron-ore, apatite, baddeleyite and hydrocarbons), and the operation of the distribution network. The Group is developing potassium salts deposits with a view to starting the production and marketing of potassium fertilisers. The Group's manufacturing facilities are based in the Russian Federation, Lithuania and Belgium.

The Company has its registered office at:

Dubininskaya St. 53, bld. 6, Moscow, Russian Federation.

2 Basis of presentation

Basis of preparation. This consolidated condensed interim financial information for the three months ended 31 March 2014 has been prepared in accordance with IAS 34, "Interim Financial Reporting". It should be read in conjunction with the consolidated financial statements for the year ended 31 December 2013 which have been prepared in accordance with International Financial Reporting Standards.

Changes in presentation. Starting from 1 January 2014 certain changes have been applied to presentation of the following notes:

- Segmental results of Eurochem Agro companies' (the distribution network) are reallocated from Nitrogen and Other to Distribution segment (Note 6).
- Sales. Sales presented by product groups (Note 15).
- Cost of sales. The line Materials and components used or resold is split into the lines Raw materials, Other materials and Goods for resale (Note 16).

The comparative figures are presented and reallocated respectively to reflect these changes.

Functional currency. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates.

The functional currency is determined separately for each of the Group's subsidiaries. For Russian subsidiaries the functional currency is the Russian Rouble ("RR"). The functional currency of the most Group's subsidiaries located in Europe is the Euro ("EUR"), for subsidiaries located in Lithuania the functional currency is the Lithuanian Lita ("LTL") etc. The financial information of these subsidiaries has been translated into Russian Roubles, the presentation currency, at the applicable exchange rates as required by IAS 21 "The Effects of Changes in Foreign Exchange Rates" for inclusion in this consolidated condensed interim financial information.

2 Basis of presentation (continued)

At 31 March 2014 the official exchange rates established by the Central Bank of the Russian Federation ("CBRF") were: US$ 1 = RR 35.6871, Euro 1 = RR 49.0519, LTL 1 = RR 14.2106 (31 December 2013: US$ 1 = RR 32.7292, Euro 1 = RR 44.9699, LTL 1 = RR 13.0338). Average rates for the three months ended 31 March 2014 were: US$ 1 = RR 34.9591 , Euro 1 = RR 47.9460, LTL 1 = RR 13.8869 (three months ended 31 March 2013: US$ 1 = RR 30.4142, Euro 1 = RR 40.1908, LTL 1 = RR 11.6419).

3 Accounting policies and critical accounting judgements and estimates

The accounting policies and significant judgments and estimates applied are consistent with those of the consolidated financial statements for the year ended 31 December 2013, except for the policies which were changed to comply with the new or amended standards and interpretations that are in force for the year beginning on 1 January 2014 (Note 4).

Income taxes. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

4 Adoption of new or revised standards and interpretations

The following new standards, amendments to standards and interpretations became effective for the Group from 1 January 2014:

- IFRIC 21 − Levies (issued on 20 May 2013 and effective for annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities (issued on 31 October 2012 and effective for annual periods beginning on or after 1 January 2014);
- 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);
- Amendments to IAS 36 − Recoverable amount disclosures for non-financial assets (issued on 29 May 2013 and effective for annual periods beginning on or after 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period);
- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (issued on 27 June 2013 and effective for annual periods beginning on or after 1 January 2014).

Unless otherwise described above, these standards, amendments to standards and interpretations did not have a material impact on this consolidated condensed interim financial information.

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 March 2014, and have not been early adopted:

- IFRS 9, Financial Instruments Part 1: Classification and Measurement (issued in November 2009, and amended in October 2010, December 2011 and November 2013. The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary). The Group is currently assessing the impact of the standard on its consolidated condensed interim financial information;
- Amendments to IAS 19 – Defined benefit plans: Employee contribution (issued in November 2013, effective for annual periods beginning on or after 1 July 2014);
- IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016);

4 Adoption of new or revised standards and interpretations (continued)

- Improvements to International Financial Reporting Standards (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

Unless otherwise described above, the new standards, amendments to standards and interpretations are not expected to materially impact the Group's consolidated condensed interim financial information.

5 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. Management has used all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value

Fair values of derivatives financial assets and liabilities were determined based on derived quoted market prices and were included in level 2.

Cash and cash equivalents are carried at amortised cost which approximates their current fair value.

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. The discount rates used depend on the credit risk of the counterparty. The carrying amounts of trade receivables and originated loans approximate their fair values. Their fair values are within level 2 of the fair value hierarchy.

Liabilities carried at amortised cost. The fair value is based on quoted market prices, if available. The estimated fair values of fixed interest rate instruments with a stated maturity, for which quoted market prices were not available, were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities. 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. The fair value of borrowings and issued bonds at 31 March 2014 and 31 December 2013 are disclosed in Notes 12 and 13. The fair value of borrowings and issued bonds were included in level 2 and 1, respectively.

6 Segment information

The Group has five reportable operating segments identified by the management: nitrogen, phosphates, potash, distribution and other. The development and approval of strategies, market and risk analysis, the investment focus, technological process changes, and the setting of goals and priorities of the Group are undertaken in line with these segments:

- Nitrogen – the production and sale of nitrogen mineral fertilisers and organic synthesis products and the extraction of hydrocarbons (natural gas and gas condensate) where natural gas is used as the raw material for the production of nitrogen fertilisers and gas condensate is sold;

- Phosphates – the production and sale of phosphate mineral fertilisers and the extraction of ores to produce and subsequently sell baddeleyite and iron-ore concentrates;

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

6 Segment information (continued)

- Potash – the development of several deposits of potassium salts ("potash") under the licences acquired by the Group for production of potassium fertilisers. No sales have been recorded to date in this segment;

- Distribution – retail sales of mineral fertilisers (including those not produced by the Group), seeds, crop protection items, etc. via a distribution network comprising distribution centers located in Russia, the CIS and sales offices located in Germany, Spain, Italy, Greece, France, Turkey, Mexico, Singapore and China.

- All other – certain logistics and service activities, central management, investment income and other items.

On a monthly basis the Management Board reviews the financial reports of the Group, evaluates the operating results and allocates resources between the operating segments. Budgets and financial reports are prepared in a standard format according to the IFRS accounting policy adopted by the Group. Sales between segments are carried out on an arm's length basis. The Management Board assesses the performance of the operating segments based on, among other factors, a measure of profit before taxation adjusted by interest expense, depreciation and amortisation, financial foreign exchange gain or loss, other non-cash and extraordinary items, excluding net profit for the period attributed to non-controlling interests (EBITDA). Since this term is not a standard IFRS measure, EuroChem Group's definition of EBITDA may differ from that of other companies.

In 2014 the Group is planning to implement a change in its management and organisational structure to a divisional model. The management anticipates starting to report its operating results based on the new divisional organisational structure in 2015.

The segmental results for the three months ended 31 March 2014 were:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	13,842,683	12,781,754	26,624,437	8,328,933
Phosphates	11,450,199	4,036,931	15,487,130	3,832,722
Potash	-	-	-	(257,856)
Distribution	22,973,002	135,969	23,108,971	1,145,339
Other	1,149,900	6,467,491	7,617,391	1,256,839
Elimination	-	(23,422,145)	(23,422,145)	(138,253)
Total	**49,415,784**	**-**	**49,415,784**	**14,167,724**

The segmental results for the three months ended 31 March 2013 were:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	14,580,193	10,670,110	25,250,303	8,017,544
Phosphates	14,465,624	714,607	15,180,231	3,415,275
Potash	-	-	-	1,076
Distribution	16,583,237	79,994	16,663,231	1,047,398
Other	1,022,324	4,816,644	5,838,968	(82,848)
Elimination	-	(16,281,355)	(16,281,355)	(46,510)
Total	**46,651,378**	-	**46,651,378**	**12,351,935**

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

6 Segment information (continued)

A reconciliation of EBITDA to profit before taxation is provided below:

		Three months	
	Note	31 March 2014	31 March 2013
EBITDA		**14,167,724**	**12,351,935**
Depreciation and amortisation	18	(2,617,522)	(2,454,161)
Write-off of idle property, plant and equipment	7	(38,317)	(818)
Interest expense		(1,201,777)	(1,226,205)
Financial foreign exchange gain/(loss), net		(7,351,915)	(1,675,722)
Other financial gain/(loss), net	20	(2,381,595)	(311,593)
Non-controlling interest		(1,304)	(1,525)
Profit before taxation		**575,294**	**6,681,911**

The analysis of Group sales by region was:

	Three months	
	31 March 2014	31 March 2013
Europe	20,727,362	18,317,795
Russia	10,096,177	9,695,253
Asia	5,522,905	6,010,014
North America	5,041,209	5,436,894
CIS	3,835,365	3,386,140
Latin America	3,107,429	2,378,974
Africa	876,807	1,092,929
Australasia	208,530	333,379
Total sales	**49,415,784**	**46,651,378**

The sales are allocated to regions based on the destination country. During the three months ended 31 March 2014 the Group had sales in excess of 10% to Russia and Germany, which represented 20.4% and 12.1% of total Group revenues respectively (three months ended 31 March 2013: sales to Russia and United States of America represented 20.8% and 10.3% of total Group revenues, respectively).

During the three months ended 31 March 2014 there were no sales in excess of 10% to one customer. During the three months ended 31 March 2013 the Group had sales in excess of 10% to one customer which is an international fertiliser trader. Revenues from this customer represented 10.4% of total Group revenues for the three months ended 31 March 2013 and were allocated to the Nitrogen and Phosphates segments.

7 Property, plant and equipment

Movements in the carrying amount of property, plant and equipment were:

	Note	2014	2013
Carrying amount at 1 January		**152,870,922**	**127,799,359**
Including advances given to construction companies and suppliers of property, plant and equipment		*6,277,525*	*4,770,571*
Additions		6,800,546	7,696,911
Including changes in advances given		*128,465*	*1,220,195*
Disposals		(34,631)	(52,573)
Depreciation charge for the period		(2,609,792)	(2,516,066)
Idle property, plant and equipment write-off	16	(38,317)	(818)
Currency translation differences		1,177,115	(103,230)
Carrying amount at 31 March		**158,165,843**	**132,823,583**
Including advances given to construction companies and suppliers of property, plant and equipment		*6,405,990*	*5,990,766*

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

7 Property, plant and equipment (continued)

The analysis of the Group's assets under construction is:

	31 March 2014	31 December 2013
Construction in progress	65,738,939	62,738,463
Advances given to construction companies and suppliers of property, plant and equipment	6,405,990	6,277,525
Evaluation expenses	340,157	307,273
Total assets under construction	**72,485,086**	**69,323,261**

Evaluation expenses at the Darganovsky and Ravninny potash fields

At 31 March 2014 the Group has capitalised expenses relating to the evaluation stage of the Darganovsky and Ravninny potash fields of RR 340,157 thousand, including borrowing costs capitalised of RR 24,190 thousand (31 December 2013: RR 307,273 thousand, including borrowing costs capitalised of RR 20,395 thousand). These expenses were recognised in property, plant and equipment. In most cases these expenses were paid in the period when the services were provided.

Borrowing costs capitalised

During the three months ended 31 March 2014 borrowing costs totalling RR 207,765 thousand (three months ended 31 March 2013: RR 34,968 thousand) were capitalised in property, plant and equipment at an average interest rate of 4.8% p.a. (three months ended 31 March 2013: 4.9% p.a.).

Payables to suppliers of property, plant and equipment

As at 31 March 2014 trade payables included payables to suppliers of property, plant and equipment amounting to RR 1,444,241 thousand (31 December 2013: RR 1,389,397 thousand).

8 Investment in associates

As at 31 March 2014 the Group's investments in associates were as follows:

	31 March 2014	31 December 2013
Investment in associate OJSC "Murmansk Commercial Seaport"	3,711,540	3,531,640
Investment in associate OJSC "Astrakhan Oil and Gas company"	1,338,105	-
Total investments in associates	**5,049,645**	**3,531,640**

Movements in the carrying amount of the Group's investment in associates were:

	2014	2013
Carrying amount at 1 January	**3,531,640**	-
Acquisition of interest in associates	1,338,105	-
Share of profit from associates	179,900	-
Carrying amount at 31 March	**5,049,645**	-

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

8 Investment in associates (continued)

Investment in associate OJSC "Murmansk Commercial Seaport"

The aggregated assets, liabilities, revenues and results of associate as at 31 March 2014 are as follows:

Current assets	3,272,213
Non-current assets	3,802,664
Current liabilities	293,608
Non-current liabilities	1,703,159
Net assets	**5,078,110**
Sales for the three months ended 31 March 2014	1,409,575
Net profit for the three months ended 31 March 2014	412,541

Investment in associate OJSC "Astrakhan Oil and Gas company"

In February 2014 the Group acquired 20.1% of the issued capital of OJSC "Astrakhan oil and gas company" (the "Associate") located in Astrakhan region Russian Federation for RR 1,338,105 thousand paid in cash. The Group expects to acquire 54.77% of the issued capital of OJSC "Astrakhan oil and gas company" subject to the regulatory approval.

The Group is performing the valuation of the fair value of the Associate's identifiable assets and liabilities and intends to finalise the fair value measurement within 12 months of the acquisition date.

9 Inventories

	31 March 2014	31 December 2013
Finished goods	10,746,895	10,090,537
Materials	6,800,500	7,152,950
Catalysts	3,368,504	3,332,012
Work in progress	2,485,041	2,429,338
Less: provision for obsolete and damaged inventories	(324,538)	(334,086)
Total inventories	**23,076,402**	**22,670,751**

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

10 Trade receivables, prepayments, other receivables and other current assets

	31 March 2014	31 December 2013
Trade receivables		
Trade receivables denominated in RR	1,862,954	1,848,881
Trade receivables denominated in US$	5,530,350	4,118,169
Trade receivables denominated in Euro	11,747,286	5,290,300
Trade receivables denominated in other currencies	800,543	889,534
Less: impairment provision	(254,256)	(251,809)
Total trade receivables – financial assets	**19,686,877**	**11,895,075**
Prepayments, other receivables and other current assets		
Advances to suppliers	1,854,786	2,949,696
VAT recoverable and receivable	5,005,636	4,577,592
Income tax receivable	130,517	185,234
Other taxes receivable	277,421	364,647
Other receivables	786,025	624,158
Less: impairment provision	(241,452)	(215,628)
Subtotal non-financial assets	**7,812,933**	**8,485,699**
Other receivables	175,417	213,933
Interest receivable	36,952	31,539
Subtotal financial assets	**212,369**	**245,472**
Total prepayments, other receivables and other current assets	**8,025,302**	**8,731,171**
Total trade receivables, prepayments, other receivables and other current assets	**27,712,179**	**20,626,246**
including		
Financial assets	19,899,246	12,140,547
Non-financial assets	7,812,933	8,485,699

11 Cash and cash equivalents, fixed-term deposits and restricted cash

	31 March 2014	31 December 2013
Cash on hand and bank balances denominated in RR	1,739,198	636,604
Bank balances denominated in US$	5,625,128	5,830,088
Bank balances denominated in Euro	5,892,490	7,091,967
Bank balances denominated in other currencies	556,295	428,598
Term deposits denominated in RR	434,094	985,890
Term deposits denominated in US$	8,097	1,152,418
Term deposits denominated in Euro	215,834	53,520
Term deposits denominated in other currencies	71,510	373,310
Total cash and cash equivalents	**14,542,646**	**16,552,395**
Fixed-term deposits in RR	1,108,680	2,341,600
Fixed-term deposits in US$	21,356	92,506
Fixed-term deposits in Euro	-	7,650
Fixed-term deposits in other currencies	383,958	-
Total fixed-term deposits	**1,513,994**	**2,441,756**
Non-current restricted cash	96,179	88,558
Total restricted cash	**96,179**	**88,558**

Term deposits at 31 March 2014 and 31 December 2013 are held to meet short term cash needs and have various original maturities but can be withdrawn on request without any restrictions.

Fixed-term deposits have various original maturities and can be withdrawn with early notification and/or with penalty accrued or interest income forfeited.

At 31 March 2014 and 31 December 2013 there was no current restricted cash held at banks.

At 31 March 2014 RR 96,179 thousand of non-current restricted cash (31 December 2013: RR 88,558 thousand) was held in bank accounts as security deposits for third parties.

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

12 Bank borrowings and other loans received

	Note	31 March 2014	31 December 2013
Current bank borrowings and other loans received			
Loan from shareholder	23	1,784,355	-
Short-term bank loans, denominated in US$		2,498,097	981,876
Current portion of long-term bank loans in RR		5,000,000	2,500,000
Current portion of long-term bank loans in US$		5,302,107	4,862,646
Current portion of long-term bank loans in Euro		176,176	161,515
Less: short-term portion of transaction costs		(136,076)	(135,296)
Total current bank borrowings and other loans received		**14,624,659**	**8,370,741**
Non-current bank borrowings and other loans received			
Long-term bank loans, denominated in RR		20,000,000	20,000,000
Long-term bank loans, denominated in US$		56,553,872	52,962,611
Long-term bank loans, denominated in Euro		1,585,583	1,534,391
Less: current portion of long-term bank loans in RR		(5,000,000)	(2,500,000)
Less: current portion of long-term bank loans in US$		(5,302,107)	(4,862,646)
Less: current portion of long-term bank loans in Euro		(176,176)	(161,515)
Less: long-term portion of transaction costs		(1,255,856)	(1,321,111)
Total non-current bank borrowings and other loans received		**66,405,316**	**65,651,730**
Total bank borrowings and other loans received		**81,029,975**	**74,022,471**

Movements in Group's bank borrowings and other loans received during three months ended 31 March 2014 and 31 March 2013 were as follows:

	2014	2013
Balance as at 1 January	**74,022,471**	**66,374,367**
Reclassification from capital contribution	1,589,459	-
Bank loans received, denominated in US$	2,528,430	4,269,571
Bank loans repaid, denominated in US$	(2,263,097)	-
Bank loans repaid, denominated in Euro	(88,615)	-
Capitalisation and amortisation of transaction costs, net	64,475	57,428
Foreign exchange (gain)/loss, net	5,176,852	1,129,030
Balance as at 31 March	**81,029,975**	**71,830,396**

The Group's bank borrowings and other loans received mature:

	31 March 2014	31 December 2013
- within 1 year	14,624,659	8,370,741
- between 1 and 2 years	23,005,694	19,971,014
- between 2 and 5 years	42,103,664	44,454,880
- more than 5 years	1,295,958	1,225,836
Total bank borrowings and other loans received	**81,029,975**	**74,022,471**

At 31 March 2014 and 31 December 2013 the fair value of current bank borrowings and borrowings bearing floating interest rates was not materially different from their carrying amounts.

The fair value of borrowings bearing fixed interest rate is estimated based on expected cash flows discounted at an interest rate of 7.81% at 31 March 2014 exceeded their carrying amount by RR 192,517 thousand (31 December 2013: fair value estimated with interest rate of 6.81% exceeded the carrying amount by RR 557,643 thousand).

The Group has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

Under the terms of loan agreements, the Group is required to comply with a number of covenants and restrictions, including the maintenance of certain financial ratios and financial indebtedness and cross-default provisions.

12 Bank borrowings and other loans received (continued)

Interest rates and outstanding amounts

In September 2013 the Group obtained a credit facility of US$ 1.3 billion bearing interest at 3-month Libor +1.8 % and maturing in September 2018.

In 2011 the Group signed a RR 20 billion 5-year non-revolving fixed-interest rate loan facility with a leading Russian bank. As at 31 March 2014 the outstanding amount was RR 20 billion (31 December 2013: RR 20 billion).

In 2010 the Group signed a 10-year export credit agency-backed loan facility with a floating interest rate based on 6-month Libor for financing the construction of the cage shaft at the Gremyachinskoe potash deposit. In 2012, due to the termination of a construction contract US$ 261 million of the initial credit limit was reduced to US$ 109.5 million. At 31 March 2014 the outstanding amount was US$ 94.9 million (31 December 2013: US$ 94.9 million).

In 2012 the Group signed a US$ 100 million framework agreement for a 2-year revolving facility bearing a floating interest rate based on Libor. In 2013 the facility was fully utilised. During three months ended 31 March 2014 facility was repaid and as at 31 March 2014 the outstanding amount was nil (31 December 2013: US$30 million).

In March 2012 the Group signed a US$ 83.3 million credit line agreement with a European commercial bank, bearing a floating interest rate based on 1-month Libor and maturity in August 2015. In November 2012 the credit limit was increased to US$ 94.1 million. The payments on this loan started in August 2013. At 31 March 2014 the outstanding amount was US$ 63.9 million (31 December 2013: US$ 75.2 million).

In 2010 the Group signed a Euro 36.7 million, 13-year export credit agency-backed loan facility with a floating interest rate based on 6-month Euribor for financing the acquisition of permanent hoisting equipment for the cage and skip shafts of the Gremyachinskoe potash deposit development project from a Czech engineering company. After the end of the availability period in February 2013 the credit limit was reduced to the utilised amount of Euro 35.9 million. At 31 March 2014 the outstanding amount was Euro 32.3 million (31 December 2013: Euro 34.1 million).

In 2010 the Group signed a US$ 250 million 5-year credit line agreement bearing a floating interest rate based on 1-month Libor with a European commercial bank. At 31 March 2014 the outstanding amount was US$ 126 million (31 December 2013: US$ 148 million).

In October 2013 the Group signed a US$ 100 million revolving fixed interest rate credit facility with a Russian bank. At 31 March 2014 the outstanding amount was US$ 70 million (31 December 2013: nil).

At 31 March 2014 a US$ 50 million capital contribution, which initially had been recognised as a component of the equity, was reclassified and is presented in the consolidated condensed statement of financial position as a loan received due to the termination of the original agreement under which the contribution was made. The loan was repaid in April 2014.

Undrawn loan facilities

In 2012 the Group signed a US$ 75 million framework agreement for a 2-year revolving facility bearing a floating interest rate based on Libor. At 31 March 2014 and 31 December 2013 the outstanding amount was nil. The facility is available to the Group.

In October 2013 the Group signed a US$ 250 million 2-year loan agreement bearing a floating interest rate. At 31 March 2014 and 31 December 2013 the outstanding amount was nil. The facility is available to the Group.

In October 2013 the Group signed a revolving fixed-interest rate loan facility for 90 million Ukrainian Hryvnas in order to finance activities at Ukrainian-based subsidiary of the Group. At 31 March 2014 and 31 December 2013 the outstanding amount was nil. The facility is available to the Group.

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

12 Bank borrowings and other loans received (continued)

Collaterals and pledges

At 31 March 2014 and 31 December 2013 the Group did not have assets pledged or held as collateral.

13 Bonds issued

	31 March 2014		31 December 2013	
	Fair value	Carrying amount	Fair value	Carrying amount
5.125% 750 million US$-denominated bonds due December 2017	26,296,932	26,765,325	24,757,758	24,546,900
8.9% RR-denominated bonds due June 2018/callable by investors in July 2015	5,040,000	5,000,000	5,040,000	5,000,000
8.25% RR-denominated bonds due November 2018/callable by investors in November 2015	4,800,000	5,000,000	5,013,000	5,000,000
Less: transaction costs	-	(153,320)	-	(163,462)
Total bonds issued	**36,136,932**	**36,612,005**	**34,810,758**	**34,383,438**

The fair value of the outstanding US$-denominated bonds and RR-denominated bonds was determined with reference to their quotations on the Irish Stock Exchange and the Moscow Stock Exchange, respectively.

14 Derivative financial assets and liabilities

At 31 March 2014 the derivative financial assets and liabilities were:

	Assets		Liabilities	
	Non-current	Current	Non-current	Current
RR/US$ non-deliverable forward contracts with a nominal amount of RR 4,000 million	121,010	-	-	-
RR/US$ non-deliverable forward contracts with a nominal amount of RR 5,000 million	-	86,897	-	-
RR/US$ non-deliverable forward contracts with a nominal amount of RR 12,500 million	-	-	471,128	-
RR/US$ non-deliverable forward contracts with a nominal amount of RR 4,100 million	-	-	-	170,009
Cross currency interest rate swap	-	-	617,396	241,308
Total	**121,010**	**86,897**	**1,088,524**	**411,317**

At 31 December 2013 the derivative financial assets and liabilities were:

	Assets		Liabilities	
	Non-current	Current	Non-current	Current
RR/US$ non-deliverable forward contracts with a nominal amount of RR 19,000 million	1,063,749	-	-	-
RR/US$ non-deliverable forward contracts with a nominal amount of RR 6,600 million	-	326,983	-	-
EUR/US$ deliverable forward contracts with a nominal amount of US$ 3,575 thousand	-	4,560	-	-
Cross currency interest rate swap	-	-	142,385	212,300
Call options on iron ore	-	-	-	12,963
Total	**1,063,749**	**331,543**	**142,385**	**225,263**

During the three months ended 31 March 2014 outstanding call options on iron ore expired out of the money.

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

14 Derivative financial assets and liabilities (continued)

Movements in the carrying amount of derivative financial assets/(liabilities) were:

	1 January 2014	Changes in the fair value, gain/(loss), net	Currency translation difference	31 March 2014
Operating activities	**(8,403)**	**8,323**	**80**	**-**
Call options on iron ore	(12,963)	12,963	-	-
Foreign exchange deliverable forward contracts, net	4,560	(4,640)	80	-
Investing activities	**87,940**	**(257,949)**	**-**	**(170,009)**
Foreign exchange non-deliverable forward contracts, net	87,940	(257,949)	-	(170,009)
Financing activities	**948,107**	**(2,070,032)**	**-**	**(1,121,925)**
Cross currency interest rate swap	(354,685)	(504,019)	-	(858,704)
Foreign exchange non-deliverable forward contracts, net	1,302,792	(1,566,013)	-	(263,221)
Total derivative financial assets and liabilities, net	**1,027,644**	**(2,319,658)**	**80**	**(1,291,934)**

Changes in the fair value of derivatives related to the operating activities of the Group amounting to RR 8,323 thousand were recognised as a gain within “Other operating income and expenses”.

Changes in the fair value of derivatives related to investing and financing activities totalling RR 2,327,979 thousand were recognised as a loss within “Other financial gain/loss” (Note 20).

15 Sales

The external sales by product group were:

	Three months ended 31 March 2014	Three months ended 31 March 2013
Nitrogen products	**21,291,115**	**20,137,246**
Nitrogen fertilisers	21,269,667	20,112,683
Other products	21,448	24,563
Phosphate products	**10,124,061**	**10,435,377**
Phosphate fertilisers	8,887,832	9,176,657
Feed phosphates	1,235,906	1,257,295
Other products	323	1,425
Complex fertilisers	**7,588,759**	**6,552,963**
Other fertilisers	**84,716**	**63,070**
Iron ore concentrate	**4,870,720**	**4,258,850**
Apatite and baddeleyite concentrates	**343,796**	**640,072**
Apatite concentrate	26,046	426,724
Baddeleyite concentrate	317,750	213,348
Industrial products	**3,500,346**	**3,223,177**
Organic synthesis products	2,703,482	2,494,576
Other products	796,864	728,601
Hydrocarbons	**580,355**	**422,141**
Other sales	**1,031,916**	**918,482**
Logistic services	135,293	54,214
Other products	367,990	349,157
Other services	528,633	515,111
Total sales	**49,415,784**	**46,651,378**

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

16 Cost of sales

The components of cost of sales were:

	Three months ended	
	31 March 2014	31 March 2013
Raw materials	12,871,321	13,198,831
Goods for resale	4,353,168	3,818,331
Other materials	1,715,133	1,537,355
Energy	2,147,867	2,001,230
Utilities and fuel	1,354,591	1,252,757
Labour, including contributions to social funds	3,075,203	2,740,627
Depreciation and amortisation	2,137,888	1,977,237
Repairs and maintenance	665,882	428,005
Production overheads	811,813	625,872
Property tax, rent payments for land and related taxes	513,238	452,446
Idle property, plant and equipment write-off	38,317	818
Provision/(reversal of provision) for obsolete and damaged inventories, net	5,340	1,272
Changes in work in progress and finished goods	(163,426)	1,305,566
Other costs	116,997	43,059
Total cost of sales	**29,643,332**	**29,383,406**

17 Distribution costs

Distribution costs comprised:

	Three months ended	
	31 March 2014	31 March 2013
Transportation	4,877,325	4,323,577
Export duties, other fees and commissions	28,813	34,196
Labour, including contributions to social funds	701,046	594,783
Depreciation and amortisation	330,371	325,600
Repairs and maintenance	127,957	180,552
Provision/(reversal of provision) for impairment of receivables, net	9,589	(11,986)
Other costs	562,357	458,623
Total distribution costs	**6,637,458**	**5,905,345**

18 General and administrative expenses

General and administrative expenses comprised:

	Three months ended	
	31 March 2014	31 March 2013
Labour, including contributions to social funds	956,891	711,229
Depreciation and amortisation	149,263	151,324
Audit, consulting and legal services	208,809	167,519
Rent	50,145	42,033
Bank charges	42,609	79,244
Social expenditure	20,883	24,958
Repairs and maintenance	18,355	19,720
Provision/(reversal of provision) for impairment of receivables, net	14,013	(10,318)
Other expenses	324,800	280,515
Total general and administrative expenses	**1,785,768**	**1,466,224**

The total depreciation and amortisation expenses included in all captions of the consolidated condensed statement of profit or loss and other comprehensive income amounted to RR 2,617,522 thousand (three months ended 31 March 2013: RR 2,454,161 thousand).

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

18 General and administrative expenses (continued)

The total staff costs (including social expenses) included in all captions of the consolidated condensed statement of profit or loss and other comprehensive income amounted to RR 4,733,140 thousand (three months ended 31 March 2013: RR 4,046,639 thousand).

19 Other operating income and expenses

The components of other operating (income) and expenses were:

	Three months ended	
	31 March 2014	31 March 2013
Sponsorship	116,025	113,234
(Gain)/loss on disposal of property, plant and equipment and intangible assets, net	82,268	1,981
Foreign exchange (gain)/loss, net	20,598	89,045
(Gain)/loss on sales and purchases of foreign currencies, net	(4,843)	(12,867)
Other operating (income)/expenses, net	(120,054)	(136,747)
Total other operating (income)/expenses, net	**93,994**	**54,646**

20 Other financial gain and loss

The components of other financial (gain) and loss were:

	Three months ended	
	31 March 2014	31 March 2013
Changes in the fair value of foreign exchange non-deliverable forward contracts	1,823,962	205,467
Changes in the fair value of cross currency interest rate swap	504,019	49,938
Unwinding of discount on deferred payables	46,636	47,722
Unwinding of discount on land restoration obligation	6,978	8,466
Total other financial (gain)/loss, net	**2,381,595**	**311,593**

21 Income tax

	Three months ended	
	31 March 2014	31 March 2013
Income tax expense – current	2,163,130	2,172,623
Deferred income tax – origination and reversal of temporary differences	(595,018)	(250,238)
Prior periods adjustments recognised in the current period for income tax	(26,944)	(59,823)
Income tax expense	**1,541,168**	**1,862,562**

Most of the Group companies located in the Russian Federation were subject to a tax rate of 20% on taxable profits during the three months ended 31 March 2014 (three months ended 31 March 2013: 20%). Several subsidiaries applied reduced income tax rates within a range from 15.5% to 19.3% according to regional tax law and agreements with regional authorities.

For the subsidiaries located outside the Russian Federation tax rates on taxable profit ranged from 10% to 37.6%, including two major manufacturing entities Lifosa AB, located in Lithuania, and EuroChem Antwerpen NV, located in Belgium, which apply tax rates of 15% and 33.99% on taxable profits, respectively (three months ended 31 March 2013: Lifosa AB and EuroChem Antwerpen NV applied 15% and 33.99% on taxable profits, respectively).

22 Earnings/(loss) per share

Basic earnings/(loss) per share are calculated by dividing the net profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding treasury shares. The Company has no dilutive potential ordinary shares, therefore, the diluted earnings/(loss) per share equals the basic earnings/(loss) per share.

	Three months ended	
	31 March 2014	31 March 2013
Net profit/(loss) for the period attributable to owners of the parent	(964,570)	4,820,874
Weighted average number of ordinary shares outstanding (expressed in thousands)	59,402	59,613
Basic and diluted earnings/(loss) per share (expressed in RR per share)	**(16.24)**	**80.87**

23 Balances and transactions with related parties

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 exercise significant influence or joint control over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The relationships with those related parties with whom the Group entered into significant transactions or had significant balances outstanding are detailed below:

Financial statements caption	Nature of relationship	31 March 2014	31 December 2013
Statement of financial position caption			
Non-current originated loans	Other related parties*	453,225	415,660
Trade receivables	Parent company	214	-
Trade receivables	Associates	-	70
Trade receivables	Other related parties	8,972	4,474
Prepayments, other receivables and other current assets*:*			
Interest receivable	Other related parties	9,256	5,803
Other receivables	Other related parties	35,181	33,926
Capital contribution	Other related parties**	-	1,589,459
Bonds issued	Other related parties	89,218	81,823
Bank borrowings and other loans received (Note 12)	Other related parties**	1,784,355	-
Trade payables	Associates	13,050	20,780
Trade payables	Other related parties	7,199	75,643
Other accounts payable and accrued expenses			
Interest payable	Other related parties**	42,481	-
Advances from customers	Other related parties	3	-

		Three months ended	
Financial statements caption	Nature of relationship	31 March 2014	31 March 2013
Statement of profit or loss and other comprehensive income caption			
Sales	Parent company	214	-
Sales	Other related parties	14,022	7,117
Cost of sales	Other related parties	-	(685)
Distribution costs	Associates	(30,313)	-
Distribution costs	Other related parties	(15,276)	(10,689)
General and administrative expenses	Other related parties	(209)	-
Interest income	Other related parties	2,925	-
Interest expense	Other related parties**	(42,481)	-

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

23 Balances and transactions with related parties (continued)

Financial statements caption	Nature of relationship	Three months ended 31 March 2014	Three months ended 31 March 2013
Statement of cash flows caption			
(Increase)/decrease in trade receivables	Other related parties	(4,498)	16,002
(Increase)/decrease in other receivables	Other related parties	(4,708)	298
Decrease in trade payables	Associates	(7,730)	-
Decrease in trade payables	Other related parties	(68,451)	(723)
Increase in advances from customers	Other related parties	3	2,423
Capital expenditure on property, plant and equipment and other intangible assets	Other related parties	-	(6,119)
Purchase of treasury shares	Parent company	-	(7,297,873)

* Related parties represented by the companies under common control with the Group.

**Related party represented by the companies ultimately controlled by the shareholder

The total key management personnel compensation included in the profit and loss was RR 92,570 thousand and RR 86,446 thousand for the three months ended 31 March 2014 and 31 March 2013, respectively. This compensation is paid to seven individuals who are members of the Management Board, for their services in full time positions. Compensation is made up of an annual fixed remuneration plus a performance bonus accrual.

24 Contingencies, commitments and operating risks

i Capital expenditure commitments

As at 31 March 2014 the Group had contractual commitments for capital expenditures of RR 28,837,892 thousand (31 December 2013: RR 24,200,405 thousand), including amounts denominated in Euro and US$ (RR 13,295,658 thousand and RR 685,307 thousand, respectively). Management estimates that, out of these, approximately RR 18.9 billion will represent cash outflows in 2014.

RR 4,724,987 thousand and RR 12,566,807 thousand out of the total amount relate to the development of potassium salt deposits and the construction of mining facilities at the Gremyachinskoe and Verkhnekamskoe potash licence areas, respectively (31 December 2013: RR 3,982,268 thousand and RR 9,723,369 thousand, respectively).

ii Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations. The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments than the Management of the Group, and it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review with possible extension of this period under certain circumstances.

Given the scale and international nature of the Group's business, intra-group transfer pricing is an inherent tax risk as it is for other international businesses.

The amended Russian transfer pricing legislation (which has been effective since 1 January 2012) is, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. Management has prepared transfer pricing documentation to comply with the new legislation and believes that the pricing policies and implemented procedures are sufficient to be in compliance with the legislation.

Changes in tax laws or their application with respect to matters such as transfer pricing in the countries where the Group has subsidiaries could significantly increase the Group's effective tax rate.

24 Contingencies, commitments and operating risks (continued)

ii Tax legislation (continued)

As at 31 March 2014 management believes that its interpretation of the relevant legislation is generally appropriate and the Group's tax, currency and customs positions will be sustained. Where management believes that it is probable that certain tax positions taken by the Group may not be sustained if challenged by the tax authorities, the Group recognises provisions for related taxes, interest and penalties. There were no such provisions recorded by the Group at 31 March 2014 and 31 December 2013.

iii Insurance policies

The Group obtains risk insurance cover as mandated by statutory requirements. The Group also holds voluntary insurance policies covering directors' and officers' liability (D&O insurance), general liability, physical property and business interruption insurance at nitrogen and phosphate production plants, as well as insurance policies related to trade operations, including export shipments, and credit insurance of trade debtors.

As part of the potash project the Group has voluntarily insured construction risks associated with the cage and skip mine shafts at the Gremyachinskoe deposit. The insurance extends over the period until June 2014 and covers the risks of destruction and damage related to the part of two shafts put into operation with the net book value of RR 445,843 thousand.

The Group also carries voluntary life and accident insurance for employees.

iv Environmental matters

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 and an immediate response is formulated as required. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

v Legal proceedings

During the reporting period, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding which could have a material effect on the results of operations or the financial position of the Group.

In October 2012 the Group filed a claim against SHAFT SINKERS (PTY) LTD and ROSSAL 126 (PTY) LIMITED (formerly known as SHAFT SINKERS (PTY) LTD.), ("Shaft Sinkers"), the contractor involved in the construction of the mining shafts at the Gremyachinskoe potash deposit, seeking US$ 800 million compensation for the direct costs and substantial lost profits arising from the delay in commencing potash production, due to the inability of that construction company to fulfil its contractual obligations. Based upon the damages report provided by an independent expert the amount of the claim was increased up to the US$ 1.06 billion which includes net wasted costs to the amount of US$ 248 million and lost profits in the amount of US$ 812 million.

In December 2012 Shaft Sinkers filed a counterclaim against the Group, seeking US$ 44 million without Russian VAT of 18% or US$ 52 million with VAT under the construction contract. In its counterclaim Shaft Sinkers admits that it will give credit, in respect of any sums awarded to it, for a deduction of US$ 30.6 million in respect of advance payments made by the Group with the result that the maximum net claim from Shaft Sinkers is US$ 14 million. Management believes that this counterclaim is without merit.

24 Contingencies, commitments and operating risks (continued)

v Legal proceedings (continued)

The above disputes are subject to arbitration as specified in the contract.

In March 2013 the Group filed a claim against International Mineral Resources B.V. ("IMR") which, the Group believes, held a controlling interest in Shaft Sinkers, claiming IMR is responsible for its subsidiary's actions. In July 2013, the Dutch Court granted EuroChem definitive leave for levying the requested prejudgment attachments against IMR's Dutch assets, while fixing the amount for which the leave is granted, including interest and cost at Euro 886 million. The court held an in-depth hearing on 21 January 2014 where it considered the arguments and witnesses of both sides. Following that hearing, the court rejected IMR's request to suspend the case and stated that IMR would not be permitted to submit any additional evidence. The court reserved judgment until the end of May 2014. The Group expects that this will be final.

vi Operating environment of the Group

The Group operates in the fertilisers industry primarily in the Russian Federation and European countries. The highly competitive nature of the market makes prices of the key Group products relatively volatile.

Possible deteriorating economic conditions may have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets.

Debtors of the Group may also become adversely affected by the financial and economic environment, which could in turn impact their ability to repay the amounts owed or fulfil the obligations undertaken.

Management is unable to predict all developments which could have an impact on the industry and the wider economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes all necessary measures are being taken to support the sustainability and growth of the Group's business in the current circumstances.

Under the terms of valid licences for the exploration and development of mineral resource deposits, the Group is required to comply with a number of conditions, including preparation of design documentation, commencement of the construction of mining facilities and commencement of the extraction of mineral resources by certain dates. If the Group fails to materially comply with the terms of the licence agreements there are circumstances whereby the licences can be revoked. The management of the Group believes that the Group faces no material regulatory risks in relation to the validity and operation of any of its licences.