



EUROCHEM GROUP

INTERNATIONAL ACCOUNTING STANDARD No. 34

**CONSOLIDATED CONDENSED INTERIM (SIX MONTHS)
FINANCIAL INFORMATION AND REVIEW REPORT**

30 JUNE 2014

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as at and for the six months ended 30 June 2014

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Auditor's Report on the Review of the Consolidated Condensed Interim Financial Information as at and for the Six months ended 30 June 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 30 June 2014 and the related consolidated condensed statements of profit or loss and other comprehensive income for the three month and six month periods then ended, and cash flows and changes in equity for the six 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

13 August 2014

Moscow, Russian Federation



	Note	30 June 2014	31 December 2013
ASSETS			
Non-current assets:			
Property, plant and equipment	7	164,453,684	152,870,922
Mineral rights		16,110,209	15,277,028
Goodwill		12,912,619	12,677,150
Intangible assets		6,611,174	6,999,679
Investment in associates	8	5,195,598	3,531,640
Restricted cash	12	89,844	88,558
Originated loans		427,108	415,660
Derivative financial assets	15	103,786	1,063,749
Deferred income tax assets		6,431,425	5,969,585
Other non-current assets		688,375	719,894
Total non-current assets		213,023,822	199,613,865
Current assets:			
Inventories	9	22,160,291	22,670,751
Trade receivables	10	14,571,609	11,895,075
Prepayments, other receivables and other current assets	10	9,348,315	8,731,171
Originated loans		100,892	98,188
Derivative financial assets	15	660,902	331,543
Fixed-term deposits	12	1,456,148	2,441,756
Cash and cash equivalents	12	18,827,151	16,552,395
Total current assets		67,125,308	62,720,879
TOTAL ASSETS		280,149,130	262,334,744
LIABILITIES AND EQUITY			
Equity attributable to owners of the parent:			
Share capital		6,800,000	6,800,000
Treasury shares		(35,883,925)	(44,687,136)
Capital contribution		-	1,589,459
Retained earnings and other reserves		170,763,464	157,941,327
		141,679,539	121,643,650
Non-controlling interests		143,772	169,113
Total equity		141,823,311	121,812,763
Non-current liabilities:			
Bank borrowings and other loans received	13	60,147,524	65,651,730
Bonds issued	14	35,079,884	34,383,438
Derivative financial liabilities	15	439,236	142,385
Deferred income tax liabilities		6,986,366	6,475,782
Other non-current liabilities and deferred credits		5,229,058	5,101,882
Total non-current liabilities		107,882,068	111,755,217
Current liabilities:			
Bank borrowings and other loans received	13	11,425,991	8,370,741
Derivative financial liabilities	15	341,152	225,263
Trade payables		8,615,586	8,539,042
Other accounts payable and accrued expenses		8,609,145	10,079,456
Income tax payable		642,929	524,524
Other taxes payable		808,948	1,027,738
Total current liabilities		30,443,751	28,766,764
Total liabilities		138,325,819	140,521,981
TOTAL LIABILITIES AND EQUITY		280,149,130	262,334,744

Approved on behalf of the Board of Directors
 13 August 2014


 Dmitry Strezhnev
 Chief Executive Officer


 Andrey Ilyin
 Chief Financial Officer

EuroChem Group
Consolidated Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three and six months ended 30 June 2014

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



	Note	Three months ended		Six months ended	
		30 June 2014	30 June 2013	30 June 2014	30 June 2013
Sales	16	46,942,683	45,377,941	96,358,467	92,029,319
Cost of sales	17	(29,017,779)	(28,414,124)	(58,661,111)	(57,797,530)
Gross profit		17,924,904	16,963,817	37,697,356	34,231,789
Distribution costs	18	(6,260,329)	(6,087,675)	(12,897,787)	(11,993,020)
General and administrative expenses	19	(1,929,796)	(1,626,210)	(3,715,564)	(3,092,434)
Other operating income/(expenses), net	20	(1,144,018)	600,445	(1,238,012)	545,799
Operating profit		8,590,761	9,850,377	19,845,993	19,692,134
Share of profit from associates	8	145,953	168,444	325,853	168,444
Dividend income		-	114,204	-	114,204
Interest income		82,993	57,677	158,442	111,351
Interest expense		(1,191,755)	(1,247,880)	(2,393,532)	(2,474,085)
Financial foreign exchange gain/(loss), net		4,873,577	(3,971,932)	(2,478,338)	(5,647,654)
Other financial gain/(loss), net	21	1,323,111	(1,269,987)	(1,058,484)	(1,581,580)
Profit before taxation		13,824,640	3,700,903	14,399,934	10,382,814
Income tax expense	22	(2,239,634)	(1,868,294)	(3,780,802)	(3,730,856)
Profit for the period		11,585,006	1,832,609	10,619,132	6,651,958
Other comprehensive income/(loss) that may be reclassified to profit and loss in subsequent periods					
Currency translation differences, net of tax		(3,582,560)	3,065,936	684,054	2,623,604
Revaluation of available-for-sale investments, net of tax		-	(462,898)	-	(390,250)
Total other comprehensive income/(loss) for the period that may be reclassified to profit and loss in subsequent periods		(3,582,560)	2,603,038	684,054	2,233,354
Total comprehensive income for the period		8,002,446	4,435,647	11,303,186	8,885,312
Profit/(loss) of the period attributable to:					
Owners of the parent		11,586,095	1,834,053	10,621,525	6,654,927
Non-controlling interests		(1,089)	(1,444)	(2,393)	(2,969)
		11,585,006	1,832,609	10,619,132	6,651,958
Total comprehensive income/(loss) attributable to:					
Owners of the parent		8,013,734	4,429,051	11,328,527	8,881,267
Non-controlling interests		(11,288)	6,596	(25,341)	4,045
		8,002,446	4,435,647	11,303,186	8,885,312
Earnings per share – basic and diluted (in RR)	23	195.05	31.24	178.81	112.50

The accompanying notes on pages 5 to 24 are an integral part of this consolidated condensed interim financial information.



	Note	Six months ended	
		30 June 2014	30 June 2013
Operating profit		19,845,993	19,692,134
Income tax paid		(3,370,543)	(4,937,400)
Operating profit less income tax paid		16,475,450	14,754,734
Depreciation and amortisation	17, 18, 19	5,006,663	4,922,281
Net loss on disposals and write-off of property, plant and equipment		252,478	95,405
Change in provision for impairment of receivables and provision/(reversal of provision) for obsolete and damaged inventories, net		211,336	(7,996)
Other non-cash (income)/expenses, net		(243,343)	104,934
Gross cash flow		21,702,584	19,869,358
Changes in operating assets and liabilities:			
Trade receivables		(2,792,975)	(2,535,795)
Advances to suppliers		433,116	1,299,447
Other receivables		(1,047,778)	(621,007)
Inventories		537,718	1,124,400
Trade payables		(993,868)	(338,330)
Advances from customers		(474,349)	(1,130,994)
Other payables		(1,042,328)	309,541
Restricted cash, other assets and liabilities		(1,286)	401,947
Net cash – operating activities		16,320,834	18,378,567
Cash flows from investing activities			
Capital expenditure on property, plant and equipment and intangible assets		(14,803,001)	(14,583,424)
Purchase of mineral rights		(1,051,202)	-
Payment related to mineral rights acquisition		(8,772)	-
Investment in associates	8	(1,338,105)	(591,105)
Prepayments for other non-current assets		-	(5,049)
Proceeds from sale of property, plant and equipment		47,853	61,622
Dividends received and refunded withholding tax on dividends received		15,526	84,083
Net change in fixed-term deposits		970,555	2,912,192
Originated loans		-	(405,603)
Interest received		144,867	107,812
Net cash – investing activities		(16,022,279)	(12,419,472)
Free cash inflow		298,555	5,959,095
Cash flows from financing activities			
Proceeds from bank borrowings and other loans received	13	20,564,952	6,847,933
Repayment of bank borrowings and other loans	13	(26,468,466)	(232,191)
Prepaid and additional transaction costs		(54,291)	(42,487)
Interest paid		(2,656,103)	(2,215,823)
Cash proceeds/(payments) on derivatives – net		98,239	108,274
Acquisition of additional interest in subsidiaries		-	(12,022)
Purchase of treasury shares	24	-	(7,923,975)
Prepayments for treasury shares	24	-	(1,555,303)
Proceeds from sale of treasury shares	11, 24	10,296,821	-
Other financial activities		-	(49)
Net cash – financing activities		1,781,152	(5,025,643)
Effect of exchange rate changes on cash and cash equivalents		195,049	827,982
Net increase in cash and cash equivalents		2,274,756	1,761,434
Cash and cash equivalents at the beginning of the period	12	16,552,395	15,444,147
Cash and cash equivalents at the end of the period	12	18,827,151	17,205,581

The accompanying notes on pages 5 to 24 are an integral part of this consolidated condensed interim financial information.

EuroChem Group
Consolidated Condensed Statement of Changes in Equity for the six months ended 30 June 2014
(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)



	Attributable to owners of the parent							Non-controlling interests	Total equity	
	Note	Share capital	Treasury shares	Capital contribution	Cumulative currency translation differences	Revaluation of available-for-sale investments	Retained earnings			Total
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		-	-	-	-	-	6,654,927	6,654,927	(2,969)	6,651,958
<i>Other comprehensive income/(loss)</i>										
Currency translation differences		-	-	-	2,616,590	-	-	2,616,590	7,014	2,623,604
Revaluation of available-for-sale investments		-	-	-	-	(390,250)	-	(390,250)	-	(390,250)
<i>Total other comprehensive income/(loss)</i>		-	-	-	2,616,590	(390,250)	-	2,226,340	7,014	2,233,354
Total comprehensive income/(loss)		-	-	-	2,616,590	(390,250)	6,654,927	8,881,267	4,045	8,885,312
Transactions with owners										
Purchase of treasury shares		-	(8,607,974)	-	-	-	-	(8,607,974)	-	(8,607,974)
Acquisition of additional interest in subsidiaries		-	-	-	-	-	1,180	1,180	(13,202)	(12,022)
Total transactions with owners		-	(8,607,974)	-	-	-	1,180	(8,606,794)	(13,202)	(8,619,996)
Balance at 30 June 2013		6,800,000	(47,655,019)	-	4,102,054	(520,371)	144,156,743	106,883,407	178,452	107,061,859
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		-	-	-	-	-	10,621,525	10,621,525	(2,393)	10,619,132
<i>Other comprehensive income/(loss)</i>										
Currency translation differences		-	-	-	707,002	-	-	707,002	(22,948)	684,054
<i>Total other comprehensive income</i>		-	-	-	707,002	-	-	707,002	(22,948)	684,054
Total comprehensive income		-	-	-	707,002	-	10,621,525	11,328,527	(25,341)	11,303,186
Transactions with owners										
Reclassification from capital contribution to bank borrowings and other loans received	13	-	-	(1,589,459)	-	-	-	(1,589,459)	-	(1,589,459)
Proceeds from sale of treasury shares	11, 24	-	8,803,211	-	-	-	1,493,610	10,296,821	-	10,296,821
Total transactions with owners		-	8,803,211	(1,589,459)	-	-	1,493,610	8,707,362	-	8,707,362
Balance at 30 June 2014		6,800,000	(35,883,925)	-	7,370,505	-	163,392,959	141,679,539	143,772	141,823,311

The accompanying notes on pages 5 to 24 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 30 June 2014 (31 December 2013: 87.36%). As at 30 June 2014, 7.8% of EuroChem Group S.E. (31 December 2013: 7.8%) is held indirectly by Mr. Dmitry Strezhnev, CEO of the Group. At 30 June 2014, EuroChem Capital Management Ltd, the Group’s wholly-owned subsidiary, held 12.64% of the Company (31 December 2013: 12.64%).

After consideration of the effect of the sales transaction of treasury shares in June 2014 (Note 11), a company which is under common control with Group held 2.47% of the Company. EuroChem Capital Management Ltd held 10.17% of the Company presented as treasury shares in the consolidated condensed statement of financial position.

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 six months ended 30 June 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 are presented by product groups with indication of sales volumes (Note 16).
- The cost of sales line “Materials and components used or resold” is split into the lines “Raw materials”, “Other materials” and “Goods for resale” (Note 17).

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 30 June 2014, the official exchange rates established by the Central Bank of the Russian Federation ("CBRF") were: US\$ 1 = RR 33.6306, Euro 1 = RR 45.8251, LTL 1 = RR 13.2712 (31 December 2013: US\$ 1 = RR 32.7292, Euro 1 = RR 44.9699, LTL 1 = RR 13.0338). Average rates for the six months ended 30 June 2014 were: US\$ 1 = RR 34.9796, Euro 1 = RR 47.9875, LTL 1 = RR 13.8998 (six months ended 30 June 2013: US\$ 1 = RR 31.0169, Euro 1 = RR 40.7444, LTL 1 = RR 11.8004).

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 30 June 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);
- 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);
- Amendments to IFRS 11 – Accounting for Acquisitions of interests in Joint Operations (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016);
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016);
- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The Group is currently assessing the impact of the standard on its consolidated condensed interim financial information.

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 30 June 2014 and 31 December 2013 are disclosed in Notes 13 and 14. 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;
- 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 considering 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 six months ended 30 June 2014 were:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	29,059,838	24,804,417	53,864,255	15,578,629
Phosphates	23,346,665	7,250,322	30,596,987	7,484,823
Potash	-	-	-	(378,465)
Distribution	41,547,520	193,967	41,741,487	1,398,043
Other	2,404,444	13,502,713	15,907,157	1,606,166
Elimination	-	(45,751,419)	(45,751,419)	(280,207)
Total	96,358,467	-	96,358,467	25,408,989

The segmental results for the six months ended 30 June 2013 were:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	30,032,202	19,544,682	49,576,884	15,398,750
Phosphates	27,792,596	1,844,301	29,636,897	7,149,666
Potash	-	-	-	(202,828)
Distribution	30,720,786	136,913	30,857,699	1,651,497
Other	3,483,735	10,587,087	14,070,822	952,658
Elimination	-	(32,112,983)	(32,112,983)	101,666
Total	92,029,319	-	92,029,319	25,051,409



6 Segment information (continued)

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

	Note	Six months	
		30 June 2014	30 June 2013
EBITDA		25,408,989	25,051,409
Depreciation and amortisation	17,18,19	(5,006,663)	(4,922,281)
Write-off of idle property, plant and equipment	7,17,20	(69,645)	(40,026)
Interest expense		(2,393,532)	(2,474,085)
Financial foreign exchange gain/(loss), net		(2,478,338)	(5,647,654)
Other financial gain/(loss), net	21	(1,058,484)	(1,581,580)
Non-controlling interest		(2,393)	(2,969)
Profit before taxation		14,399,934	10,382,814

The analysis of Group sales by region was:

	Six months	
	30 June 2014	30 June 2013
Europe	35,805,197	30,831,639
Russia	18,604,738	16,905,388
Asia	13,610,022	14,513,182
North America	11,520,863	9,681,184
Latin America	8,820,433	8,891,131
CIS	5,192,079	7,283,838
Africa	2,242,734	2,916,071
Australasia	562,401	1,006,886
Total sales	96,358,467	92,029,319

The sales are allocated to regions based on the destination country. During the six months ended 30 June 2014, the Group had sales in excess of 10% to Russia and United States of America which represented 19.3% and 10.9% of total Group revenues respectively (six months ended 30 June 2013: sales to Russia and China represented 18.4% and 10.3% of total Group revenues, respectively).

During the six months ended 30 June 2014, there were no sales in excess of 10% to one customer. During the six months ended 30 June 2013, the Group had sales in excess of 10% to one customer which is an international fertiliser trader. Revenues from this customer represented 10.5% of total Group revenues for the six months ended 30 June 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
<i>Including advances given to construction companies and suppliers of property, plant and equipment</i>		6,277,525	4,770,571
Additions		16,870,915	15,628,662
<i>Including changes in advances given</i>		(333,183)	811,677
Disposals		(230,686)	(92,546)
Depreciation charge for the period		(5,001,081)	(4,868,239)
Idle property, plant and equipment write-off	17, 20	(69,645)	(40,026)
Currency translation differences		13,259	906,999
Carrying amount at 30 June		164,453,684	139,334,209
<i>Including advances given to construction companies and suppliers of property, plant and equipment</i>		5,944,342	5,582,248



7 Property, plant and equipment (continued)

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

	30 June 2014	31 December 2013
Construction in progress	73,179,937	62,738,463
Advances given to construction companies and suppliers of property, plant and equipment	5,944,342	6,277,525
Evaluation expenses	352,482	307,273
Total assets under construction	79,476,761	69,323,261

Idle property, plant and equipment write-off

During the six months ended 30 June 2014, the Group decided to mothball certain production equipment with a net book value of RR 69,645 thousand (six months ended 30 June 2013: net book value of RR 40,026 thousand) and recognised a loss of RR 69,645 thousand in this consolidated condensed interim financial information (six months ended 30 June 2013: RR 40,026 thousand) (Note 17, 20).

Evaluation expenses at the Darganovsky and Ravninny potash fields

At 30 June 2014, the Group has capitalised expenses relating to the evaluation stage of the Darganovsky and Ravninny potash fields of RR 352,482 thousand, including borrowing costs capitalised of RR 25,692 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 six months ended 30 June 2014, borrowing costs totalling RR 417,635 thousand (six months ended 30 June 2013: RR 93,393 thousand) were capitalised in property, plant and equipment at an average interest rate of 4.83% p.a. (six months ended 30 June 2013: 4.84% p.a.).

Payables to suppliers of property, plant and equipment

As at 30 June 2014, trade payables included payables to suppliers of property, plant and equipment amounting to RR 2,459,809 thousand (31 December 2013: RR 1,389,397 thousand).

8 Investment in associates

As at 30 June 2014, the Group's investments in associates were as follows:

	30 June 2014	31 December 2013
Investment in associate OJSC "Murmansk Commercial Seaport"	3,857,493	3,531,640
Investment in associate OJSC "Astrakhan Oil and Gas company"	1,338,105	-
Total investments in associates	5,195,598	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	3,113,860
Share of profit from associates	325,853	168,444
Carrying amount at 30 June	5,195,598	3,282,304



8 Investment in associates (continued)

Investment in associate OJSC “Murmansk Commercial Seaport”

The aggregated assets, liabilities, revenues and results of associate as at 30 June 2014 are as follows:

Current assets	3,575,057
Non-current assets	3,880,602
Current liabilities	345,141
Non-current liabilities	1,729,977
Net assets	5,380,541
Sales for the six months ended 30 June 2014	2,714,859
Net profit for the six months ended 30 June 2014	745,897

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 of Russian Federation for RR 1,338,105 thousand paid in cash. The Group expects to acquire up to 74.87% of the issued capital of this company by the end of the year 2014.

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

	30 June 2014	31 December 2013
Finished goods	7,721,464	9,590,856
Materials	8,616,722	7,652,631
Catalysts	3,493,124	3,332,012
Work in progress	2,667,328	2,429,338
Less: provision for obsolete and damaged inventories	(338,347)	(334,086)
Total inventories	22,160,291	22,670,751

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

	30 June 2014	31 December 2013
Trade receivables		
Trade receivables denominated in RR	1,881,378	1,848,881
Trade receivables denominated in US\$	5,255,255	4,118,169
Trade receivables denominated in Euro	7,095,989	5,290,300
Trade receivables denominated in other currencies	707,237	889,534
Less: impairment provision	(368,250)	(251,809)
Total trade receivables – financial assets	14,571,609	11,895,075
Prepayments, other receivables and other current assets		
Advances to suppliers	2,516,580	2,949,696
VAT recoverable and receivable	5,924,125	4,577,592
Income tax receivable	154,038	185,234
Other taxes receivable	46,414	364,647
Other receivables	848,886	624,158
Less: impairment provision	(245,836)	(215,628)
Subtotal non-financial assets	9,244,207	8,485,699
Other receivables	59,755	213,933
Interest receivable	44,353	31,539
Subtotal financial assets	104,108	245,472
Total prepayments, other receivables and other current assets	9,348,315	8,731,171
Total trade receivables, prepayments, other receivables and other current assets	23,919,924	20,626,246
including		
Financial assets	14,675,717	12,140,547
Non-financial assets	9,244,207	8,485,699



11 Treasury shares

In June 2014, the Group entered into agreement with the company which is under common control with the Group on the sale to such company of 1,680,674 of the ordinary shares of the Company (or 2.47% of the issued share capital) for RR 10,296,821 thousand.

Since cash was received in June 2014 while the title to these shares was transferred to the buyer at the beginning of July 2014, the Group recognised this transaction as a decrease in treasury shares in the consolidated condensed statement of financial position of RR 8,803,211 thousand and recorded the gain of RR 1,493,610 thousand directly in equity at 30 June 2014.

Considering the effect of the above transaction, EuroChem Capital Management Ltd, the Group's wholly-owned subsidiary, held 6,917,335 ordinary shares of the Company (31 December 2013: 8,598,009 ordinary shares). These shares represent 10.17% (31 December 2013: 12.64%) of the Company's share capital and carry voting rights in the same proportion as other ordinary shares.

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

	30 June 2014	31 December 2013
Cash on hand and bank balances denominated in RR	1,585,449	636,604
Bank balances denominated in US\$	5,086,136	5,830,088
Bank balances denominated in Euro	8,807,658	7,091,967
Bank balances denominated in other currencies	189,639	428,598
Term deposits denominated in RR	798,155	985,890
Term deposits denominated in US\$	2,028,793	1,152,418
Term deposits denominated in Euro	206,203	53,520
Term deposits denominated in other currencies	125,118	373,310
Total cash and cash equivalents	18,827,151	16,552,395
Fixed-term deposits in RR	921,800	2,341,600
Fixed-term deposits in US\$	26,341	92,506
Fixed-term deposits in Euro	-	7,650
Fixed-term deposits in other currencies	508,007	-
Total fixed-term deposits	1,456,148	2,441,756
Non-current restricted cash	89,844	88,558
Total restricted cash	89,844	88,558

Term deposits at 30 June 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 30 June 2014 and 31 December 2013, there was no current restricted cash held at banks.

At 30 June 2014, RR 89,844 thousand of non-current restricted cash (31 December 2013: RR 88,558 thousand) was held in bank accounts as security deposits for third parties.



13 Bank borrowings and other loans received

	Note	30 June 2014	31 December 2013
<i>Current bank borrowings and other loans received</i>			
Short-term bank loans, denominated in US\$		3,363,060	981,876
Short-term bank loans, denominated in Ukrainian Hryvna		42,570	-
Current portion of long-term bank loans in RR		7,500,000	2,500,000
Current portion of long-term bank loans in US\$		491,145	4,862,646
Current portion of long-term bank loans in Euro		164,587	161,515
Less: short-term portion of transaction costs		(135,371)	(135,296)
Total current bank borrowings and other loans received		11,425,991	8,370,741
<i>Non-current bank borrowings and other loans received</i>			
Long-term bank loans, denominated in RR		20,000,000	20,000,000
Loan from shareholder, denominated in US\$	24	1,345,224	-
Long-term bank loans, denominated in US\$		46,666,650	52,962,611
Long-term bank loans, denominated in Euro		1,481,278	1,534,391
Less: current portion of long-term bank loans in RR		(7,500,000)	(2,500,000)
Less: current portion of long-term bank loans in US\$		(491,145)	(4,862,646)
Less: current portion of long-term bank loans in Euro		(164,587)	(161,515)
Less: long-term portion of transaction costs		(1,189,896)	(1,321,111)
Total non-current bank borrowings and other loans received		60,147,524	65,651,730
Total bank borrowings and other loans received		71,573,515	74,022,471

Movements in Group's bank borrowings and other loans received during six months ended 30 June 2014 and 30 June 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 RR	1,100,000	-
Loan received from shareholder, denominated in US\$	1,427,932	-
Bank loans received, denominated in US\$	17,994,584	6,847,933
Bank loans received, denominated in Ukrainian Hryvna	42,436	-
Bank loans repaid, denominated in RR	(1,100,000)	-
Bank loans repaid, denominated in US\$	(23,496,726)	(232,191)
Loan repaid to shareholder, denominated in US\$	(1,783,125)	-
Bank loans repaid, denominated in Euro	(88,615)	-
Capitalisation and amortisation of transaction costs, net	131,141	116,617
Foreign exchange (gain)/loss, net	1,733,958	3,981,078
Balance as at 30 June	71,573,515	77,087,804

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

	30 June 2014	31 December 2013
- within 1 year	11,425,991	8,370,741
- between 1 and 2 years	23,724,950	19,971,014
- between 2 and 5 years	35,434,848	44,454,880
- more than 5 years	987,726	1,225,836
Total bank borrowings and other loans received	71,573,515	74,022,471

At 30 June 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 the borrowings bearing fixed interest rate is estimated based on expected cash flows discounted at an interest rate of 8.16%. At 30 June 2014, the fair value of the borrowings exceeded their carrying amount by RR 86,354 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.



13 Bank borrowings and other loans received (continued)

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.

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. At 30 June 2014, the outstanding amount was US\$ 1.3 billion (31 December 2013: US\$ 1.3 billion)

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 30 June 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 30 June 2014, the outstanding amount was US\$ 87.6 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 which was converted to a 4-year facility in 2014. As at 30 June 2014, the outstanding amount was US\$ 100 million (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. In June 2014, the loan was repaid before its stated maturity and at 30 June 2014 the outstanding amount was nil (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 30 June 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. In June 2014, the loan was repaid before its stated maturity and at 30 June 2014, the outstanding amount was nil (31 December 2013: US\$ 148 million).

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 30 June 2014, the outstanding amount was 15 million Ukrainian Hryvna (31 December 2013: nil). The loan was repaid in July 2014.

In March 2014, a US\$ 50 million (or RR 1,589,459 thousand) capital contribution, which initially had been recognised as a component of the equity, was reclassified 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.

In April 2014, the Group obtained a fixed interest loan from shareholder of US\$ 40 million. This new loan replaced the US\$ 50 million loan which had been repaid earlier in April 2014. The new loan matures in April 2019.



13 Bank borrowings and other loans received (continued)

Undrawn loan facilities

In October 2013, the Group signed a US\$ 250 million 2-year loan agreement bearing a floating interest rate.

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, which was converted to a 4-year facility in June 2014.

In October 2013, the Group signed a US\$ 100 million revolving fixed interest rate credit facility with a Russian bank, the credit limit of which was subsequently increased to US\$ 200 million. In May 2014, the Group signed another credit facility with the same bank. In accordance with the terms agreed upon with the bank the combined credit limit on both of the facilities may not exceed US\$ 700 million.

The above credit facilities had no outstanding balances at 30 June 2014 and 31 December 2013 and are available to the Group.

Collaterals and pledges

At 30 June 2014 and 31 December 2013, the Group did not have assets pledged or held as collateral.

14 Bonds issued

	30 June 2014		31 December 2013	
	Fair value	Carrying amount	Fair value	Carrying amount
5.125% 750 million US\$-denominated bonds due December 2017	25,535,715	25,222,950	24,757,758	24,546,900
8.9% RR-denominated bonds due June 2018/callable by investors in July 2015	4,956,500	5,000,000	5,040,000	5,000,000
8.25% RR-denominated bonds due November 2018/callable by investors in November 2015	4,950,000	5,000,000	5,013,000	5,000,000
Less: transaction costs	-	(143,066)	-	(163,462)
Total bonds issued	35,442,215	35,079,884	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.

15 Derivative financial assets and liabilities

At 30 June 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 7,500 million	103,786	-	-	-
RR/US\$ non-deliverable forward contracts with a nominal amount of RR 13,100 million	-	660,902	-	-
RR/US\$ non-deliverable forward contracts with a nominal amount of RR 5,000 million	-	-	33,634	-
RR/US\$ non-deliverable forward contracts with a nominal amount of RR 5,500 million	-	-	-	119,799
Cross currency interest rate swap	-	-	405,602	221,353
Total	103,786	660,902	439,236	341,152



15 Derivative financial assets and liabilities (continued)

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

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

	1 January 2014	Changes in the fair value, gain/(loss), net	Cash (proceeds)/ payments on derivatives, net	Currency translation difference	30 June 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	(165,794)	-	-	(77,854)
Foreign exchange non-deliverable forward contracts, net	87,940	(165,794)	-	-	(77,854)
Financing activities	948,107	(787,714)	(98,239)	-	62,154
Cross currency interest rate swap	(354,685)	(174,031)	(98,239)	-	(626,955)
Foreign exchange non-deliverable forward contracts, net	1,302,792	(613,683)	-	-	689,109
Total derivative financial assets and liabilities, net	1,027,644	(945,185)	(98,239)	80	(15,700)

During the six months ended 30 June 2014, outstanding call options on iron ore expired out of the money.

During the six months ended 30 June 2014, the Group entered into four RR/US\$ non-deliverable forward contracts to sell a notional amount of RR 5,500 million. Three of these contracts with a total notional amount of RR 1,400 million matured in July 2014 with a settlement amount of US\$ 711 thousand paid by the Group.

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 953,508 thousand were recognised as a loss within "Other financial gain/loss" (Note 21).



16 Sales

The external sales by product group for the six months ended 30 June 2014 and 30 June 2013 were:

	Six months ended			
	30 June 2014		30 June 2013	
	Sales volume (metric tonnes)	Sales (thousand RR)	Sales volume (metric tonnes)	Sales (thousand RR)
Nitrogen products	3,885,531	42,043,456	3,917,134	41,146,073
Nitrogen fertilisers	3,878,458	41,997,981	3,906,907	41,089,910
Other products	7,073	45,475	10,227	56,163
Phosphate products	1,256,851	20,248,281	1,212,261	18,860,336
Phosphate fertilisers	1,114,672	17,720,907	1,069,269	16,630,982
Feed phosphates	142,179	2,527,374	142,992	2,229,354
Complex fertilisers	848,643	13,430,592	806,424	12,591,954
Other fertilisers	10,118	157,530	8,294	122,144
Iron ore concentrate	2,728,360	9,136,904	2,695,422	9,613,578
Apatite and baddeleyite concentrates		636,634		1,022,903
Apatite concentrate	3,888	26,046	77,554	608,831
Baddeleyite concentrate	4,660	610,588	3,339	414,072
Industrial products		7,682,017		6,024,989
Organic synthesis products	286,401	5,868,285	257,368	4,490,353
Other products	-	1,813,732	-	1,534,636
Hydrocarbons	64,243	1,050,398	66,846	890,524
Other sales	-	1,972,655	-	1,756,818
Logistic services	-	275,916	-	167,981
Other products	-	623,371	-	551,185
Other services	-	1,073,368	-	1,037,652
Total sales		96,358,467		92,029,319

The external sales by product group for the three months ended 30 June 2014 and 30 June 2013 were:

	Three months ended			
	30 June 2014		30 June 2013	
	Sales volume (metric tonnes)	Sales (thousand RR)	Sales volume (metric tonnes)	Sales (thousand RR)
Nitrogen products	1,940,287	20,752,018	2,022,630	21,007,402
Nitrogen fertilisers	1,936,782	20,728,314	2,017,632	20,977,227
Other products	3,505	23,704	4,998	30,175
Phosphate products	606,732	10,124,543	531,790	8,426,384
Phosphate fertilisers	534,935	8,833,075	471,235	7,454,325
Feed phosphates	71,797	1,291,468	60,555	972,059
Complex fertilisers	376,236	5,841,833	384,077	6,038,991
Other fertilisers	5,870	72,814	4,420	59,075
Iron ore concentrate	1,404,890	4,266,184	1,482,307	5,354,728
Apatite and baddeleyite concentrates		292,838		382,831
Apatite concentrate	-	-	23,197	182,107
Baddeleyite concentrate	2,194	292,838	1,630	200,724
Industrial products		4,181,671		2,763,735
Organic synthesis products	150,003	3,164,803	108,951	1,995,777
Other products	-	1,016,868	-	767,958
Hydrocarbons	28,226	470,043	36,345	468,383
Other sales	-	940,739	-	876,413
Logistic services	-	140,623	-	113,767
Other products	-	255,381	-	240,104
Other services	-	544,735	-	522,542
Total sales		46,942,683		45,377,941



17 Cost of sales

The components of cost of sales were:

	Three months ended		Six months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Raw materials	12,730,573	11,615,173	25,601,894	24,814,004
Goods for resale	2,321,316	4,601,603	6,674,484	8,419,934
Other materials	1,930,092	1,742,683	3,645,225	3,280,038
Energy	1,967,262	1,755,472	4,115,129	3,756,702
Utilities and fuel	1,112,787	1,118,175	2,467,378	2,370,932
Labour, including contributions to social funds	2,866,136	2,835,757	5,941,339	5,576,384
Depreciation and amortisation	1,938,152	2,025,247	4,076,040	4,002,484
Repairs and maintenance	676,622	773,954	1,342,504	1,201,959
Production overheads	895,788	640,221	1,707,601	1,266,093
Property tax, rent payments for land and related taxes	531,987	465,174	1,045,225	917,620
Idle property, plant and equipment write-off	6,613	39,208	44,930	40,026
Provision/(reversal of provision) for obsolete and damaged inventories, net	16,509	(2,712)	21,849	(1,440)
Changes in work in progress and finished goods	1,936,507	775,851	1,773,081	2,081,417
Other costs	87,435	28,318	204,432	71,377
Total cost of sales	29,017,779	28,414,124	58,661,111	57,797,530

18 Distribution costs

Distribution costs comprised:

	Three months ended		Six months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Transportation	4,716,191	4,579,821	9,593,516	8,903,398
Export duties, other fees and commissions	(53,547)	48,701	(24,734)	82,897
Labour, including contributions to social funds	581,996	579,716	1,283,042	1,174,499
Depreciation and amortisation	275,444	293,462	605,815	619,062
Repairs and maintenance	70,384	226,860	198,341	407,412
Provision/(reversal of provision) for impairment of receivables, net	141,609	2,022	151,198	(9,964)
Other costs	528,252	357,093	1,090,609	815,716
Total distribution costs	6,260,329	6,087,675	12,897,787	11,993,020

19 General and administrative expenses

General and administrative expenses comprised:

	Three months ended		Six months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Labour, including contributions to social funds	991,234	793,295	1,948,125	1,504,524
Depreciation and amortisation	175,545	149,411	324,808	300,735
Audit, consulting and legal services	235,228	157,533	444,037	325,052
Rent	65,161	41,172	115,306	83,205
Bank charges	66,959	55,030	109,568	134,274
Social expenditure	30,164	33,950	51,047	58,908
Repairs and maintenance	16,236	30,445	34,591	50,165
Provision/(reversal of provision) for impairment of receivables, net	24,276	13,726	38,289	3,408
Other expenses	324,993	351,648	649,793	632,163
Total general and administrative expenses	1,929,796	1,626,210	3,715,564	3,092,434



19 General and administrative expenses (Continued)

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 5,006,663 thousand (six months ended 30 June 2013: RR 4,922,281 thousand).

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 9,172,506 thousand (six months ended 30 June 2013: RR 8,255,407 thousand).

20 Other operating income and expenses

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

	Three months ended		Six months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Sponsorship	144,162	281,402	260,187	394,636
(Gain)/loss on disposal of property, plant and equipment and intangible assets, net	148,794	7,316	231,062	9,297
Foreign exchange (gain)/loss, net	844,676	(843,016)	865,274	(753,971)
Idle property, plant and equipment write-off	24,715	-	24,715	-
(Gain)/loss on sales and purchases of foreign currencies, net	(17,659)	(57,495)	(22,502)	(70,362)
Other operating (income)/expenses, net	(670)	11,348	(120,724)	(125,399)
Total other operating (income)/expenses, net	1,144,018	(600,445)	1,238,012	(545,799)

21 Other financial gain and loss

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

	Three months ended		Six months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Changes in the fair value of foreign exchange non-deliverable forward contracts	(1,044,485)	982,331	779,477	1,187,798
Changes in the fair value of cross currency interest rate swap	(329,988)	224,902	174,031	274,840
Unwinding of discount on deferred payables	44,255	54,143	90,891	101,865
Unwinding of discount on land restoration obligation	7,107	8,611	14,085	17,077
Total other financial (gain)/loss, net	(1,323,111)	1,269,987	1,058,484	1,581,580

22 Income tax

	Three months ended		Six months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Income tax expense – current	1,558,077	1,926,565	3,721,207	4,099,188
Deferred income tax – origination and reversal of temporary differences	683,982	(40,119)	88,964	(290,357)
Prior periods adjustments recognised in the current period for income tax	(2,425)	(18,152)	(29,369)	(77,975)
Income tax expense	2,239,634	1,868,294	3,780,802	3,730,856

Most of the Group companies located in the Russian Federation were subject to a tax rate of 20.00% on taxable profits during the six months ended 30 June 2014 (six months ended 30 June 2013: 20.00%). Several subsidiaries applied reduced income tax rates within a range from 15.50% to 19.30% according to regional tax law and agreements with regional authorities.



22 Income tax (Continued)

For the subsidiaries located outside the Russian Federation, tax rates on taxable profit ranged from 10.00% to 37.60%, including two major manufacturing entities Lifosa AB, located in Lithuania, and EuroChem Antwerpen NV, located in Belgium, which apply tax rates of 15.00% and 33.99% on taxable profits, respectively (six months ended 30 June 2013: Lifosa AB and EuroChem Antwerpen NV applied 15.00% and 33.99% on taxable profits, respectively).

23 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 period, excluding treasury shares. The Company has no dilutive potential ordinary shares, therefore, the diluted earnings per share equals the basic earnings per share.

	Three months ended		Six months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Net profit for the period attributable to owners of the parent	11,586,095	1,834,053	10,621,525	6,654,927
Weighted average number of ordinary shares outstanding (expressed in thousands)	59,402	58,706	59,402	59,157
Basic and diluted earnings per share (expressed in RR per share)	195.05	31.24	178.81	112.50

24 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	30 June 2014	31 December 2013
Statement of financial position caption			
Non-current originated loans	Other related parties*	427,108	415,660
Trade receivables	Parent company	605	-
Trade receivables	Associates	997	70
Trade receivables	Other related parties	5,151	4,474
Property, plant and equipment			
Advances given to construction companies and suppliers of property, plant and equipment	Other related parties	2,670	-
Prepayments, other receivables and other current assets:			
Interest receivable	Other related parties	11,350	5,803
Other receivables	Associates	3,495	-
Other receivables	Other related parties	14	33,926
Capital contribution	Other related parties**	-	1,589,459
Bonds issued	Other related parties	84,077	81,823
Loan received from shareholder (Note 13)	Other related parties**	1,345,224	-
Trade payables	Associates	-	20,780
Trade payables	Other related parties	6,131	75,643
Other accounts payable and accrued expenses			
Interest payable	Other related parties**	11,241	-



24 Balances and transactions with related parties (continued)

Financial statements caption	Nature of relationship	Three months ended		Six months ended	
		30 June 2014	30 June 2013	30 June 2014	30 June 2013
Statement of profit or loss and other comprehensive income caption					
Sales	Parent company	604	383	818	383
Sales	Associates	-	59	-	59
Sales	Other related parties	10,777	12,619	24,799	19,736
Cost of sales	Other related parties	-	(312)	-	(997)
Distribution costs	Associates	(20,982)	(152,844)	(51,295)	(152,844)
Distribution costs	Other related parties	(22,531)	(78,102)	(37,807)	(88,791)
General and administrative expenses	Other related parties	(213)	-	(422)	-
Other operating expense	Associates	-	(5,473)	-	(5,473)
Interest income	Other related parties	2,715	313	5,640	313
Interest expense	Other related parties**	(17,877)	-	(60,358)	-

Financial statements caption	Nature of relationship	Six months ended	
		30 June 2014	30 June 2013
Statement of cash flows caption			
(Increase)/decrease in trade receivables	Other related parties	(677)	16,189
Decrease in other receivables	Other related parties	28,365	262
Increase in other receivables	Associates	(3,495)	-
Increase/(decrease) in trade payables	Associates	(20,780)	7,028
Increase/(decrease) in trade payables	Other related parties	(69,519)	2,037
Decrease in advances from customers	Other related parties	-	1,817
Capital expenditure on property, plant and equipment and other intangible assets	Other related parties	(2,670)	(13,556)
Originated loans	Other related parties	-	(405,603)
Loan received from shareholder	Other related parties**	1,427,932	-
Loan repaid to shareholder	Other related parties**	(1,783,125)	-
Interest paid	Other related parties**	(48,900)	-
Purchase of treasury shares	Parent company	-	(7,923,975)
Prepayments for treasury shares	Parent company	-	(1,555,303)
Proceeds from sale of treasury shares (Note 11)	Other related parties*	10,296,821	-

* 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 180,406 thousand and RR 174,630 thousand for the six months ended 30 June 2014 and 30 June 2013, respectively. This compensation is paid to seven individuals (starting from middle of May 2014 to six 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.

25 Contingencies, commitments and operating risks

i Capital expenditure commitments

As at 30 June 2014, the Group had contractual commitments for capital expenditures of RR 27,598,381 thousand (31 December 2013: RR 24,200,405 thousand), including amounts denominated in Euro and US\$ (RR 11,941,696 thousand and RR 650,197 thousand, respectively). Management estimates that, out of these, approximately RR 17.8 billion will represent cash outflows in 2014.

RR 5,641,131 thousand and RR 11,117,913 thousand 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).



25 Contingencies, commitments and operating risks (Continued)

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 increase the Group's effective tax rate.

As at 30 June 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 30 June 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.

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.



25 Contingencies, commitments and operating risks (continued)

v Legal proceedings (continued)

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.

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. On June 25, 2014, the Dutch court denied the Group's claim against IMR. However, EuroChem will submit newly discovered additional evidence which the Dutch court has not yet had the opportunity to review for the next stage of the Dutch court case. The management of the Group believes that it has very strong evidence to support its case against IMR and will continue with the claim in the Dutch court.

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.



25 Contingencies, commitments and operating risks (continued)

vi Operating environment of the Group(continued)

During the six months ended 30 June 2014, political and economic instability in Ukraine increased significantly. Sales to Ukraine accounted for 4.5% of total revenue in the 6 months ended 30 June 2014. Group assets in Ukraine are insignificant and have been provided for accordingly. The management is monitoring and assessing the situation in Ukraine and believes that it would be able to redirect sales to other markets at minimal costs should its ability to maintain profitable business in the Ukrainian market be impaired.

26 Subsequent events

In July 2014, the Group sold 644,258 of its own shares to EuroChem Group S.E., the parent company of the Group for US\$ 115 million. These shares represented 0.947% of the issued share capital.