

EUROCHEM GROUP

INTERNATIONAL ACCOUNTING STANDARD No. 34

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

30 SEPTEMBER 2013

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as at and for the Nine months ended 30 September 2013

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Auditor's Report on the Review of the Consolidated Condensed Interim Financial Information as at and for the Nine months ended 30 September 2013

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 September 2013 and the related consolidated condensed statements of comprehensive income, cash flows and changes in equity for the nine 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 enquiries, 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
13 November 2013



	Note	30 September 2013	31 December 2012
ASSETS			
Non-current assets:			
Property, plant and equipment	6	146,121,388	127,799,359
Mineral rights		15,287,836	15,335,730
Goodwill		12,313,651	11,371,695
Intangible assets		6,976,588	7,225,526
Investment in associates	8	3,557,950	-
Restricted cash	13	46,236	44,003
Available-for-sale investments	7	-	1,914,636
Available-for-sale investments pledged as collateral	7	-	909,017
Originated loans	12, 25	410,782	-
Derivative financial assets	16	1,266,041	1,948,421
Deferred income tax assets		5,438,071	4,898,621
Prepayment for investment in associates	8	-	2,522,755
Other non-current assets		653,185	196,181
Total non-current assets		192,071,728	174,165,944
Current assets:			
Inventories	9	23,830,547	23,006,319
Trade receivables	10	11,082,163	10,567,555
Prepayments, other receivables and other current assets	10	7,943,604	9,305,058
Prepayments for treasury shares	11	-	683,999
Originated loans	12	1,943,209	-
Derivative financial assets	16	95,350	63
Restricted cash	13	-	405,442
Fixed-term deposits	13	1,157,292	3,671,596
Cash and cash equivalents	13	14,692,688	15,444,147
Total current assets		60,744,853	63,084,179
TOTAL ASSETS		252,816,581	237,250,123
LIABILITIES AND EQUITY			
Equity attributable to owners of the parent:			
Share capital		6,800,000	6,800,000
Treasury shares		(51,230,143)	(39,047,045)
Retained earnings and other reserves		152,201,062	138,855,979
		107,770,919	106,608,934
Non-controlling interests		162,321	187,609
Total equity		107,933,240	106,796,543
Non-current liabilities:			
Bank borrowings	14	68,788,881	59,566,384
Bonds issued	15	34,086,057	32,589,882
Derivative financial liabilities	16	36,218	-
Deferred income tax liabilities		6,474,816	6,296,597
Other non-current liabilities and deferred credits		6,736,937	6,194,011
Total non-current liabilities		116,122,909	104,646,874
Current liabilities:			
Bank borrowings	14	9,855,844	6,807,983
Derivative financial liabilities	16	249,785	-
Trade payables		8,307,927	8,386,544
Other accounts payable and accrued expenses		9,035,315	8,449,573
Income tax payable		456,595	1,253,033
Other taxes payable		854,966	909,573
Total current liabilities		28,760,432	25,806,706
Total liabilities		144,883,341	130,453,580
TOTAL LIABILITIES AND EQUITY		252,816,581	237,250,123

Approved on behalf of the Board of Directors
13 November 2013

Dmitry Strezhnev
Chief Executive Officer

Andrey Ilyin
Chief Financial Officer



	Note	Three months ended		Nine months ended	
		30 September 2013	30 September 2012	30 September 2013	30 September 2012
Sales	17	41,043,139	47,101,519	133,072,458	124,778,901
Cost of sales	18	(26,221,809)	(29,557,937)	(84,019,339)	(71,819,283)
Gross profit		14,821,330	17,543,582	49,053,119	52,959,618
Distribution costs	19	(6,349,402)	(6,237,215)	(18,342,422)	(17,086,328)
General and administrative expenses	20	(1,685,815)	(1,317,098)	(4,778,249)	(3,843,838)
Other operating income/(expenses), net	21	(832,837)	(679,020)	(287,038)	378,062
Operating profit		5,953,276	9,310,249	25,645,410	32,407,514
Write-off of portion of assets at the Gremyachinskoe potash deposit	6	-	(3,116,000)	-	(3,611,387)
Share of profit from associates	8	236,971	-	405,415	-
Dividend income	7	-	-	114,204	101,676
Gain/(loss) on disposal of available-for-sale investments	7	(1,549,245)	-	(1,549,245)	568,382
Interest income		78,258	96,066	189,609	565,556
Interest expense		(1,438,459)	(1,042,279)	(3,912,544)	(3,168,159)
Financial foreign exchange gain/(loss), net		891,243	3,449,204	(4,756,411)	3,100,404
Other financial gain/(loss), net	22	657,739	1,409,277	(923,841)	999,821
Profit before taxation		4,829,783	10,106,517	15,212,597	30,963,807
Income tax expense	23	(1,839,461)	(2,200,286)	(5,570,317)	(6,370,215)
Profit for the period		2,990,322	7,906,231	9,642,280	24,593,592
Other comprehensive income/(loss) that may be reclassified to profit and loss in subsequent periods					
Currency translation differences, net of tax		935,860	(1,519,694)	3,559,464	(513,739)
Revaluation of available-for-sale investments, net of tax	7	(1,028,874)	84,936	(1,419,124)	956,311
Disposal of available-for-sale investments – reclassification of revaluation to profit and loss, net of tax	7	1,549,245	-	1,549,245	(568,382)
Total other comprehensive income/(loss) for the period that may be reclassified to profit and loss in subsequent periods		1,456,231	(1,434,758)	3,689,585	(125,810)
Total comprehensive income for the period		4,446,553	6,471,473	13,331,865	24,467,782
Profit/(loss) of the period attributable to:					
Owners of the parent		2,991,981	7,907,261	9,646,908	24,597,395
Non-controlling interests		(1,659)	(1,030)	(4,628)	(3,803)
		2,990,322	7,906,231	9,642,280	24,593,592
Total comprehensive income/(loss) attributable to:					
Owners of the parent		4,458,884	6,484,309	13,340,151	24,481,870
Non-controlling interests		(12,331)	(12,836)	(8,286)	(14,088)
		4,446,553	6,471,473	13,331,865	24,467,782
Earnings per share – basic and diluted (in RR)	24	51.30	127.98	163.85	398.13



	Note	Nine months ended	
		30 September 2013	30 September 2012
Operating profit		25,645,410	32,407,514
Income tax paid		(6,606,152)	(5,690,619)
Operating profit less income tax paid		19,039,258	26,716,895
Depreciation and amortisation	20	7,310,561	5,661,375
Net loss on disposals and write-off of property, plant and equipment		121,718	222,079
Change of provision for impairment of receivables and provision/(reversal of impairment) for obsolete and damaged inventories, net		93,044	104,314
Other non-cash (income)/expenses, net		799,435	(591,688)
Gross cash flow		27,364,016	32,112,975
Changes in operating assets and liabilities:			
Trade receivables		(471,859)	658,630
Advances to suppliers		1,556,601	404,802
Other receivables		(116,571)	122,526
Inventories		(852,411)	1,072,231
Trade payables		(664,000)	1,579,150
Advances from customers		(336,161)	(1,248,302)
Other payables		(292,251)	(737,329)
Restricted cash, other assets and liabilities		(45,481)	(282,794)
Net cash – operating activities		26,141,883	33,681,889
Cash flows from investing activities			
Capital expenditure on property, plant and equipment and intangible assets		(22,883,168)	(18,940,781)
Purchase of mineral rights		-	(166,053)
Prepayment for mineral rights		-	(48,500)
Payment for investment in associates		(629,780)	-
Prepayments for other non-current assets		(10,399)	(42,388)
Loan provided to the acquired subsidiary before acquisition	12	-	(116,229)
Acquisition of subsidiaries, net of cash acquired		-	(31,806,681)
Acquisition of available-for-sale investments	7	-	(59,607)
Proceeds from sale of available-for-sale investments	7	101,489	20,415,641
Proceeds from sale of property, plant and equipment		82,496	83,639
Cash proceeds/(payments) on derivatives, net		-	(63,873)
Dividends received and refunded withholding tax on dividends received	7	96,727	144,828
Net change in fixed-term deposits		2,504,734	13,805,272
Originated loans	12, 25	(1,065,084)	(1,927,340)
Repayment of originated loans	12	-	8,221,872
Interest received		164,745	942,854
Net cash – investing activities		(21,638,240)	(9,557,346)
Free cash inflow		4,503,643	24,124,543
Cash flows from financing activities			
Proceeds from bank borrowings	14	57,596,381	12,166,618
Repayment of bank borrowings	14	(49,096,116)	(3,295,374)
Repayment of bonds		-	(8,513,762)
Prepaid and additional transaction costs		(47,376)	(10,972)
Interest paid		(3,157,008)	(3,012,251)
Cash proceeds/(payments) on derivatives – net	16	108,274	108,048
Acquisition of non-controlling interest in oil and gas subsidiary		-	(6,619,999)
Acquisition of additional interest in other subsidiaries		(12,070)	(44)
Purchase of treasury shares	11, 25	(11,499,099)	-
Prepayments for treasury shares	25	-	(4,260,184)
Net cash – financing activities		(6,107,014)	(13,437,920)
Effect of exchange rate changes on cash and cash equivalents		851,912	(331,453)
Net increase/(decrease) in cash and cash equivalents		(751,459)	10,355,170
Cash and cash equivalents at the beginning of the period	13	15,444,147	8,506,949
Cash and cash equivalents at the end of the period	13	14,692,688	18,862,119



	Note	Attributable to owners of the parent					Total	Non-controlling interests	Total equity
		Share capital	Treasury shares	Cumulative currency translation differences	Revaluation of available-for-sale investments	Retained earnings			
Balance at 1 January 2012		6,800,000	(29,679,427)	1,724,223	(273,427)	104,814,215	83,385,584	6,985,154	90,370,738
Comprehensive income/(loss)									
Profit/(loss) for the period		-	-	-	-	24,597,395	24,597,395	(3,803)	24,593,592
<i>Other comprehensive income/(loss)</i>									
Currency translation differences		-	-	(503,454)	-	-	(503,454)	(10,285)	(513,739)
Revaluation of available-for-sale investments	7	-	-	-	956,311	-	956,311	-	956,311
Disposal of available-for-sale investments	7	-	-	-	(568,382)	-	(568,382)	-	(568,382)
<i>Total other comprehensive income/(loss)</i>		-	-	(503,454)	387,929	-	(115,525)	(10,285)	(125,810)
Total comprehensive income/(loss)		-	-	(503,454)	387,929	24,597,395	24,481,870	(14,088)	24,467,782
Transactions with owners									
Acquisition of non-controlling interest in oil and gas subsidiary		-	-	-	-	109,832	109,832	(6,792,001)	(6,682,169)
Acquisition of additional interest in other subsidiaries		-	-	-	-	(1)	(1)	(43)	(44)
Total transactions with owners		-	-	-	-	109,831	109,831	(6,792,044)	(6,682,213)
Balance at 30 September 2012		6,800,000	(29,679,427)	1,220,769	114,502	129,521,441	107,977,285	179,022	108,156,307
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		-	-	-	-	9,646,908	9,646,908	(4,628)	9,642,280
<i>Other comprehensive income/(loss)</i>									
Currency translation differences		-	-	3,563,122	-	-	3,563,122	(3,658)	3,559,464
Revaluation of available-for-sale investments	7	-	-	-	(1,419,124)	-	(1,419,124)	-	(1,419,124)
Disposal of available-for-sale investments	7	-	-	-	1,549,245	-	1,549,245	-	1,549,245
<i>Total other comprehensive income/(loss)</i>		-	-	3,563,122	130,121	-	3,693,243	(3,658)	3,689,585
Total comprehensive income/(loss)		-	-	3,563,122	130,121	9,646,908	13,340,151	(8,286)	13,331,865
Transactions with owners									
Purchase of treasury shares	11	-	(12,183,098)	-	-	-	(12,183,098)	-	(12,183,098)
Acquisition of additional interest in subsidiaries		-	-	-	-	4,932	4,932	(17,002)	(12,070)
Total transactions with owners		-	(12,183,098)	-	-	4,932	(12,178,166)	(17,002)	(12,195,168)
Balance at 30 September 2013		6,800,000	(51,230,143)	5,048,586	-	147,152,476	107,770,919	162,321	107,933,240



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 Group’s principal activities include mineral extraction (iron-ore, apatite, baddeleyite and hydrocarbons), fertiliser production and distribution. The Group manufactures a large number of products, the most significant of which is a wide range of mineral fertilisers (nitrogen and phosphate groups).

A company that holds business interests beneficially for Mr. Andrey Melnichenko owns 100% of Linea Ltd registered in Bermuda, which in turn owns 92.2% (31 December 2012: 92.2%) of EuroChem Group S.E. 7.8% of EuroChem Group S.E. (31 December 2012: 7.8%) is held indirectly by Mr. Dmitry Strezhnev, CEO of the Group. As at 30 September 2013 EuroChem Group S.E. owns 85.45% of the Company (31 December 2012: 88.51%). The remaining 14.55% 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 2012: 11.49%).

The Group’s manufacturing facilities are based in the Russian Federation, Lithuania and Belgium.

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. 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 nine months ended 30 September 2013 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 2012 which have been prepared in accordance with International Financial Reporting Standards.

Functional currency. 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 Group’s subsidiaries located in Europe is the Euro (“EUR”) with the exception of Lithuania where the functional currency is the Lithuanian Lita (“LTL”). The functional currency of other subsidiaries is the currency of the primary economic environment in which the subsidiary operates. Financial information on 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.

At 30 September 2013 the official exchange rates established by the Central Bank of the Russian Federation (“CBRF”) were: US\$ 1 = RR 32.3451 (31 December 2012: US\$ 1 = RR 30.3727), Euro 1 = RR 43.6497 (31 December 2012: Euro 1 = RR 40.2286), LTL 1 = RR 12.6402 (31 December 2012: LTL 1 = RR 11.6554). Average rates for the nine months ended 30 September 2013 were: US\$ 1 = RR 31.6170 (nine months ended 30 September 2012: US\$ 1 = RR 31.0984), Euro 1 = RR 41.6507 (nine months ended 30 September 2012: Euro 1 = RR 39.8329), LTL 1 = RR 12.0631 (nine months ended 30 September 2012: LTL 1 = RR 11.5367).



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 2012, 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 2013 (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.

Investment in associates. Associates are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investment in associates is accounted for using the equity method of accounting and is initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. The Group's share of the post-acquisition profits or losses of associates is recorded in the consolidated condensed statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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 2013:

- IFRS 10, Consolidated Financial Statements (issued in May 2011, effective for annual periods beginning on or after 1 January 2013);
- IFRS 11, Joint Arrangements (issued in May 2011, effective for annual periods beginning on or after 1 January 2013);
- IFRS 12, Disclosure of Interests in Other Entities (issued in May 2011, effective for annual periods beginning on or after 1 January 2013);
- IFRS 13, Fair Value Measurement (issued in May 2011, effective for annual periods beginning on or after 1 January 2013). Disclosure required by the standard was made in the consolidated condensed interim financial information (Note 27);
- IAS 27, Separate Financial Statements (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013);
- IAS 28, Investments in Associates and Joint Ventures (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013);
- Amendments to IAS 1, Presentation of financial statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012). The amended standard has changed the presentation of the Group's consolidated condensed interim financial information, but had no impact on the measurement of transactions and balances;
- Stripping costs in the Production Phase of a surface Mine, IFRIC 20 (issued in October 2011 and effective for annual periods beginning on or after 1 January 2013);
- Amended IAS 19, Employee benefits (issued June 2011, effective for periods beginning on or after 1 January 2013);



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

- Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards – Government loans (issued in March 2012 and effective for periods beginning on or after 1 January 2013);
- Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning on or after 1 January 2013);
- Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012 and effective for annual periods beginning on or after 1 January 2013).

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 September 2013, and have not been early adopted:

- IFRS 9, Financial Instruments Part 1: Classification and Measurement (issued in November 2009, effective for annual periods beginning on or after 1 January 2015, with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated condensed interim financial information;
- 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 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);
- IFRIC 21 – Levies (issued on 20 May 2013 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, the new standards, amendments to standards and interpretations are not expected materially impact the Group's consolidated condensed interim financial information.

5 Segment information

The Group is a vertically integrated business with activities spanning mining and natural gas extraction, fertiliser manufacturing, organic synthesis products, sales and distribution. The Group produces a large number of products, the most significant of which are a wide range of mineral fertilisers (nitrogen and phosphate groups). 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.



5 Segment information (continued)

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 the segment structure of the Group:

- 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 with a view to starting production and marketing 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 number of retailers located within Russia and the CIS; and
- All other – goods purchased for resale, certain logistics and service activities, central management, investment income and other items.

The segmental results for the nine months ended 30 September 2013 were:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	64,598,582	9,260,956	73,859,538	20,351,471
Phosphates	41,155,874	3,059,668	44,215,542	10,923,879
Potash	-	-	-	(486,454)
Distribution	13,237,976	14,273	13,252,249	551,872
Other	14,080,026	16,960,514	31,040,540	2,423,429
Elimination	-	(29,295,411)	(29,295,411)	(51,721)
Total	133,072,458	-	133,072,458	33,712,476

The segmental results for the nine months ended 30 September 2012 were:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	57,415,228	8,689,753	66,104,981	22,563,485
Phosphates	45,571,861	3,585,806	49,157,667	14,005,659
Potash	-	-	-	(397,888)
Distribution	13,152,610	11,579	13,164,189	723,091
Other	8,639,202	14,227,216	22,866,418	2,161,648
Elimination	-	(26,514,354)	(26,514,354)	(176,632)
Total	124,778,901	-	124,778,901	38,879,363

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

	Note	Nine months ended	
		30 September 2013	30 September 2012
EBITDA		33,712,476	38,879,363
Depreciation and amortisation	20	(7,310,561)	(5,661,375)
Idle property, plant and equipment write-off	6	(42,649)	(139,439)
Write-off of portion of assets at the Gremyachinskoe potash deposit	6	-	(3,611,387)
Gain/(loss) on disposal of available-for sale investments, net	7	(1,549,245)	568,382
Interest expense		(3,912,544)	(3,168,159)
Financial foreign exchange gain/(loss), net		(4,756,411)	3,100,404
Other financial gain/(loss), net	22	(923,841)	999,821
Non-controlling interest		(4,628)	(3,803)
Profit before taxation		15,212,597	30,963,807



5 Segment information (continued)

The analysis of Group sales by region was:

	Nine months ended	
	30 September 2013	30 September 2012
Europe	41,811,282	30,274,799
Russia	24,929,126	26,578,563
Asia	22,694,299	19,655,272
Latin America	13,705,848	19,445,821
North America	13,067,262	13,741,849
CIS	11,186,900	10,806,788
Africa	4,101,729	3,079,754
Australasia	1,576,012	1,196,055
Total sales	133,072,458	124,778,901

The sales are allocated to regions based on the destination country. During the nine months ended 30 September 2013 the Group had sales in excess of 10% to Russia and China, which represented 19% and 11% of total Group revenues, respectively (nine months ended 30 September 2012: no sales in excess of 10% to any one country, except for Russia).

During the nine months ended 30 September 2013 there were no sales in excess of 10% to any one customer. During the nine months ended 30 September 2012 the Group had sales in excess of 10% to one customer which is an international fertiliser trader. Revenues from this customer represented 12% of total Group revenues for the nine months ended 30 September 2012 and were allocated to the Nitrogen, Phosphates and Other segments.

6 Property, plant and equipment

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

	Note	2013	2012
Carrying amount at 1 January		127,799,359	100,752,901
<i>Including advances given to construction companies and suppliers of property, plant and equipment</i>		<i>4,770,571</i>	<i>6,156,538</i>
Additions		24,610,226	20,013,817
<i>Including changes in advances given</i>		<i>1,321,790</i>	<i>(1,116,486)</i>
Acquisitions through business combinations		-	9,581,491
Disposals		(137,110)	(166,279)
Depreciation charge for the period		(7,285,243)	(5,748,280)
Write-off of portion of assets at the Gremyachinskoe potash deposit:			
Write-off of grouting technology costs incurred on cage shaft construction		-	(3,116,000)
Write-off of advances given to construction company		-	(495,387)
Idle property, plant and equipment write-off	18, 21	(42,649)	(139,439)
Currency translation differences		1,176,805	(18,045)
Carrying amount at 30 September		146,121,388	120,664,779
<i>Including advances given to construction companies and suppliers of property, plant and equipment</i>		<i>6,092,361</i>	<i>4,544,665</i>



6 Property, plant and equipment (continued)

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

	30 September 2013	31 December 2012
Construction in progress	59,157,377	44,657,914
Advances given to construction companies and suppliers of property, plant and equipment	6,092,361	4,770,571
Evaluation expenses	272,767	214,921
Total assets under construction	65,522,505	49,643,406

Write-off of a portion of the assets at the Gremyachinskoe potash deposit

During the nine months ended 30 September 2012 the Group wrote off a portion of the assets at the Gremyachinskoe potash deposit comprised of expenses previously capitalised amounting to RR 3,116,000 thousand and an advance given to Shaft Sinkers (Pty) Ltd (Shaft Sinkers) of RR 495,387 thousand.

In October 2012 the Group terminated the construction contract and filed a claim against Shaft Sinkers as this company was unable to fulfill its contractual obligations to complete the construction of the cage shaft at the Gremyachinskoe potash deposit, primarily due to problems with the grouting technology (Note 26).

Evaluation expenses at the Darganovsky and Ravninny potash fields

At 30 September 2013 the Group has capitalised expenses relating to the evaluation stage of the Darganovsky and Ravninny potash fields of RR 272,767 thousand which were recognised in property, plant and equipment (31 December 2012: RR 214,921 thousand). The capitalisation of these expenses started in 2011. In most cases such expenses are paid in the period when the services are provided.

Borrowing costs capitalised

During the nine months ended 30 September 2013 borrowing costs totalling RR 318,020 thousand (nine months ended 30 September 2012: RR 143,165 thousand) were capitalised in property, plant and equipment at an average interest rate of 5.23% p.a. (nine months ended 30 September 2012: 4.75% p.a.).

Payables to suppliers of property, plant and equipment

As at 30 September 2013 trade payables included payables to suppliers of property, plant and equipment amounting to RR 1,627,911 thousand (31 December 2012: RR 1,042,528 thousand).

7 Available-for-sale investments, including shares pledged as collateral

The Group sold all available-for-sale investments which were comprised solely of the shares of K+S Group, a German manufacturer of potassium-based fertilisers and salt, by 30 September 2013.

	30 September 2013	31 December 2012
K+S Group ordinary shares	-	1,914,636
K+S Group ordinary shares pledged as collateral	-	909,017
Total available-for-sale investments	-	2,823,653



7 Available-for-sale investments, including shares pledged as collateral (continued)

Movements in the carrying amount of available-for-sale investments, including shares pledged as collateral, were:

	2013	2012
Carrying amount at 1 January	2,823,653	22,467,999
Acquisition of available-for-sale investments	-	59,607
Revaluation of available-for-sale investments	(1,419,124)	956,311
Disposal of available-for-sale investments, including:		
- available-for-sale investments at cost	(2,953,774)	(19,847,259)
- reclassification of revaluation to profit and loss	1,549,245	(568,382)
Carrying amount at 30 September	-	3,068,276

K+S Group shares, including shares pledged as collateral

During the nine months ended 30 September 2013 the Group sold 2,005,434 shares of K+S Group to EuroChem Group S.E., the parent company of the Group, for RR 1,404,529 thousand and recognised a loss of RR 1,549,245 thousand in the profit and loss. Out of the total, 89,436 shares were sold for a consideration of RR 101,489 thousand paid in ten business days (Note 25) and 1,915,998 shares for RR 1,303,040 thousand which shall be paid to the Group not later than 31 December 2013 (Notes 12).

At 31 December 2012 the Group held 2,005,434 shares, or 1.048% of the issued share capital of K+S Group with a fair value of RR 2,823,653 thousand with reference to the share price quoted on the Xetra trading system of Euro 35.00 per share.

K+S Group shares pledged as collateral

At 30 September 2013 the Group did not hold any K+S Group shares pledged as collateral.

As at 31 December 2012 the Group had 645,608 K+S Group shares pledged as collateral for a bank loan with a fair value of RR 909,017 thousand with reference to the share price quoted on the Xetra trading system (Note 14). Pledged shares were reclassified to a separate line named "Available-for-sale investments pledged as collateral" in the consolidated condensed statement of financial position, as the mortgagee had the right to use and dispose of these shares. The Group held economic exposure in relation to the encumbered and/or used shares. The mortgagee was obliged to replace the original financial collateral by transferring equivalent securities upon the performance of the obligations of the mortgagor.

Dividends and withholding tax

In May 2013 the Group received dividend income from K+S Group of RR 114,204 thousand (nine months ended 30 September 2012: RR 101,676 thousand) before withholding tax of RR 30,121 thousand (nine months ended 30 September 2012: RR 26,817 thousand). In July 2013 the Group received RR 12,644 thousand of withholding tax refund on dividends paid during 2012 (nine months ended 30 September 2012: RR 69,969 thousand of withholding tax refund on dividends paid during 2011).



8 Investment in associates

In April 2013 the Group has acquired 53,943 ordinary shares of OJSC “Murmansk Commercial Seaport” (the “Associate”) located in the North-West of Russia and owning 100% shares of CJSC “Agrosphera”, for RR 3,113,860 thousand paid in cash. Out of the total payment, RR 2,522,755 thousand was paid in December 2012 and RR 591,105 thousand was paid in April 2013.

In September 2013 the Group acquired 670 ordinary shares of the Associate on the basis of the mandatory offer for RR 38,675 thousand paid in cash.

The share capital of OJSC “Murmansk Commercial Seaport” consists of 113,160 ordinary shares and 37,718 preference shares. Ordinary shares held by the Group of 54,613 represent 48.26% of total number of the ordinary shares and 36.20% of total issued share capital of OJSC “Murmansk Commercial Seaport”.

The General meeting of the shareholders of OJSC “Murmansk Commercial Seaport” held in August 2013 has resolved not to pay dividends for the year 2012. As a result the holders of the preference shares gained voting rights and the voting rights of the Group have reduced from 48.26% to 36.20%.

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

	2013
Carrying amount at 1 January	-
Acquisition of interest in associates	3,152,535
Share of profit from associates	405,415
Carrying amount at 30 September	3,557,950

The aggregated assets, liabilities, revenues and results of OJSC “Murmansk Commercial Seaport” and CJSC “Agrosphera” are as follows:

	30 September 2013
Total assets	6,528,563
Total liabilities	1,661,754
Net assets	4,866,809
Sales from the date of acquisition to 30 September 2013	2,166,006
Net profit from the date of acquisition to 30 September 2013	850,461

9 Inventories

	30 September 2013	31 December 2012
Finished goods	12,226,702	12,204,775
Materials	7,002,743	6,676,323
Catalysts	3,127,912	2,930,421
Work in progress	1,852,831	1,546,258
Less: provision for obsolete and damaged inventories	(379,641)	(351,458)
Total inventories	23,830,547	23,006,319



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

	30 September 2013	31 December 2012
Trade receivables		
Trade receivables denominated in RR	1,598,527	1,379,193
Trade receivables denominated in US\$	3,713,488	3,124,112
Trade receivables denominated in Euro	4,803,640	6,180,130
Trade receivables denominated in other currencies	1,223,675	184,036
Less: impairment provision	(257,167)	(299,916)
Total trade receivables – financial assets	11,082,163	10,567,555
Prepayments, other receivables and other current assets		
Advances to suppliers	2,014,637	3,571,238
VAT recoverable and receivable	4,864,068	4,840,961
Income tax receivable	314,941	189,113
Other taxes receivable	302,239	16,008
Other receivables	463,873	575,366
Less: impairment provision	(238,798)	(220,048)
Subtotal non-financial assets	7,720,960	8,972,638
Other receivables	186,404	321,067
Interest receivable	36,240	11,353
Subtotal financial assets	222,644	332,420
Total prepayments, other receivables and other current assets	7,943,604	9,305,058
Total trade receivables, prepayments, other receivables and other current assets	19,025,767	19,872,613
including		
Financial assets	11,304,807	10,899,975
Non-financial assets	7,720,960	8,972,638

11 Treasury shares and prepayments for treasury shares

During the nine months ended 30 September 2013 there were the following transactions with treasury shares:

- the title on 118,617 own shares representing 0.17% of the issued share capital was transferred to the Group, prepayment for which of RR 683,999 thousand was made to EuroChem Group S.E., the parent company of the Group, in December 2012;
- the Group bought back from EuroChem Group S.E. 1,965,424 of its own shares which represented 2.89% of the issued share capital for RR 11,499,099 thousand paid in cash.

Therefore, at 30 September 2013 EuroChem Capital Management Ltd., the Group's wholly-owned subsidiary, held 9,896,436 ordinary shares of the Company (31 December 2012: EuroChem Capital Management Ltd. held 7,812,395 ordinary shares). These shares represent 14.55% (31 December 2012: 11.49%) of the Company's share capital and carry voting rights in the same proportion as other ordinary shares.

Additionally, in October 2013 the Group bought back from EuroChem Group S.E. 305,852 of its own shares (Note 28).



12 Originated loans

	Note	2013	2012
Balance as at 1 January		-	6,301,867
Originated loan recognised from sale transaction of K+S Group shares to parent company	7	1,303,040	-
Originated loan to parent company	25	659,482	-
Originated loans to other related parties	25	405,602	1,927,340
Loan provided to the acquired subsidiary before acquisition		-	116,229
Intragroup elimination of loan provided to the acquired subsidiary before acquisition		-	(117,512)
Repayment of loans acquired in a business combination transaction by a third party		-	(6,301,867)
Repayment of originated loans by related parties	25	-	(1,920,005)
Foreign exchange loss		(14,133)	(6,052)
Balance as at 30 September		2,353,991	-

	Note	30 September 2013	31 December 2012
<i>Current originated loans</i>			
Unsecured US\$ denominated loan recognised from sale transaction of K+S Group shares to parent company, interest rate 3-month Libor +2.0%	25	1,296,307	-
Unsecured US\$ denominated loan to parent company, interest rate 3-month Libor +2.0%	25	646,902	-
Total current originated loans		1,943,209	-
<i>Non-current originated loans</i>			
Unsecured US\$ denominated loans to related party, which is the entity under common control with the Group, interest rate 2.62%	25	410,782	-
Total non-current originated loans		410,782	-
Total originated loans		2,353,991	-

13 Cash and cash equivalents and fixed-term deposits

	30 September 2013	31 December 2012
Cash on hand and bank balances denominated in RR	1,868,849	1,524,397
Bank balances denominated in US\$	5,859,125	3,029,315
Bank balances denominated in Euro	5,342,654	4,401,502
Balances denominated in other currencies	377,667	311,452
Term deposits denominated in RR	651,725	610,919
Term deposits denominated in US\$	256,540	993,372
Term deposits denominated in Euro	251,768	4,275,552
Term deposits denominated in other currencies	84,360	297,638
Total cash and cash equivalents	14,692,688	15,444,147
Fixed-term deposits in RR	1,142,800	1,361,570
Fixed-term deposits in US\$	-	2,277,953
Fixed-term deposits in Euro	14,492	32,073
Total fixed-term deposits	1,157,292	3,671,596
Current restricted cash	-	405,442
Non-current restricted cash	46,236	44,003
Total restricted cash	46,236	449,445

Term deposits at 30 September 2013 and 31 December 2012 are held to meet short term cash needs and have various original maturities but can be withdrawn on request without any restrictions.



13 Cash and cash equivalents and fixed-term deposits (continued)

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 September 2013 there was no current restricted cash held at banks. At 31 December 2012 current restricted cash held at banks totalling RR 405,442 thousand consisted of RR 382,757 thousand held in banks to meet the next principal and interest payments on bank borrowings and of RR 22,685 thousand to comply with statutory regulations).

At 30 September 2013 RR 46,236 thousand of non-current restricted cash (31 December 2012: RR 44,003 thousand) was held in bank accounts as security deposits for third parties.

14 Bank borrowings

	2013	2012
Balance as at 1 January	66,374,367	77,395,339
Bank loans received, denominated in US\$	57,596,381	12,041,505
Bank loans received, denominated in Euro	-	125,113
Bank loans repaid, denominated in US\$	(48,362,088)	-
Bank loans repaid, denominated in Euro	(734,028)	(3,295,374)
Capitalisation and amortisation of transaction costs, net	471,341	177,275
Foreign exchange (gain)/loss, net	3,298,752	(2,832,406)
Balance as at 30 September	78,644,725	83,611,452
	30 September 2013	31 December 2012
<i>Current bank borrowings</i>		
Short-term bank loans, denominated in US\$	5,013,492	-
Short-term bank loans, denominated in Euro	-	603,429
Current portion of long-term bank loans in US\$	4,805,579	6,350,925
Current portion of long-term bank loans in Euro	156,773	72,242
Less: short-term portion of transaction costs	(120,000)	(218,613)
Total current bank borrowings	9,855,844	6,807,983
<i>Non-current bank borrowings</i>		
Long-term bank loans, denominated in RR	20,000,000	20,000,000
Long-term bank loans, denominated in US\$	53,660,545	45,669,328
Long-term bank loans, denominated in Euro	1,489,346	1,444,860
Less: current portion of long-term bank loans in US\$	(4,805,579)	(6,350,925)
Less: current portion of long-term bank loans in Euro	(156,773)	(72,242)
Less: long-term portion of transaction costs	(1,398,658)	(1,124,637)
Total non-current bank borrowings	68,788,881	59,566,384
Total bank borrowings	78,644,725	66,374,367

The Group's bank borrowings mature:

	30 September 2013	31 December 2012
- within 1 year	9,855,844	6,807,983
- between 1 and 2 years	17,690,422	16,973,081
- between 2 and 5 years	49,692,617	41,024,285
- more than 5 years	1,405,842	1,569,018
Total bank borrowings	78,644,725	66,374,367

At 30 September 2013 and 31 December 2012 the fair value of current bank borrowings and borrowings bearing floating interest rates was not materially different from their carrying amounts.



14 Bank borrowings (continued)

The fair value of borrowings bearing fixed interest rate is estimated based on expected cash flows discounted at an interest rate of 6.57% at 30 September 2013 exceeding their carrying amount by RR 712,602 thousand (31 December 2012: fair value estimated with interest rate of 6.5% exceeded the carrying amount by RR 1,081,570 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.

Interest rates and outstanding amounts

A 5-year club loan facility obtained in August 2011 for US\$ 1.3 billion with a floating interest rate of 1-month Libor +1.8% was fully repaid in September 2013 and replaced by another unsecured credit facility to the amount of US\$ 1.3 billion bearing a floating interest rate of 3-month Libor +1.8 % and maturing in September 2018 with a 2-year grace period. At 30 September 2013 the outstanding amount of the new credit facility was 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 September 2013 the outstanding amount was RR 20 billion (31 December 2012: 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 September 2013 the outstanding amount was US\$ 102.2 million (31 December 2012: US\$ 109.5 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. During the nine months ended 30 September 2013 the facility was fully utilised.

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 30 September 2013 the outstanding amount was US\$ 86.6 million (31 December 2012: US\$ 94.1 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 September 2013 the outstanding amount was Euro 34.1 million (31 December 2012: Euro 35.9 million).

In 2009 the Group signed a loan agreement for Euro 85 million at a floating interest rate based on 1-month Euribor, which was converted into a revolving committed facility in 2010. In 2012 the credit limit was reduced to Euro 30 million. In March 2013 an amendment was signed which extended the maturity to March 2014. In August 2013 this loan was repaid in full before its stated maturity.

In September 2012 the Group signed a US\$ 120 million 1-year credit line agreement bearing a floating interest rate based on 3-month Libor. In December 2012 it was converted into a revolving facility. During the nine months ended 30 September 2013, the facility was fully utilised and repaid.



14 Bank borrowings (continued)

Interest rates and outstanding amounts (continued)

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 30 September 2013 the outstanding amount was US\$ 55 million (31 December 2012: nil).

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 30 September 2013 the outstanding amount was US\$ 170 million (31 December 2012: nil).

Collaterals and pledges

At 30 September 2013 the Group did not have assets pledged or held as collateral.

At 31 December 2012 the Group held cash collateral of RR 382,757 thousand restricted by banks to secure the next principal and interest payments (Note 13). At 31 December 2012 there was a bank loans of RR 39,484,510 thousand collateralised by future export proceeds of the Group under sales contracts with certain customers and a bank loan of RR 603,429 thousand secured by K+S Group shares as collateral which was represented by 645,608 shares with a fair value of RR 909,017 thousand at 31 December 2012. Fair value was determined by reference to the share price quoted on the Xetra trading system (Note 7). These loans were fully repaid.

15 Bonds issued

	30 September 2013		31 December 2012	
	Fair value	Carrying amount	Fair value	Carrying amount
5.125% 750 million US\$-denominated bonds due December 2017	24,254,701	24,258,825	23,434,436	22,779,525
8.9% RR-denominated bonds due June 2018/callable by investors in July 2015	5,129,000	5,000,000	5,013,500	5,000,000
8.25% RR-denominated bonds due November 2018/callable by investors in November 2015	5,015,000	5,000,000	4,950,000	5,000,000
Less: transaction costs		(172,768)	-	(189,643)
Total bonds issued	34,398,701	34,086,057	33,397,936	32,589,882

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.

16 Derivative financial assets and liabilities

At 30 September 2013 the non-current derivative financial assets were represented by RR/US\$ non-deliverable forward contracts accounted for at a fair value of RR 1,266,041 thousand (31 December 2012: non-current derivative financial assets comprised RR/US\$ non-deliverable forward contracts accounted for at a fair value of RR 1,925,577 thousand and cross currency interest rate swap accounted for at a fair value of RR 22,844 thousand).

The current derivative financial assets were represented by RR/US\$ non-deliverable forward contracts accounted for at a fair value of RR 85,097 thousand, EUR/US\$ deliverable forward contracts accounted for at a fair value of RR 7,280 thousand and iron ore swap contracts accounted for at a fair value of RR 2,973 thousand (31 December 2012: EUR/US\$ deliverable forward contracts accounted for at a fair value of RR 63 thousand).

At 30 September 2013 the non-current derivative financial liabilities were represented by a non-current portion of a cross currency interest rate swap accounted for at a fair value of RR 36,218 thousand.



16 Derivative financial assets and liabilities (continued)

The current derivative financial liabilities were represented by a current portion of the cross currency interest rate swap and by call options on iron ore accounted for at a fair value of RR 215,549 thousand and RR 34,236 thousand, respectively.

At 31 December 2012 the Group did not have any derivative financial liabilities.

At 30 September 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 21,500 million	1,266,041	-	-	-
RR/US\$ non-deliverable forward contracts with a nominal amount of RR 4,100 million	-	85,097	-	-
EUR/US\$ deliverable forward contracts with a nominal amount of US\$ 4,825 thousand	-	7,280	-	-
Cross currency interest rate swap	-	-	36,218	215,549
Swap contracts on iron ore	-	2,973	-	-
Call options on iron ore	-	-	-	34,236
Total	1,266,041	95,350	36,218	249,785

At 31 December 2012 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 25,600 million	1,925,577	-	-	-
EUR/US\$ deliverable forward contracts with a nominal amount of US\$ 1,555 thousand	-	63	-	-
Cross currency interest rate swap	22,844	-	-	-
Total	1,948,421	63	-	-

During the nine months ended 30 September 2013 the Group undertook the following transactions to reduce risks arising from iron-ore price volatility:

- entered into commodity swap contracts on iron ore for a total notional volume of 180 thousand tonnes. These swap contracts matured before reporting date with a final payment in October 2013;
- sold Asian call options on iron ore with a total notional volume of 1,200 thousand tonnes for a total premium of RR 84,358 thousand. Call options with a notional volume of 450 thousand tonnes expired out of the money. The remaining call options mature in the period from October 2013 to March 2014.



16 Derivative financial assets and liabilities (continued)

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

	1 January 2013	Changes in the fair value, gain/(loss), net	Cash (proceeds)/ payments on derivatives, net	Currency translation difference	30 September 2013
Operating activities	63	105,100	(129,481)	335	(23,983)
Swap contracts on iron ore	-	48,096	(45,123)	-	2,973
Call options on iron ore	-	50,122	(84,358)	-	(34,236)
Foreign exchange deliverable forward contracts, net	63	6,882	-	335	7,280
Investing activities	166,912	(81,815)	-	-	85,097
Foreign exchange non-deliverable forward contracts, net	166,912	(81,815)	-	-	85,097
Financing activities	1,781,509	(658,961)	(108,274)	-	1,014,274
Cross currency interest rate swap	22,844	(166,337)	(108,274)	-	(251,767)
Foreign exchange non-deliverable forward contracts, net	1,758,665	(492,624)	-	-	1,266,041
Total derivative financial assets and liabilities, net	1,948,484	(635,676)	(237,755)	335	1,075,388

Changes in the fair value of derivatives related to the operating activities of the Group amounting to RR 105,100 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 740,776 thousand were recognised as a loss within "Other financial gain/loss" (Note 22).



17 Sales

The components of external sales were:

	Three months ended		Nine months ended	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Nitrogen				
Nitrogen fertilisers	10,497,757	13,668,763	37,336,645	37,744,404
Complex fertilisers group	4,712,841	5,827,346	16,329,880	10,779,948
Organic synthesis products	2,668,434	1,669,061	7,009,872	5,496,234
Hydrocarbons	511,478	400,859	1,402,002	1,341,903
Phosphates	195,853	514,579	1,131,109	628,082
Other goods	299,156	330,571	760,105	947,075
Other services	187,665	126,888	628,969	477,582
	19,073,184	22,538,067	64,598,582	57,415,228
Phosphates				
Phosphates	5,938,718	7,851,814	20,339,018	25,710,732
Iron ore concentrate	5,551,971	3,543,336	15,165,549	13,867,299
Feed phosphates group	1,223,394	986,704	3,393,897	3,312,596
Apatite concentrate	226,777	357,743	835,608	987,401
Baddeleyite concentrate	202,758	205,422	616,830	751,190
Complex fertilisers group	-	-	-	738
Other goods	145,474	237,971	448,785	633,134
Other services	74,186	64,058	356,187	308,771
	13,363,278	13,247,048	41,155,874	45,571,861
Distribution				
Nitrogen fertilisers	1,530,120	1,529,054	7,388,800	6,578,078
Phosphates	1,313,572	1,513,648	2,606,489	2,828,605
Complex fertilisers group	1,235,246	1,313,009	2,063,459	2,336,528
Feed phosphates group	30,793	77,299	89,644	205,352
Organic synthesis products	-	852	-	7,397
Other goods	364,256	284,964	1,087,241	1,194,311
Other services	518	122	2,343	2,339
	4,474,505	4,718,948	13,237,976	13,152,610
Other				
Nitrogen fertilisers	3,067,158	5,816,994	11,449,346	6,758,836
Organic synthesis products	40,876	-	189,791	-
Complex fertilisers group	7,517	6,358	154,219	6,358
Phosphates	4,358	-	6,866	45,581
Logistic services	174,930	161,082	342,911	474,842
Other goods	526,203	439,846	1,313,240	945,904
Other services	311,130	173,176	623,653	407,681
	4,132,172	6,597,456	14,080,026	8,639,202
Total sales	41,043,139	47,101,519	133,072,458	124,778,901



18 Cost of sales

The components of cost of sales were:

	Three months ended		Nine months ended	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Materials and components used or resold	18,428,531	20,796,497	54,938,940	45,661,484
Energy	2,077,864	1,732,102	5,833,513	5,053,217
Utilities and fuel	959,594	889,283	3,319,574	3,142,679
Labour, including contributions to social funds	2,574,746	2,289,658	8,140,842	7,112,266
Depreciation and amortisation	1,922,205	1,796,563	5,924,689	4,556,342
Repairs and maintenance	752,092	790,563	1,954,051	1,532,238
Production overheads	841,909	534,778	2,135,241	1,635,795
Property tax, rent payments for land and related taxes	480,189	417,963	1,396,430	1,212,043
Idle property, plant and equipment write-off	2,623	23,162	42,649	103,314
Provision/(reversal of provision) for obsolete and damaged inventories, net	29,623	20,299	28,183	12,040
Changes in work in progress and finished goods	(2,242,091)	165,715	(160,674)	1,469,043
Other costs	394,524	101,354	465,901	328,822
Total cost of sales	26,221,809	29,557,937	84,019,339	71,819,283

19 Distribution costs

Distribution costs comprised:

	Three months ended		Nine months ended	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Transportation	4,682,178	4,773,705	13,585,576	13,691,104
Export duties, other fees and commissions	54,275	39,661	137,172	154,706
Labour, including contributions to social funds	607,062	512,708	1,781,561	1,207,535
Depreciation and amortisation	305,966	322,290	925,028	784,997
Repairs and maintenance	201,119	182,125	608,531	421,881
Provision/(reversal of provision) for impairment of receivables, net	(1,003)	(730)	(10,967)	867
Other costs	499,805	407,456	1,315,521	825,238
Total distribution costs	6,349,402	6,237,215	18,342,422	17,086,328

20 General and administrative expenses

General and administrative expenses comprised:

	Three months ended		Nine months ended	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Labour, including contributions to social funds	764,267	574,617	2,268,791	1,953,429
Depreciation and amortisation	160,109	125,116	460,844	320,036
Audit, consulting and legal services	187,743	115,796	512,795	447,116
Rent	46,017	33,380	129,222	93,931
Bank charges	60,043	25,151	194,317	77,616
Social expenditure	54,707	51,073	113,615	96,595
Repairs and maintenance	29,707	19,876	79,872	52,063
Provision/(reversal of provision) for impairment of receivables, net	72,420	50,648	75,828	(5,168)
Other expenses	310,802	321,441	942,965	808,220
Total general and administrative expenses	1,685,815	1,317,098	4,778,249	3,843,838



20 General and administrative expenses (continued)

The total depreciation and amortisation expenses included in all captions of the consolidated condensed statement of comprehensive income amounted to RR 7,310,561 thousand (nine months ended 30 September 2012: RR 5,661,375 thousand).

The total staff costs (including social expenses) included in all captions of the consolidated condensed statement of comprehensive income amounted to RR 12,191,194 thousand (nine months ended 30 September 2012: RR 10,273,230 thousand).

21 Other operating income and expenses

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

	Three months ended		Nine months ended	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Sponsorship	226,214	144,153	620,850	370,233
(Gain)/loss on disposal of property, plant and equipment and intangible assets, net	(35,754)	(42,785)	(26,457)	(59,887)
Foreign exchange (gain)/loss, net	375,796	786,702	(378,175)	64,177
Idle property, plant and equipment write-off	-	(11,277)	-	36,125
(Gain)/loss on sales and purchases of foreign currencies, net	(6,904)	(93,637)	(77,266)	(292,615)
Other operating (income)/expenses, net	273,485	(104,136)	148,086	(496,095)
Total other operating (income)/expenses, net	832,837	679,020	287,038	(378,062)

22 Other financial gain and loss

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

	Three months ended		Nine months ended	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Changes in the fair value of foreign exchange non-deliverable forward contracts	(613,359)	(1,091,563)	574,439	(816,745)
Changes in the fair value of cross currency interest rate swap	(108,503)	(376,584)	166,337	(293,130)
Changes in the fair value of call options	-	-	-	(6)
Unwinding of discount on deferred payables	55,366	52,699	157,231	91,919
Unwinding of discount on land restoration obligation	8,757	6,171	25,834	18,141
Total other financial (gain)/loss, net	(657,739)	(1,409,277)	923,841	(999,821)



23 Income tax

	Three months ended		Nine months ended	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Income tax expense – current	1,421,308	1,686,838	5,442,521	5,583,530
Deferred income tax – (origination)/reversal of temporary differences	(2,643)	513,448	(293,000)	970,617
Prior periods adjustments recognised in the current period for income tax	303,716	-	303,716	-
Effect of assets transfer between subsidiaries with different tax rates	-	-	-	(183,932)
Reassessment of deferred tax assets/liabilities due to change in the tax rate	117,080	-	117,080	-
Income tax expense	1,839,461	2,200,286	5,570,317	6,370,215

During nine month ended 30 September 2013 OJSC “NAK Azot” stopped applying a reduced income tax rate of 18.3% as a result of claim from the tax authorities (Note 26) and recalculated income tax at non-reduced rate of 20%, charging RR 382,794 thousand of additional income tax expenses for periods of 2011 and 2012 as prior period adjustments. The deferred tax liability was also reassessed at the respective tax rate.

24 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 (Note 11). The Company has no dilutive potential ordinary shares, therefore, the diluted earnings per share equals the basic earnings per share.

	Three months ended		Nine months ended	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Net profit for the period attributable to owners of the parent	2,991,981	7,907,261	9,646,908	24,597,395
Weighted average number of ordinary shares in issue (expressed in thousands)	58,321	61,783	58,875	61,783
Basic and diluted earnings per share (expressed in RR per share)	51.30	127.98	163.85	398.13



25 Balances and transactions with related parties

Parties are considered to be related 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 September 2013	31 December 2012
Statement of financial position caption			
Non-current originated loans (Note12)	Other related parties*	410,782	-
Current originated loans (Note12)	Parent company	1,943,209	-
Trade receivables	Parent company	194	-
Trade receivables	Associates	70	-
Trade receivables	Other related parties	590	16,689
less: impairment provision on trade receivables	Other related parties	-	(16,439)
Prepayments for treasury shares	Parent company	-	683,999
Property, plant and equipment:			
Advances given to construction companies and suppliers of property, plant and equipment	Other related parties	7,074	2,471
Prepayments, other receivables and other current assets:			
Interest receivable	Parent company	6,477	-
Interest receivable	Other related parties	3,022	-
Other receivables	Associates	262	-
Other receivables	Other related parties	123	863
Bonds issued	Other related parties	80,863	60,745
Trade payables	Associates	18,121	-
Trade payables	Other related parties	6,305	2,840

Financial statements caption	Nature of relationship	Three months ended		Nine months ended	
		30 September 2013	30 September 2012	30 September 2013	30 September 2012
Statement of comprehensive income caption					
Sales	Parent company	200	-	583	-
Sales	Associates	-	-	59	-
Sales	Other related parties	80,104	71,330	99,840	71,918
Cost of sales	Other related parties	(320)	1,229	(1,317)	(70)
Distribution costs	Associates	(94,205)	-	(247,049)	-
Distribution costs	Other related parties	(8,827)	(3,232)	(97,618)	(21,807)
Other operating income/ (expense), net	Associates	-	-	(5,473)	-
Interest income	Parent company	6,315	-	6,315	-
Interest income	Other related parties	2,754	11,902	3,067	11,902



25 Balances and transactions with related parties (continued)

Financial statements caption	Nature of relationship	Note	Nine months ended	
			30 September 2013	30 September 2012
Statement of cash flows caption				
Decrease in trade receivables	Other related parties		16,099	871
Increase in other receivables	Parent company		(6,477)	-
Increase in other receivables	Associates		(262)	-
(Increase)/decrease in other receivables	Other related parties		(2,282)	61,414
Increase in trade payables	Associates		18,121	-
Increase/(decrease) in trade payables	Other related parties		3,364	(15)
Capital expenditure on property, plant and equipment and other intangible assets	Other related parties		(15,624)	(3,798)
Acquisition of available-for-sale investment	Other related parties	7	-	(59,607)
Non-current originated loans	Other related parties*	12	(405,602)	(1,927,340)
Current originated loan	Parent company	12	(659,482)	-
Repayment of originated loans	Other related parties*	12	-	1,920,005
Repayment of bonds	Other related parties		-	(22,018)
Interest received	Other related parties		-	12,247
Proceeds from sale of available-for-sale investments	Parent company	7	101,489	20,415,641
Purchase of treasury shares	Parent company	11	(11,499,099)	-
Prepayments for treasury shares	Parent company		-	(4,260,184)

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

In the first quarter of 2012 the Group exchanged US\$ 246,920 thousand for Euro 185,000 thousand with a related party at the Euro/US\$ exchange rate prevailing in the market at the date of the transaction.

The total key management personnel compensation included in the profit and loss was RR 263,799 thousand and RR 249,784 thousand for the nine months ended 30 September 2013 and 30 September 2012, respectively. This compensation is paid to seven individuals (nine months ended 30 September 2012: 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.

26 Contingencies, commitments and operating risks

i Capital expenditure commitments

As at 30 September 2013 the Group had contractual commitments for capital expenditures of RR 21,552,111 thousand (31 December 2012: RR 14,949,923 thousand), including amounts denominated in Euro and US\$ (RR 6,556,496 thousand and RR 394,725 thousand, respectively). Management estimates that, out of these, approximately RR 8.2 billion will represent cash outflows in 2013.

RR 4,715,338 thousand and RR 8,962,670 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 2012: RR 4,737,712 thousand and RR 5,014,667 thousand, respectively).



26 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 from 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.

As at 30 September 2013 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 September 2013 and 31 December 2012.

The Group's subsidiary OJSC "NAK Azot" was engaged in litigation with the tax Authorities relating to the application of a reduced property tax rate. Starting from 1 January 2011 OJSC "NAK Azot" took advantage of the reduced regional property tax and profit tax rates specified in the Tula Region's regional law. Throughout 2012, the local tax authorities performed tax audits of property tax returns and challenged the company's application of the reduced property tax rate claiming additional property tax, penalties and late payment interest of RR 205 million. The results of these proceedings additionally influenced the reduced income tax rate and the Group would have had obligations to pay additional income tax and penalties. OJSC "NAK Azot" challenged this in court and submitted an appeal to the Supreme Court; however it lost its appeal. As a result of the proceedings, OJSC "NAK Azot" used other property tax relief under the Tula Region's regional law which compensated property tax claims of RR 205 million from local tax authorities. Also OJSC "NAK Azot" recalculated income tax at non-reduced rate of 20% for periods 2011, 2012 and nine months ended 30 September 2013 (Note 23).

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 some trade debtors relating to the distribution of fertilisers.

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

Additionally, as part of the potash project the Group has voluntarily insured construction risks for the cage and skip mine shafts at the Gremyachinskoe deposit. The insurance covers the risks of destruction and damage related to the part of two shafts put into operation with the net book value of RR 714,146 thousand for the period from June 2013 to June 2014.



26 Contingencies, commitments and operating risks (continued)

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 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 underlying claim against IMR is proceeding.

In March 2013 "Reverta AS" filed a claim against LLC "NK Severneft" and LLC "Severneft-Urengoy" contesting the property purchase and sale transactions made between these two entities in 2011, preceding the acquisition of LLC "Severneft-Urengoy" by the Group. As part of the proceedings, the court had issued a ruling to impose injunctive relief restricting the ability of LLC "Severneft-Urengoy" to dispose of certain property. The Group contested the restriction and in June 2013 the arbitration court dismissed the injunction. The case had no bearing on the Group's ongoing activity.

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.

The ongoing uncertainty and volatility of the financial markets, in particular in Europe, could have a negative effect on the financial and corporate sectors. Deteriorating economic conditions for customers may have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets.



26 Contingencies, commitments and operating risks (continued)

vi Operating environment of the Group (continued)

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.

The Group holds, among other licences, valid licences for the exploration and development of potash, apatite and hydrocarbon deposits issued by the relevant government authorities of the Russian Federation. Under the terms of these licences, the Group is required to comply with a number of conditions, including preparation of design documentation, commencement of construction of mining facilities and commencement of 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. 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.

27 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. Available-for-sale investments are carried on the consolidated condensed statement of financial position at their fair value.

Effective from 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the consolidated condensed statement of financial position at fair value. This requires disclosure of fair value measurements by three levels, depending on fair value measurements. Fair values of available-for-sale investments were determined based on quoted market prices and were included in level 1. 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.

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 the non-current borrowings and issued bonds at 30 September 2013 and 31 December 2012 are disclosed in Notes 14 and 15.



28 Subsequent events

After the reporting date the Group bought back 305,852 of its own shares from EuroChem Group S.E., the parent company of the Group (Note 11), for RR 1,860,053 thousand paid in cash. These shares represented 0.45% of the issued share capital of the Company.