EUROCHEM GROUP

INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT

31 DECEMBER 2013

Contents

Independent Auditor's Report

To the Shareholders and Board of Directors of OJSC Mineral Chemical Company "EuroChem":

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

ZAO PricewaterhouseCoopers Audit
White Square Office Center 10 Butyrsky Val Moscow, Russia, 125047
T: +7 (495) 967-6000, F:+7 (495) 967-6001, www.pwc.ru

pwc

Independent Auditor's Report

Opinion

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

ZAO PricewaterhouseCoopers Audit

5 February 2014
Moscow, Russian Federation

A.N. Korablev, Senior Manager (licence no. 01-000389), ZAO PricewaterhouseCoopers Audit

Audited entity: Open Joint Stock Company Mineral Chemical Company "EuroChem"

State registration certificate No. 001.460.272, issued by Moscow registration Chamber on 27 August 2001

Certificate of inclusion in the Unified State Register of Legal Entities issued on 3 July 2002 under registration No. 1027700002659

115054 Moscow, Dubininskaya street, 53, p. 6

Independent auditor: ZAO PricewaterhouseCoopers Audit

State registration certificate No. 008.890, issued by the Moscow Registration Bureau on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities No. 1027700148431 issued on 22 August 2002

Certificate of membership in self regulated organisation non-profit partnership "Audit Chamber of Russia" No. 870. ORNZ 10201003683 in the register of auditors and audit organizations.

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

	Note	31 December 2013	31 December 2012
ASSETS			
Non-current assets:			
Property, plant and equipment	8	152,870,922	127,799,359
Mineral rights	9	15,277,028	15,335,730
Goodwill	10	12,677,150	11,371,695
Intangible assets	11	6,999,679	7,225,526
Investment in associates	13	3,531,640	-
Restricted cash	17	88,558	44,003
Available-for-sale investments	12	-	1,914,636
Available-for-sale investments pledged as collateral	12	-	909,017
Originated loans	16, 33	415,660	-
Derivative financial assets	21	1,063,749	1,948,421
Deferred income tax assets	31	5,969,585	4,898,621
Prepayment for investment in associates	13	-	2,522,755
Other non-current assets		719,894	196,181
Total non-current assets		**199,613,865**	**174,165,944**
Current assets:			
Inventories	14	22,670,751	23,006,319
Trade receivables	15	11,895,075	10,567,555
Prepayments, other receivables and other current assets	15	8,731,171	9,305,058
Prepayments for treasury shares	18, 33	-	683,999
Originated loans	16	98,188	-
Derivative financial assets	21	331,543	63
Restricted cash	17	-	405,442
Fixed-term deposits	17	2,441,756	3,671,596
Cash and cash equivalents	17	16,552,395	15,444,147
Total current assets		**62,720,879**	**63,084,179**
TOTAL ASSETS		**262,334,744**	**237,250,123**
LIABILITIES AND EQUITY			
Equity attributable to owners of the parent:			
Share capital	18	6,800,000	6,800,000
Treasury shares	18	(44,687,136)	(39,047,045)
Capital contribution	18, 33	1,589,459	-
Retained earnings and other reserves		157,941,327	138,855,979
		121,643,650	**106,608,934**
Non-controlling interests		169,113	187,609
Total equity		**121,812,763**	**106,796,543**
Non-current liabilities:			
Bank borrowings	19	65,651,730	59,566,384
Bonds issued	20	34,383,438	32,589,882
Derivative financial liabilities	21	142,385	-
Deferred income tax liabilities	31	6,475,782	6,296,597
Other non-current liabilities and deferred credits	22	5,101,882	6,194,011
Total non-current liabilities		**111,755,217**	**104,646,874**
Current liabilities:			
Bank borrowings	19	8,370,741	6,807,983
Derivative financial liabilities	21	225,263	-
Trade payables	24	8,539,042	8,386,544
Other accounts payable and accrued expenses	24	10,079,456	8,449,573
Income tax payable		524,524	1,253,033
Other taxes payable		1,027,738	909,573
Total current liabilities		**28,766,764**	**25,806,706**
Total liabilities		**140,521,981**	**130,453,580**
TOTAL LIABILITIES AND EQUITY		**262,334,744**	**237,250,123**

Approved on behalf of the Board of Directors
5 February 2014

Dmitry Strezhnev
Chief Executive Officer

Andrey Ilyin
Chief Financial Officer

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

	Note	2013	2012
Sales	25	176,936,599	166,477,729
Cost of sales	26	(112,797,010)	(97,767,726)
Gross profit		**64,139,589**	**68,710,003**
Distribution costs	27	(25,261,400)	(23,290,805)
General and administrative expenses	28	(6,709,434)	(5,598,628)
Other operating income/(expenses), net	29	(425,379)	370,529
Operating profit		**31,743,376**	**40,191,099**
Write-off of portion of assets at the Gremyachinskoe potash deposit	8	-	(3,685,995)
Share of profit from associates	13	379,105	-
Dividend income	12	114,204	101,676
Gain/(loss) on disposal of available-for-sale investments	12	(1,549,245)	568,382
Interest income		251,809	634,907
Interest expense		(5,153,290)	(4,293,356)
Financial foreign exchange gain/(loss), net		(5,891,792)	4,315,355
Other financial gain/(loss), net	30	(944,708)	2,466,212
Profit before taxation		**18,949,459**	**40,298,280**
Income tax expense	31	(6,693,814)	(7,729,130)
Profit for the period		**12,255,645**	**32,569,150**
Other comprehensive income/(loss) that may be reclassified to profit and loss in subsequent periods			
Currency translation differences, net of tax		5,184,507	(236,736)
Revaluation of available-for-sale investments, net of tax	12	(1,419,124)	711,688
Disposal of available-for-sale investments – reclassification of revaluation to profit and loss, net of tax	12	1,549,245	(568,382)
Total other comprehensive income/(loss) for the period that may be reclassified to profit and loss in subsequent periods		**5,314,628**	**(93,430)**
Other comprehensive income/(loss) that will not be reclassified to profit and loss in subsequent periods			
Remeasurements of post-employment benefit obligations, net of tax		26,867	-
Total other comprehensive income/(loss) for the period that will not be reclassified to profit and loss in subsequent periods		**26,867**	**-**
Total comprehensive income for the period		**17,597,140**	**32,475,720**
Profit/(loss) of the period attributable to:			
Owners of the parent		12,261,945	32,575,818
Non-controlling interests		(6,300)	(6,668)
		12,255,645	**32,569,150**
Total comprehensive income/(loss) attributable to:			
Owners of the parent		17,596,972	32,480,365
Non-controlling interests		168	(4,645)
		17,597,140	**32,475,720**
Earnings per share – basic and diluted (in RR)	32	209.05	528.99

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

	Note	2013	2012
Operating profit		**31,743,376**	**40,191,099**
Income tax paid		(7,995,564)	(7,373,735)
Operating profit less income tax paid		**23,747,812**	**32,817,364**
Depreciation and amortisation	28	9,876,172	8,087,408
Net loss on disposals and write-off of property, plant and equipment		761,440	424,317
Change in provision for impairment of receivables and provision/(reversal of provision) for obsolete and damaged inventories, net		114,629	166,521
Other non-cash (income)/expenses, net		1,124,340	(387,433)
Gross cash flow	**5**	**35,624,393**	**41,108,177**
Changes in operating assets and liabilities:			
Trade receivables		(1,279,413)	1,970,574
Advances to suppliers		621,542	(223,032)
Other receivables		(35,496)	93,703
Inventories		(157,209)	(1,835,911)
Trade payables		(194,371)	(1,470,618)
Advances from customers		342,923	(34,011)
Other payables		879,346	(368,384)
Restricted cash, other assets and liabilities		360,887	(364,227)
Net cash – operating activities		**36,162,602**	**38,876,271**
Cash flows from investing activities			
Capital expenditure on property, plant and equipment and intangible assets		(32,432,590)	(28,156,607)
Payment for mineral rights		(160,946)	(373,062)
Prepayment for investment in associates	13	-	(2,522,755)
Payment for investment in associates		(629,780)	-
Prepayments for other non-current assets		(15,649)	(90,431)
Loan provided to the acquired subsidiary before acquisition	16	-	(116,229)
Acquisition of subsidiaries, net of cash acquired		-	(31,806,681)
Acquisition of available-for-sale investments	12	-	(59,607)
Portion of deferred compensation related to business combination, paid	22	(1,600,019)	-
Proceeds from sale of available-for-sale investments	12, 33	101,489	20,415,641
Proceeds from sale of property, plant and equipment		159,092	135,519
Proceeds from disposal of non-current assets held for sale		-	883,651
Cash proceeds/(payments) on derivatives, net		-	(63,873)
Dividends received and refunded withholding tax on dividends received	12	96,727	144,828
Net change in fixed-term deposits		1,220,181	16,564,889
Originated loans	16, 33	(1,164,659)	(1,927,340)
Repayment of originated loans	16, 33	2,005,728	8,221,872
Interest received		229,627	1,055,499
Net cash – investing activities		**(32,190,799)**	**(17,694,686)**
Free cash inflow	**5**	**3,971,803**	**21,181,585**
Cash flows from financing activities			
Proceeds from bank borrowings	19	77,957,785	12,503,040
Repayment of bank borrowings	19	(75,114,099)	(19,970,832)
Proceeds from bonds, net of transaction costs		-	22,909,440
Repayment of bonds		-	(8,513,762)
Prepaid and additional transaction costs		(76,206)	(5,850)
Interest paid		(5,034,894)	(4,350,733)
Cash proceeds/(payments) on derivatives – net		212,746	214,959
Acquisition of non-controlling interest in oil and gas subsidiary		-	(6,619,999)
Acquisition of additional interest in other subsidiaries		(12,413)	(128)
Purchase of treasury shares	18, 33	(13,359,153)	(9,367,618)
Prepayments for treasury shares	18, 33	-	(683,999)
Proceeds from sale of treasury shares	18, 33	9,885,186	-
Capital contribution	18, 33	1,589,459	-
Other financial activities		-	11,761
Net cash – financing activities		**(3,951,589)**	**(13,873,721)**
Effect of exchange rate changes on cash and cash equivalents		1,088,034	(370,666)
Net increase/(decrease) in cash and cash equivalents		**1,108,248**	**6,937,198**
Cash and cash equivalents at the beginning of the period	**17**	**15,444,147**	**8,506,949**
Cash and cash equivalents at the end of the period	**17**	**16,552,395**	**15,444,147**

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

		Attributable to owners of the parent								
	Note	**Share capital**	**Treasury shares**	**Capital contri-bution**	**Cumulative currency translation differences**	**Revaluation of available-for-sale investments**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 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		-	-	-	-	-	32,575,818	32,575,818	(6,668)	32,569,150
Other comprehensive income/(loss)										
Currency translation differences		-	-	-	(238,759)	-	-	(238,759)	2,023	(236,736)
Revaluation of available-for-sale investments	12	-	-	-	-	711,688	-	711,688	-	711,688
Disposal of available-for-sale investments	12	-	-	-	-	(568,382)	-	(568,382)	-	(568,382)
Total other comprehensive income/(loss)		-	-	-	(238,759)	143,306	-	(95,453)	2,023	(93,430)
Total comprehensive income/(loss)		**-**	**-**	**-**	**(238,759)**	**143,306**	**32,575,818**	**32,480,365**	**(4,645)**	**32,475,720**
Transactions with owners										
Purchase of treasury shares		-	(9,367,618)	-	-	-	-	(9,367,618)	-	(9,367,618)
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		-	-	-	-	-	771	771	(899)	(128)
Total transactions with owners		**-**	**(9,367,618)**	**-**	**-**	**-**	**110,603**	**(9,257,015)**	**(6,792,900)**	**(16,049,915)**
Balance at 31 December 2012		**6,800,000**	**(39,047,045)**	**-**	**1,485,464**	**(130,121)**	**137,500,636**	**106,608,934**	**187,609**	**106,796,543**
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		-	-	-	-	-	12,261,945	12,261,945	(6,300)	12,255,645
Other comprehensive income/(loss)										
Currency translation differences		-	-	-	5,178,039	-	-	5,178,039	6,468	5,184,507
Remeasurements of post-employment benefit obligations, net of tax		-	-	-	-	-	26,867	26,867	-	26,867
Revaluation of available-for-sale investments	12	-	-	-	-	(1,419,124)	-	(1,419,124)	-	(1,419,124)
Disposal of available-for-sale investments	12	-	-	-	-	1,549,245	-	1,549,245	-	1,549,245
Total other comprehensive income		-	-	-	5,178,039	130,121	26,867	5,335,027	6,468	5,341,495
Total comprehensive income		**-**	**-**	**-**	**5,178,039**	**130,121**	**12,288,812**	**17,596,972**	**168**	**17,597,140**
Transactions with owners										
Capital contribution	18, 33	-	-	1,589,459	-	-	-	1,589,459	-	1,589,459
Purchase of treasury shares	18	-	(14,043,152)	-	-	-	-	(14,043,152)	-	(14,043,152)
Sale of treasury shares	18	-	8,403,061	-	-	-	1,482,125	9,885,186	-	9,885,186
Acquisition of additional interest in subsidiaries		-	-	-	-	-	6,251	6,251	(18,664)	(12,413)
Total transactions with owners		**-**	**(5,640,091)**	**1,589,459**	**-**	**-**	**1,488,376**	**(2,562,256)**	**(18,664)**	**(2,580,920)**
Balance at 31 December 2013		**6,800,000**	**(44,687,136)**	**1,589,459**	**6,663,503**	**-**	**151,277,824**	**121,643,650**	**169,113**	**121,812,763**

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 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 31 December 2013 EuroChem Group S.E. owns 87.36% of the Company (31 December 2012: 88.51%). The remaining 12.64% is held by EuroChem Capital Management Ltd, the Group's wholly-owned subsidiary, and presented as treasury shares in the consolidated statement of financial position (31 December 2012: 11.49%).

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. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by available-for-sale investments and derivative financial instruments, which are accounted for at fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Foreign currency translation

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.

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates are recognised in profit and loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit and loss are recognised in profit and loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are recognised in other comprehensive income.

Foreign exchange gains and losses that relate to borrowings and deposits are presented in the consolidated statement of profit or loss and other comprehensive income in a separate line "Financial foreign exchange gain/(loss), net". All other foreign exchange gains and losses are presented in the profit and loss within "Other operating income/(expenses), net".

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 Basis of presentation (continued)

These consolidated financial statements are presented in Russian Roubles, which is the functional currency of the Company.

The results and financial position of each Group's subsidiaries are translated into the presentation currency using the official exchange rate of the Central Bank of the Russian Federation ("CBRF") as follows:

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

(ii) income and expenses for the consolidated statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

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

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

At 31 December 2013 the official exchange rates established by CBRF were: US$ 1 = RR 32.7292 (31 December 2012: US$ 1 = RR 30.3727), Euro 1 = RR 44.9699 (31 December 2012: Euro 1 = RR 40.2286), LTL 1 = RR 13.0338 (31 December 2012: LTL 1 = RR 11.6554). Average rates for the year ended 31 December 2013 were: US$ 1 = RR 31.8480 (2012: US$ 1 = RR 31.0930), Euro 1 = RR 42.3129 (2012: Euro 1 = RR 39.9524), LTL 1 = RR 12.2551 (2012: LTL 1 = RR 11.8400).

Consolidated financial statements. Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group (acquisition date) and are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The Group measures non-controlling interest on a transaction-by-transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

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

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

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered.

The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

2 Basis of presentation (continued)

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

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the consolidated statement of changes in equity.

Property, plant and equipment. Property, plant and equipment are stated at historical cost, less accumulated depreciation and a provision for impairment, where required.

The cost of replacing major parts or components of property, plant and equipment items is capitalised and the replaced part is retired. Minor repair and maintenance costs are expensed when incurred.

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the profit and loss. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the profit and loss.

Capitalisation of borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009. The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

Depreciation. Depreciation of property, plant and equipment (other than oil and gas assets) is calculated using the straight-line method over their estimated useful lives from the time they are ready for use:

	Useful lives in years
Buildings and land improvements	15 to 80
Transfer devices	25 to 30
Machinery and equipment	2 to 30
Transport	5 to 25
Other items	1 to 8

Depreciation of oil and gas assets is calculated using the unit-of-production method.

2 Basis of presentation (continued)

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

Remaining useful life of property, plant and equipment. Management assesses the remaining useful life of property, plant and equipment in accordance with the current technical conditions of assets and the estimated period during which these assets will bring economic benefit to the Group.

Development expenditure. Development expenditure incurred by the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises cost directly attributable to the construction of a mine and the related infrastructure. Once a development decision has been taken, the expenditure in respect of the area of interest is classified in the assets under construction category.

Exploration assets. Exploration and evaluation costs related to an area of interest are written off as incurred except they are carried forward as an asset in the consolidated statement of financial position where the rights of tenure of an area are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area of interest. Capitalised costs include costs directly related to exploration and evaluation activities in the relevant area of interest. In accordance with IFRS 6, Exploration for and Evaluation of Mineral Resources, exploration assets are measured applying the cost model described in IAS 16, Property, plant and equipment after initial recognition. Depreciation and amortisation are not calculated for exploration assets because the economic benefits that the assets represent are not consumed until the production phase. Capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied.

All capitalised exploration and evaluation expenditure is assessed for impairment if facts and circumstances indicate that impairment may exist. Exploration and evaluation assets are also tested for impairment once commercial reserves are found, before the assets are transferred to development properties.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit and loss on a straight-line basis over the period of the lease.

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

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

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

Mineral rights. Mineral rights include rights for evaluation, exploration and production of mineral resources under the licences or agreements. Such assets are carried at cost, amortisation is charged on a straight line basis either over the validity period of the license or the agreement, or over the expected life of mine, starting from the date when production activities commence. The costs directly attributable to acquisition of rights for evaluation, exploration and production are capitalised as a part of the mineral rights. If the reserves related to the mineral rights are not economically viable, the carrying amount of such mineral rights is written off.

2 Basis of presentation (continued)

Mineral resources. Mineral resources are recognised as assets when acquired as part of a business combination and then depleted using the unit-of-production method for oil and gas assets based on total proved mineral reserves and straight line method for other assets. Estimated proven and probable mineral reserves reflect the economically recoverable quantities which can be legally recovered in the future from known mineral deposits and were determined by independent professional appraisers when acquired as part of a business combination.

Intangible assets. The Group's intangible assets have definite useful lives and primarily include acquired core process technology, distribution agreements, customer relationships, trademarks, capitalised computer software costs and other intangible assets.

These assets are capitalised on the basis of the costs incurred to acquire and bring them to use.

Intangible assets with definite useful lives are amortised using the straight-line method over their useful lives:

	Useful lives in years
Land use rights	50
Know-how and production technology	5 - 18
Trademarks	15
Customer relationships	10
Distribution agreement	8
Software licences	5

The Group tests intangible assets for impairment whenever there are indications that intangible assets may be impaired.

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less cost to sell.

Classification of financial assets. The Group classifies its financial assets into the following measurement categories: a) loans and receivables; b) available-for-sale financial assets; c) financial assets held to maturity and d) financial assets at fair value through profit and loss. Financial assets at fair value through profit and loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

Financial assets held for trading are classified in this category if acquired principally for the purpose of selling in the short term. Trading investments are not reclassified out of this category even when the Group's intentions subsequently change.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in the current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current assets.

The "Held-to-maturity" classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at each reporting date. At 31 December 2013 and 31 December 2012 the Group did not have any "held to maturity" investments.

All other financial assets are included in the available-for-sale category.

Initial recognition of financial instruments. Trading investments and derivatives are initially recorded at their fair value. All other financial assets and liabilities are initially recorded at their fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and the transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

2 Basis of presentation (continued)

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at their trade date, which is the date that the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

De-recognition of financial assets. The Group de-recognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Available-for-sale investments. Available-for-sale investments are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit and loss. Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payment is established. All other elements of changes in the fair value are recognised in other comprehensive income and accumulated in equity until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from equity to profit and loss.

Impairment losses are recognised in profit and loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any revaluation loss on that asset previously recognised in other comprehensive income – is reclassified from equity and recognised in profit and loss. Impairment losses on equity instruments are not reversed through profit and loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit and loss, the impairment loss is reversed through the current period's profit and loss.

Derivative financial instruments. The Group's derivative financial instruments comprise forward, options and swap contracts in foreign exchange and securities. The Group's policy is to measure these instruments at fair value, with resultant gains or losses being reported within the profit and loss. The fair value of derivative financial instruments is determined using actual market data information and valuation techniques based on the prevailing market interest rate for similar instruments as appropriate.

The Group has no derivatives accounted for as hedges.

Investments in associates and joint ventures. 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. The joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. The carrying amount of associates and joint ventures include goodwill identified on acquisition less accumulated impairment losses, if any. The Group's share of the post-acquisition profits or losses of associates and joint ventures is recorded in the consolidated profit or loss, and its shares of post-acquisition movements in other comprehensive income are recognised in other comprehensive income. Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2 Basis of presentation (continued)

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with tax legislation enacted or substantively enacted by the reporting date for each country where the Group subsidiaries are registered. The income tax expense comprises current tax and deferred tax and is recognised in the profit and loss unless it relates to transactions that are recognised in other comprehensive income or directly in equity. The most significant Group subsidiaries are registered in Russia, where the corporate income tax rate can range from 15.5% to 20%, depending on applicable rates set by regional authorities (2012: from 15.5% to 20%). For the subsidiaries located outside the Russian Federation tax rates on taxable profit range from 10% to 38.3% (2012: from 10% to 37.6%).

Current tax is the amount expected to be paid to or recovered from the tax authorities in respect of taxable profits or losses for the current and prior periods.

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

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

Inventories. Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the weighted-average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Trade and other receivables. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade and other receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss. When a receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the profit and loss.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Basis of presentation (continued)

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, term deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Term deposits for longer than three months that are repayable on demand within one working day without penalties or that can be redeemed/withdrawn, subject to the interest income being forfeited, are classified as cash equivalents if the deposit is held to meet short term cash needs and there is no significant risk of a change in value as a result of an early withdrawal. Other term deposits are included into fixed-term deposits.

Cash and cash equivalents are carried at amortised cost using the effective interest method.

Restricted balances are excluded from cash and cash equivalents. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date are included in non-current assets in the consolidated statement of financial position.

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

They are included in the current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current assets.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented in the consolidated statement of changes in equity as a share premium.

Capital contribution. The capital contribution received from shareholder, which does not require repayment, or for which the Group will be able to avoid any payments is classified as component of the equity and recorded as a separate reserve in the consolidated statement of changes in equity.

Treasury shares. Where any Group company purchases the Company's shares, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2 Basis of presentation (continued)

Dividends. Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

Value added tax. Value added tax ("VAT") related to revenues is generally payable to the tax authorities on an accrual basis when invoices are issued to customers. VAT incurred on purchases may be offset, subject to certain restrictions, against VAT related to revenues, or can be reclaimed in cash from the tax authorities under certain circumstances.

Management periodically reviews the recoverability of VAT receivables and believes the amount reflected in the consolidated financial statements is fully recoverable within one year.

Borrowings. Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently stated at amortised cost using the effective interest method.

Trade and other payables. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Investment grants. Investment grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Investment grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the profit and loss on a straight-line basis over the expected lives of the related assets.

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

Asset retirement obligations. The Group has the obligation to perform recultivation of certain disturbed lands in the areas of its oil and gas drilling and mining activities under the terms of licences and agreements for mineral resources.

The estimated future land restoration costs, discounted to net present value, are added to respective items of property, plant and equipment and corresponding obligations are raised when the constructive obligation to incur such costs arises and these costs could be reliably estimated. Additional items of property, plant and equipment are amortised on a straight-line basis over the useful life of the corresponding asset. The unwinding of the obligation is recognised in profit and loss as part of other financial gain/loss.

Changes to estimated future costs are recognised in the consolidated statement of financial position by either increasing or decreasing the provision for land restoration and asset to which it relates. The Group reassesses its estimation of land restoration provision as at the end of each reporting period. Ongoing restoration costs are recognised as expenses when incurred.

Revenue recognition. Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point. Revenues from sales of services are recognised in the period the services are provided.

Sales are shown net of VAT and other sales taxes.

Revenues are measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates allowed.

Interest income is recognised on a time-proportion basis using the effective interest method.

2 Basis of presentation (continued)

Employee benefits. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services, etc.) are accrued in the year in which the associated services are rendered by the employees of the Group.

Eurochem Antwerpen NV and Eurochem Agro operate defined benefit pension plans, which represent an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. Remeasurements of post-employment benefit obligations are recognised in other comprehensive income. The defined pension obligation of the Group is not material.

Earnings per share. Earnings per share is determined by dividing the profit and loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the reporting year.

Segment reporting. A segment is a distinguishable component of the Group that is engaged in providing products or services (operating segment). Segments whose sales or results are ten percent or more of all the segments are reported separately. Segment reporting is prepared in a manner consistent with the internal reporting provided to the chief operating decision-maker.

3 Critical accounting estimates, and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include.

Taxation. Judgments are required in determining current income tax liabilities (Note 31). The Group recognises liabilities for taxes based on estimates of whether additional taxes will be due. Where the final outcome of various tax matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax recognition. The net deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the consolidated statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and estimates based on the last three years' taxable profits and expectations of future income that are believed to be reasonable under the circumstances (Note 31).

Land. Certain industrial premises of the Group's subsidiary OJSC EuroChem Terminal Ust-Luga are located on land occupied under a short-term lease. The management believes that no losses will be sustained by the Group due to the short-term nature of the land lease since it will be able to either purchase the land or to secure its use via a long-term lease agreement in due course.

Related party transactions. The Group enters into transactions with related parties in the normal course of business. These transactions are priced predominantly at market rates. Judgement is applied in determining whether transactions are priced at market or non-market rates where there is no active market for such transactions. Judgements are made by comparing prices for similar types of transactions with unrelated parties.

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 financial statements (Note 36);
- 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 financial statements, 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);
- 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 these consolidated financial statements.

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

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 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 financial statements;
- 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);
- Amendments to IAS 19 – Defined benefit plans: Employee contribution (issued in November 2013, effective for annual periods beginning on or after 1 July 2014);
- Improvements to International Financial Reporting Standards (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

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

5 Statement of cash flows

In managing the business, management focuses on a number of cash flow measures including "gross cash flow" and "free cash flow". Gross cash flow refers to the operating profit after income tax and adjusted for items which are not of a cash nature, which have been charged or credited to the profit and loss. The gross cash flow is available to finance movements in operating assets and liabilities, investing and financing activities. The gross cash inflow for the year ended 31 December 2013 was RR 35,624,393 thousand (2012: inflow of RR 41,108,177 thousand).

Free cash flows are the cash flows available to providers of finance of the business, be this debt or equity. The free cash inflow for the year ended 31 December 2013 was RR 3,971,803 thousand (2012: inflow of RR 21,181,585 thousand).

Since these terms are not standard IFRS measures EuroChem Group's definition of gross cash flow and free cash flow may differ from that of other companies.

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

6 Principal subsidiaries and associates

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

Name	Nature of business	Percentage of voting rights	Percentage of ownership	Country of registration
MCC Eurochem OJSC	Company	-	-	Russia
Subsidiaries:				
Phosphorit Industrial Group, LLC	Manufacturing	100%	100%	Russia
Novomoskovskiy Azot, OJSC	Manufacturing	100%	100%	Russia
Novomoskovskiy Khlor, LLC	Manufacturing	100%	100%	Russia
Nevinnomysskiy Azot, OJSC	Manufacturing	100%	100%	Russia
EuroChem-Belorechenskie Minudobrenia LLC	Manufacturing	100%	100%	Russia
Kovdorskiy GOK, OJSC	Mining	100%	100%	Russia
Lifosa AB	Manufacturing	100%	100%	Lithuania
Severneft-Urengoy, LLC	Gas extraction	100%	100%	Russia
EuroChem Antwerpen NV	Manufacturing	100%	100%	Belgium
EuroChem-VolgaKaliy, LLC	Potash project under development	100%	100%	Russia
EuroChem-Usolsky potash complex, LLC	Potash project under development	100%	100%	Russia
EuroChem-Fertilizers, LLP	Phosphate project under development	100%	100%	Kazakhstan
Sary-Tas Fertilizers, LLP	Other service	59.67%	59.67%	Kazakhstan
EuroChem Karatau, LLP	Other service	100%	100%	Kazakhstan
EuroChem Trading GmbH	Trading	100%	100%	Switzerland
EuroChem Trading USA	Trading	100%	100%	USA
Eurochem Agro SAS	Distribution	100%	100%	France
EuroChem Agro Asia Pte. Ltd	Distribution	100%	100%	Singapore
EuroChem Agro Iberia	Distribution	100%	100%	Spain
EuroChem Agricultural Trading Hellas SA	Distribution	100%	100%	Greece
EuroChem Agro Spa	Distribution	100%	100%	Italy
EuroChem Agro GmbH	Distribution	100%	100%	Germany
EuroChem Agro Mexico SA de CV	Distribution	100%	100%	Mexico
EuroChem Agro Fertilizer Trade LLP	Distribution	100%	100%	Turkey
EuroChem Comercio de Produtos Quimicos Ltda	Distribution	100%	100%	Brasil
EuroChem Agro Trading (Shenzhen) Co., Ltd	Distribution	100%	100%	China
AgroCenter EuroChem-Volgograd, LLC	Distribution	100%	100%	Russia
AgroCenter EuroChem-Krasnodar, LLC	Distribution	100%	100%	Russia
AgroCenter EuroChem-Lipezk, LLC	Distribution	100%	100%	Russia
AgroCenter EuroChem-Orel, LLC	Distribution	100%	100%	Russia
AgroCenter EuroChem-Novomoskovskiy, LLC	Distribution	100%	100%	Russia
AgroCenter EuroChem-Nevinnomyssk, LLC	Distribution	100%	100%	Russia
AgroCenter EuroChem-Ukraine, LLC	Distribution	100%	100%	Ukraine
Ural-RemStroiService, LLC	Repair and constructions	100%	100%	Russia
Kingisepp RemStroiService, LLC	Repair and constructions	100%	100%	Russia
Kovdor RemStroiService, LLC	Repair and constructions	100%	100%	Russia
Novomoskovskiy RemStroiService, LLC	Repair and constructions	100%	100%	Russia
Nevinnomysskiy RemStroiService, LLC	Repair and constructions	100%	100%	Russia
Volgograd RemStroiService, LLC	Repair and constructions	100%	100%	Russia
Tulagiprokhem, LLC	Design engineering	100%	100%	Russia
Harvester Shipmanagement Ltd	Logistics	100%	100%	Cyprus
Eurochem Logistics International, UAB	Logistics	100%	100%	Lithuania
EuroChem Terminal Sillamäe Aktsiaselts	Logistics	100%	100%	Estonia
EuroChem Terminal Ust-Luga, LLC	Logistics	100%	100%	Russia
Tuapse Bulk Cargo Terminal, LLC	Logistics	100%	100%	Russia
Murmanskiy Bulk Cargo Terminal, LLC	Logistics	100%	100%	Russia
Depot-Eurochem, LLC	Logistics	100%	100%	Russia
EuroChem-Energo, LLC	Other service	100%	100%	Russia
EuroChem International Holding B.V.	Finance	100%	100%	Netherlands
EuroChem A.M. Ltd	Finance	100%	100%	Cyprus
EuroChem Capital Management Ltd	Finance	100%	100%	BVI
Associate:				
Murmansk Commercial Seaport, OJSC	Logistics	36.20%	48.26%	Russia

Business combinations:

In 2012 the Group completed acquisitions of EuroChem Agro (formerly K+S Nitrogen) and EuroChem Antwerpen NV. The initial provisional purchase price allocations established at the acquisition date were finalised in 2013 without significant adjustments.

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

7 Segment information

The Group is a global agrochemical company producing primarily nitrogen and phosphate fertilisers, as well as certain organic synthesis products. The Group is a vertically integrated business with activities spanning mining (iron-ore, apatite, baddeleyite) and natural gas extraction, fertiliser manufacturing, organic synthesis products, sales and distribution. 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.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 year ended 31 December 2013 were:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	86,993,395	13,070,844	100,064,239	26,171,810
Phosphates	54,975,851	3,303,732	58,279,583	13,865,812
Potash	-	-	-	(774,691)
Distribution	16,948,117	26,977	16,975,094	682,971
Other	18,019,236	23,962,007	41,981,243	3,093,699
Elimination	-	(40,363,560)	(40,363,560)	(78,920)
Total	**176,936,599**	**-**	**176,936,599**	**42,960,681**

The segmental results for the year ended 31 December 2012 were:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	79,662,449	12,805,773	92,468,222	30,581,350
Phosphates	56,667,598	4,098,723	60,766,321	16,244,848
Potash	-	-	-	(547,549)
Distribution	17,120,357	17,469	17,137,826	966,926
Other	13,027,325	19,993,155	33,020,480	2,144,171
Elimination	-	(36,915,120)	(36,915,120)	(222,213)
Total	**166,477,729**	**-**	**166,477,729**	**49,167,533**

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

7 Segment information (continued)

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

	Note	2013	2012
EBITDA		**42,960,681**	**49,167,533**
Depreciation and amortisation	28	(9,876,172)	(8,087,408)
Write-off of idle property, plant and equipment	8	(589,715)	(145,775)
Write-off of portion of assets at the Gremyachinskoe potash deposit	8	-	(3,685,995)
Gain/(loss) on disposal of available-for sale investments, net	12	(1,549,245)	568,382
Interest expense		(5,153,290)	(4,293,356)
Financial foreign exchange gain/(loss), net		(5,891,792)	4,315,355
Other financial gain/(loss), net	30	(944,708)	2,466,212
Non-controlling interest		(6,300)	(6,668)
Profit before taxation		**18,949,459**	**40,298,280**

The segmental capital expenditure on property, plant and equipment, intangible assets and mineral rights for the years ended 31 December 2013 and 2012 were:

	2013	2012
Nitrogen	10,379,526	6,323,808
Phosphates	8,614,004	5,791,185
Potash	12,353,889	13,602,188
Distribution	105,407	93,674
Other	1,140,710	2,718,814
Total capital expenditure	**32,593,536**	**28,529,669**

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

The analysis of non-current assets other than financial instruments and deferred tax assets by geographical location was:

	31 December 2013	31 December 2012
Non-current assets, located in Russia	154,346,456	130,335,126
Non-current assets, located in foreign countries	37,009,963	33,919,939
Total	**191,356,419**	**164,255,065**

The analysis of Group sales by region was:

	2013	2012
Europe	57,246,972	44,592,166
Russia	33,341,283	35,450,024
Asia	31,513,580	25,990,260
North America	17,549,141	19,040,052
Latin America	16,261,066	22,825,257
CIS	14,240,323	12,927,635
Africa	5,012,337	3,623,513
Australasia	1,771,897	2,028,822
Total sales	**176,936,599**	**166,477,729**

The sales are allocated to regions based on the destination country. During the year ended 31 December 2013 the Group had sales in excess of 10% to Russia and China, which represented 19% and 11% of total Group revenues respectively (2012: no sales in excess of 10% to any country, except for Russia).

During the year ended 31 December 2013 there were no sales in excess of 10% to one customer. During the year ended 31 December 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 year ended 31 December 2012 and were allocated to the Nitrogen, Phosphates and Other segments.

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

8 Property, plant and equipment

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

	Buildings	Land and Land Improvements	Transfer devices	Machinery and equipment	Transport	Other	Assets under construction	Total
Cost								
Balance at 1 January 2013	**16,134,777**	**17,177,999**	**11,473,262**	**56,486,581**	**11,802,199**	**3,021,038**	**49,643,406**	**165,739,262**
Additions and transfers from assets under construction	1,989,611	3,124,686	986,495	6,725,438	914,967	642,301	19,976,450	34,359,948
Disposals	(18,350)	(141,804)	(46,147)	(414,527)	(280,181)	(71,997)	(49,973)	(1,022,979)
Changes in estimates of asset retirement obligations (Note 23)	-	(150,390)	-	-	-	-	-	(150,390)
Write-off of idle property, plant and equipment	(111,239)	(79,239)	(68,428)	(258,191)	(18,801)	(33,920)	(327,096)	(896,914)
Currency translation difference (Note 2)	330,334	185,218	157,344	1,446,575	110,136	24,702	80,474	2,334,783
Balance at 31 December 2013	**18,325,133**	**20,116,470**	**12,502,526**	**63,985,876**	**12,528,320**	**3,582,124**	**69,323,261**	**200,363,710**
Accumulated Depreciation								
Balance at 1 January 2013	**(4,092,182)**	**(2,809,305)**	**(3,519,114)**	**(21,431,480)**	**(4,557,574)**	**(1,530,248)**	**-**	**(37,939,903)**
Charge for the year	(907,107)	(901,355)	(808,738)	(5,909,029)	(891,081)	(450,188)	-	(9,867,498)
Disposals	15,418	30,252	39,311	348,404	226,065	62,615	-	722,065
Write-off of idle property, plant and equipment	57,072	11,033	30,769	168,737	11,094	28,494	-	307,199
Currency translation difference (Note 2)	(86,151)	(74,660)	(50,934)	(463,839)	(24,643)	(14,424)	-	(714,651)
Balance at 31 December 2013	**(5,012,950)**	**(3,744,035)**	**(4,308,706)**	**(27,287,207)**	**(5,236,139)**	**(1,903,751)**	**-**	**(47,492,788)**
Net Carrying Value								
Balance at 1 January 2013	**12,042,595**	**14,368,694**	**7,954,148**	**35,055,101**	**7,244,625**	**1,490,790**	**49,643,406**	**127,799,359**
Balance at 31 December 2013	**13,312,183**	**16,372,435**	**8,193,820**	**36,698,669**	**7,292,181**	**1,678,373**	**69,323,261**	**152,870,922**

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

8 Property, plant and equipment (continued)

	Buildings	Land and Land Improvements	Transfer devices	Machinery and equipment	Transport	Other	Assets under construction	Total
Cost								
Balance at 1 January 2012	**13,122,296**	**13,759,854**	**8,094,754**	**37,633,733**	**10,548,037**	**2,422,525**	**45,854,456**	**131,435,655**
Additions and transfers from assets under construction	2,159,564	3,311,727	2,910,371	11,505,941	1,333,415	693,738	7,460,260	29,375,016
Acquisitions through business combinations	927,376	-	544,775	7,994,359	25,952	5,175	83,854	9,581,491
Disposals	(36,436)	(12,481)	(57,033)	(630,750)	(80,229)	(91,887)	(85,019)	(993,835)
Changes in estimates of asset retirement obligations (Note 23)	-	187,983	-	-	-	-	-	187,983
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)	(3,116,000)
Write-off of advances given to construction company	-	-	-	-	-	-	(484,808)	(484,808)
(Write-off)/reversal of write off of idle property, plant and equipment	4,065	-	(1,266)	(98,377)	(25)	(2,574)	(71,694)	(169,871)
Currency translation difference (Note 2)	(42,088)	(69,084)	(18,339)	81,675	(24,951)	(5,939)	2,357	(76,369)
Balance at 31 December 2012	**16,134,777**	**17,177,999**	**11,473,262**	**56,486,581**	**11,802,199**	**3,021,038**	**49,643,406**	**165,739,262**
Accumulated Depreciation								
Balance at 1 January 2012	**(3,165,536)**	**(2,165,905)**	**(2,940,637)**	**(17,403,805)**	**(3,822,626)**	**(1,184,245)**	**-**	**(30,682,754)**
Charge for the year	(956,288)	(671,704)	(610,977)	(4,560,098)	(808,983)	(424,994)	-	(8,033,044)
Disposals	19,717	8,226	21,199	445,371	67,571	73,174	-	635,258
Write-off/(reversal of write off) of idle property, plant and equipment	(3,230)	-	1,209	24,228	9	1,880	-	24,096
Currency translation difference (Note 2)	13,155	20,078	10,092	62,824	6,455	3,937	-	116,541
Balance at 31 December 2012	**(4,092,182)**	**(2,809,305)**	**(3,519,114)**	**(21,431,480)**	**(4,557,574)**	**(1,530,248)**	**-**	**(37,939,903)**
Net Carrying Value								
Balance at 1 January 2012	**9,956,760**	**11,593,949**	**5,154,117**	**20,229,928**	**6,725,411**	**1,238,280**	**45,854,456**	**100,752,901**
Balance at 31 December 2012	**12,042,595**	**14,368,694**	**7,954,148**	**35,055,101**	**7,244,625**	**1,490,790**	**49,643,406**	**127,799,359**

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

8 Property, plant and equipment (continued)

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

	31 December 2013	31 December 2012
Construction in progress	62,738,463	44,657,914
Advances given to construction companies and suppliers of property, plant and equipment	6,277,525	4,770,571
Evaluation expenses	307,273	214,921
Total assets under construction	**69,323,261**	**49,643,406**

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

During the year ended 31 December 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, an advance given to Shaft Sinkers (Pty) Ltd (Shaft Sinkers) of RR 484,808 thousand and RR 85,187 thousand attributed to other debtors, primarily due to problems with the grouting technology employed by Shaft Sinkers in the cage shaft construction and its inability to fulfill contractual obligations (Note 34).

Idle property, plant and equipment write-off

During the year ended 31 December 2013 the Group decided to mothball certain production equipment with cost and accumulated depreciation of RR 896,914 thousand and RR 307,199 thousand, respectively (2012: cost of RR 169,871 thousand and accumulated depreciation of RR 24,096 thousand) and recognised a loss of RR 589,715 thousand in these consolidated financial statements (2012: RR 145,775 thousand) (Note 26, 29).

Evaluation expenses at the Darganovsky and Ravninny potash fields

At 31 December 2013 the Group has capitalised expenses relating to the evaluation stage of the Darganovsky and Ravninny potash fields of RR 307,273 thousand (31 December 2012: RR 214,921 thousand), including capitalised interest of RR 20,395 thousand. These expenses were recognised in property, plant and equipment. In most cases such expenses are paid in the period when the services are provided.

Borrowing costs capitalised

During the year ended 31 December 2013 borrowing costs totalling RR 538,042 thousand (2012: RR 190,713 thousand) were capitalised in property, plant and equipment at an average interest rate of 5.05% p.a. (2012: 4.74% p.a.).

Operating leases

As at 31 December 2013 the land plots under the main production facilities were owned by the Group. Also several Group subsidiaries occupied the land under non-cancellable operating lease agreements, for which the future minimum payments are as follows:

	31 December 2013	31 December 2012
Shorter than 1 year	200,267	199,236
Between 1 and 5 years	766,215	755,629
Longer than 5 years	5,719,063	4,161,056
Total payments	**6,685,545**	**5,115,921**

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

9 Mineral rights

	31 December 2013	31 December 2012
Rights for exploration and production:		
Verkhnekamskoe potash deposit	4,087,166	4,087,166
Gremyachinskoe potash deposit	3,017,781	3,017,781
Kok-Jon and Gimmelfarbskoe phosphate deposits	1,170,342	1,110,031
Kovdorsky apatite deposits	166,549	166,549
Rights for exploration, evaluation and extraction:		
Zapadno-Perelyubskiy potash deposit	30,006	30,006
Yuzhny hydrocarbon deposit	-	24,455
Perelyubsko-Rubezhinskiy hydrocarbon deposit	22,078	22,078
Vostochno-Perelyubskiy potash deposit	23,406	23,406
Rights for proven and unproven mineral resources:		
Zapadno-Yaroyakhinsky hydrocarbon deposit	6,759,700	6,854,258
Total mineral rights	**15,277,028**	**15,335,730**

Rights for exploration and production

Verknekamskoe and Gremyachinskoe potash deposits. In accordance with the conditions of the licence agreements including amendments to these agreements for developing the potash deposits, the Group has the following major commitments:

- to commence extraction of potash salt at the Verkhnekamskoe potash deposit by 15 October 2015;
- to commence extraction of potash salt at the Gremyachinskoe potash deposit by 1 November 2014.

The Group has started construction of the mining facilities at both sites.

The management believes that each stage under the license terms for Verkhnekamskoe potash deposit development will be completed according to the schedule.

The licence terms in respect of the timing of Gremyachinskoe potash deposit are already being renegotiated.

As at 31 December 2013 and 31 December 2012 the Verkhnekamskoe and Gremyachinskoe potash deposits were in the development phase.

Kok-Jon and Gimmelfarbskoe phosphate deposits. In 2012 the Group signed a contract with the authorities of the Republic of Kazakhstan for the extraction of phosphate rock at the Kok-Jon and Gimmelfarbskoe deposits in Kazakhstan's Zhambyl region. In October 2013 the Group started the development of the Kok-Jon phosphate rock deposit.

Rights for exploration, evaluation and extraction

As of 31 December 2013 the deposits under licences for the exploration, evaluation and extraction were in the exploration phase.

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.

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

10 Goodwill

Movements in goodwill arising from the acquisition of subsidiaries are:

	2013	2012
Carrying amount at 1 January	**11,371,695**	**295,275**
Acquisition of subsidiaries	-	10,822,521
Currency translation difference	1,305,455	253,899
Carrying amount at 31 December	**12,677,150**	**11,371,695**

Goodwill impairment test

Goodwill is allocated to cash-generating units (CGUs) which represent the lowest level within the Group at which the goodwill is monitored by management and which are not larger than a segment, as follows:

	31 December 2013	31 December 2012
EuroChem Antwerpen NV	11,600,248	10,377,202
EuroChem Agro	781,627	699,218
Other	295,275	295,275
Total carrying amount of goodwill	**12,677,150**	**11,371,695**

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on development strategy and financial budgets approved by management covering a five year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

Management determined budgeted prices and expenses based on past performance and market expectations. The weighted average growth rate used is consistent with the forecasts included in industry reports.

Assumptions used for value-in-use calculations are listed below:

	31 December 2013	31 December 2012
WACC rates	8.8%	10.0%
Long-term annual inflation rate	1.6% - 2%	2.0%
Estimated growth rate beyond the five-year period	2.0%	2.0%

The Group did not recognise any goodwill impairment at 31 December 2013 and 31 December 2012.

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

11 Intangible assets

Movements in the carrying amount of intangible assets were:

	Know-how and production technology	Customer relation-ships	Acquired software and licences	Other	Total
Cost at 1 January 2012	-	-	**413,034**	**667,909**	**1,080,943**
Accumulated amortisation	-	-	**(342,163)**	**(128,317)**	**(470,480)**
Carrying amount at 1 January 2012	-	-	**70,871**	**539,592**	**610,463**
Additions	-	-	9,909	113,971	123,880
Acquired through business combinations	3,353,225	3,597,778	705,856	551,892	8,208,751
Disposals:					
Cost	-	-	-	(469)	(469)
Accumulated amortisation	-	-	-	2	2
Reclassification to non-current assets held for sale:					
Cost	-	(983,366)	-	-	(983,366)
Accumulated amortisation	-	44,698	-	-	44,698
Amortisation charge	(289,744)	(127,917)	(237,891)	(151,110)	(806,662)
Currency translation difference					
Cost	57,230	(54,731)	18,821	8,027	29,347
Accumulated amortisation	(1,263)	58	(875)	962	(1,118)
Cost at 31 December 2012	**3,410,455**	**2,559,681**	**1,147,620**	**1,341,330**	**8,459,086**
Accumulated amortisation	**(291,007)**	**(83,161)**	**(580,929)**	**(278,463)**	**(1,233,560)**
Carrying amount at 31 December 2012	**3,119,448**	**2,476,520**	**566,691**	**1,062,867**	**7,225,526**
Additions	-	-	110,864	8,267	119,131
Disposals:					
Cost	-	-	-	(5,906)	(5,906)
Accumulated amortisation	-	-	-	458	458
Amortisation charge	(427,839)	(184,402)	(308,563)	(154,717)	(1,075,521)
Currency translation difference:					
Cost	398,636	292,941	94,799	65,293	851,669
Accumulated amortisation	(57,846)	(11,579)	(42,600)	(3,653)	(115,678)
Cost at 31 December 2013	**3,809,091**	**2,852,622**	**1,353,283**	**1,408,984**	**9,423,980**
Accumulated amortisation	**(776,692)**	**(279,142)**	**(932,092)**	**(436,375)**	**(2,424,301)**
Carrying amount at 31 December 2013	**3,032,399**	**2,573,480**	**421,191**	**972,609**	**6,999,679**

During the year ended 31 December 2012 an intangible asset with carrying value of RR 938,668 thousand, initially recognised as part of a business combination, was reclassified as held for sale and subsequently sold. The result was recognised as other operating expense.

12 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 31 December 2013.

	31 December 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**

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

12 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)	711,688
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 31 December	**-**	**2,823,653**

K+S Group shares, including shares pledged as collateral

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.

During the year ended 31 December 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 33) and 1,915,998 shares were sold for RR 1,303,040 thousand with a deferred payment bearing an interest of 3-month Libor +2%. This deferred payment was recognised as an originated loan and was settled in December 2013 (Note 16).

K+S Group shares pledged as collateral

At 31 December 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 19). Pledged shares were reclassified to a separate line named “Available-for-sale investments pledged as collateral” in the consolidated 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 (2012: RR 101,676 thousand) offset by withholding tax of RR 30,121 thousand (2012: RR 26,817 thousand). In July 2013 the Group received RR 12,644 thousand of withholding tax refund on dividends paid during 2012 (2012: RR 69,969 thousand of withholding tax refund on dividends paid during 2011).

13 Investment in associates

In April 2013 the Group 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.

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

13 Investment in associates (continued)

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 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	379,105
Carrying amount at 31 December	**3,531,640**

Reconciliation of the summarised financial information presented to the carrying amount of Group’s interest in associates as at 31 December 2013:

	OJSC “Murmansk Commercial Seaport”
Opening net assets 1 January 2013	**-**
Net assets at acquisition date	3,909,527
Profit for the period	913,617
Dividends on preference shares for the period	(117,806)
Closing net assets at 31 December 2013	**4,705,338**
Interest in associates, %	48.26%
Interest in associates	2,270,796
Goodwill	1,260,844
Carrying value at 31 December 2013	**3,531,640**

Net assets of associate were adjusted for theoretical dividends on preference shares. Dividends on preference shares are determined as 10% of net statutory profit for the reporting period.

The right of holders of preference shares to receive dividends is not absolute and dividends will only be paid after the shareholders decision to declare the dividends. The preference shares are non-cumulative, i.e. unpaid dividends for the previous periods will not be declared and paid in the future periods.

No dividends on preference shares were declared or paid in 2013.

Summarised financial information of associates is as follows at 31 December 2013:

	OJSC “Murmansk Commercial Seaport”
Current assets	3,066,737
Non-current assets	3,529,832
Current liabilities	(347,205)
Non-current liabilities	(1,544,026)
Net assets	**4,705,338**
Sales from the date of acquisition	3,146,250
Net profit from the date of acquisition	913,617

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

14 Inventories

	31 December 2013	31 December 2012
Finished goods	10,090,537	12,204,775
Materials	7,152,950	6,676,323
Catalysts	3,332,012	2,930,421
Work in progress	2,429,338	1,546,258
Less: provision for obsolete and damaged inventories	(334,086)	(351,458)
Total inventories	**22,670,751**	**23,006,319**

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

	31 December 2013	31 December 2012
Trade receivables		
Trade receivables denominated in RR	1,848,881	1,379,193
Trade receivables denominated in US$	4,118,169	3,124,112
Trade receivables denominated in Euro	5,290,300	6,180,130
Trade receivables denominated in other currencies	889,534	184,036
Less: impairment provision	(251,809)	(299,916)
Total trade receivables – financial assets	**11,895,075**	**10,567,555**
Prepayments, other receivables and other current assets		
Advances to suppliers	2,949,696	3,571,238
VAT recoverable and receivable	4,577,592	4,840,961
Income tax receivable	185,234	189,113
Other taxes receivable	364,647	16,008
Other receivables	624,158	575,366
Less: impairment provision	(215,628)	(220,048)
Subtotal non-financial assets	**8,485,699**	**8,972,638**
Other receivables	213,933	321,067
Interest receivable	31,539	11,353
Subtotal financial assets	**245,472**	**332,420**
Total prepayments, other receivables and other current assets	**8,731,171**	**9,305,058**
Total trade receivables, prepayments, other receivables and other current assets	**20,626,246**	**19,872,613**
including		
Financial assets	12,140,547	10,899,975
Non-financial assets	8,485,699	8,972,638

Management believes that the fair value of accounts receivable does not differ significantly from their carrying amounts.

As at 31 December 2013, trade receivables, prepayments, other receivables and other current assets of RR 467,437 thousand (31 December 2012: RR 519,964 thousand) were individually impaired and an impairment provision was recognised. The individually impaired receivables mainly relate to counterparties which are facing significant financial difficulties. The ageing of these receivables is as follows:

	31 December 2013	31 December 2012
Less than 3 months	42,497	-
From 3 to 12 months	69,758	106,985
Over 12 months	355,182	412,979
Total gross amount of impaired trade receivables, prepayments, other receivables and other current assets	**467,437**	**519,964**

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

15 Trade receivables, prepayments, other receivables and other current assets (continued)

As at 31 December 2013, trade receivables of RR 1,342,818 thousand (31 December 2012: RR 915,247 thousand) were past due but not impaired; of this amount RR 734,639 thousand were covered either by credit insurance, bank guarantees or backed by solid ratings from independent rating agencies. The ageing analysis of these trade receivables from past due date is:

	31 December 2013	31 December 2012
Less than 3 months	1,020,749	737,344
From 3 to 12 months	288,883	169,053
Over 12 months	33,186	8,850
Trade accounts receivable past due not impaired	**1,342,818**	**915,247**

The movements in the provision for impairment of accounts receivable are:

	2013		2012	
	Trade receivables	Other receivables	Trade receivables	Other receivables
As at 1 January	**299,916**	**220,048**	**246,628**	**161,311**
Acquisitions through business combinations	-	-	105,311	-
Provision charged	74,483	99,305	96,352	127,709
Provision used	(107,354)	(80,980)	(19,810)	(61,886)
Provision reversed	(31,266)	(26,461)	(123,027)	(5,398)
Foreign exchange difference	16,030	3,716	(5,538)	(1,688)
Total provision for impairment of accounts receivable as at 31 December	**251,809**	**215,628**	**299,916**	**220,048**

16 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	12	1,303,040	-
Originated loan to parent company	33	659,482	-
Originated loan to other related party	33	405,602	1,927,340
Originated loan to JV partner		99,575	-
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 originated loans to parent company	33	(2,005,728)	-
Repayment of loans acquired in a business combination transaction by a third party		-	(6,301,867)
Repayment of originated loans by related parties	33	-	(1,920,005)
Foreign exchange loss/(gain)		51,877	(6,052)
Balance as at 31 December		**513,848**	**-**

	Note	31 December 2013	31 December 2012
Current originated loans			
Unsecured US$ denominated loan to the partner of the Hong Kong Joint Venture (note 37), fixed interest rate 6.5% p.a.		98,188	-
Total current originated loans		**98,188**	**-**
Non-current originated loans			
Unsecured US$ denominated loan to related party, which is the entity under common control with the Group, interest rate 2.62% p.a.	33	415,660	-
Total non-current originated loans		**415,660**	**-**
Total originated loans		**513,848**	**-**

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

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

	31 December 2013	31 December 2012
Cash on hand and bank balances denominated in RR	636,604	1,524,397
Bank balances denominated in US$	5,830,088	3,029,315
Bank balances denominated in Euro	7,091,967	4,401,502
Bank balances denominated in other currencies	428,598	311,452
Term deposits denominated in RR	985,890	610,919
Term deposits denominated in US$	1,152,418	993,372
Term deposits denominated in Euro	53,520	4,275,552
Term deposits denominated in other currencies	373,310	297,638
Total cash and cash equivalents	**16,552,395**	**15,444,147**
Fixed-term deposits in RR	2,341,600	1,361,570
Fixed-term deposits in US$	92,506	2,277,953
Fixed-term deposits in Euro	7,650	32,073
Total fixed-term deposits	**2,441,756**	**3,671,596**
Current restricted cash	-	405,442
Non-current restricted cash	88,558	44,003
Total restricted cash	**88,558**	**449,445**

Term deposits at 31 December 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.

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

No bank balances, term and fixed-term deposits are past due or impaired. Analysis of the credit quality of bank balances, term and fixed-term deposits is as follows:

	31 December 2013	31 December 2012
A to AAA rated*	14,494,899	12,312,745
BB- to BBB+ rated*	3,982,279	6,764,587
B- to B+ rated*	565,491	468,535
C to CCC rated*	-	3,314
Unrated	37,788	13,814
Total	**19,080,457**	**19,562,995**

* Based on the credit ratings of independent rating agencies Standard & Poor's and Fitch Ratings as at 15 January 2014.

At 31 December 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 31 December 2013 RR 88,558 thousand of non-current restricted cash (31 December 2012: RR 44,003 thousand) was held in bank accounts as security deposits for third parties.

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

18 Equity

Share capital. The nominal registered amount of the Company's issued share capital at 31 December 2013 is RR 6.8 billion (31 December 2012: RR 6.8 billion). The total authorised number of ordinary shares is 68 million shares (31 December 2012: 68 million shares) with a par value of RR 100 per share. All authorised shares have been issued and fully paid.

	Number of ordinary shares	Share capital, RR thousand	Number of treasury shares	Treasury shares at acquisition cost, RR thousand
At 31 December 2012	68,000,000	6,800,000	7,812,395	(39,047,045)
At 31 December 2013	68,000,000	6,800,000	8,598,009	(44,687,136)

***Treasury shares*.** During the year ended 31 December 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. 2,271,276 of its own shares which represented 3.34% of the issued share capital for RR 13,359,153 thousand paid in cash;

- the Group sold to EuroChem Group S.E. 1,604,279 of its own shares which represented 2.36% of the issued share capital for RR 9,885,186 thousand received in cash. The gain on this transaction of RR 1,482,125 thousand was recognised directly in equity.

Therefore, at 31 December 2013 EuroChem Capital Management Ltd, the Group's wholly-owned subsidiary, held 8,598,009 ordinary shares of the Company (31 December 2012: 7,812,395 ordinary shares). These shares represent 12.64% (31 December 2012: 11.49%) of the Company's share capital and carry voting rights in the same proportion as other ordinary shares.

***Capital contribution*.** During the year ended 31 December 2013 the Group received the capital contribution from its shareholder of RR 1,589,459 thousand (Note 33). This contribution was accounted for as a reserve in the consolidated statement of changes in equity.

Profit distribution. In accordance with Russian legislation, the Company distributes profits as dividends or transfers them to reserves (fund accounts) on the basis of financial statements prepared in accordance with Russian Accounting Rules. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Russian legislation identifies the net statutory profit as the basis for distribution. For the year ended 31 December 2013, the net statutory profit of the Company as reported in the published annual statutory accounting report was RR 29,930,816 thousand (2012: RR 20,591,476 thousand) and the closing balance of the accumulated profit including the net statutory profit totalled RR 120,447,120 thousand (31 December 2012: RR 90,516,304 thousand). However, this legislation and other statutory laws and regulations are open to legal interpretation in relation to the depletion of distributable reserves. Accordingly management believes that, at present, it would not be appropriate to disclose an amount for the distributable reserves in these consolidated financial statements.

Dividends. During 2013 and 2012 the Group did not declare or pay dividends.

Other reserves. As at 31 December 2013 an accumulated net gain from currency translation differences of RR 6,663,503 thousand (31 December 2012: RR 1,485,464 thousand) was recorded in other reserves in the consolidated statement of changes in equity. As at 31 December 2012 a negative reserve of RR 130,121 thousand related to a decrease in the fair value of the investments in the shares of K+S Group below their historical cost was recorded in other reserves in the consolidated statement of changes in equity (Note 12).

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

19 Bank borrowings

	31 December 2013	31 December 2012
Current bank borrowings		
Short-term bank loans, denominated in US$	981,876	-
Short-term bank loans, denominated in Euro	-	603,429
Current portion of long-term bank loans in RR	2,500,000	-
Current portion of long-term bank loans in US$	4,862,646	6,350,925
Current portion of long-term bank loans in Euro	161,515	72,242
Less: short-term portion of transaction costs	(135,296)	(218,613)
Total current bank borrowings	**8,370,741**	**6,807,983**
Non-current bank borrowings		
Long-term bank loans, denominated in RR	20,000,000	20,000,000
Long-term bank loans, denominated in US$	52,962,611	45,669,328
Long-term bank loans, denominated in Euro	1,534,391	1,444,860
Less: current portion of long-term bank loans in RR	(2,500,000)	-
Less: current portion of long-term bank loans in US$	(4,862,646)	(6,350,925)
Less: current portion of long-term bank loans in Euro	(161,515)	(72,242)
Less: long-term portion of transaction costs	(1,321,111)	(1,124,637)
Total non-current bank borrowings	**65,651,730**	**59,566,384**
Total bank borrowings	**74,022,471**	**66,374,367**

Movements in Group's bank borrowings during 2013 and 2012 were as follows:

	2013	2012
Balance as at 1 January	**66,374,367**	**77,395,339**
Bank loans received, denominated in US$	77,341,467	12,377,927
Bank loans received, denominated in Euro	-	125,113
Bank loans received, denominated in Ukrainian Hryvna	616,318	-
Bank loans repaid, denominated in US$	(73,763,050)	(16,675,458)
Bank loans repaid, denominated in Euro	(734,028)	(3,295,374)
Bank loans repaid, denominated in Ukrainian Hryvna	(617,021)	-
Capitalisation and amortisation of transaction costs, net	600,123	267,135
Foreign exchange (gain)/loss, net	4,204,295	(3,820,315)
Balance as at 31 December	**74,022,471**	**66,374,367**

The Group's bank borrowings mature:

	31 December 2013	31 December 2012
- within 1 year	8,370,741	6,807,983
- between 1 and 2 years	19,971,014	16,973,081
- between 2 and 5 years	44,454,880	41,024,285
- more than 5 years	1,225,836	1,569,018
Total bank borrowings	**74,022,471**	**66,374,367**

At 31 December 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.

The fair value of borrowings bearing fixed interest rate is estimated based on expected cash flows discounted at an interest rate of 6.81% at 31 December 2013 exceeding their carrying amount by RR 557,643 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.

19 Bank borrowings (continued)

Interest rates and outstanding amounts

In September 2013 the Group obtained a credit facility of US$ 1.3 billion bearing interest at 3-month Libor +1.8 % and maturing in September 2018. This new facility replaced the 5-year club loan which was obtained in 2011 for US$ 1.3 billion with a floating interest rate of 1-month Libor +1.8% and repaid in September 2013.

In 2011 the Group signed a RR 20 billion 5-year non-revolving fixed-interest rate loan facility with a leading Russian bank. As at 31 December 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 31 December 2013 the outstanding amount was US$ 94.9 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 year ended 31 December 2013 the facility was utilised and at 31 December 2013 the outstanding amount was US$ 30 million (31 December 2012: nil).

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

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. During the year ended 31 December 2013 the facility was partially utilised and repaid (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 31 December 2013 the outstanding amount was US$ 148 million (31 December 2012: nil).

In October 2013 the Group signed a 3-month fixed-interest rate loan facility for 90 million Ukrainian Hryvnas in order to finance activities at Ukrainian-based subsidiary of the Group. The facility was utilised and fully repaid in December 2013.

In October 2013 the Group signed a US$ 100 million 3-month fixed interest rate credit agreement with a Russian bank. The facility was utilised and was fully repaid in December 2013.

Undrawn loan facilities

In October 2013 the Group signed a US$ 250 million 2-year loan agreement bearing a floating interest rate. At 31 December 2013 the outstanding amount was nil (31 December 2012: nil)

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

19 Bank borrowings (continued)

Collaterals and pledges

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

At 31 December 2012 the Group's collaterals included:

- cash collateral of RR 382,757 thousand restricted by banks to secure the next principal and interest payments (Note 17);
- a bank loan of RR 39,484,510 thousand collateralised by future export proceeds of the Group under sales contracts with certain customers. The loan was fully repaid;
- 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 12). The loan was fully repaid.

20 Bonds issued

	31 December 2013		31 December 2012	
	Fair value	Carrying amount	Fair value	Carrying amount
5.125% 750 million US$-denominated bonds due December 2017	24,757,758	24,546,900	23,434,436	22,779,525
8.9% RR-denominated bonds due June 2018/callable by investors in July 2015	5,040,000	5,000,000	5,013,500	5,000,000
8.25% RR-denominated bonds due November 2018/callable by investors in November 2015	5,013,000	5,000,000	4,950,000	5,000,000
Less: transaction costs	-	(163,462)	-	(189,643)
Total bonds issued	**34,810,758**	**34,383,438**	**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.

21 Derivative financial assets and liabilities

At 31 December 2013 the non-current derivative financial assets were represented by RR/US$ non-deliverable forward contracts accounted for at a fair value of RR 1,063,749 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 326,983 thousand and EUR/US$ deliverable forward contracts accounted for at a fair value of RR 4,560 thousand (31 December 2012: EUR/US$ deliverable forward contracts accounted for at a fair value of RR 63 thousand).

At 31 December 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 142,385 thousand.

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 212,300 thousand and RR 12,963 thousand, respectively.

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

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

21 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**

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 year ended 31 December 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;

- 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 900 thousand tonnes expired out of the money, the remaining call options mature in January and February 2014.

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	31 December 2013
Operating activities	**63**	**123,689**	**(132,428)**	**273**	**(8,403)**
Swap contracts on iron ore	-	48,070	(48,070)	-	-
Call options on iron ore	-	71,395	(84,358)	-	(12,963)
Foreign exchange deliverable forward contracts, net	63	4,224	-	273	4,560
Investing activities	**166,912**	**(78,972)**	**-**	**-**	**87,940**
Foreign exchange non-deliverable forward contracts, net	166,912	(78,972)	-	-	87,940
Financing activities	**1,781,509**	**(620,656)**	**(212,746)**	**-**	**948,107**
Cross currency interest rate swap	22,844	(164,783)	(212,746)	-	(354,685)
Foreign exchange non-deliverable forward contracts, net	1,758,665	(455,873)	-	-	1,302,792
Total derivative financial assets and liabilities, net	**1,948,484**	**(575,939)**	**(345,174)**	**273**	**1,027,644**

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

21 Derivative financial assets and liabilities (continued)

Changes in the fair value of derivatives related to the operating activities of the Group amounting to RR 123,689 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 699,628 thousand were recognised as a loss within “Other financial gain/loss” (Note 30).

22 Other non-current liabilities and deferred credits

	Note	31 December 2013	31 December 2012
Deferred payable related to business combination		2,977,984	3,940,287
Deferred payable related to mineral rights acquisition		599,415	694,608
Provisions for age premium, retirement benefits, pensions and similar obligations		1,015,778	927,833
Provision for land restoration	23	380,178	495,825
Deferred income − Investment grant received		128,527	135,458
Total other non-current liabilities and deferred credits		**5,101,882**	**6,194,011**

In December 2013 the Group paid a portion of deferred compensation of RR 1,600,019 thousand related to the business combination occurred in 2012.

23 Provision for land restoration

In accordance with Russian legislation, the Group has an obligation to restore land disturbed as a result of mining operations after the expiration of the licences.

Movements in the amount of provision for land restoration were as follows:

	Note	2013	2012
As at 1 January		**495,825**	**283,400**
Change in estimates	8	(150,390)	187,983
Unwinding of the present value discount	30	34,743	24,442
Total provision for land restoration as at 31 December		**380,178**	**495,825**

During the year ended 31 December 2013 and 31 December 2012 the Group reassessed the estimate of provision for land restoration due to changes in inflation, discount rates and expected mines closure dates. Therefore, the amount of provision for land restoration was recalculated and the appropriate changes were disclosed as a change in estimates.

The principal assumptions used for the estimation of land restoration provision were as follows:

	31 December 2013	31 December 2012
Discount rates	6.3% - 8.2%	6.9% - 7.2%
Expected inflation rates in Russian Federation	2.8% - 5.5%	3.0% - 6.2%
Expected mine closure dates	2015 - 2073	2015 - 2073

The present value of expected costs to be incurred for the settlement of land restoration obligations was as follows:

	31 December 2013	31 December 2012
Between 1 and 5 years	114,838	107,614
Between 6 and 10 years	4,175	-
Between 11 and 20 years	37,175	26,593
More than 20 years	223,990	361,618
Total provision for land restoration	**380,178**	**495,825**

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

24 Trade payables, other accounts payable and accrued expenses

	31 December 2013	31 December 2012
Trade payables		
Trade payables denominated in RR	2,603,069	2,110,120
Trade payables denominated in US$	652,789	940,460
Trade payables denominated in Euro	5,052,882	5,191,035
Trade payables denominated in other currencies	230,302	144,929
Total trade payables – financial liabilities	**8,539,042**	**8,386,544**
Other accounts payable and accrued expenses		
Advances received	2,414,715	2,071,792
Payroll and social tax	428,549	519,818
Accrued liabilities and other creditors	5,281,542	4,141,314
Subtotal non-financial liabilities	**8,124,806**	**6,732,924**
Interest payable	219,352	180,021
Short term part of deferred payable related to mineral rights acquisition	178,968	144,387
Short term part of deferred payable related to business combination	1,556,330	1,392,241
Subtotal financial liabilities	**1,954,650**	**1,716,649**
Total other payables	**10,079,456**	**8,449,573**
Total trade payables, other accounts payable and accrued expenses	**18,618,498**	**16,836,117**
including		
Financial liabilities	10,493,692	10,103,193
Non-financial liabilities	8,124,806	6,732,924

As at 31 December 2013 trade payables included payables to suppliers of property, plant and equipment amounting to RR 1,389,397 thousand (31 December 2012: RR 1,042,528 thousand).

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

25 Sales

The components of external sales were:

	2013	2012
Nitrogen		
Nitrogen fertilisers	49,570,018	51,690,256
Complex fertilisers group	21,447,923	15,480,690
Organic synthesis products	10,008,148	7,341,935
Hydrocarbons	2,034,684	1,865,991
Phosphates	1,993,993	1,418,097
Other goods	1,026,925	1,204,012
Other services	911,704	661,468
	86,993,395	**79,662,449**
Phosphates		
Phosphates	26,184,841	30,822,385
Iron ore concentrate	21,055,795	17,836,939
Feed phosphates group	4,724,796	4,396,917
Apatite concentrate	1,052,577	1,314,750
Baddeleyite concentrate	824,762	1,000,157
Complex fertilisers group	-	738
Other goods	600,014	845,067
Other services	533,066	450,645
	54,975,851	**56,667,598**
Distribution		
Nitrogen fertilisers	10,151,984	9,492,468
Phosphates	2,874,189	3,252,661
Complex fertilisers group	2,333,764	2,642,096
Feed phosphates group	160,015	243,580
Organic synthesis products	-	8,482
Other goods	1,424,734	1,476,990
Other services	3,431	4,080
	16,948,117	**17,120,357**
Other		
Nitrogen fertilisers	13,947,489	10,176,282
Organic synthesis products	189,791	18,511
Complex fertilisers group	155,268	8,360
Phosphates	18,901	54,191
Logistic services	520,782	610,743
Other goods	2,051,443	1,624,802
Other services	1,135,562	534,436
	18,019,236	**13,027,325**
Total sales	**176,936,599**	**166,477,729**

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

26 Cost of sales

The components of cost of sales were:

	2013	2012
Materials and components used or resold	70,112,529	64,551,618
Energy	7,995,139	6,983,158
Utilities and fuel	4,625,094	4,406,660
Labour, including contributions to social funds	10,931,204	9,841,730
Depreciation and amortisation	8,011,585	6,467,269
Repairs and maintenance	2,737,002	2,336,272
Production overheads	3,076,497	2,338,121
Property tax, rent payments for land and related taxes	1,923,689	1,676,390
Idle property, plant and equipment write-off	586,207	109,650
Provision/(reversal of provision) for obsolete and damaged inventories, net	(1,432)	70,885
Changes in work in progress and finished goods	1,617,993	(1,371,501)
Other costs	1,181,503	357,474
Total cost of sales	**112,797,010**	**97,767,726**

27 Distribution costs

Distribution costs comprised:

	2013	2012
Transportation	18,589,787	18,114,224
Export duties, other fees and commissions	154,990	183,560
Labour, including contributions to social funds	2,477,223	1,819,790
Depreciation and amortisation	1,250,781	1,102,189
Repairs and maintenance	801,623	671,539
Provision/(reversal of provision) for impairment of receivables, net	(1,839)	36,963
Other costs	1,988,835	1,362,540
Total distribution costs	**25,261,400**	**23,290,805**

28 General and administrative expenses

General and administrative expenses comprised:

	2013	2012
Labour, including contributions to social funds	3,147,773	2,719,936
Depreciation and amortisation	613,806	517,950
Audit, consulting and legal services	682,681	622,631
Rent	227,853	136,700
Bank charges	251,957	135,663
Social expenditure	172,017	150,802
Repairs and maintenance	108,694	83,802
Provision/(reversal of provision) for impairment of receivables, net	117,900	58,673
Other expenses	1,386,753	1,172,471
Total general and administrative expenses	**6,709,434**	**5,598,628**

The total depreciation and amortisation expenses included in all captions of the consolidated statement of profit or loss and other comprehensive income amounted to RR 9,876,172 thousand (2012: RR 8,087,408 thousand).

The total staff costs (including social expenses) included in all captions of the consolidated statement of profit or loss and other comprehensive income amounted to RR 16,545,509 thousand (2012: RR 14,381,456 thousand).

The fees for the audit of the consolidated and statutory financial statements for the year ended 31 December 2013 amounted to RR 114,347 thousand (2012: RR 109,769 thousand). The auditors also provided the Group with consulting and training services amounting to RR 54,975 thousand (2012: RR 49,055 thousand).

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

29 Other operating income and expenses

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

	2013	2012
Sponsorship	838,998	515,567
(Gain)/loss on disposal of property, plant and equipment and intangible assets, net	82,264	48,129
Foreign exchange (gain)/loss, net	(392,927)	262,572
Write-off of idle property, plant and equipment	3,508	36,125
(Gain)/loss on sales and purchases of foreign currencies, net	(51,591)	(241,287)
Compensation for early termination of supply contract	-	(137,347)
Other operating (income)/expenses, net	(54,873)	(854,288)
Total other operating (income)/expenses, net	**425,379**	**(370,529)**

30 Other financial gain and loss

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

	Note	2013	2012
Changes in the fair value of foreign exchange non-deliverable forward contracts		534,845	(2,073,641)
Changes in the fair value of cross currency interest rate swap		164,783	(562,296)
Changes in the fair value of call options		-	(6)
Unwinding of discount on deferred payables		210,337	145,289
Unwinding of discount on land restoration obligation	23	34,743	24,442
Total other financial (gain)/loss, net		**944,708**	**(2,466,212)**

31 Income tax

	2013	2012
Income tax expense – current	6,979,660	7,401,162
Deferred income tax – origination and reversal of temporary differences	(708,493)	686,847
Prior periods adjustments recognised in the current period for income tax	307,482	(174,947)
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	115,165	-
Income tax expense	**6,693,814**	**7,729,130**

During the year ended 31 December 2013 the Group offset VAT receivable against income tax payables of RR 39,420 thousand (2012: RR 218,025 thousand) and other taxes payables against income tax receivables of RR 14,408 thousand (2012: RR 11,650 thousand).

A reconciliation between income tax charge calculated at the statutory tax rate of 20% enacted in the Russian Federation, where the Company is incorporated, and income tax expense calculated at effective tax rate of the Group on profit before taxation is as follows:

	2013	2012
Profit before taxation	**18,949,459**	**40,298,280**
Theoretical tax charge at statutory rate of 20% (2012 – 20%)	(3,789,892)	(8,059,656)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non deductible expenses	(203,578)	(328,082)
- Foreign exchange (gain)/loss of the subsidiaries with tax reporting currency different from functional currency	(295,253)	128,124
- Effects of tax rates different to 20%	(1,608,719)	685,165
- Write-off of previously recognised tax loss carry forward	(69,062)	-
- Unrecognised tax loss carry forward for the year	(246,619)	(257,883)
- Reassessment of deferred tax assets / liabilities due to change in the tax rate	(115,165)	-
- Reassessment of deferred tax assets / liabilities	(70,688)	(255,677)
- Withholding tax refund on dividends paid in prior periods	12,644	69,969
- Effect from transfer of assets between subsidiaries with different income tax rates	-	183,932
Prior periods adjustments recognised in the current period for income tax	(307,482)	104,978
Income tax expense	**(6,693,814)**	**(7,729,130)**

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

31 Income tax (continued)

Most of the Group companies located in the Russian Federation were subject to a tax rate of 20% on taxable profits during the year ended 31 December 2013 (2012: 20%). Several subsidiaries applied reduced income tax rates within a range from 15.5% to 19.3% according to regional tax law and agreements with regional authorities.

During the year ended 31 December 2013 as a result of proceedings with the tax authorities (Note 34) OJSC "NAK Azot" recalculated income tax at a maximum rate of 20% for periods in which a reduced income tax rate of 18.3% was applied and charged RR 382,794 thousand of additional income tax expenses as prior period adjustments. The deferred tax liability was also reassessed at the respective tax rate.

For the subsidiaries located outside the Russian Federation tax rates on taxable profit range from 10% to 38.3%, including two major manufacturing entities Lifosa AB, located in Lithuania, and EuroChem Antwerpen NV, located in Belgium, which apply tax rates of 15% and 33.99% on taxable profits, respectively (2012: Lifosa AB and EuroChem Antwerpen NV were subject to a tax rate of 15% and 33.99% on taxable profit, respectively).

At 31 December 2013 the Group had RR 7,081,279 thousand (31 December 2012: RR 3,573,573 thousand) of accumulated tax losses carried forward. Out of these, RR 6,130,730 thousand were recognised as deferred tax assets (31 December 2012: RR 2,869,643 thousand) as the realisation of the related tax benefits is probable through future taxable profits. The Group did not recognise deferred tax assets of RR 950,549 thousand (31 December 2012: RR 703,930 thousand) because it is not probable that future taxable profit will be available against which the Group can utilise such benefits.

The Group did not recognise a deferred tax liability in respect of temporary differences associated with investments in subsidiaries of RR 61,778,747 thousand (31 December 2012: RR 68,290,561 thousand). The Group controls the timing of the reversal of these temporary differences and does not expect to reverse them in the foreseeable future. The Group recognised a deferred tax liability in respect of temporary differences related to the investments in associates of RR 34,141 thousand (2012: nil).

The movement in deferred tax (assets) and liabilities during 2013 and 2012 was as follows:

	1 January 2013	Differences recognition and reversals	Write-off of previously recognised tax loss carry forward	Currency translation difference (Note 2)	Effect of change in the tax rate	31 December 2013
Tax effects of (deductible)/ taxable temporary differences:						
Property, plant and equipment and Intangible assets	4,818,795	2,323,902	-	(85,880)	44,295	7,101,112
Accounts receivable	(263,485)	87,452	-	(7,739)	58	(183,714)
Accounts payable	(218,210)	(97,168)	-	(11,441)	(45)	(326,864)
Inventories	(261,525)	209,650	-	1,538	(1,324)	(51,661)
Other	192,044	(164,595)	-	(1,621)	72,226	98,054
Tax losses carried-forward	(3,573,573)	(3,399,844)	69,062	(176,879)	(45)	(7,081,279)
Unrecognised deferred tax assets	703,930	246,619	-	-	-	950,549
Net deferred tax liability	**1,397,976**	**(793,984)**	**69,062**	**(282,022)**	**115,165**	**506,197**
Recognised deferred tax assets	(4,898,621)	(807,405)	69,062	(332,629)	8	(5,969,585)
Recognised deferred tax liabilities	6,296,597	13,421	-	50,607	115,157	6,475,782
Net deferred tax liability	**1,397,976**	**(793,984)**	**69,062**	**(282,022)**	**115,165**	**506,197**

31 Income tax (continued)

	1 January 2012	Differences recognition and reversals	Business combina-tions	Currency translation difference (Note 2)	Transfer of assets between regions with different income tax rates	31 December 2012
Tax effects of (deductible)/ taxable temporary differences:						
Property, plant and equipment and Intangible assets	5,246,899	1,720,847	(1,859,275)	(105,744)	(183,932)	4,818,795
Accounts receivable	(151,708)	(131,697)	13,249	6,671	-	(263,485)
Accounts payable	(232,899)	26,723	(17,947)	5,913	-	(218,210)
Inventories	(470,407)	178,850	31,443	(1,411)	-	(261,525)
Other	(90,933)	335,747	(56,866)	4,096	-	192,044
Tax losses carried-forward	(1,871,768)	(1,701,506)	-	(299)	-	(3,573,573)
Unrecognised deferred tax assets	446,047	257,883	-	-	-	703,930
Net deferred tax liability	**2,875,231**	**686,847**	**(1,889,396)**	**(90,774)**	**(183,932)**	**1,397,976**
Recognised deferred tax assets	(1,806,374)	(234,596)	(2,796,054)	(61,597)	-	(4,898,621)
Recognised deferred tax liabilities	4,681,605	921,443	906,658	(29,177)	(183,932)	6,296,597
Net deferred tax liability	**2,875,231**	**686,847**	**(1,889,396)**	**(90,774)**	**(183,932)**	**1,397,976**

The amounts shown in the consolidated statement of financial position include the following:

	31 December 2013	31 December 2012
Deferred tax assets expected to be recovered after more than 12 months	(4,871,040)	(4,285,009)
Deferred tax liabilities expected to be settled after more than 12 months	6,161,112	6,067,344

The total amount of the deferred tax charge is recognised in profit and loss except RR 16,429 thousand which is recognised in other comprehensive income (2012: total amount of the deferred tax charge was recognised in profit and loss).

32 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 18). The Company has no dilutive potential ordinary shares, therefore, the diluted earnings per share equals the basic earnings per share.

	2013	2012
Net profit for the period attributable to owners of the parent	12,261,945	32,575,818
Weighted average number of ordinary shares outstanding (expressed in thousands)	58,655	61,581
Basic and diluted earnings per share (expressed in RR per share)	**209.05**	**528.99**

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

33 Balances and transactions with related parties

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

Financial statements caption	Nature of relationship	31 December 2013	31 December 2012
Statement of financial position caption			
Non-current originated loans (Note16)	Other related parties*	415,660	-
Trade receivables	Associates	70	-
Trade receivables	Other related parties	4,474	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	-	2,471
Prepayments, other receivables and other current assets*:*			
Interest receivable	Other related parties	6,310	-
Other receivables	Other related parties	33,926	863
Capital contribution (Note18)	Other related parties**	1,589,459	-
Bonds issued	Other related parties	81,823	60,745
Trade payables	Associates	20,780	-
Trade payables	Other related parties	75,643	2,840

Financial statements caption	Nature of relationship	2013	2012
Statement of profit or loss and other comprehensive income caption			
Sales	Parent company	780	-
Sales	Associates	59	-
Sales	Other related parties	123,134	78,275
Cost of sales	Associates	(1,850)	-
Cost of sales	Other related parties	(2,513)	(818)
Distribution costs	Associates	(243,434)	-
Distribution costs	Other related parties	(222,286)	(24,285)
General and administrative expenses	Other related parties	(56,016)	-
Other operating income/ (expense), net	Associates	(5,473)	-
Interest income	Parent company	16,226	-
Interest income	Other related parties	5,806	11,902

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

33 Balances and transactions with related parties (continued)

Financial statements caption	Nature of relationship	Note	2013	2012
Statement of cash flows caption				
(Increase)/decrease in trade receivables	Other related parties		(4,224)	829
(Increase)/decrease in other receivables	Other related parties		(39,373)	61,385
Increase in trade payables	Associates		20,780	-
Increase in trade payables	Other related parties		72,702	278
Capital expenditure on property, plant and equipment and other intangible assets	Other related parties		(18,047)	(19,840)
Acquisition of available-for-sale investment	Other related parties	12	-	(59,607)
Proceeds from sale of available-for-sale investments	Parent company	12	101,489	20,415,641
Originated loans	Parent company	16	(659,482)	-
Originated loans	Other related parties*	16	(405,602)	(1,927,340)
Repayment of originated loans	Parent company	16	2,005,728	-
Repayment of originated loans	Other related parties*	16	-	1,920,005
Interest received	Parent company		13,848	-
Interest received	Other related parties		-	12,247
Repayment of bonds	Other related parties		-	(22,018)
Purchase of treasury shares	Parent company	18	(13,359,153)	(9,367,618)
Prepayments for treasury shares	Parent company	18	-	(683,999)
Proceeds from sale of treasury shares	Parent company	18	9,885,186	-
Capital contribution	Other related parties**	18	1,589,459	-

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

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

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 352,721 thousand and RR 333,361 thousand for the year ended 31 December 2013 and 31 December 2012, respectively. This compensation is paid to seven individuals (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.

34 Contingencies, commitments and operating risks

i Capital expenditure commitments

As at 31 December 2013 the Group had contractual commitments for capital expenditures of RR 24,200,405 thousand (31 December 2012: RR 14,949,923 thousand), including amounts denominated in Euro and US$ (RR 7,871,637 thousand and RR 584,619 thousand, respectively). Management estimates that, out of these, approximately RR 19.0 billion will represent cash outflows in 2014.

RR 3,982,268 thousand and RR 9,723,369 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).

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.

34 Contingencies, commitments and operating risks (continued)

ii Tax legislation (continued)

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

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

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

As at 31 December 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 31 December 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 a maximum rate of 20% for periods 2011, 2012 and year ended 31 December 2013 (Note 31).

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 494,743 thousand for the period from June 2013 to June 2014.

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.

34 Contingencies, commitments and operating risks (continued)

v Legal proceedings

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

In October 2012 the Group filed a claim against SHAFT SINKERS (PTY) LTD and ROSSAL 126 (PTY) LIMITED (formerly known as SHAFT SINKERS (PTY) LTD.), ("Shaft Sinkers"), the contractor involved in the construction of the mining shafts at the Gremyachinskoe potash deposit, seeking US$ 800 million compensation for the direct costs and substantial lost profits arising from the delay in commencing potash production, due to the inability of that construction company to fulfil its contractual obligations. Based upon the damages report provided by an independent expert the amount of the claim was increased up to the US$ 1.06 billion which includes net wasted costs to the amount of US$ 248 million and lost profits in the amount of US$ 812 million. In December 2012 Shaft Sinkers filed a counterclaim against the Group, seeking US$ 44 million without Russian VAT of 18% or US$ 52 million with VAT under the construction contract. In its counterclaim Shaft Sinkers admits that it will give credit, in respect of any sums awarded to it, for a deduction of US$ 30.6 million in respect of advance payments made by the Group with the result that the maximum net claim from Shaft Sinkers is US$ 14 million. Management believes that this counterclaim is without merit. The above disputes are subject to arbitration as specified in the contract.

In March 2013 the Group filed a claim against International Mineral Resources B.V. ("IMR") which, the Group believes, held a controlling interest in Shaft Sinkers, claiming IMR is responsible for its subsidiary's actions. In July 2013, the Dutch Court granted EuroChem definitive leave for levying the requested prejudgment attachments against IMR's Dutch assets, while fixing the amount for which the leave is granted, including interest and cost at Euro 886 million. The court held an in-depth hearing on 21 January 2014 where it considered the arguments and witnesses of both sides. Following that hearing, the court rejected IMR's request to suspend the case and stated that IMR would not be permitted to submit any additional evidence. The court said it will issue the judgment on 16 April 2014. The Group expects that this will be final.

In 2013 the Group was involved in legal proceedings against "Reverta AS". In March 2013 as part of the proceeding, the court imposed injunctive relief restricting the ability of LLC "Severneft-Urengoy", a subsidiary of the Group, to dispose of certain property. The Group contested the restriction and in June 2013 the injunction was dismissed. 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.

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.

35 Financial and capital risk management

35.1 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group.

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

35 Financial and capital risk management (continued)

35.1 Financial risk management (continued)

(a) Market risk

(i) Foreign currency risk

The Group's revenues, expenses, capital expenditure, investments and borrowings are denominated in foreign currencies as well as in Russian Roubles. The Group is exposed to foreign exchange risk to the extent that its future cash inflows and outflows over a certain period of time are denominated in different currencies.

The objective of the Group's foreign exchange risk management is to minimise the volatility of the Group's cash flows arising from fluctuations in foreign exchange rates. Management focuses on assessing the Group's future cash flows in foreign currencies and managing the gaps arising between inflows and outflows.

Translation gains and losses arising from the revaluation of its monetary assets and liabilities are therefore not viewed as an indicator of the total impact of foreign exchange fluctuations on its future cash flows since such gains or losses do not capture the impact on cash flows of foreign exchange-denominated revenues, costs, future capital expenditure, investment and financing activities.

The table below summarises the Group's financial assets and liabilities which are subject to foreign currency risk at the reporting date:

31 December 2013	US$	Euro	Other foreign currencies
ASSETS			
Non-current financial assets:			
Restricted cash	23,489	2,411	6,940
Originated loans	415,660	-	-
RR/US$ non-deliverable forwards	1,063,749	-	-
Total non-current financial assets	**1,502,898**	**2,411**	**6,940**
Current financial assets:			
Trade receivables	3,925,100	189,068	2,252
Interest receivable	6,312	-	-
Other receivables	28,873	11,167	-
Originated loans	98,188	-	-
RR/US$ non-deliverable forward contracts	326,983	-	-
Euro/US$ deliverable forwards	4,560	-	-
Fixed-term deposits	92,506	7,650	-
Cash and cash equivalents	6,669,430	443,404	40,494
Total current financial assets	**11,151,952**	**651,289**	**42,746**
Total financial assets	**12,654,850**	**653,700**	**49,686**
LIABILITIES			
Non-current liabilities:			
Bank borrowings	48,099,965	1,372,876	-
Bonds issued	24,546,900	-	-
RR/US$ cross currency swap (gross amount)	5,206,682	-	-
Deferred payable related to mineral rights acquisition	470,898	-	-
Total non-current financial liabilities	**78,324,445**	**1,372,876**	**-**
Current liabilities:			
Bank borrowings	5,844,522	161,515	-
Trade payables	646,184	2,630,921	40,951
Interest payable	142,853	12,026	-
Deferred payable related to mineral rights acquisition	155,130	-	-
Total current financial liabilities	**6,788,689**	**2,804,462**	**40,951**
Total financial liabilities	**85,113,134**	**4,177,338**	**40,951**

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

35 Financial and capital risk management (continued)

35.1 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign currency risk (continued)

31 December 2012	US$	Euro	Other foreign currencies
ASSETS			
Non-current financial assets:			
Restricted cash	19,563	1,642	8,638
RR/US$ non-deliverable forwards	1,925,577	-	-
Total non-current financial assets	**1,945,140**	**1,642**	**8,638**
Current financial assets:			
Trade receivables	3,006,975	125,725	332
Interest receivable	2,340	-	-
Other receivables	67,741	-	-
Euro/US$ deliverable forwards	63	-	-
Restricted cash	382,758	-	-
Fixed-term deposits	2,277,953	32,073	-
Cash and cash equivalents	3,669,041	1,729,736	34,026
Total current financial assets	**9,406,871**	**1,887,534**	**34,358**
Total financial assets	**11,352,011**	**1,889,176**	**42,996**
LIABILITIES			
Non-current liabilities:			
Bank borrowings	39,318,403	1,372,618	-
Bonds issued	22,779,525	-	-
RR/US$ cross currency swap (gross amount)	4,831,801	-	-
Deferred payable related to mineral rights acquisition	557,639	-	-
Total non-current financial liabilities	**67,487,368**	**1,372,618**	**-**
Current liabilities:			
Bank borrowings	6,350,925	675,671	-
Trade payables	893,805	451,090	40,951
Interest payable	109,325	7,473	-
Deferred payable related to mineral rights acquisition	144,387	-	-
Total current financial liabilities	**7,498,442**	**1,134,234**	**40,951**
Total financial liabilities	**74,985,810**	**2,506,852**	**40,951**

At 31 December 2013, if the RR exchange rate against the US$ had been higher/lower by 1%, all other things being equal, after tax profit for the year would have been RR 468,627 thousand (2012: RR 509,070 thousand) lower/higher, purely as a result of foreign exchange gains/losses on translation of US$-denominated assets and liabilities and with no regard to the impact of this appreciation/depreciation on sales.

The Group is disclosing the impact of such a 1% shift in the manner set out above to ease the calculation for the users of these consolidated financial statements of the impact on the after tax profit resulting from subsequent future exchange rate changes.

During 2012 – 2013 the Group entered into foreign exchange non-deliverable forward contracts to partially offset the volatility of its cash flows from any potential appreciation of the RR against the US$ (Note 21).

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

35 Financial and capital risk management (continued)

35.1 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign currency risk (continued)

The Group's sales for the years ended 31 December 2013 and 31 December 2012 are presented in the table below:

	US$	Euro	RR	Other foreign currencies	Total
	93,689,634	37,265,468	34,172,794	11,808,703	176,936,599
2013	53%	21%	19%	7%	100%
	91,090,291	29,225,652	36,204,486	9,957,300	166,477,729
2012	55%	17%	22%	6%	100%

The Group believes that it has significant positive foreign exchange exposure towards the RR/US$ exchange rate given that the expected US$ denominated revenues exceed the planned outflows in US$, mostly related to servicing of debt and capital expenditure.

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's principal interest rate risk arises from long-term and short-term borrowings.

The Group is exposed to risk from floating interest rates due to the fact that it has RR 53,944,487 thousand of US$ denominated loans outstanding at 31 December 2013 (31 December 2012: RR 45,669,328 thousand) bearing floating interest rates varying from 1-month Libor +2.5% to 1-month Libor +3.2%, 3-month Libor +2.3% and 6-month Libor +2.5% (2012: from 1-month Libor +1.8% to 1-month Libor +3.5% and 6-month Libor +2.5%) and RR 1,534,391 thousand of Euro denominated loans outstanding at 31 December 2013 (31 December 2012: RR 2,048,289 thousand) bearing a floating interest rate of 6-month Euribor +1.95% (31 December 2012: 1-month Euribor +1.75% and 6-month Euribor +1.95%). The Group's profit after tax for the year ended 31 December 2013 would have been RR 44,244 thousand, or 0.36% lower/higher (2012: RR 45,695 thousand, or 0.14% lower/higher) if the US$ Libor interest rate was 10 bps higher/lower than its actual level during the year. The Group's profit after tax for the year ended 31 December 2013 would have been RR 1,195 thousand, or 0.01% lower/higher (2012: RR 2,187 thousand or 0.01% lower/higher) if the Euribor interest rate was 10 bps higher/lower than its actual level during the year. During 2013 and 2012 the Group did not hedge this exposure using financial instruments.

The Group does not have a formal policy of determining how much exposure the Group should have to fixed or variable rates for as long as the impact of changes in interest rates on the Group's cash flows remains immaterial. However, the Group performs a periodic analysis of the current interest rate environment and depending on this analysis at the time of raising new debt management makes decisions on whether obtaining finance on a fixed-rate or a variable-rate basis would be more beneficial to the Group over the expected period until maturity.

(iii) Financial investments risk

The Group can be exposed to equity securities price risk because of investments that can be held by the Group. As at 31 December 2013 the Group was not exposed to equity securities price risk. 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 (Note 12) that were classified on the consolidated statement of financial position as available-for-sale. The fair value of the shares was determined based on the closing price of Euro 35.00 as at the reporting date in the Xetra trading system. The Group's other comprehensive income/loss for 2012 would have been RR 80,676 thousand if the share price were 1 Euro higher/lower than its actual level as at the reporting date. During 2012 and 2013 the Group did not hedge this exposure using financial instruments.

35 Financial and capital risk management (continued)

35.1 Financial risk management (continued)

(a) Market risk (continued)

(iii) Financial investments risk (continued)

In 2012 and 2013 the Group was principally exposed to market price risks in relation to the investment in the shares of K+S Group. Management reviewed reports on the performance of K+S Group on a quarterly basis and provided recommendations to the Board of Directors on the advisability of further divestments. In 2013 the Group sold all available-for-sale investments which were comprised solely of the shares of K+S Group (Note 12).

The Group does not enter into any transactions with financial instruments whose value is exposed to the value of any commodities traded on a public market.

(b) Credit risk

Credit risk arises from the possibility that counterparties to transactions may default on their obligations, causing financial losses for the Group. Financial assets, which potentially subject Group entities to credit risk, consist principally of trade receivables, cash and bank deposits. The objective of managing credit risk is to prevent losses of liquid funds deposited with or invested in financial institutions or the loss in value of receivables.

The maximum exposure to credit risk resulting from financial assets is equal to the carrying amount of the Group's financial assets, which at 31 December 2013 amounted to RR 31,737,104 thousand (31 December 2012: RR 30,661,344 thousand). The Group has no significant concentrations of credit risk.

Cash and cash equivalents and fixed-term deposits. Cash and short-term deposits are mainly placed in major multinational and Russian banks with independent credit ratings. No bank balances and term deposits are past due or impaired. See the analysis by credit quality of bank balances, term and fixed-term deposits in Note 17.

Trade receivables. Trade receivables are subject to a policy of active credit risk management which focuses on an assessment of ongoing credit evaluation and account monitoring procedures. The objective of the management of trade receivables is to sustain the growth and profitability of the Group by optimising asset utilisation whilst maintaining risk at an acceptable level. The Group's trade receivables risk increased significantly upon the acquisition of EuroChem Agro. The Group holds voluntary credit insurance policies of some trade debtors relating to the distribution of fertilisers.

Trade receivables are to a large extent secured against a default risk by means of appropriate insurance coverage. Receivables management is geared towards collecting all outstanding accounts punctually and in full and to avoid the loss of receivables.

The monitoring and controlling of credit risk is performed by the corporate treasury function of the Group. The credit policy requires the performance of credit evaluations and ratings of customers. The credit quality of each new customer is analysed before the Group provides it with the standard terms of delivery and payment. The Group gives preference to customers with an independent credit rating. New customers without an independent credit rating are evaluated on a sample basis by an appointed rating agency or the score and credit limits for new customers are set by the appointed insurance company. The credit quality of other customers is assessed taking into account their financial position, past experience and other factors.

Customers that do not meet the credit quality requirements are supplied on a prepayment basis only.

Although the collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision already recorded (Note 15).

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

35 Financial and capital risk management (continued)

35.1 Financial risk management (continued)

(b) Credit risk (continued)

The major part of trade receivables that are neither past due nor impaired relates to wholesale distributors and steel producers for which the credit exposures and related ratings are presented below:

Group of customers	Rating agency	Credit rating/Other	31 December 2013	31 December 2012
Wholesale customers	-	Credit Insurance	5,122,073	5,060,468
Wholesale customers	-	Letter of credit	2,331,862	717,991
Wholesale customers	-	Bank guarantee	582,551	709,964
Wholesale customers and steel producers	Standard & Poor's	2013: BB+ 2012: BB+ to BBB	899,968	935,487
Wholesale customers	Credit Reform*	Good	98,512	678,577
Wholesale customers	Dun & Bradstreet Credibility Corp.*	2013: Minimum risk of failure 2012: Strong	448,711	506,841
Wholesale customers	Dun & Bradstreet Credibility Corp.*	2013:Low than average risk 2012: Good	448,793	31,044
Wholesale customers	Dun & Bradstreet Credibility Corp.*	Average risk of failure	205,620	-
Wholesale customers	LINCE - cerved group	B 1.1-B 1.2	8,500	-
Wholesale customers	ICAP	5 stars	12,523	-
Wholesale customers	CreditInfo	A-very good	41,926	-
Wholesale customers	AK&M	A	43,705	-
Total			**10,244,744**	**8,640,372**

* Independent credit agencies used by the Group for evaluation of customers' credit quality.

The rest of trade receivables is analysed by management who believes that the balance of the receivables is of good quality due to strong business relationships with these customers. The credit risk of every individual customer is monitored.

(c) Liquidity risk

Liquidity risk results from the Group's potential inability to meet its financial liabilities, such as settlements of financial debt and payments to suppliers. The Group's approach to liquidity risk management is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time.

In order to take advantage of financing opportunities in the international capital markets the Group maintains credit ratings from Fitch and Standard & Poor's. As at 31 December 2013 these institutions had affirmed the Group's rating at BB with stable outlook (31 December 2012: BB with stable outlook).

Cash flow forecasting is performed throughout the Group. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 19) at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

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

35 Financial and capital risk management (continued)

35.1 Financial risk management (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's financial liabilities into the relevant maturity groupings based on the time remaining from the reporting date to the contractual maturity date.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
As at 31 December 2013					
Trade payables	8,539,042	-	-	-	**8,539,042**
*Gross-settled swap:***					
- inflows	(411,370)	(5,411,370)	-	-	**(5,822,740)**
- outflows	202,685	5,409,366	-	-	**5,612,051**
Derivative financial liabilities	12,963	-	-	-	**12,963**
Bank borrowings*	11,739,153	22,627,936	47,940,098	1,548,574	**83,855,761**
Bonds issued*	2,009,743	11,904,529	27,062,957	-	**40,977,229**
Other non-current liabilities	1,787,094	1,716,694	1,788,161	681,084	**5,973,033**
As at 31 December 2012					
Trade payables	8,386,544	-	-	-	**8,386,544**
*Gross-settled swap:***					
- inflows	(205,685)	(411,370)	(5,411,370)	-	**(6,028,425)**
- outflows	94,046	188,091	5,019,892	-	**5,302,029**
Bank borrowings*	9,940,551	19,819,970	43,705,432	2,024,864	**75,490,817**
Bonds issued*	2,367,458	2,022,651	36,915,177	-	**41,305,286**
Other non-current liabilities	1,582,857	1,605,907	3,098,959	684,378	**6,972,101**

* The table above shows undiscounted cash outflows for financial liabilities (including interest together with the borrowings) based on conditions existing as at 31 December 2013 and 31 December 2012, respectively.

** Payments in respect of the gross settled swap will be accompanied by related cash inflows.

The Group controls the minimum required level of cash balances available for short-term payments in accordance with the financial policy of the Group adopted in alignment with economic realities on 29 April 2009 by the Board of Directors. Such cash balances are represented by current cash balances on bank accounts, bank deposits, short-term investments, cash and other financial instruments, which may be classified as cash equivalents in accordance with IFRS.

The Group assesses liquidity on a weekly basis using a twelve-month cash flow rolling forecast.

35.2 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders, to have available the necessary financial resources for investing activities and to maintain an optimal capital structure in order to reduce the cost of capital. The Group considers total capital under management to be equity as shown in the IFRS consolidated statement of financial position. This is considered more appropriate than alternatives, such as the value of equity shown in the Company's statutory financial (accounting) reports.

The Group monitors capital on the basis of the gearing ratio. Additionally, the Group monitors the adequacy of its debt levels using the net debt to EBITDA ratio.

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

35 Financial and capital risk management (continued)

35.2 Capital risk management (continued)

Gearing ratio

The gearing ratio is determined as net debt to net debt plus shareholders' equity.

The gearing ratio as at 31 December 2013 and 31 December 2012 is shown in the table below:

	31 December 2013	31 December 2012
Total debt	108,405,909	98,964,249
Less: cash and cash equivalents and fixed-terms deposits	18,994,151	19,521,185
Net debt	**89,411,758**	**79,443,064**
Equity attributable to the holders of the Company	**121,643,650**	**106,608,934**
Net debt and shareholders' equity	**211,055,408**	**186,051,998**
Gearing ratio, %	**42%**	**43%**

Net Debt/EBITDA

The Group has established a policy that the ratio of the Group's net debt to its 12 months' rolling EBITDA should not exceed two and a half times in normal market conditions. For this purpose net debt is determined as the sum of short-term borrowings, long-term borrowings and bonds balance outstanding, less cash and cash equivalents.

The ratio of net debt to EBITDA as at 31 December 2013 and 31 December 2012 is shown in the table below:

	Note	2013	2012
EBITDA	7	**42,960,681**	**49,167,533**
EBITDA generated by fertiliser assets in Antwerp from 1 January 2012 to the date of acquisition		-	677,091
EBITDA of EuroChem Agro from 1 January 2012 to the date of acquisition		-	1,934,777
Share of net profit from OJSC Murmansk Commercial Seaport from 1 January 2013 to the date of acquisition		189,653	-
EBITDA including EBITDA of Eurochem Antwerpen NV, EuroChem Agro and share of net profit in associates before acquisition		**43,150,334**	**51,779,401**
Net debt		89,411,758	79,443,064
Net debt/EBITDA		**2.07**	**1.53**

For the purpose of this calculation EBITDA includes EBITDA of acquired subsidiaries and share of net profit in acquired associates for the period from 1 January to the date of acquisition.

Since EBITDA is not a standard IFRS measure, EuroChem Group's definition of EBITDA may differ from that of other companies.

36 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 statement of financial position at their fair value.

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. Their fair values are within level 2 of the fair value hierarchy.

Liabilities carried at amortised cost. The fair value is based on quoted market prices, if available. The estimated fair values of fixed interest rate instruments with a stated maturity, for which quoted market prices were not available, were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. The fair value of borrowings and issued bonds at 31 December 2013 and 31 December 2012 are disclosed in Notes 19 and 20. The fair value of borrowings and issued bonds were included in level 2 and 1, respectively.

37 Subsequent events

The Group signed a joint agreement with H.K. Migao Industry Limited in November 2013 to set up a company which will own the plant manufacturing potassium nitrate and fertilisers in China. This company, which is in the process of legal incorporation, will be named "EuroChem – Migao Limited" and located in Hong Kong.