EUROCHEM GROUP

INTERNATIONAL ACCOUNTING STANDARD No. 34

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

31 MARCH 2013

Contents

Auditor's Report on the Review of the Consolidated Condensed Interim Financial Information for the Three months ended 31 March 2013

To the Shareholders and Board of Directors of EuroChem Group:

Introduction

We have reviewed the accompanying consolidated condensed statement of financial position of Open Joint Stock Company Mineral Chemical Company "EuroChem" and its subsidiaries (together, the "Group") as at 31 March 2013 and the related consolidated condensed statements of comprehensive income, cash flows and changes in equity for the three month period then ended. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information (hereinafter, the "consolidated condensed interim financial information") in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of Review

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

Conclusion

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

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
21 May 2013

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

	Note	31 March 2013	31 December 2012
ASSETS			
Non-current assets:			
Property, plant and equipment	6	132,823,583	127,799,359
Mineral rights		15,327,753	15,335,730
Goodwill		11,254,319	11,371,695
Intangible assets		6,896,734	7,225,526
Restricted cash	11	45,477	44,003
Available-for-sale investments	7	1,989,955	1,914,636
Available-for-sale investments pledged as collateral	7	906,346	909,017
Derivative financial assets	13	1,720,111	1,948,421
Deferred income tax assets		5,055,385	4,898,621
Prepayment for investment in associate	24	2,522,755	2,522,755
Other non-current assets		196,181	196,181
Total non-current assets		**178,738,599**	**174,165,944**
Current assets:			
Inventories	8	22,075,894	23,006,319
Trade receivables	9	12,582,335	10,567,555
Prepayments, other receivables and other current assets	9	7,629,029	9,305,058
Prepayments for treasury shares	10	-	683,999
Derivative financial assets	13	57,984	63
Restricted cash	11	-	405,442
Fixed-term deposits	11	1,007,044	3,671,596
Cash and cash equivalents	11	16,000,568	15,444,147
Total current assets		**59,352,854**	**63,084,179**
TOTAL ASSETS		**238,091,453**	**237,250,123**
LIABILITIES AND EQUITY			
Equity attributable to owners of the parent:			
Share capital		6,800,000	6,800,000
Treasury shares		(47,028,917)	(39,047,045)
Retained earnings and other reserves		143,309,375	138,855,979
		103,080,458	**106,608,934**
Non-controlling interests		171,856	187,609
Total equity		**103,252,314**	**106,796,543**
Non-current liabilities:			
Bank borrowings	12	56,830,935	59,566,384
Bonds issued		33,119,639	32,589,882
Derivative financial liabilities	13	27,095	-
Deferred income tax liabilities		6,227,616	6,296,597
Other non-current liabilities and deferred credits		6,200,054	6,194,011
Total non-current liabilities		**102,405,339**	**104,646,874**
Current liabilities:			
Bank borrowings	12	14,999,461	6,807,983
Derivative financial liabilities	13	24,562	-
Trade payables		7,104,321	8,386,544
Other accounts payable and accrued expenses		7,887,463	8,449,573
Income tax payable		1,438,757	1,253,033
Other taxes payable		979,236	909,573
Total current liabilities		**32,433,800**	**25,806,706**
Total liabilities		**134,839,139**	**130,453,580**
TOTAL LIABILITIES AND EQUITY		**238,091,453**	**237,250,123**

Approved on behalf of the Board of Directors
21 May 2013

Dmitry Strezhnev
Chief Executive Officer

Andrey Ilyin
Chief Financial Officer

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

	Note	Three months ended 31 March 2013	Three months ended 31 March 2012
Sales	14	46,651,378	35,781,346
Cost of sales	15	(29,383,406)	(19,520,552)
Gross profit		**17,267,972**	**16,260,794**
Distribution costs	16	(5,905,345)	(5,273,615)
General and administrative expenses	17	(1,466,224)	(1,186,139)
Other operating income/(expenses), net	18	(54,646)	(332,882)
Operating profit		**9,841,757**	**9,468,158**
Write-off of advances given to construction company at the Gremyachinskoe potash deposit	6	-	(548,717)
Gain on disposal of available-for-sale investments	7	-	568,382
Interest income		53,674	352,840
Interest expense		(1,226,205)	(1,126,175)
Financial foreign exchange gain/(loss), net		(1,675,722)	5,429,851
Other financial gain/(loss), net	19	(311,593)	1,605,985
Profit before taxation		**6,681,911**	**15,750,324**
Income tax expense	20	(1,862,562)	(2,013,182)
Profit for the period		**4,819,349**	**13,737,142**
Other comprehensive income/(loss) that may be reclassified to profit and loss in subsequent periods			
Currency translation differences, net of tax		(442,332)	(922,669)
Revaluation of available-for-sale investments, net of tax	7	72,648	967,160
Disposal of available-for-sale investments – reclassification of revaluation to profit and loss, net of tax	7	-	(568,382)
Total other comprehensive loss for the period that may be reclassified to profit and loss in subsequent periods		**(369,684)**	**(523,891)**
Total comprehensive income for the period		**4,449,665**	**13,213,251**
Profit/(loss) of the period attributable to:			
Owners of the parent		4,820,874	13,738,478
Non-controlling interests		(1,525)	(1,336)
		4,819,349	**13,737,142**
Total comprehensive income/(loss) attributable to:			
Owners of the parent		4,452,216	13,230,821
Non-controlling interests		(2,551)	(17,570)
		4,449,665	**13,213,251**
Earnings per share – basic and diluted (in RR)	21	80.87	222.37

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

	Note	Three months ended 31 March 2013	Three months ended 31 March 2012
Operating profit		**9,841,757**	**8,919,441**
Income tax paid		(2,318,422)	(1,780,606)
Operating profit less income tax paid		**7,523,335**	**7,138,835**
Depreciation and amortisation	17	2,454,161	1,453,355
Net loss on disposals and write-off of property, plant and equipment		24,546	59,142
Change of provision for impairment of receivables and provision for obsolete and damaged inventories, net		(21,032)	(35,989)
Other non-cash (income)/expenses, net		(263,660)	203,708
Gross cash flow		**9,717,350**	**8,819,051**
Changes in operating assets and liabilities:			
Trade receivables		(1,961,633)	(1,063,904)
Advances to suppliers		971,786	693,499
Other receivables		1,124,470	406,408
Inventories		929,153	1,579,447
Trade payables		(1,243,960)	210,082
Advances from customers		(297,309)	63,951
Other payables		(841,253)	259,447
Restricted cash, other assets and liabilities		403,968	33,017
Net cash – operating activities		**8,802,572**	**11,000,998**
Cash flows from investing activities			
Capital expenditure on property, plant and equipment and intangible assets		(7,353,777)	(5,956,445)
Loan provided to the acquired subsidiary before acquisition		-	(116,229)
Acquisition of subsidiaries, net of cash acquired		-	(27,410,522)
Proceeds from sale of property, plant and equipment		28,845	13,076
Proceeds from sale of available-for-sale investments	22	-	20,415,641
Cash payments on derivatives, net		-	(89,487)
Refunded withholding tax on dividends received		-	69,969
Net change in fixed-term deposits		2,653,698	19,274,956
Repayment of originated loans		-	6,301,867
Interest received		54,905	781,718
Net cash – investing activities		**(4,616,329)**	**13,284,544**
Free cash inflow		**4,186,243**	**24,285,542**
Cash flows from financing activities			
Proceeds from bank borrowings	12	4,269,571	2,538,162
Repayment of bank borrowings	12	-	(3,295,374)
Repayment of bonds		-	(8,513,762)
Prepaid and additional transaction costs		(42,019)	(3,111)
Interest paid		(633,870)	(1,053,723)
Acquisition of non-controlling interest in oil and gas subsidiary		-	(6,619,999)
Acquisition of additional interest in other subsidiaries		(12,022)	(44)
Purchase of own shares	10, 22	(7,297,873)	-
Net cash – financing activities		**(3,716,213)**	**(16,947,851)**
Effect of exchange rate changes on cash and cash equivalents		86,391	(402,063)
Net increase in cash and cash equivalents		**556,421**	**6,935,628**
Cash and cash equivalents at the beginning of the period	11	**15,444,147**	**8,506,949**
Cash and cash equivalents at the end of the period	11	**16,000,568**	**15,442,577**

The accompanying notes on pages 5 to 23 are an integral part of this consolidated condensed interim financial information.

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

		Attributable to owners of the parent							
	Note	Share capital	Treasury shares	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		-	-	-	-	13,738,478	13,738,478	(1,336)	13,737,142
Other comprehensive income/(loss)									
Currency translation differences		-	-	(906,435)	-	-	(906,435)	(16,234)	(922,669)
Revaluation of available-for-sale investments	7	-	-	-	967,160	-	967,160	-	967,160
Disposal of available-for-sale investments	7	-	-	-	(568,382)	-	(568,382)	-	(568,382)
Total other comprehensive income/(loss)		-	-	(906,435)	398,778	-	(507,657)	(16,234)	(523,891)
Total comprehensive income/(loss)		**-**	**-**	**(906,435)**	**398,778**	**13,738,478**	**13,230,821**	**(17,570)**	**13,213,251**
Transactions with owners									
Acquisition of non-controlling interest in oil and gas subsidiary		-	-	-	-	109,832	109,832	(6,792,001)	(6,682,169)
Acquisition of additional interest in other subsidiaries		-	-	-	-	(1)	(1)	(43)	(44)
Total transactions with owners		**-**	**-**	**-**	**-**	**109,831**	**109,831**	**(6,792,044)**	**(6,682,213)**
Balance at 31 March 2012		**6,800,000**	**(29,679,427)**	**817,788**	**125,351**	**118,662,524**	**96,726,236**	**175,540**	**96,901,776**
Balance at 1 January 2013		**6,800,000**	**(39,047,045)**	**1,485,464**	**(130,121)**	**137,500,636**	**106,608,934**	**187,609**	**106,796,543**
Comprehensive income/(loss)									
Profit/(loss) for the period		-	-	-	-	4,820,874	4,820,874	(1,525)	4,819,349
Other comprehensive income/(loss)									
Currency translation differences		-	-	(441,306)	-	-	(441,306)	(1,026)	(442,332)
Revaluation of available-for-sale investments	7	-	-	-	72,648	-	72,648	-	72,648
Total other comprehensive income/(loss)		-	-	(441,306)	72,648	-	(368,658)	(1,026)	(369,684)
Total comprehensive income/(loss)		**-**	**-**	**(441,306)**	**72,648**	**4,820,874**	**4,452,216**	**(2,551)**	**4,449,665**
Transactions with owners									
Repurchase of own shares	10	-	(7,981,872)	-	-	-	(7,981,872)	-	(7,981,872)
Acquisition of additional interest in subsidiaries		-	-	-	-	1,180	1,180	(13,202)	(12,022)
Total transactions with owners		**-**	**(7,981,872)**	**-**	**-**	**1,180**	**(7,980,692)**	**(13,202)**	**(7,993,894)**
Balance at 31 March 2013		**6,800,000**	**(47,028,917)**	**1,044,158**	**(57,473)**	**142,322,690**	**103,080,458**	**171,856**	**103,252,314**

1 The EuroChem Group and its operations

EuroChem Group comprises the parent entity, Open Joint Stock Company Mineral Chemical Company "EuroChem" (the "Company"), and its subsidiaries (collectively the "Group" or "EuroChem Group").

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

A company that holds business interests beneficially for Mr. Andrey Melnichenko owns 100% of Linea Ltd registered in Bermuda, which in turn owns 92.2% (31 December 2012: 92.2%) of EuroChem Group S.E. 7.8% of EuroChem Group S.E. (31 December 2012: 7.8%) is held indirectly by Mr. Dmitry Strezhnev, CEO of the Group. As at 31 March 2013 EuroChem Group S.E. owns 86.46% of the Company (31 December 2012: 88.51%). The remaining 13.54% is held by EuroChem Capital Management Ltd, the Group's wholly-owned subsidiary, and presented as treasury shares in the consolidated condensed statement of financial position (31 December 2012: 11.49%).

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

The Company was incorporated and domiciled in the Russian Federation on 27 August 2001 as a closed joint stock company. On 3 April 2006 the Company changed its legal form to an open joint stock company. The Company has its registered office at:

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

2 Basis of presentation

Basis of preparation. This consolidated condensed interim financial information for the three months ended 31 March 2013 has been prepared in accordance with IAS 34, "Interim Financial Reporting". It should be read in conjunction with the consolidated financial statements for the year ended 31 December 2012 which have been prepared in accordance with International Financial Reporting Standards.

Reclassifications. A reclassification has been made in the prior year consolidated condensed statement of comprehensive income and related notes to conform to the current period presentation. The reclassification relates to the "Write-off of advances given to construction company at the Gremyachinskoe potash deposit" of RR 548,717 thousand, which was allocated to a separate line in the consolidated condensed statement of comprehensive income from the line "Other operating income and expenses".

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

At 31 March 2013 the official exchange rates established by the Central Bank of the Russian Federation ("CBRF") were: US$ 1 = RR 31.0834 (31 December 2012: US$ 1 = RR 30.3727), Euro 1 = RR 39.8023 (31 December 2012: Euro 1 = RR 40.2286), LTL 1 = RR 11.5363 (31 December 2012: LTL 1 = RR 11.6554). Average rates for the three months ended 31 March 2013 were: US$ 1 = RR 30.4142 (three months ended 31 March 2012: US$ 1 = RR 30.2642), Euro 1 = RR 40.1908 (three months ended 31 March 2012: Euro 1 = RR 39.6784), LTL 1 = RR 11.6419 (three months ended 31 March 2012: LTL 1 = RR 11.4914).

3 Accounting policies and critical accounting judgements and estimates

The accounting policies and significant judgements and estimates applied are consistent with those of the consolidated financial statements for the year ended 31 December 2012, except for the policies which were changed to comply with the new or amended standards and interpretations that are in force for the year beginning on 1 January 2013 (Note 4).

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

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);
- 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 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 this consolidated condensed interim financial information.

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

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 March 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 information;
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities (issued on 31 October 2012 and effective for annual periods beginning on or after 1 January 2014).

Unless otherwise described above, the new standards, amendments to standards and interpretations are not expected to significantly affect the Group's consolidated financial information.

5 Segment information

The Group is a vertically integrated business with activities spanning mining and natural gas extraction, fertiliser manufacturing, organic synthesis products, sales and distribution. The Group produces a large number of products, the most significant of which are a wide range of mineral fertilisers (nitrogen and phosphate groups). On a monthly basis the Management Board reviews the financial reports of the Group, evaluates the operating results and allocates resources between the operating segments. Budgets and financial reports are prepared in a standard format according to the IFRS accounting policy adopted by the Group. Sales between segments are carried out on an arm's length basis. The Management Board assesses the performance of the operating segments based on, among other factors, a measure of profit before taxation adjusted by interest expense, depreciation and amortisation, financial foreign exchange gain or loss, other non-cash and extraordinary items, excluding net profit for the period attributed to non-controlling interests (EBITDA). Since this term is not a standard IFRS measure EuroChem Group's definition of EBITDA may differ from that of other companies. 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;
- All other – goods purchased for resale, certain logistics and service activities, central management, investment income and other items.

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

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	22,880,594	3,534,240	26,414,834	8,100,105
Phosphates	14,465,624	714,607	15,180,231	3,415,275
Potash	-	-	-	1,076
Distribution	4,673,653	7,943	4,681,596	233,621
Other	4,631,507	4,888,695	9,520,202	548,708
Elimination	-	(9,145,485)	(9,145,485)	53,150
Total	**46,651,378**	-	**46,651,378**	**12,351,935**

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

5 Segment information (continued)

The segmental results for the three months ended 31 March 2012 were:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	13,950,628	3,117,743	17,068,371	6,116,163
Phosphates	16,990,820	766,706	17,757,526	4,197,558
Potash	-	-	-	(134,133)
Distribution	4,375,501	7,409	4,382,910	256,122
Other	464,397	3,421,454	3,885,851	666,247
Elimination	-	(7,313,312)	(7,313,312)	224,049
Total	**35,781,346**	**-**	**35,781,346**	**11,326,006**

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

		Three months ended	
	Note	31 March 2013	31 March 2012
EBITDA		**12,351,935**	**11,326,006**
Depreciation and amortisation	17	(2,454,161)	(1,453,355)
Idle property, plant and equipment write-off	6	(818)	(50,317)
Write-off of advances given to construction company at the Gremyachinskoe potash deposit	6	-	(548,717)
Gain on disposal of available-for sale investments	7	-	568,382
Financial foreign exchange gain/(loss), net		(1,675,722)	5,429,851
Interest expense		(1,226,205)	(1,126,175)
Other financial gain/(loss), net	19	(311,593)	1,605,985
Non-controlling interest		(1,525)	(1,336)
Profit before taxation		**6,681,911**	**15,750,324**

The analysis of Group sales by region was:

	Three months ended	
	31 March 2013	31 March 2012
Europe	18,317,795	8,368,543
Russia	9,695,253	9,550,749
Asia	6,010,014	5,411,011
Latin America	2,378,974	4,000,238
North America	5,436,894	4,018,787
CIS	3,386,140	3,401,108
Africa	1,092,929	767,883
Australasia	333,379	263,027
Total sales	**46,651,378**	**35,781,346**

The sales are allocated by regions based on the destination country. During the three months ended 31 March 2013 the Group had sales in excess of 10% to Russia and United States of America, which represented 20.8% and 10.3% of total Group revenues, respectively (three months ended 31 March 2012: the sales to Russia represented 26.7%).

During the three months ended 31 March 2013 and 31 March 2012 the Group had sales in excess of 10% to one customer which is an international fertiliser trader. Revenues from this customer represented 10.4% of total Group revenues for the three months ended 31 March 2013 (three months ended 31 March 2012: 17.0%) and were allocated to the Nitrogen and Phosphates segments (three months ended 31 March 2012: Nitrogen and Phosphates segments).

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

6 Property, plant and equipment

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

	Note	2013	2012
Carrying amount at 1 January		**127,799,359**	**100,752,901**
Including advances given to construction companies and suppliers of property, plant and equipment		*4,770,571*	*6,156,538*
Additions		7,696,911	6,063,242
Including change in advances given		*1,220,195*	*9,464*
Acquisitions through business combination		-	9,445,221
Disposals		(52,573)	(20,484)
Depreciation charge for the period		(2,516,066)	(1,513,790)
Write-off of advances given to construction company at the Gremyachinskoe potash deposit		-	(548,717)
Idle property, plant and equipment write-off	15,18	(818)	(50,317)
Currency translation differences		(103,230)	(342,652)
Carrying amount at 31 March		**132,823,583**	**113,785,404**
Including advances given to construction companies and suppliers of property, plant and equipment		*5,990,766*	*5,617,285*

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

	31 March 2013	31 December 2012
Construction in progress	48,097,192	44,657,914
Evaluation expenses	246,524	214,921
Advances given to construction companies and suppliers of property, plant and equipment	5,990,766	4,770,571
Total assets under construction	**54,334,482**	**49,643,406**

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

In October 2012 the Group terminated the construction contract and filed a claim against Shaft Sinkers (Pty) Ltd (Shaft Sinkers) as this company was unable to fulfill its contractual obligations and complete the construction of the Gremyachinskoe cage shaft, primarily due to problems with the grouting technology (Note 23).

During the three months ended 31 March 2012 the Group wrote off a portion of the advance of RR 548,717 thousand paid to Shaft Sinkers .

Evaluation expenses at the Darganovsky and Ravninny potash fields

At 31 March 2013 the Group has capitalised expenses relating to the evaluation stage of the Darganovsky and Ravninny potash fields of RR 246,524 thousand which were recognised in assets under construction (31 December 2012: RR 214,921 thousand). The capitalisation of these expenses started from 1 March 2011 when the Group received official confirmation of the estimated resources covered by the licences for the exploration and evaluation of the Darganovsky and Ravninny potash fields. In most cases such expenses are paid in the period when the services are provided.

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

6 Property, plant and equipment (continued)

Borrowing costs capitalised

During the three months ended 31 March 2013 borrowing costs totalling RR 34,968 thousand (three months ended 31 March 2012: RR 46,271 thousand) were capitalised in property, plant and equipment at an average interest rate of 4.9% p.a. (three months ended 31 March 2012: 4.9% p.a.).

Payables to suppliers of property, plant and equipment

As at 31 March 2013 trade payables included payables to suppliers of property, plant and equipment amounting to RR 1,004,265 thousand (31 December 2012: RR 1,042,528 thousand).

Restriction on disposal of certain property of LLC "Severneft-Urengoy"

Due to a ruling of the arbitration court issued in March 2013, the ability of LLC "Severneft-Urengoy" to dispose of certain property, with a net book value of RR 7,090,622 thousand, has been restricted (see Note 23 for further details).

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

At 31 March 2013 available-for-sale investments comprised the shares of K+S Group, a German manufacturer of potassium-based fertilisers and salt.

	31 March 2013	31 December 2012
K+S Group ordinary shares	1,989,955	1,914,636
K+S Group ordinary shares pledged as collateral	906,346	909,017
Total available-for-sale investments	**2,896,301**	**2,823,653**

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**
Revaluation of available-for-sale investments	72,648	967,160
Disposal of available-for-sale investments, including:		
- available-for-sale investments at cost	-	(19,847,259)
- reclassification of revaluation to profit and loss	-	(568,382)
Carrying amount at 31 March	**2,896,301**	**3,019,518**

K+S Group shares, including shares pledged as collateral

At 31 March 2013 the Group held 2,005,434 shares, or 1.048% of the issued share capital (31 December 2012: 2,005,434 shares, or 1.048% of the issued share capital) of K+S Group with a fair value of RR 2,896,301 thousand (31 December 2012: RR 2,823,653 thousand) with reference to the share price quoted on the Xetra trading system of Euro 36.285 per share (31 December 2012: Euro 35.00 per share). A negative reserve was recognised in equity due to a decrease in the fair value of the investment below its historical cost of RR 57,473 thousand at 31 March 2013 (31 December 2012: a negative reserve of RR 130,121 thousand).

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

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

K+S Group shares pledged as collateral

At 31 March 2013 the Group had 627,565 K+S Group shares pledged as collateral for a bank loan with a fair value of RR 906,346 thousand (31 December 2012: 645,608 K+S Group shares with a fair value of RR 909,017 thousand) with reference to the share price quoted on the Xetra trading system (Note 12).

Pledged shares have been reclassified to a separate line named “Available-for-sale investments pledged as collateral” in the consolidated condensed statement of financial position, as the mortgagee has the right to use and dispose of these shares. The Group holds economic exposure in relation to the encumbered and/or used shares. The mortgagee is obliged to replace the original financial collateral by transferring equivalent securities upon the performance of the obligations of the mortgagor.

8 Inventories

	31 March 2013	31 December 2012
Finished goods	10,884,460	12,204,775
Materials	6,985,795	6,676,323
Catalysts	3,017,013	2,930,421
Work in progress	1,541,356	1,546,258
Less: provision for obsolete and damaged inventories	(352,730)	(351,458)
Total inventories	**22,075,894**	**23,006,319**

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

	31 March 2013	31 December 2012
Trade receivables		
Trade receivables denominated in RR	1,365,518	1,379,193
Trade receivables denominated in US$	3,111,995	3,124,112
Trade receivables denominated in Euro	8,014,419	6,180,130
Trade receivables denominated in other currencies	337,172	184,036
Less: impairment provision	(246,769)	(299,916)
Total trade receivables – financial assets	**12,582,335**	**10,567,555**
Prepayments, other receivables and other current assets		
Advances to suppliers	2,599,452	3,571,238
VAT recoverable and receivable	3,742,566	4,840,961
Income tax receivable	618,043	189,113
Other taxes receivable	237,692	16,008
Other receivables	422,524	575,366
Less: impairment provision	(205,971)	(220,048)
Subtotal non-financial assets	**7,414,306**	**8,972,638**
Other receivables	204,614	321,067
Interest receivable	10,109	11,353
Subtotal financial assets	**214,723**	**332,420**
Total prepayments, other receivables and other current assets	**7,629,029**	**9,305,058**
Total trade receivables, prepayments, other receivables and other current assets	**20,211,364**	**19,872,613**
including		
Financial assets	12,797,058	10,899,975
Non-financial assets	7,414,306	8,972,638

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

10 Treasury shares

During the three months ended 31 March 2013 there were the following transactions involving treasury shares:

- the title on 118,617 own shares representing 0.17% of the issued share capital was transferred to the Group, prepayment for which of RR 683,999 thousand was made to EuroChem Group S.E., the parent company of the Group, in December 2012;

- the Group bought back from EuroChem Group S.E. 1,276,594 of its own shares which represented 1.88% of the issued share capital for RR 7,297,873 thousand paid in cash.

Therefore, at 31 March 2013 EuroChem Capital Management Ltd., the Group's wholly-owned subsidiary, held 9,207,606 ordinary shares of the Company (31 December 2012: EuroChem Capital Management Ltd. held 7,812,395 ordinary shares). These shares represent 13.54% (31 December 2012: 11.49%) of the Company's share capital and carry voting rights in the same proportion as other ordinary shares.

11 Cash and cash equivalents and fixed-term deposits

	31 March 2013	31 December 2012
Cash on hand and bank balances denominated in RR	1,162,489	1,524,397
Bank balances denominated in US$	3,917,271	3,029,315
Bank balances denominated in Euro	5,990,979	4,401,502
Balances denominated in other currencies	523,545	311,452
Term deposits denominated in RR	1,440,502	610,919
Term deposits denominated in US$	1,218,722	993,372
Term deposits denominated in Euro	1,433,273	4,275,552
Term deposits denominated in other currencies	313,787	297,638
Total cash and cash equivalents	**16,000,568**	**15,444,147**
Fixed-term deposits in RR	753,550	1,361,570
Fixed-term deposits in US$	62,167	2,277,953
Fixed-term deposits in Euro	191,327	32,073
Total fixed-term deposits	**1,007,044**	**3,671,596**
Current restricted cash	-	405,442
Non-current restricted cash	45,477	44,003
Total restricted cash	**45,477**	**449,445**

Term deposits at 31 March 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.

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

At 31 March 2013 RR 45,477 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)

12 Bank borrowings

	2013	2012
Balance as at 1 January	**66,374,367**	**77,395,339**
Bank loans received, denominated in US$	4,269,571	2,413,048
Bank loans received, denominated in Euro	-	125,114
Bank loans repaid, denominated in Euro	-	(3,295,374)
Capitalisation and amortisation of transaction costs, net	57,428	56,678
Foreign exchange (gain)/loss, net	1,129,030	(5,107,017)
Balance as at 31 March	**71,830,396**	**71,587,788**

	31 March 2013	31 December 2012
Current bank borrowings		
Short-term bank loans, denominated in US$	4,351,676	-
Short-term bank loans, denominated in Euro	597,035	603,429
Current portion of long-term bank loans in US$	10,126,885	6,350,925
Current portion of long-term bank loans in Euro	142,953	72,242
Less: short-term portion of transaction costs	(219,088)	(218,613)
Total current bank borrowings	**14,999,461**	**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$	46,737,960	45,669,328
Long-term bank loans, denominated in Euro	1,429,547	1,444,860
Less: current portion of long-term bank loans in US$	(10,126,885)	(6,350,925)
Less: current portion of long-term bank loans in Euro	(142,953)	(72,242)
Less: long-term portion of transaction costs	(1,066,734)	(1,124,637)
Total non-current bank borrowings	**56,830,935**	**59,566,384**
Total bank borrowings	**71,830,396**	**66,374,367**

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

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

Interest rates and outstanding amounts

A 5-year club loan facility which was obtained in August 2011 for US$ 1.3 billion bears a floating interest rate of 1-month Libor +1.8%. At 31 March 2013 the outstanding amount totalled US$ 1.3 billion (31 December 2012: US$ 1.3 billion).

In 2011 the Group signed a RR 20 billion 5-year non-revolving fixed-interest rate loan facility with a leading Russian bank. As at 31 March 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 March 2013 the outstanding amount was US$ 109.5 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. In March 2013 the facility was partly utilised and as at 31 March 2013 the outstanding amount was US$ 20 million (31 December 2012: nil).

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

12 Bank borrowings (continued)

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. As at 31 March 2013 and 31 December 2012 the outstanding amount was 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 March 2013 the outstanding amount was Euro 35.9 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. At 31 March 2013 the outstanding amount was Euro 15 million (31 December 2012: Euro 15 million).

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 three months ended 31 March 2013, the facility was fully utilised.

Undrawn loan facilities

In 2010 the Group signed a US$ 250 million 5-year credit line agreement bearing a floating interest rate based on 1-month Libor with a European commercial bank.

In 2012 the Group signed a US$ 75 million framework agreement for a 2-year revolving facility bearing a floating interest rate based on Libor.

Collaterals and pledges

At 31 March 2013 the Group did not hold any cash collateral restricted by banks to secure the next principal and interest payments (31 December 2012: RR 382,757 thousand) (Note 11).

A bank loan of RR 40,408,420 thousand and RR 39,484,510 thousand at 31 March 2013 and 31 December 2012, respectively, was collateralised by future export proceeds of the Group under sales contracts with certain customers. A bank loan of RR 597,035 thousand at 31 March 2013 (31 December 2012: RR 603,429 thousand) was secured by K+S Group shares as collateral represented by 627,565 shares with a fair value of RR 906,346 thousand (31 December 2012: 645,608 shares with a fair value of RR 909,017 thousand). Fair value was determined by reference to the share price quoted on the Xetra trading system (Note 7). The Group's bank borrowings mature:

	31 March 2013	31 December 2012
- within 1 year	14,999,461	6,807,983
- between 1 and 2 years	19,837,287	16,973,081
- between 2 and 5 years	35,449,834	41,024,285
- more than 5 years	1,543,814	1,569,018
Total bank borrowings	**71,830,396**	**66,374,367**

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

13 Derivative financial assets and liabilities

At 31 March 2013 the non-current derivative financial assets were represented by RR/US$ non-deliverable forward contracts accounted for at a fair value of RR 1,720,111 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 swaps accounted for at a fair value of RR 22,844 thousand). The current derivative financial assets were represented by iron ore swap contracts accounted for at a fair value of RR 57,984 thousand (31 December 2012: EUR/US$ deliverable forward contracts accounted for at a fair value of RR 63 thousand).

At 31 March 2013 the non-current derivative financial liabilities were represented by a cross currency interest rate swap accounted for at a fair value of RR 27,095 thousand. The current derivative financial liabilities were represented by iron ore option contracts and EUR/US$ deliverable forward contracts accounted for at a fair value of RR 23,111 thousand and RR 1,451 thousand, respectively. At 31 December 2012 the Group did not have any derivative financial liabilities

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

	Assets		Liabilities	
	non-current	current	non-current	current
RR/US$ non-deliverable forward contracts (a nominal amount of RR 25,600 million)	1,720,111	-	-	-
EUR/US$ deliverable forward contracts (a nominal amount of US$ 1,802 thousand)	-	-	-	1,451
Cross currency interest rate swap	-	-	27,095	-
Swap contracts on iron ore	-	57,984	-	-
Call options on iron ore	-	-	-	23,111
Total	**1,720,111**	**57,984**	**27,095**	**24,562**

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	1,925,577	-	-	-
EUR/US$ non-deliverable forward contracts	-	63	-	-
Cross currency interest rate swap	22,844	-	-	-
Total	**1,948,421**	**63**	**-**	**-**

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

	1 January 2013	Changes in the fair value	Cash proceeds on derivatives	31 March 2013
Operating activities				
Swap contracts on iron ore	-	57,984	-	57,984
Call options on iron ore	-	8,874	(31,985)	(23,111)
Foreign exchange deliverable forward contracts, net	63	(1,514)	-	(1,451)
Total derivatives in operating activities	**63**	**65,344**	**(31,985)**	**33,422**
Investing activities				
Foreign exchange non-deliverable forward contracts, net	166,912	(26,506)	-	140,406
Total derivatives in investing activities	**166,912**	**(26,506)**	**-**	**140,406**
Financing activities				
Cross currency interest rate swap	22,844	(49,939)	-	(27,095)
Foreign exchange non-deliverable forward contracts, net	1,758,665	(178,960)	-	1,579,705
Total derivatives in financing activities	**1,781,509**	**(228,899)**	**-**	**1,552,610**
Total derivative financial assets and liabilities, net	**1,948,484**	**(190,061)**	**(31,985)**	**1,726,438**

Cash proceeds of RR 31,985 thousand due to the premium on call options were received by the Group in April 2013.

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

13 Derivative financial assets and liabilities (continued)

Changes in the fair value of derivatives related to the operating activities of the Group amounting to RR 65,344 thousand were recognised as income within “Other operating income and expenses“.

Changes in the fair value of derivatives related to investing and financing activities totalling RR 255,405 thousand were recognised as losses within “Other financial gain/(loss)” (Note 19).

During the three months ended 31 March 2013 the Group had entered into the following transactions to reduce risks arising from iron-ore price volatility:

- in March 2013, the Group sold Asian call options on iron ore maturing within the second quarter of 2013 for a total premium of US$ 1,029 thousand;

- in February 2013 the Group entered into commodity swap contracts on iron ore for a total notional quantity of 180 thousand tonnes maturing within the second and third quarter of 2013.

14 Sales

The components of external sales were:

	Three months ended	
	31 March 2013	**31 March 2012**
Nitrogen		
Nitrogen fertilisers	12,934,089	9,945,425
Complex fertilisers group	6,109,431	1,344,155
Organic synthesis products	2,493,819	1,908,117
Hydrocarbons	500,763	468,627
Phosphates	422,141	-
Other goods	196,687	201,447
Other services	223,664	82,857
	22,880,594	**13,950,628**
Phosphates		
Phosphates	8,013,036	9,943,799
Iron ore concentrate	4,258,850	5,041,474
Feed phosphates group	1,224,292	1,119,587
Apatite concentrate	426,724	355,903
Baddeleyite concentrate	213,348	203,820
Other goods	159,542	165,530
Other services	169,832	160,707
	14,465,624	**16,990,820**
Distribution		
Nitrogen fertilisers	3,254,451	2,925,571
Phosphates	662,012	515,566
Complex fertilisers group	316,485	453,382
Feed phosphates group	33,004	62,588
Organic synthesis products	-	1,863
Other goods	406,645	415,122
Other services	1,056	1,409
	4,673,653	**4,375,501**
Other		
Nitrogen fertilisers	3,913,988	-
Complex fertilisers group	127,047	-
Phosphates	845	22,199
Organic synthesis products	757	-
Logistic services	54,214	112,242
Other goods	414,096	216,073
Other services	120,560	113,883
	4,631,507	**464,397**
Total sales	**46,651,378**	**35,781,346**

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

15 Cost of sales

The components of cost of sales were:

	Three months ended	
	31 March 2013	31 March 2012
Materials and components used or resold	18,554,517	10,435,662
Energy	2,001,230	1,723,183
Utilities and fuel	1,252,757	1,223,664
Labour, including contributions to social funds	2,740,627	2,348,237
Depreciation and amortisation	1,977,237	1,165,704
Repairs and maintenance	428,005	323,297
Production overheads	625,872	444,316
Property tax, rent payments for land and related taxes	452,446	379,607
Idle property, plant and equipment write-off	818	2,915
Provision/(reversal of provision) for obsolete and damaged inventories	1,272	(6,622)
Changes in work in progress and finished goods	1,305,566	1,398,457
Other costs	43,059	82,132
Total cost of sales	**29,383,406**	**19,520,552**

16 Distribution costs

Distribution costs comprised:

	Three months ended	
	31 March 2013	31 March 2012
Transportation	4,323,577	4,454,578
Export duties, other fees and commissions	34,196	81,377
Labour, including contributions to social funds	594,783	298,088
Depreciation and amortisation	325,600	207,056
Repairs and maintenance	180,552	69,150
Provision/(reversal of provision) for impairment of receivables	(11,986)	11,978
Other costs	458,623	151,388
Total distribution costs	**5,905,345**	**5,273,615**

17 General and administrative expenses

General and administrative expenses comprised:

	Three months ended	
	31 March 2013	31 March 2012
Labour, including contributions to social funds	711,229	698,904
Depreciation and amortisation	151,324	80,595
Audit, consulting and legal services	167,519	136,364
Rent	42,033	29,682
Bank charges	79,244	29,049
Social expenditure	24,958	26,893
Repairs and maintenance	19,720	12,618
Reversal of provision for impairment of receivables	(10,318)	(41,345)
Other expenses	280,515	213,379
Total general and administrative expenses	**1,466,224**	**1,186,139**

The total depreciation and amortisation expenses included in all captions of the consolidated condensed statement of comprehensive income amounted to RR 2,454,161 thousand (three months ended 31 March 2012: RR 1,453,355 thousand). The total staff costs (including social expenses) amounted to RR 4,046,639 thousand (three months ended 31 March 2012: RR 3,345,229 thousand).

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

18 Other operating income and expenses

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

	Three months ended	
	31 March 2013	31 March 2012
Sponsorship	113,234	139,665
Loss on disposal of property, plant and equipment and intangible assets	1,981	22,582
Foreign exchange (gain)/loss, net	89,045	250,854
Idle property, plant and equipment write-off	-	47,402
Gain on sales and purchases of foreign currencies	(12,867)	(33,751)
Other operating (income)/expense, net	(136,747)	(93,870)
Total other operating (income)/expenses, net	**54,646**	**332,882**

19 Other financial gain and loss

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

	Three months ended	
	31 March 2013	31 March 2012
Changes in the fair value of foreign exchange non-deliverable forward contracts	205,467	(1,031,335)
Changes in the fair value of cross currency interest rate swap	49,938	(580,568)
Changes in the fair value of call options	-	(6)
Unwinding of discount on deferred payables	36,589	-
Unwinding of discount on land restoration obligation	19,599	5,924
Total other financial (gain)/loss, net	**311,593**	**(1,605,985)**

20 Income tax

	Three months ended	
	31 March 2013	31 March 2012
Income tax expense – current	2,112,800	1,475,333
Deferred income tax – (origination)/reversal of temporary differences	(250,238)	537,849
Income tax expense	**1,862,562**	**2,013,182**

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

For the subsidiaries located outside the Russian Federation tax rates on taxable profit range from 10% to 37.6%, including two major manufacturing entities Lifosa AB, located in Lithuania, and EuroChem Antwerpen NV, located in Belgium, which apply tax rates of 15% and 33.99% on taxable profits, respectively.

During the three month ended 31 March 2013 the Group offset VAT and other taxes receivable against income tax payables of RR 21,536 thousand under the statutory rules (three months ended 31 March 2012: RR 19,759 thousand).

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

	Three months ended	
	31 March 2013	31 March 2012
Net profit for the period attributable to owners of the parent	4,820,874	13,738,478
Weighted average number of ordinary shares in issue (expressed in thousands)	59,613	61,783
Basic and diluted earnings per share (expressed in RR per share)	**80.87**	**222.37**

22 Balances and transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The relationships with those related parties with whom the Group entered into significant transactions or had significant balances outstanding are detailed below:

Financial statements caption	Nature of relationship	31 March 2013	31 December 2012
Statement of financial position caption			
Advances given to construction companies and suppliers of property, plant and equipment	Other related parties	12	2,471
Trade receivables	Other related parties	687	16,689
less: impairment provision on trade receivables	Other related parties*	-	(16,439)
Prepayments, other receivables and other current assets	Other related parties	565	863
Prepayments for treasury shares	Parent company	-	683,999
Bonds issued	Other related parties	77,709	60,745
Trade payables	Other related parties	2,227	2,840
Other accounts payable and accrued expenses and advances from customers	Other related parties	2,423	-

* Impaired trade and other receivables from an affiliated Ukraine-based company.

		Three months ended	
Financial statements caption	Nature of relationship	31 March 2013	31 March 2012
Statement of comprehensive income caption			
Sales	Other related parties	7,117	-
Purchases of goods and services	Other related parties	(685)	-
Distribution costs	Other related parties	(10,689)	(17,477)

		Three months ended	
Financial statements caption	Nature of relationship	31 March 2013	31 March 2012
Statement of cash flows caption			
Decrease in trade receivables	Other related parties	16,002	1,548
Decrease in other receivables	Other related parties	298	13,341
Increase/(decrease) in trade payables	Other related parties	(723)	6,601
Increase in advances from customers	Other related parties	2,423	-
Capital expenditure on property, plant and equipment and other intangible assets	Other related parties	(6,119)	(2,331)
Repayment of bonds	Other related parties	-	(22,018)
Proceeds from sale of available-for-sale investments	Parent company	-	20,415,641
Purchase of own shares (Note 10)	Parent company	(7,297,873)	-

22 Balances and transactions with related parties (continued)

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 86,446 thousand and RR 83,172 thousand for the three months ended 31 March 2013 and 31 March 2012, respectively. This compensation is paid to seven individuals (three months ended 31 March 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.

23 Contingencies, commitments and operating risks

i Capital expenditure commitments

As at 31 March 2013 the Group had contractual commitments for capital expenditures of RR 18,347,120 thousand (31 December 2012: RR 14,949,923 thousand), including amounts denominated in Euro and US$ (RR 5,974,140 thousand and RR 434,600 thousand, respectively). Management estimates that, out of these, approximately RR 11.8 billion will represent cash outflows in 2013.

RR 4,210,229 thousand and RR 8,018,507 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, and changes which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged in the future by the relevant regional and federal authorities.

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The amended Russian transfer pricing legislation is effective from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis. Management believes that its pricing policy is arm's length and it has implemented internal controls to be in compliance with the new transfer pricing legislation.

23 Contingencies, commitments and operating risks (continued)

ii Tax legislation (continued)

The implementation policy of the new Russian transfer pricing rules has not yet developed, therefore the impact of any challenge to the Group's transfer prices cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

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. Changes in tax laws or their application with respect to matters such as transfer pricing in the countries where the Group has subsidiaries could increase the Group's effective tax rate and materially and adversely affect its financial results. Russian tax legislation does not provide definitive guidance in certain areas, specifically in extraction tax. From time to time, the Group adopts interpretations of such uncertain areas that may be challenged by the tax authorities, the impact of which cannot be reliably estimated; however, it may be significant to the financial condition or the overall operations of the Group.

As at 31 March 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 March 2013 and 31 December 2012.

The Group's subsidiary OJSC "NAK Azot" is currently 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" has taken 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 desktop 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 184 million. OJSC "NAK Azot" challenged this issue in court however it lost its appeal in three courts. The results of this proceeding will additionally influence the application of the reduced profit tax rate and the Group may have obligations to pay additional income tax and penalties of RR 460 million. As at 31 March 2013 management did not record a provision in relation to this issue as it believes that the legal position of OJSC "NAK Azot" is reasonable and will appeal the case to the supreme court.

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), physical property and business interruption insurance at nitrogen production plants, as well as insurance policies related to trade operations, including export shipments and credit insurance of some trade debtors relating to the European 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 for RR 16.7 billion. The insurance covers a substantial part of the risks related to sinking of the two shafts for the period from June 2011 to June 2013.

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.

23 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, the contractor involved in the construction of the mining shafts at the Gremaychinskoe 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 fulfill its contractual obligations. 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. Management believes that this counterclaim is without merit. The above disputes are subject to arbitration as specified in the contract.

In March 2013 “Reverta AS” filed a claim against LLC “NK Severneft” and LLC “Severneft-Urengoy” contesting the property purchase and sale transactions made between these two entities in 2011, preceding the acquisition of LLC “Severneft-Urengoy” by the Group. As part of the proceeding, the court has issued a ruling to impose injunctive relief. In accordance with the ruling, the ability of LLC “Severneft-Urengoy” to dispose of certain property has been restricted. As this injunction only applies to the sale of the property, such measures have no bearing on the Group’s ongoing activity. Management believes that the claims of “Reverta AS” against assets of the Group’s subsidiary to be without merit. An application has been filed and its consideration is scheduled for the beginning of June 2013.

vi Operating environment of the Group

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

The Russian Federation continues to display certain characteristics of an emerging market, including relatively high inflation and interest rates. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation.

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

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

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

The Group holds, among other licences, valid licences for the exploration and development of potash, apatite and hydrocarbon deposits issued by the relevant government authorities of the Russian Federation. Under the terms of these licences, the Group is required to comply with a number of conditions, including preparation of design documentation, commencement of construction of mining facilities and commencement of extraction of mineral resources by certain dates. If the Group fails to materially comply with the terms of the licence agreements there are circumstances whereby the licences can be revoked. Management of the Group believes that the Group faces no material regulatory risks in relation to the validity and operation of any of its licences.

24 Subsequent events

Investment in associate

On 24 April 2013 the Group finalised the acquisition of a 47.67% interest in the share capital of OJSC "Murmansk Commercial Seaport" represented by 53,943 voting shares for RR 3,113,859 thousand. The Group made a prepayment of RR 2,522,755 thousand for the acquistion of a 38.62% interest representing 43,703 voting shares in December 2012 and in April 2013 additionally acquired a 9.05%, interest representing 10,240 voting shares, for RR 591,104 thousand.

Purchase of treasury shares

In April 2013 the Group bought back 106,383 of its own shares from EuroChem Group S.E., the parent company of the Group, for RR 626,102 thousand paid in cash. These shares represented 0.16% of the issued share capital of the Company.