EUROCHEM GROUP

INTERNATIONAL ACCOUNTING STANDARD No. 34

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

30 JUNE 2019

Contents

EuroChem Group AG

Zug

Review Report to the Board of Directors on the consolidated condensed interim financial information as of and for the six-month period ended 30 June 2019

Report on the Review of consolidated condensed interim financial information to the Board of Directors of EuroChem Group AG Zug

Introduction

We have reviewed the accompanying consolidated condensed interim financial information (statement of financial position, statement of profit or loss, statement of comprehensive income, statement of cash flows, statement of changes in equity and notes) of EuroChem Group AG as of and for the six-month period ended 30 June 2019. The Board of Directors is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers AG

J. Burgener

A Bashelkhanova

Joanne Burgener
Audit Expert
Auditor in charge

Ariuna Bashelkhanova

Zug, 31 July 2019

Enclosure:
Consolidated condensed interim financial information (statement of financial position, statement of profit or loss, statement of comprehensive income, statement of cash flows, statement of changes in equity and notes) as of and for the six-month periods ended 30 June 2019.

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(all amounts are presented in thousands of US dollars, unless otherwise stated)

	Note	30 June 2019	31 December 2018
ASSETS			
Non-current assets:			
Property, plant and equipment	6	7,717,052	6,666,090
Mineral rights		362,917	315,753
Goodwill		481,435	475,797
Intangible assets		87,967	102,838
Investment in associates and joint ventures		31,210	38,198
Originated loans		982	3,864
Restricted cash	9	29,010	2,276
Derivative financial assets	14	8,268	-
Deferred income tax assets		80,324	82,613
Other non-current assets		76,901	71,011
Total non-current assets		**8,876,066**	**7,758,440**
Current assets:			
Inventories	7	1,122,379	1,044,690
Trade receivables	8	416,756	366,836
Prepayments, other receivables and other current assets	8	299,557	289,201
Income tax receivable		11,910	15,428
Restricted cash	9	2,709	2,850
Derivative financial assets	14	34	1,126
Fixed-term deposits	9	131	1,801
Cash and cash equivalents	9	328,093	341,911
Assets classified as held for sale		6,564	-
Total current assets		**2,188,133**	**2,063,843**
TOTAL ASSETS		**11,064,199**	**9,822,283**
LIABILITIES AND EQUITY			
Equity attributable to owners of the parent:			
Share capital	10	111	111
Cumulative currency translation differences		(1,872,646)	(2,403,963)
Retained earnings and other reserves		7,190,399	6,578,487
		5,317,864	**4,174,635**
Non-controlling interests		1,296	117
Total equity		**5,319,160**	**4,174,752**
Non-current liabilities:			
Bank borrowings and other loans received	11	1,972,794	2,003,275
Project Finance	12	471,300	420,070
Bonds issued	13	1,122,617	1,211,261
Derivative financial liabilities	14	9,679	57,103
Deferred income tax liabilities		241,860	212,721
Other non-current liabilities and deferred income		250,471	178,057
Total non-current liabilities		**4,068,721**	**4,082,487**
Current liabilities:			
Bank borrowings and other loans received	11	291,497	371,133
Project Finance	12	42,504	21,612
Bonds issued	13	361,471	215,850
Derivative financial liabilities	14	30,795	12,629
Trade payables		502,864	470,264
Other accounts payable and accrued expenses		377,645	407,191
Income tax payable		32,342	37,539
Other taxes payable		37,200	28,826
Total current liabilities		**1,676,318**	**1,565,044**
Total liabilities		**5,745,039**	**5,647,531**
TOTAL LIABILITIES AND EQUITY		**11,064,199**	**9,822,283**

The accompanying notes on pages 6 to 27 are an integral part of this consolidated condensed interim financial information.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

	Note	Six months ended 30 June 2019	Six months ended 30 June 2018
Sales	15	3,046,239	2,670,645
Cost of sales	16	(1,822,571)	(1,661,192)
Gross profit		**1,223,668**	**1,009,453**
Distribution costs	17	(419,477)	(367,342)
General and administrative expenses	18	(102,896)	(109,264)
Other operating income/(expenses), net	19	(67,408)	(22,127)
Operating profit		**633,887**	**510,720**
Share of profit/(loss) from associates and joint ventures, net		435	1,784
Gain/(loss) from disposal of subsidiaries, net		-	(25,263)
Interest income		4,531	4,615
Interest expense		(76,442)	(66,643)
Financial foreign exchange gain/(loss), net		121,055	(63,977)
Other financial gain/(loss), net	20	48,032	(73,244)
Profit before taxation		**731,498**	**287,992**
Income tax expense	21	(119,364)	(77,931)
Profit		**612,134**	**210,061**
Profit/(loss) attributable to:			
Owners of the parent		611,912	210,076
Non-controlling interests		222	(15)
		612,134	**210,061**
Earnings per share – basic and diluted	22	611.91	210.08

(all amounts are presented in thousands of US dollars, unless otherwise stated)

	Note	Six months ended 30 June 2019	Six months ended 30 June 2018
Profit		**612,134**	**210,061**
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods			
Currency translation differences		531,728	(506,921)
Share of other comprehensive income/(loss) of associates and joint ventures, net		(314)	(230)
Total other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**531,414**	**(507,151)**
Total comprehensive income/(loss)		**1,143,548**	**(297,090)**
Total comprehensive income/(loss) attributable to:			
Owners of the parent		1,143,229	(297,070)
Non-controlling interests		319	(20)
		1,143,548	**(297,090)**

(all amounts are presented in thousands of US dollars, unless otherwise stated)

	Note	Six months ended 30 June 2019	Six months ended 30 June 2018
Operating profit		633,887	510,720
Income tax paid		(107,585)	(43,963)
Operating profit less income tax paid		**526,302**	**466,757**
Depreciation and amortisation	18	178,965	155,857
(Gain)/loss on disposals, impairment and write-off of property, plant and equipment, net		2,006	5,536
Change in provision for impairment of receivables (incl. ECL allowance) and provision for obsolete and damaged inventories, net		5,368	920
Other non-cash (income)/expenses, net		61,416	(11,775)
Gross cash flow		**774,057**	**617,295**
Cash proceeds/(payments) on operation derivatives, net		823	(2,816)
Changes in operating assets and liabilities:			
Trade receivables		(47,653)	(52,319)
Advances to suppliers		(9,613)	32,351
Other receivables		(213)	(22,906)
Inventories		(37,289)	(156,588)
Trade payables		(19,667)	42,974
Advances from customers		(41,853)	45,610
Other payables		(25,338)	(15,003)
Restricted cash		(26,727)	18,285
Net cash – operating activities		**566,527**	**506,883**
Cash flows from investing activities			
Capital expenditure on property, plant and equipment and intangible assets		(463,851)	(545,043)
Other payments related to mineral rights		(533)	(5,546)
Acquisition of subsidiaries, net of cash acquired		(4,949)	-
Proceeds from sale of property, plant and equipment		1,224	168
Net change in fixed-term deposits		1,660	(8)
Originated loans		(30)	(264)
Repayment of originated loans		3,000	-
Interest received		2,876	4,207
Other investing activities		30,407	(1,646)
Net cash – investing activities		**(430,196)**	**(548,132)**
Free cash inflow/(outflow)		**136,331**	**(41,249)**
Cash flows from financing activities			
Proceeds from bank borrowings and other loans received		523,908	1,291,364
Funds received under the Project Finance Facilities	12	93,746	90,172
Repayment of bank borrowings and other loans received		(652,523)	(996,970)
Repayment of the Project Finance Facility	12	(14,283)	(750,000)
Proceeds from bonds, net of transaction costs		990,743	-
Repayment of bonds		(978,694)	(79,727)
Prepaid and additional transaction costs related to bank borrowings and bonds		(7,830)	(2,004)
Prepaid and additional transaction costs related to the Project Finance Facilities		(4,852)	(4,701)
Interest paid		(102,112)	(126,765)
Cash proceeds/(payments) on derivatives, net	14	16,390	26,943
Capital contribution		-	600,000
Payments of lease liabilities		(4,088)	-
Other financial activities		(12,921)	(2,555)
Net cash – financing activities		**(152,516)**	**45,757**
Effect of exchange rate changes on cash and cash equivalents		2,367	(11,562)
Net increase/(decrease) in cash and cash equivalents		**(13,818)**	**(7,054)**
Cash and cash equivalents at the beginning of the period	**9**	**341,911**	**228,613**
Cash and cash equivalents at the end of the period	**9**	**328,093**	**221,559**

The accompanying notes on pages 6 to 27 are an integral part of this consolidated condensed interim financial information.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

	Attributable to owners of the parent					
	Share capital	Cumulative currency translation differences	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
Balance at 31 December 2017	**111**	**(1,347,833)**	**5,419,931**	**4,072,209**	**165**	**4,072,374**
Adjustment due to change in accounting policy for transportation expenses	-	-	26,218	26,218	-	26,218
Adjustment due to adoption of IFRS 9	-	-	(3,150)	(3,150)	-	(3,150)
Balance at 1 January 2018, adjusted	**111**	**(1,347,833)**	**5,442,999**	**4,095,277**	**165**	**4,095,442**
Comprehensive income/(loss)						
Profit/(loss)	-	-	210,076	210,076	(15)	210,061
Other comprehensive income/(loss)						
Currency translation differences	-	(506,916)	-	(506,916)	(5)	(506,921)
Share of other comprehensive income/(loss) of associates and joint ventures, net	-	(230)	-	(230)	-	(230)
Total other comprehensive income/(loss)	-	**(507,146)**	**-**	**(507,146)**	**(5)**	**(507,151)**
Total comprehensive income/(loss)	-	**(507,146)**	**210,076**	**(297,070)**	**(20)**	**(297,090)**
Disposal of subsidiaries	**-**	**25,878**	**(25,878)**	**-**	**-**	**-**
Transactions with owners						
Capital contribution	-	-	600,000	600,000	-	600,000
Total transactions with owners	**-**	**-**	**600,000**	**600,000**	**-**	**600,000**
Balance at 30 June 2018	**111**	**(1,829,101)**	**6,227,197**	**4,398,207**	**145**	**4,398,352**
Balance at 1 January 2019	**111**	**(2,403,963)**	**6,578,487**	**4,174,635**	**117**	**4,174,752**
Comprehensive income/(loss)						
Profit/(loss)	-	-	611,912	611,912	222	612,134
Other comprehensive income/(loss)						
Currency translation differences	-	531,631	-	531,631	97	531,728
Share of other comprehensive income/(loss) of associates and joint ventures, net	-	(314)	-	(314)	-	(314)
Total other comprehensive income/(loss)	**-**	**531,317**	**-**	**531,317**	**97**	**531,414**
Total comprehensive income/(loss)	**-**	**531,317**	**611,912**	**1,143,229**	**319**	**1,143,548**
Transactions with owners						
Acquisition of additional interest in subsidiary	-	-	-	-	860	860
Total transactions with owners	**-**	**-**	**-**	**-**	**860**	**860**
Balance at 30 June 2019	**111**	**(1,872,646)**	**7,190,399**	**5,317,864**	**1,296**	**5,319,160**

1 The EuroChem Group and its operations

The EuroChem Group comprises the parent entity, EuroChem Group AG (the "Company") and its subsidiaries (collectively the "Group" or "EuroChem Group"). The Company was incorporated under the laws of Switzerland on 16 July 2014 and has its registered office at: Baarerstrasse, 37, 6300, Zug, Switzerland.

A company that holds business interests beneficially for Mr. Andrey Melnichenko indirectly owns 100% of AIM Capital S.E., registered in the Republic of Cyprus (31 December 2018: 100%), which in turn owns 90% (31 December 2018: 90%) of the share capital of EuroChem Group AG, the remaining 10% of the Company are held indirectly by Mr. Dmitry Strezhnev (31 December 2018: 10%).

The Group's principal activity is the production of mineral fertilizers (nitrogen-, potash- and phosphate-based) as well as mineral extraction (apatite, phosphate rock, iron-ore, baddeleyite and potash), and the operation of a distribution network. The Group is developing two potassium salt deposits. Production of potassium fertilizers began at Verkhnekamskoe deposit in the first half of 2018. The Group's main production facilities are located in Russia, Lithuania, Belgium, Kazakhstan and China (the joint venture's production facilities). The Group's distribution assets are located globally across Europe, Russia, North and Latin America, Central and South-East Asia.

2 Basis of preparation, significant accounting policies and adoption of new or revised standards

Basis of presentation*.* This consolidated condensed interim financial information for the six months ended 30 June 2019 has been prepared in accordance with IAS 34 "Interim Financial Reporting"; it supplements the annual consolidated financial statements for the year ended 31 December 2018 prepared in accordance with International Financial Reporting Standards.

The principal accounting policies and significant judgments and estimates applied therein are consistent with those of the consolidated financial statements for the year ended 31 December 2018, except for the adoption of new and amended standards that became effective on 1 January 2019 as described below.

Changes in presentation. For the segment reporting, sales to Mexico were reallocated from Latin America to North America (Note 5).

At 30 June 2019, the official exchange rates were: US$ 1 = RUB 63.0756, US$ 1 = EUR 0.8783 (31 December 2018: US$ 1 = RUB 69.4706, US$ 1 = EUR 0.8743). Average rates for the six months ended 30 June 2019 were: US$ 1 = RUB 65.3384, US$ 1 = EUR 0.8849 (six months ended 30 June 2018: US$ 1 = RUB 59.3536, US$ 1 = EUR 0.8258).

Adoption of new and amended standards. Effective 1 January 2019, the Group adopted IFRS 16 "Leases" using the modified retrospective approach allowing not to restate the comparative information but rather recognise the cumulative effect of the initial application in the opening retained earnings.

As at 1 January 2019, the Group recognised right-of-use assets of US$68,649 thousand, which comprise corresponding lease liabilities adjusted by prepaid payments and capitalised initial direct costs related to lease contracts and recognised in the statement of financial position before 1 January 2019 with no effect on opening retained earnings.

As at the transition date the lease liability was measured as the present value of fixed lease payments in accordance with the lease contract that are not paid at the commencement date. At the transition date lease payments were discounted at a weighted average incremental borrowing rate varied from 4.5% to 9.0% depending on a subsidiary's country of domicile. In determining the lease term the management applied judgment in cases where contracts provide for the possibility of extending or terminating the lease.

Leases. The Group assesses whether a contract is a lease based on the fact that it transfers the right to control the use of an underlying asset for a period of time in exchange for consideration. Lease contracts are mainly represented by the land lease contracts.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

2 Basis of preparation, significant accounting policies and adoption of new or revised standards (continued)

Right-of-use assets. The Group recognises a right-of-use asset and a corresponding lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost comprising of the lease liability, lease payments made at or before the commencement date, any initial direct costs and other lease related costs.

The right-of-use asset is depreciated on a straight-line basis from the commencement date to the earlier of: the end of the useful life of the underlying asset or the end of the lease term. The lease term may include periods covered by an option to extend (or terminate) the lease, whenever the lease is reasonably certain to be extended (or not terminated). Management assesses extension and termination options of the leases on a regular basis.

The right-of-use asset is subject to testing for impairment, whenever there are indications that the asset may be impaired.

Right-of-use assets are accounted for within “Property, plant and equipment” in the consolidated statement of financial position.

Short-term lease (with a lease term of 12 months or less) as well as lease of low-value assets is recognised as an expense in the consolidated statement of profit or loss over the period of the lease.

Lease liabilities. The lease liability is initially measured at the present value of fixed lease payments that are not paid at the commencement date. Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee’s individual incremental borrowing rate is used.

The lease liability is subsequently measured at amortised cost using the effective interest method and remeasured in case of change in the lease term, lease modification or revised lease payments. The amount of remeasurement is recognised as a change in the carrying value of right-of-use assets.

Current portion of lease liabilities is included in “Other accounts payable and accrued expenses” and non-current portion is included in “Other non-current liabilities and deferred income” of the consolidated statement of financial position.

The right-of-use assets mainly comprised land plots and buildings lease contracts and amounted to US$68,649 as at 1 January 2019. Movements in the carrying amount of right-of-use assets for the six months ended 30 June 2019 were as follows:

	Right-of-use assets
Balance at 1 January 2019	**68,649**
Additions	600
Additions through business combination	675
Depreciation charge for the period	(4,962)
Currency translation differences	1,664
Balance at 30 June 2019	**66,626**

The leases resulting from lease contracts which are not capitalised were as follows:

	Six months ended 30 June 2019
Variable lease	1,175
Short-term lease	686
Low-value assets lease	542
Total leases	**2,403**

(all amounts are presented in thousands of US dollars, unless otherwise stated)

2 Basis of preparation, significant accounting policies and adoption of new or revised standards (continued)

Lease liabilities comprise current and non-current portions as follows:

	30 June 2019	1 January 2019
Current	8,935	8,175
Non-current	57,324	59,009
Total lease liabilities	**66,259**	**67,184**

Interest expense accrued on lease liabilities amounted to US$2,179 thousand for the six months ended 30 June 2019.

The lease liabilities mature:

	30 June 2019	1 January 2019
Less than 1 year	8,935	8,175
Between 1 and 5 years	23,375	24,512
More than 5 years	33,949	34,497
Total lease liabilities	**66,259**	**67,184**

In accordance with IAS 17 “Leases”, at 31 December 2018 the Group disclosed future minimum undiscounted lease payments under non-cancellable operating lease contracts amounted to US$105,808 thousand. Upon transition to IFRS 16 “Leases”, future lease payments of US$38,624 thousand were not included in the measurement of lease liabilities as being variable payments and not dependent on an index or a rate. Resulting from lease terms revision for other leases and use of professional judgment in accordance with requirements of the new standard, the recognised liability was increased in approximately the same amount and was decreased due to the effect of discounting and prepaid payments, recognised in the statement of financial position before 1 January 2019. Therefore, the Group recognised lease liabilities of US$67,184 thousand.

3 New or revised standards and interpretations

Other new amendments and improvements to standards set out below became effective 1 January 2019 and did not have any impact or did not have a material impact on the Group’s consolidated condensed interim financial information:

- Annual improvements to IFRSs 2015-2017 cycle;
- IFRIC 23 “Uncertainty over Income Tax Treatments”;
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation;
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures;
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement.

A number of new standards, amendments to standards and interpretations are not yet effective as at 30 June 2019, and have not been early adopted by the Group:

- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- IFRS 17 “Insurance contracts”;
- Amendments to the Conceptual Framework for Financial Reporting;
- Amendments to IAS 1 and IAS 8 – Definition of materiality.

The following new standards, amendments to standards and interpretations were early adopted by the Group starting from the annual period beginning on 1 January 2019:

- Amendments to IFRS 3 – Definition of a business.

Unless otherwise described above, the new standards, amendments to standards and interpretations are expected to have no impact or to have a non-material impact on the Group’s consolidated condensed interim financial information.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

4 Fair value of financial instruments

Financial instruments measured subsequently at fair value. The fair values of derivative financial instruments carried at fair value through profit or loss, which typically include foreign exchange forward contracts, cross currency interest rate swaps, commodity swaps etc., are based on recurring mark-to-market valuations provided by the financial institutions which deal in these financial instruments. The fair value of derivative financial assets and liabilities were included in Level 2 of the fair value hierarchy.

Financial assets and liabilities measured subsequently at amortised cost. The fair value of loans and borrowings, Project Finance and issued bonds at 30 June 2019 and 31 December 2018 are disclosed in Notes 11, 12 and 13. The fair value of other financial assets and liabilities carried at amortised cost approximates their carrying value.

The Group's financial assets and liabilities were as follows:

	30 June 2019	31 December 2018
Financial assets		
Non-current financial assets		
Restricted cash	29,010	2,276
Originated loans	982	3,864
Derivative financial assets	8,268	-
Other non-current assets including:		
Long-term receivables due to sale of subsidiaries	-	9,431
Other assets	4,012	4,012
Total non-current financial assets	**42,272**	**19,583**
Current financial assets		
Restricted cash	2,709	2,850
Trade receivables	416,756	366,836
Derivative financial assets	34	1,126
Other receivables and other current assets including:		
Other receivables	16,962	27,426
Collateral held by banks to secure derivative transactions	1,308	-
Interest receivables	305	580
Fixed-term deposits	131	1,801
Cash and cash equivalents	328,093	341,911
Total current financial assets	**766,298**	**742,530**
Total financial assets	**808,570**	**762,113**

(all amounts are presented in thousands of US dollars, unless otherwise stated)

4 Fair value of financial instruments (continued)

	30 June 2019	31 December 2018
Financial liabilities		
Non-current financial liabilities		
Bank borrowings and other loans received	1,972,794	2,003,275
Bonds issued	1,122,617	1,211,261
Project Finance	471,300	420,070
Derivative financial liabilities	9,679	57,103
Other non-current liabilities including:		
Contingent liability related to business combination	135,085	122,866
Long-term portion of deferred payables related to acquisition of additional interest in subsidiary	-	1,821
Long-term portion of deferred payables related to mineral rights acquisition	12,093	11,088
Lease liabilities	57,590	-
Total non-current financial liabilities	**3,781,158**	**3,827,484**
Current financial liabilities		
Bank borrowings and other loans received	291,497	371,133
Project Finance	42,504	21,612
Bonds issued	361,471	215,850
Derivative financial liabilities	30,795	12,629
Trade payables	502,864	470,264
Other accounts payable and accrued expenses including:		
Interest payables	29,962	27,457
Short-term part of lease payables	8,669	-
Short-term portion of deferred payables related to business combinations and acquisition of additional interest in subsidiary	1,868	1,500
Short-term portion of deferred payables related to mineral rights acquisition	2,044	1,460
Total current financial liabilities	**1,271,674**	**1,121,905**
Total financial liabilities	**5,052,832**	**4,949,389**

As required by the amendment to IAS 7 "Statement of cash flows", the Group presents the reconciliation of movements in liabilities arising from financing activities:

	Bank borrowings and other loans received	Bonds issued	Project Finance	Interest payable	Total
Balance at 1 January 2019	**2,374,408**	**1,427,111**	**441,682**	**27,457**	**4,270,658**
Cash flows					
Proceeds	523,908	990,743	93,746	-	1,608,397
Repayments	(652,523)	(978,694)	(14,283)	-	(1,645,500)
Prepaid of additional transaction costs	(1,436)	(6,394)	(4,852)	-	(12,682)
Interest paid	-	-	-	(102,112)	(102,112)
Non-cash flows					
Loans acquired in a business combination	2,834	-	-	587	3,421
Interest expenses accrued	-	-	-	103,141	103,141
Amortisation of transaction costs	3,265	4,263	9,376	-	16,904
Financial foreign exchange (gain)/loss, net	5,453	(32,729)	(57,649)	(456)	(85,381)
Currency translation difference, net	8,382	83,497	45,784	1,345	139,008
Other movements	-	(3,709)	-	-	(3,709)
Balance at 30 June 2019	**2,264,291**	**1,484,088**	**513,804**	**29,962**	**4,292,145**

(all amounts are presented in thousands of US dollars, unless otherwise stated)

4 Fair value of financial instruments (continued)

	Bank borrowings and other loans received	Bonds issued	Project Finance	Interest payable	Total
Balance at 1 January 2018	**1,880,610**	**1,599,504**	**959,373**	**29,604**	**4,469,091**
Cash flows					
Proceeds	1,291,364	-	90,172	-	1,381,536
Repayments	(996,970)	(79,727)	(750,000)	-	(1,826,697)
Prepaid of additional transaction costs	(1,975)	(29)	(4,701)	-	(6,705)
Interest paid	-	-	-	(126,765)	(126,765)
Non-cash flows					
Interest expenses accrued	-	-	-	125,502	125,502
Amortisation of transaction costs	1,770	1,696	25,461	-	28,927
Financial foreign exchange (gain)/loss, net	(40,213)	42,216	86,898	1,149	90,050
Currency translation difference, net	(12,952)	(91,788)	(89,724)	(2,617)	(197,081)
Balance at 30 June 2018	**2,121,634**	**1,471,872**	**317,479**	**26,873**	**3,937,858**

(all amounts are presented in thousands of US dollars, unless otherwise stated)

5 Segment information

The Group has a vertically integrated business model conducted by three operating divisions, representing reportable segments, which are *Mining, Fertilizers* and *Commercial*:

- *Mining* division encompasses the extraction of ores to obtain apatite, baddeleyite, iron-ore concentrates and phosphorite; as well as the potash production at the Verkhnekamskoe deposit that started in 2018 and the development of the second potassium salt deposit (potash) at the Gremyachinskoe deposit. The Division also includes the exploration and subsequent development of hydrocarbons fields;
- *Fertilizers* division includes the production of mineral fertilizers (nitrogen, phosphate, potash and complex) and industrial products;
- *Commercial* division is responsible for the sale of the complete range of products produced by the Group as well as third-party products through the Group's global distribution network spanning across Europe, Russia, North and Latin America, Central and South-East Asia. The Division also covers all supply chain operations including transportation services, purchase and delivery of raw materials and finished goods, as well as freight forwarding and other logistic services.

Since 2019, the Logistics and Sales divisions were integrated in Commercial Division. The operating results for the six months ended 30 June 2019 and 30 June 2018 were presented accordingly.

Starting 2019, the Oil & Gas division was included in the Group's corporate structure as a part of Mining division, the operating results for the six months ended 30 June 2019 were presented in the Mining division. The comparative information for the six months ended 30 June 2018 was not changed as being immaterial.

Activities not assigned to a particular division are reported in "Other". These include certain service activities, central management and other items. All intersegment transactions and unrealised profit in inventory from intragroup sales are eliminated through "Elimination".

The review of financial reports of the Group, evaluation of the operating results and allocation of resources between the operating divisions are performed by the Management Board (considered to be the chief operating decision maker in the Group). The development and approval of strategies, market and risk analysis, investment focus, technological process changes are undertaken mostly in accordance with the operating divisions. Budgets and financial reports are prepared in a standard format according to the IFRS accounting policy adopted by the Group. Sales between divisions are carried out on an arm's length basis.

The Management Board assesses the performance of the operating divisions based on, among other factors, a measure of EBITDA (profit before taxation adjusted by interest expense, depreciation and amortisation, financial foreign exchange gain or loss, other non-cash and one-off items, excluding profit attributed to non-controlling interests), allocated by division according to internal rules. Since the EBITDA term is not a standard IFRS measure, EuroChem Group's definition of EBITDA may differ from that of other companies.

The division results for the six months ended 30 June 2019 were:

	External sales	Internal sales	Total sales	EBITDA
Mining	9,204	459,509	468,713	237,746
Fertilizers	40,197	1,706,344	1,746,541	507,363
Commercial	2,988,941	117,769	3,106,710	98,409
Other	15,800	5,327	21,127	(70,480)
Elimination	(7,903)*	(2,288,949)	(2,296,852)	46,028
Total	**3,046,239**	-	**3,046,239**	**819,066**

* Elimination of revenue earned before an asset is ready for its intended use

(all amounts are presented in thousands of US dollars, unless otherwise stated)

5 Segment information (continued)

The division results for the six months ended 30 June 2018 were:

	External sales	Internal sales	Total sales	EBITDA
Mining	7,114	303,730	310,844	125,270
Fertilizers	31,249	1,606,412	1,637,661	431,157
Commercial	2,631,096	82,339	2,713,435	162,670
Other	1,186	6,946	8,132	(40,553)
Elimination	-	(1,999,427)	(1,999,427)	(1,745)
Total	**2,670,645**	**-**	**2,670,645**	**676,799**

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

		Six months ended	
	Note	30 June 2019	30 June 2018
EBITDA		**819,066**	**676,799**
Depreciation and amortisation	18	(178,965)	(155,857)
(Impairment)/reversal of impairment/(write-off) of idle property, plant and equipment	16, 19	(1,470)	(518)
Non-recurring income/(expenses), net	19	-	(3,290)
Gain/(loss) from disposal of subsidiaries, net		-	(25,263)
Interest expense		(76,442)	(66,643)
Financial foreign exchange gain/(loss), net		121,055	(63,977)
Other financial gain/(loss), net	20	48,032	(73,244)
Non-controlling interests		222	(15)
Profit before taxation		**731,498**	**287,992**

The main Group's manufacturing facilities are based in Russia, Lithuania, Belgium, Kazakhstan and China (joint venture's production facilities).

The analysis of Group sales by region was:

	Six months ended	
	30 June 2019	30 June 2018
Europe	889,385	811,477
Latin America	537,878	379,359
Russia	581,520	529,704
North America	570,204	436,324
Asia Pacific	269,947	303,084
CIS*	156,636	147,163
Africa	40,669	63,534
Total sales	**3,046,239**	**2,670,645**

* including associate states

The sales are allocated to regions based on the destination country. During the six months ended 30 June 2019, the Group had sales in excess of 10% to Russia, the United States of America and Brazil, representing 19.1%, 15.0% and 14.4% of total revenues, respectively (six months ended 30 June 2018: sales to Russia and the United States of America, representing 19.8% and 14.2% of the total revenues, respectively).

During the six months ended 30 June 2019 and 30 June 2018, there were no sales in excess of 10% to one customer.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

6 Property, plant and equipment

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

	Note	2019	2018
Carrying amount at 1 January		**6,666,090**	**6,918,004**
Including advances given to construction companies and suppliers of property, plant and equipment		*345,180*	*435,692*
Adjustment due to adoption of IFRS 16	2	68,649	-
Carrying amount at 1 January, adjusted		**6,734,739**	**6,918,004**
Additions		550,106	659,052
Additions through business combination		3,653	-
Disposals		(1,760)	(5,186)
Disposal of assets due to sale of subsidiary		-	(5,278)
Depreciation charge for the period		(184,917)	(160,083)
(Impairment)/(write-off) of idle property, plant and equipment	16, 19	(1,470)	(518)
Currency translation differences		616,701	(559,505)
Carrying amount at 30 June		**7,717,052**	**6,846,486**
Including advances given to construction companies and suppliers of property, plant and equipment		*92,038*	*367,431*

Borrowing costs capitalised

During the six months ended 30 June 2019, borrowing costs totalling US$43,603 thousand were capitalised in property, plant and equipment at an average interest rate of 5.20% p.a. (six months ended 30 June 2018: US$86,606 thousand capitalised at an average interest rate of 6.54% p.a.).

Payables to suppliers of property, plant and equipment and construction companies

As at 30 June 2019, trade payables included payables to suppliers of property, plant and equipment and construction companies amounting to US$165,959 thousand (31 December 2018: US$123,116 thousand). Trade payables included payables with irrevocable documentary letter of credit with a deferred term of payment opened in the amount of US$110,615 thousand (31 December 2018: US$72,120 thousand) under the contracts with the construction companies.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

7 Inventories

	30 June 2019	31 December 2018
Finished goods	725,404	682,656
Materials	234,638	225,227
Catalysts	91,551	79,667
Work in progress	77,924	63,921
Less: provision for obsolete and damaged inventories	(7,138)	(6,781)
Total inventories	**1,122,379**	**1,044,690**

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

	30 June 2019	31 December 2018
Trade receivables		
Trade receivables denominated in US$	240,798	233,414
Trade receivables denominated in EUR	57,983	59,214
Trade receivables denominated in RUB	104,690	64,082
Trade receivables denominated in other currencies	40,528	32,460
Less: credit loss allowance	(27,243)	(22,334)
Total trade receivables	**416,756**	**366,836**
Prepayments, other receivables and other current assets		
Advances to suppliers	111,984	96,722
VAT recoverable and receivable	125,703	134,110
Other taxes receivable	6,020	4,032
Other receivables and other current assets	67,026	67,080
Collateral held by banks to secure derivative transactions	1,308	-
Interest receivable	305	580
Less: provision for impairment	(12,789)	(13,323)
Total prepayments, other receivables and other current assets	**299,557**	**289,201**
Total trade receivables, prepayments, other receivables and other current assets	**716,313**	**656,037**

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

	30 June 2019	31 December 2018
Cash on hand*	911	5,777
Bank balances denominated in US$	70,394	96,829
Bank balances denominated in RUB	5,458	16,827
Bank balances denominated in EUR	40,667	91,140
Bank balances denominated in other currencies	12,304	10,110
Term deposits denominated in US$	158,561	77,214
Term deposits denominated in RUB	10,747	9,467
Term deposits denominated in EUR	3,247	296
Term deposits denominated in other currencies	25,804	34,251
Total cash and cash equivalents	**328,093**	**341,911**
Fixed-term deposits in different currencies	131	1,801
Total fixed-term deposits	**131**	**1,801**
Current restricted cash	2,709	2,850
Non-current restricted cash	29,010	2,276
Total restricted cash	**31,719**	**5,126**

* Includes cash on hand denominated in different currencies.

9 Cash and cash equivalents, fixed-term deposits and restricted cash (continued)

Term deposits as at 30 June 2019 and 31 December 2018 were held to meet short-term cash needs and had various original maturities but could be withdrawn on request without any restrictions.

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

At 30 June 2019, non-current restricted cash consisted of US$26,757 thousand (31 December 2018: nil) held in a debt service reserve account as required by the Project Finance Facility Agreement (Note 12) and US$1,835 thousand held in bank accounts as security deposits for third parties (31 December 2018: US$1,865 thousand) and US$418 thousand held in deposit against possible environmental obligations in compliance with the statutory rules of the Republic of Kazakhstan (31 December 2018: US$411 thousand).

At 30 June 2019, current restricted cash consisted of US$2,709 thousand held at banks under regulatory requirements for state contracts (31 December 2018: US$1,896 thousand). There was no restricted cash at 30 June 2019 received under targeted loan agreements with a state industrial development fund (31 December 2018: US$954 thousand).

10 Equity

Share capital. As at 30 June 2019 and 31 December 2018, the nominal registered amount of the Company's issued share capital in Swiss francs ("CHF") was CHF 100 thousand (US$111 thousand). The total authorised number of ordinary shares is 1,000 shares with a par value of CHF 100 (US$111) per share. All authorised shares were issued and fully paid in 2014.

Dividends. During the six months ended 30 June 2019 and 30 June 2018 the Group did not declare or pay dividends.

Capital contribution. In 2016, the Group signed an agreement and subsequently several amendments with the parent company AIM Capital S.E. to receive a capital contribution in a form of a perpetual loan up to US$1 billion with the availability period to 31 December 2020. In 2016 and in 2018 the Group received the funds of US$250 million and US$600 million, respectively.

Other reserves within "Retained earnings and other reserves". At 30 June 2019 and 31 December 2018, other reserves of the Company included a cash contribution of US$5,000 thousand from AIM Capital S.E., the parent company.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

11 Bank borrowings and other loans received

Currency and rate	Interest rate 2019*	Interest rate 2018*	30 June 2019	31 December 2018
Current loans and borrowings				
Short-term unsecured bank loans				
US$ with floating rate	4.53% - 5.26%	4.11% - 5.42%	88,609	85,402
US$ with fixed rate	3.71% - 4.85%	3.08% - 4.85%	78,258	171,363
EUR with floating rate	1.50%	-	4,726	-
RUB with fixed rate	8.30% - 10.20%	8.30% - 10.20%	13,630	11,152
BRL with fixed rate	7.50%	-	9,555	-
Current portion of unsecured long-term bank loans				
US$ with floating rate	3.93% - 4.60%	4.67%	84,811	45,955
RUB with fixed rate	8.75%	7.60%	556	45,703
BRL with fixed rate	6.80%	-	13,091	-
ARS with fixed rate	22.00%	19.00% - 36.50%	1	213
Current portion of secured long-term bank loans				
BRL with floating rate	-	10.13%	-	59
BRL with fixed rate	2.94%	2.94% - 6.80%	524	13,550
Less: short-term portion of transaction costs			(2,264)	(2,264)
Total current loans and borrowings			**291,497**	**371,133**

Currency and rate	Interest rate 2019*	Interest rate 2018*	30 June 2019	31 December 2018
Non-current loans and borrowings				
Long-term unsecured bank loans				
US$ with floating rate	3.93% - 4.23%	3.98% - 4.01%	920,000	1,020,000
US$ with fixed rate	3.85% - 4.75%	3.45% - 4.75%	650,000	550,000
Long-term unsecured targeted loans				
RUB with fixed rate	5.00%	5.00%	22,730	21,592
Long-term portion of unsecured bank loans				
US$ with floating rate	3.93% - 4.60%	4.67%	340,189	379,053
RUB with fixed rate	7.70% - 8.75%	7.70%	50,927	45,271
ARS with fixed rate	-	22.00%	-	2
Long-term portion of secured bank loans				
BRL with fixed rate	2.94%	2.94%	1,266	1,504
Less: long-term portion of transaction costs			(12,318)	(14,147)
Total non-current loans and borrowings			**1,972,794**	**2,003,275**
Total loans and borrowings			**2,264,291**	**2,374,408**

* Contractual interest rate on 30 June 2019 and 31 December 2018, respectively.

11 Bank borrowings and other loans received (continued)

According to IFRS 7, Financial Instruments: Disclosures, an entity shall disclose the fair value of financial liabilities. The fair value of short-term bank borrowings and borrowings bearing floating interest rates is not materially different from their carrying amounts.

The fair value of the long-term borrowings bearing a fixed interest rate is estimated based on expected cash flows discounted at a prevailing market interest rate. As at 30 June 2019 the total fair value of long-term loans with fixed interest rates was more than their carrying amount by US$11,693 thousand (31 December 2018: the fair value of long-term loans was less than their carrying amount by US$10,481 thousand).

Under the terms of the 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. The Group was in compliance with covenants during the reporting periods and as at 30 June 2019 and 31 December 2018.

Interest rates and outstanding amounts of major loans and borrowings

In December 2018, the Group signed a US$150 million uncommitted revolving credit facility with a Russian bank. The funds through this facility may be obtained in multiple currencies. As at 30 June 2019, the outstanding amount was US$150 million (31 December 2018: US$150 million).

In June 2018, the Group signed a US$820 million committed credit facility bearing a floating interest rate and maturing in July 2021. As at 30 June 2019, the outstanding amount was US$820 million (31 December 2018: US$820 million).

In March 2018, the Group signed a US$200 million committed credit facility bearing a floating interest rate and maturing in April 2022. As at 30 June 2019, the outstanding amount was US$200 million (31 December 2018: US$200 million).

In 2017, the Group signed a US$750 million unsecured credit facility bearing a floating interest rate and maturing in September 2022. As at 30 June 2019, the outstanding amount was US$225 million (31 December 2018: US$425 million).

In 2014, the Group signed an uncommitted revolving credit facility with a Russian bank. The funds through this facility may be obtained in multiple currencies. As at 30 June 2019, the outstanding amount was US$500 million (31 December 2018: US$500 million).

Undrawn facilities

As at 30 June 2019, the below facilities had no outstanding balances and are available to the Group:

- US$125 million committed revolving credit facility bearing a floating interest rate, signed in December 2017, maturing in December 2019;
- US$125 million uncommitted revolving credit facility bearing a floating interest rate, signed in April 2016, maturing in March 2020;
- US$100 million uncommitted revolving credit facility bearing a floating interest rate, signed in May 2012, maturing in May 2020.

Collaterals and pledges

As at 30 June 2019, loans of a Brazilian subsidiary totalling US$1,790 thousand were collateralised by property, plant and equipment with the carrying value of US$7,160 thousand (31 December 2018: loans of US$15,113 thousand were collateralised by property, plant and equipment with the carrying value of US$17,155 thousand).

As at 30 June 2019 and 31 December 2018, all other bank borrowings and loans received listed in Note 11 were not secured.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

12 Project Finance

Due to the non-recourse nature of the Project Finance facilities they are excluded from financial covenant calculations in accordance with the Group's various debt, project, finance, legal and other documents and are presented as a separate line "Project Finance" in the consolidated interim statement of financial position.

Ammonia project in Kingisepp. In 2015, the Group signed a EUR 557 million non-recourse 13.5-year Project Finance Facility with a floating interest rate based on 3-month Euribor to finance the construction of an ammonia plant in Kingisepp, Russia.

During the six months ended 30 June 2019, the Group received funds under the Facility of EUR 82,939 thousand (US$93,746 thousand) (six months ended 30 June 2018: EUR 73,793 thousand (US$90,172 thousand)) and made the first repayment in amount of EUR 12,778 thousand (US$14,283 thousand).

As at 30 June 2019, the outstanding balance was US$513,804 thousand shown net of transaction costs of US$104,222 thousand (31 December 2018: US$441,682 thousand shown net of transaction costs of US$98,916 thousand). The contractual interest rate as at 30 June 2019 was 1.3% p.a. (31 December 2018: 1.3% p.a.).

The fair value of this Facility was not materially different from its carrying amount.

As at 30 June 2019, in compliance with terms of the facility agreement the Group held US$ 26,757 thousand on a debt service reserve account (31 December 2018: nil) (Note 9).

As at 30 June 2019 and 31 December 2018, under the terms of the facility agreement 100% of the shares in EuroChem Northwest JSC, the project owner and wholly-owned subsidiary of the Group, were pledged as collateral. The carrying value of the total assets of the company pledged under the Facility related to the project amounted to US$1,145,837 thousand as at 30 June 2019 (31 December 2018: US$946,059 thousand).

During the six months ended 30 June 2019, the EBITDA of the subsidiary under the Ammonia project was positive of US$19,845 thousand (six months ended 30 June 2018: negative of US$2,492 thousand).

13 Bonds issued

				30 June 2019		31 December 2018	
Currency	Rate	Coupon rate, p.a.	Maturity	Fair value	Carrying amount	Fair value	Carrying amount
Current bonds issued							
US$	Fixed	3.80%	2020	124,073	124,128	-	-
RUB	Fixed	8.75%	2020	239,712	237,810	-	-
RUB	Fixed	10.60%	2019	-	-	217,948	215,919
Less: transaction costs				-	(467)	-	(69)
Total current bonds issued				**363,785**	**361,471**	**217,948**	**215,850**
Non-current bonds issued							
US$	Fixed	5.50%	2024	735,077	700,000	-	-
US$	Fixed	3.95%	2021	128,274	128,046	486,265	500,000
US$	Fixed	3.80%	2020	-	-	493,520	500,000
RUB	Fixed	8.55%	2022	305,744	301,226	-	-
RUB	Fixed	8.75%	2020	-	-	217,862	215,919
Less: transaction costs				-	(6,655)	-	(4,658)
Total non-current bonds issued				**1,169,095**	**1,122,617**	**1,197,647**	**1,211,261**
Total bonds issued				**1,532,880**	**1,484,088**	**1,415,595**	**1,427,111**

US$-denominated bonds and RUB-denominated bonds were listed on the Irish Stock Exchange and the Moscow Exchange, respectively. The fair value of the bonds was determined with reference to their market quotations or executable prices.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

13 Bonds issued (continued)

In March 2019, the Group completed a tender offer for its 3.80% US$-denominated loan participation notes and 3.95% US$-denominated guaranteed notes with total nominal value of US$1 billion, which were partially redeemed at total nominal value of US$748 million, with a simultaneous new issue of US$ -denominated guaranteed notes at a nominal value of US$700 million bearing a semi-annual coupon rate of 5.50% per annum to finance the purchase of notes under the tender offer. The new US$700 million bonds issue matures in March 2024.

In April 2019, the Group issued RUB-denominated bonds totalling RUB 19 billion bearing a semi-annual coupon rate of 8.55% per annum maturing in April 2022.

In April 2019 10.60% RUB-denominated bonds were redeemed at maturity in full amount of US$234,577 thousand or RUB 15,000 million.

In July 2019, the Group made two issues of RUB-denominated bonds totalling RUB 10 billion each bearing a semi-annual coupon rate of 7.85% per annum and maturing in January and July 2023, respectively.

14 Derivative financial assets and liabilities

At 30 June 2019, net derivative financial assets and liabilities were:

	Assets		Liabilities	
	Non-current	Current	Non-current	Current
Commodity collars	-	-	-	4,580
Commodity swaps	-	-	-	482
EUR/US$ non-deliverable forward contracts with a nominal amount of EUR 143 million	-	-	8,535	4,658
BRL/US$ non-deliverable forward contracts with a nominal amount of US$36 million	-	34	-	251
Cross currency interest rate swaps	8,268	-	1,144	20,824
Total	**8,268**	**34**	**9,679**	**30,795**

At 31 December 2018, net derivative financial assets and liabilities were:

	Assets		Liabilities	
	Non-current	Current	Non-current	Current
RUB/US$ deliverable forward contracts with a nominal amount of RUB 8,287 million	-	806	-	1,278
RUB/US$ non-deliverable forward contracts with a nominal amount of RUB 1,500 million	-	-	-	1,101
EUR/US$ non-deliverable forward contracts with a nominal amount of EUR 164 million	-	-	6,869	3,187
BRL/US$ non-deliverable forward contracts with a nominal amount of US$145 million	-	74	-	2,464
RUB/US$ swap contracts with a nominal amount of RUB 2,000 million	-	246	-	-
Cross currency interest rate swaps	-	-	50,234	4,599
Total	**-**	**1,126**	**57,103**	**12,629**

(all amounts are presented in thousands of US dollars, unless otherwise stated)

14 Derivative financial assets and liabilities (continued)

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

	1 January 2019	Gain/(loss) from changes of fair value, net	Cash (proceeds)/ payments on derivatives, net	Currency translation difference	30 June 2019
Operating activities	**(3,901)**	**(531)**	**(823)**	**(24)**	**(5,279)**
Commodity collars	-	(4,580)	-	-	(4,580)
Commodity swaps	-	(482)	-	-	(482)
Foreign exchange deliverable and non-deliverable forward contracts, net	(3,901)	4,531	(823)	(24)	(217)
Financing activities	**(64,705)**	**54,202**	**(16,390)**	**-**	**(26,893)**
Foreign exchange deliverable and non-deliverable forward contracts, net	(10,118)	5,503	(8,578)	-	(13,193)
Foreign exchange swap contracts, net	246	2,723	(2,969)	-	-
Cross currency interest rate swaps, net	(54,833)	45,976	(4,843)	-	(13,700)
Total derivative financial assets and liabilities, net	**(68,606)**	**53,671**	**(17,213)**	**(24)**	**(32,172)**

Changes in the fair value of derivatives, which are entered into for the purpose of mitigating risks linked to cash flows from operating activities of the Group, are recognised in “Other operating income/(expenses), net” (Note 19), foreign currency derivative contracts are recognised in “Foreign exchange gain/(loss) from operating activities, net” and commodity collars and swaps are recognised in “Other operating income/(expenses), net”.

Changes in the fair value of derivatives, which are entered into for the purpose of hedging the financing and investing cash flows, are recognised in “Other financial gain/(loss), net” (Note 20).

Cross currency interest rate swaps

Outstanding at the beginning of the year, RUB/US$ cross currency interest rate swap agreement with a notional amount of RUB 3,175 million matured in June 2019 and RUB/US$ cross currency interest rate swap agreement with a notional amount of RUB 3,145 million matures in September 2020.

Outstanding at the beginning of the year, RUB/US$ swap contracts with total notional amount of RUB 2,000 million matured in April 2019.

In March 2019, the Group signed RUB/US$ cross currency interest rate swap agreements with total notional amount of RUB 19,000 million, which mature in April 2022.

Foreign exchange non-deliverable forward contracts

Outstanding at the beginning of the year, EUR/US$ non-deliverable forward contracts with total notional amount of EUR 21 million matured in the period from February to May 2019.

Outstanding at the beginning of the year, RUB/US$ non-deliverable forward contract with a notional amount of RUB 1,500 million matured in January 2019.

Foreign exchange deliverable forward contracts

Outstanding at the beginning of the year, RUB/US$ deliverable forward contracts with total notional amount of RUB 8,287 million matured in the period from March to April 2019.

(all amounts are presented in thousands of US dollars, unless otherwise stated)

15 Sales

	Six months ended			
	30 June 2019		30 June 2018	
	Sales volume (thousand metric tonnes)	Sales (thousand US$)	Sales volume (thousand metric tonnes)	Sales (thousand US$)
Nitrogen products	**4,693**	**1,156,076**	**4,386**	**996,908**
Nitrogen fertilizers	4,687	1,154,857	4,378	995,480
Other products	6	1,219	8	1,428
Phosphate and complex fertilizers	**2,679**	**1,113,335**	**2,604**	**1,042,104**
Phosphate fertilizers	1,098	484,560	1,138	484,968
Complex fertilizers	1,390	542,009	1,260	469,312
Feed phosphates	191	86,766	206	87,824
Potash fertilizers	**389**	**146,308**	**136**	**47,920**
Mining products	**3,016**	**261,475**	**2,914**	**208,306**
Iron ore concentrate	2,934	235,461	2,910	190,454
Other products	82	26,014	4	17,852
Industrial products	**997**	**309,226**	**909**	**299,183**
Other sales	**-**	**59,819**	**-**	**76,224**
Logistic services	-	17,899	-	24,449
Other products	-	8,067	-	27,825
Other services	-	33,853	-	23,950
Total sales		**3,046,239**		**2,670,645**

The sales of fertilizers, mining and industrial products for the six months ended 30 June 2019 included US$147,769 thousand of revenues from delivery of these products to customers (six months ended 30 June 2018: US$135,331 thousand).

16 Cost of sales

	Six months ended	
	30 June 2019	30 June 2018
Raw materials	602,832	592,544
Goods for resale	634,662	628,857
Other materials	102,828	94,390
Energy	97,044	92,458
Utilities and fuel	47,451	42,579
Labour, including contributions to social funds	133,745	124,706
Depreciation and amortisation	148,208	129,306
Repairs and maintenance	23,795	26,632
Production overheads	36,029	39,715
Property tax, rent payments for land and related taxes	16,136	8,691
Impairment /(reversal of impairment)/write-off of idle property, plant and equipment, net	83	16
Provision/(reversal of provision) for obsolete and damaged inventories, net	(251)	(253)
Changes in work in progress and finished goods	(26,525)	(121,906)
Other costs/(compensations), net	6,534	3,457
Total cost of sales	**1,822,571**	**1,661,192**

17 Distribution costs

	Six months ended	
	30 June 2019	30 June 2018
Transportation	318,022	268,955
Labour, including contributions to social funds	46,461	43,704
Depreciation and amortisation	22,406	20,375
Repairs and maintenance	2,120	3,679
Provision/(reversal of provision) for impairment of receivables, net	4,705	1,310
Other costs	25,763	29,319
Total distribution costs	**419,477**	**367,342**

(all amounts are presented in thousands of US dollars, unless otherwise stated)

18 General and administrative expenses

	Six months ended	
	30 June 2019	30 June 2018
Labour, including contributions to social funds	59,641	66,653
Depreciation and amortisation	8,351	6,176
Audit, consulting and legal services	9,857	6,399
Bank charges	1,793	1,722
Social expenditure	1,017	1,339
Repairs and maintenance	635	1,124
Provision/(reversal of provision) for impairment of receivables, net	914	(137)
Other expenses	20,688	25,988
Total general and administrative expenses	**102,896**	**109,264**

The total depreciation and amortisation expenses included in the consolidated interim statement of profit or loss amounted to US$178,965 thousand (six months ended 30 June 2018: US$155,857 thousand).

The total labour costs (including social expenses) included in the consolidated interim statement of profit or loss amounted to US$239,847 thousand (six months ended 30 June 2018: US$235,063 thousand).

19 Other operating income and expenses

	Six months ended	
	30 June 2019	30 June 2018
Sponsorship	6,996	3,858
(Gain)/loss on disposal of property, plant and equipment and intangible assets, net	928	5,384
Foreign exchange (gain)/loss from operating activities, net	49,220	16,562
Impairment/(reversal of impairment)/write-off of idle property, plant and equipment, net	1,387	502
(Gain)/loss on sales and purchases of foreign currencies, net	180	(2,538)
Non-recurring (income)/expenses, net	-	3,290
Other operating (income)/expenses, net	8,697	(4,931)
Total other operating (income)/expenses, net	**67,408**	**22,127**

(all amounts are presented in thousands of US dollars, unless otherwise stated)

20 Other financial gain and loss

		Six months ended	
	Note	30 June 2019	30 June 2018
Changes in fair value of cross currency interest rate swaps	14	(45,976)	56,929
Changes in fair value of foreign exchange deliverable and non-deliverable forward contracts	14	(5,503)	4,106
Change in fair value of foreign exchange swap contracts	14	(2,723)	-
Unwinding of liability from contingent consideration related to business combination		10,284	9,882
Unwinding of discount on deferred payables		304	324
Unwinding of discount on land restoration obligation		803	977
Other financial (gain)/loss, net		(5,221)	1,026
Total other financial (gain)/loss, net		**(48,032)**	**73,244**

21 Income tax

	Six months ended	
	30 June 2019	30 June 2018
Income tax expense – current	104,957	92,976
Deferred income tax – (origination)/reversal of temporary differences, net	13,950	(19,237)
Prior periods adjustments for income tax	457	4,192
Income tax expense	**119,364**	**77,931**

The Group companies are subject to tax rates depending on the country of domicile.

Subsidiaries located in Russia applied a tax rate of 20.0% on taxable profits during the six months ended 30 June 2019 (six months ended 30 June 2018: 20.0%). Several subsidiaries applied reduced income tax rates within a range from 15.5% to 19.6% according to regional tax law and agreements with regional authorities (six months ended 30 June 2018: within a range from 15.5% to 19.3%).

Under the terms of a special investment contract in respect of its ammonia project, EuroChem Northwest JSC applied the reduced income tax rate of 5% on taxable profits during the six months ended 30 June 2019.

Under the terms of the signed special investment contracts in respect of their potash projects, EuroChem-VolgaKaliy LLC and EuroChem-Usolsky potash complex LLC may apply the reduced income tax rates of 5% and 0% respectively. EuroChem-Usolsky potash complex LLC applied the reduced income tax rate of 0% for the six months ended 30 June 2019. Under the contract terms of EuroChem-VolgaKaliy LLC, the subsidiary needs to generate revenue from its primary activity to apply for the income tax rate reduction. As at 30 June 2019 the subsidiary did not generate revenue from the production, therefore the reduced income tax rate was not applied by EuroChem-VolgaKaliy LLC.

Subsidiaries located in Europe, North and Latin Americas and Asia are subject to the income tax rates ranging from 9.0% to 34.0% (six months ended 30 June 2018: 7.8% to 35.0%).

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

(all amounts are presented in thousands of US dollars, unless otherwise stated)

22 Earnings per share

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

	Six months ended	
	30 June 2019	30 June 2018
Profit for the period attributable to owners of the parent	611,912	210,076
Weighted average number of ordinary shares outstanding	1,000	1,000
Earnings per share – basic and diluted	**611.91**	**210.08**

23 Balances and transactions with related parties

The Group's related parties are considered to include the ultimate beneficiaries, affiliates and entities under common ownership and control within the Group and/or entities having common principal ultimate beneficiary. The relationships with those related parties with whom the Group entered into significant transactions or had significant balances outstanding are detailed below:

Financial statements caption	Nature of relationship	30 June 2019	31 December 2018
Consolidated interim statement of financial position			
Assets			
Other non-current assets	Other related parties*	7,500	9,431
Trade receivables	Other related parties*	2,695	1,356
Other receivables	Other related parties*	12,218	24,176
Liabilities			
Liability from contingent consideration related to business combination	Other related parties*	135,085	122,866
Non-current bonds issued	Parent company	-	27,864
Trade payables	Joint ventures	1,955	1,959
Trade payables	Other related parties*	705	2,846

Financial statements caption	Nature of relationship	Six months ended 30 June 2019	Six months ended 30 June 2018
Consolidated interim statement of profit or loss			
Sales	Joint ventures	6,970	1,243
Sales	Other related parties*	16,544	6,047
Distribution costs	Other related parties*	(10,103)	(2,827)
Other financial gain/(loss), net	Other related parties*	7,063	-
Consolidated interim statement of cash flows			
(Increase)/decrease in trade receivables	Joint ventures	269	1,011
(Increase)/decrease in trade receivables	Other related parties*	(1,268)	(491)
Increase/(decrease) in trade payables	Other related parties*	(2,253)	101
Capital expenditure on property, plant and equipment and other intangible assets	Joint ventures	(3,873)	(2,653)
Other investing activities	Other related parties*	30,054	-
Repayment of bonds issued	Parent company	(28,516)	-
Other financing activities	Other related parties*	(7,500)	-
Capital contribution (Note 10)	Parent company	-	600,000

* Other related parties are represented by the companies under common control with the Group and/or by the company ultimately controlled by one of Group's shareholders or key management personnel.

23 Balances and transactions with related parties (continued)

Management compensation. The total key management personnel compensation amounted to US$5,586 thousand and US$10,600 thousand for the six months ended 30 June 2019 and 30 June 2018, respectively. This compensation of members of the Management Board for their services in full time positions is made up of an annual fixed remuneration plus a performance bonus accrual.

24 Contingencies, commitments and operating risks

i Capital expenditure commitments

As at 30 June 2019, the Group had contractual commitments for capital expenditures of US$481,043 thousand (31 December 2018: US$499,134 thousand), including amounts denominated in RUB of US$257,705 thousand and in EUR of US$155,796 thousand, which will represent cash outflows in the next 5 years according to the contractual terms.

US$146,980 thousand and US$134,974 thousand of the total amount relate to the development of potassium salt deposits and the construction of mining facilities at the Gremyachinskoe and Verkhnekamskoe potash licence areas, respectively (31 December 2018: US$130,154 thousand and US$166,135 thousand, respectively).

US$30,857 thousand of the total amount relates to the construction of the Ammonia Plant at Kingisepp, Russia (31 December 2018: US$57,235 thousand).

ii Tax legislation

Management of the Group believes that its interpretation of the tax legislation is appropriate and the Group's tax position will be sustained.

Given the scale and international nature of the Group's business, intra-group transfer pricing and issues such as controlled foreign corporations' legislation, beneficial ownership, permanent establishment and tax residence issues, are inherent tax risks just as they are for other international businesses. Changes in tax laws or their application with respect to tax matters in the countries where the Group has subsidiaries could increase the Group's effective tax rate.

The majority of the Group's production subsidiaries are located in Russia and are required to comply with Russian tax, currency and customs legislation. 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.

Where management believes that it is probable that certain tax positions taken by the Group may not be sustained if challenged by the tax authorities, the Group recognises provisions for related taxes, interest and penalties. There were no such provisions recorded by the Group at 30 June 2019 and 31 December 2018.

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 third party and product liability, physical property damage and business interruption insurance at major production plants, as well as insurance policies related to trade operations, including export shipments, and credit insurance of certain trade debtors.

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

24 Contingencies, commitments and operating risks (continued)

As part of the Verkhnekamskoe potash project (Usolie potash) the Group has insured construction risks of all mining and surface facilities related to this project including third party liability during construction works. The insurance covers the risks of destruction and damage related to all facilities including those previously constructed starting from November 2014 to July 2020, which are not handed-over to date, including a two year guarantee period, which already started in respect of the handed-over facilities. Operational part of the Project has been insured under property and business interruption cover.

As a part of the Ammonia project at Kingisepp, the Group has insured construction risks of all facilities related to this project including third party liability, project cargo, delay-in-start up, insurance covering loan payments and compulsory insurance of hazardous objects.

iv Environmental matters

The Group's plants and operations are subject to numerous national, state and local environmental laws and regulations. The Group's management regularly evaluates its obligations under these laws and regulations and believes that the Group's plants and operations are in compliance with environmental laws and regulations. The estimated cost of known environmental obligations has been provided for in this consolidated condensed interim financial information in accordance with the Group's accounting policies.

The environmental laws and regulations are essentially complex and tend to change over time. The scope, extent and speed of this change may vary substantially in different jurisdictions. Accordingly, the Group's management system provides for ongoing monitoring of the key trends in applicable environmental laws and regulations. Though it is inherently difficult to estimate precisely all costs associated with current and newly proposed environmental requirements, the Group's management does not expect these costs to have a material effect on the Group's financial position or liquidity.

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.

vi Operating environment of the Group

The Group operates in the fertilizer industry with production assets in Russia, Lithuania, Belgium, Kazakhstan, China and sales networks in Europe, Russia, the CIS, North and Latin America, Central and South-East Asia. The highly competitive nature of the market makes prices of the Group's key 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 amounts owed or fulfil obligations undertaken.

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

Under the terms of valid licences for the exploration and development of mineral resource deposits, the Group is required to comply with a number of conditions, including preparation of design documentation, commencement of the construction of mining facilities and commencement of the extraction of mineral resources by certain dates. If the Group fails to materially comply with the terms of the licence agreements there are circumstances whereby the licences can be revoked. 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.