EUROCHEM GROUP

INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2020

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Report of the statutory auditor

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Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of EuroChem Group AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

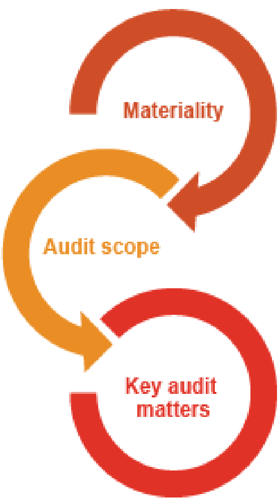
Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: USD 55 million

We conducted a full scope audit at 11 significant reporting units audited by component teams in 6 countries.

In addition we performed an audit of significant financial statement line items of 6 reporting units, with the involvement of component teams in 2 countries.

Our audit scope addressed 86% of the Group's revenues and 88% of the Group's total assets.

As key audit matter the following area of focus has been identified:

Impairment assessment of the potash mine project, Gremyachinskoe in the Volgograd region (the "Potash mine project"), and related mineral rights.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	USD 55'000'000
How we determined it	5% of profit before tax, adjusted for Financial foreign exchange gain/(loss), net; Changes in fair value of financial derivatives and Reassessment of liability from contingent consideration related to business combination (Note 28) and Gain/(loss) from disposal of subsidiaries, net (Note 31). The adjustments eliminate the potential effect of short-term volatility in foreign currency rates and normalize the 2020 profit before tax given the non-recurring nature of the business combination and the disposal of subsidiaries.
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made by management; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

The Group's consolidated financial statements are prepared based on the financial information of its components, i.e. individual companies of the Group, and represent a consolidation of over 80 companies in over 20 countries comprising the Group's operating business and head office functions.

For the purpose of the Group audit, the significance of components was assessed based on the component's individual share (more than 10%) of the Group's revenue, expenses, total assets or total liabilities. If we considered a component to be significant, we performed a full scope audit, which involved an audit of its financial information based on the materiality level determined for the component in the context of the Group audit. In certain cases, when additional audit evidence for the purpose of expressing our opinion on the consolidated financial statements was required, we performed audit procedures for individual financial statement line items and types of transactions on selected components of the Group. We selected these components for audit procedures on individual balances and types of transactions separately for each financial statement line item included in the scope of our audit, considering the level of audit evidence obtained from the audit of the financial information of significant components.

In the audit process, the group engagement team worked closely with component audit teams in Switzerland, Germany, Belgium, Russian Federation, United States of America, Brazil and Lithuania. As part of providing direction and supervision over the work of the component auditors, we determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the consolidated financial statements as a whole.

For the purpose of our audit procedures over certain complex and specific areas, we also engaged specialists in taxation, IFRS application and experts in the valuation of non-current assets.

Overall, audit procedures performed at the level of significant components and other components of the Group, including testing of selected controls, detailed testing, analytical procedures and procedures on the consolidation provided us with a coverage of 86% of the Group's total revenue and 88% of the Group's total assets.

By performing the procedures at components, combined with additional procedures at the Group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the Group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of potash mine project and related mineral rights

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2020, the carrying amount of non-current assets (property, plant and equipment, construction in progress and mineral rights) related to potash mine project Gremyachinskoe in the Volgograd region (the "Potash mine project"), is US$ 1,848 million, including mineral rights of US$ 62 million. We continued to focus on the impairment assessment of the Potash mine project and related mineral rights due to the significance of these assets to the consolidated financial statements (about 21% of total non-current assets at 31 December 2020) and the subjective nature of judgements and assumptions that management are required to make in determining whether there are impairment indicators and in performing an impairment assessment, which are affected by the projected future market and economic terms that are inherently uncertain. Management considered the long-term development period, requirements for timely completion of project, possible delays in reaching full production capacity and license compliance as potential impairment indicators as at 31 October 2020 and therefore proceeded with a full impairment assessment of these assets. Management assessed the risk of possible delays in the construction and development of the potash deposit resulting from the water inflow at one of the shafts at Gremyachinskoe field, and which may result in the risk of non-compliance with the terms of the mining licenses and potential impairment of the related non-current assets. Under the impairment assessment, management updated value in use model based on discounted cash flows (DCF).	We obtained the valuation model for Potash mine project (discounted cash flow model) used by management to determine the recoverable amount of the relevant assets. We engaged our internal valuation experts to assist us in evaluating the methodology and assumptions used in the impairment assessment described below. Our audit procedures related to management's assessment of non-current assets impairment of Potash mine project and related mineral rights included: • analysis of the methodology used by management for the impairment test; • examination of the mathematical accuracy of the valuation model for the Potash mine project; • assessment of key assumptions such as macroeconomic forecasts: inflation rates, foreign exchange rates, future market potash prices, and those specific to the Group: capital investments, sales volumes and discount rate (weighted average cost of capital (WACC)) applied and whether these are in line with the approved budget and strategy – the Group's Potash Strategy for 2019 – 2023 and actual development plan of the Potash mine project, external available and reliable sources (including macroeconomic forecasts); • consideration of the accuracy of the budgeting process by comparing, on a sample basis and with the benefit of hindsight, the budgets used in prior-year

The Group's management performed analysis of the business performance, industry outlook and operational plans and calculated the recoverable amounts of non-current assets including mineral rights.

Management has compared the recoverable amount of non-current assets related to the Potash mine project, including mineral rights, determined as the value in use, with the carrying amount of these assets and concluded that no impairment should be recognised in respect of the assets as at 31 December 2020.

Refer to Note 2 'Basis of preparation and significant accounting policies', 9 'Mineral rights' and Note 8 'Property, plant and equipment' for more information.

valuation models with the actual results of the current year;

- re-performance of sensitivity analysis around the key assumptions such as future market potash prices, discount rate, sales volume, capital investments, foreign exchange rates and inflation rates to ascertain the extent of change in those assumptions that either individually or collectively would be required for the non-current assets and mineral rights to be impaired;

- obtaining management's and Board of Directors' written representations related to the impairment test including their position in relation to the partial water inflow and its effect for the overall development of the Potash mine project.

Our audit procedures in relation to management's assessment of the risk of possible delays in the construction and development of the potash deposit, which may result in the risk of non-compliance with the terms of the mining licenses and potential impairment of the related non-current assets and mineral rights, comprised:

- testing of compliance with the key terms of the licenses, including analysis of supporting documentation provided by management to confirm that all key dates and key terms stated in the licenses have been complied with, on a sample basis;

- interviews with geologists responsible for the Potash mine project and discussion of the stage of the mining processes, as well as the current estimate of reserves;

- obtaining confirmation from the management and the Board of Directors that they regularly monitor the status of the development stage of the Potash mine project, the company (EuroChem-VolgaKaliy, LLC) is ready to execute the terms of the licenses with respect to mining conditions, all required reports have been submitted on a timely basis and there have been no issues of non-compliance with the terms of mining licenses.

Based on the above procedures, we found that the key assumptions and judgements used for the assessment of impairment for the Potash mine project in the Volgograd region are reasonable, consistently applied and supported by the available evidence. Finally, we compared the recoverable amount of the non-current assets related to the Potash mine project, including mineral rights, determined as their value in use, with the carrying amount of these assets. As a result of the performed procedures we are satisfied that audit evidence obtained supports management's assessment that no impairment is required.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements of EuroChem Group AG and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we perform, we conclude that there is a material misstatement of this other information, we will be required to report that fact.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

J. Burgener

Joanne Burgener

Audit expert
Auditor in charge

Maria Kotlyarenko

Maria Kotlyarenko

Zug, 1 February 2021

Enclosure:

- Consolidated financial statements (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes)

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

	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets:			
Property, plant and equipment	8	7,668	8,191
Mineral rights	9	311	365
Goodwill	10	467	469
Intangible assets	11	64	75
Investment in associates and joint ventures		24	25
Originated loans	31	1	1
Restricted cash	14	45	37
Derivative financial assets	19	12	59
Deferred income tax assets	29	123	76
Other non-current assets		35	74
Total non-current assets		**8,750**	**9,372**
Current assets:			
Inventories	12	1,081	1,170
Trade receivables	13	493	444
Prepayments, other receivables and other current assets	13	624	336
Income tax receivable		23	11
Originated loans	31	30	-
Restricted cash	14	28	4
Derivative financial assets	19	59	9
Cash and cash equivalents	14	546	313
Total current assets		**2,884**	**2,287**
TOTAL ASSETS		**11,634**	**11,659**
LIABILITIES AND EQUITY			
Equity attributable to owners of the parent:			
Share capital	15	-	-
Treasury shares	15	(785)	(785)
Cumulative currency translation differences		(2,646)	(1,826)
Hedging reserve	15	34	-
Retained earnings and other reserves		8,078	7,590
		4,681	**4,979**
Non-controlling interests		2	2
Total equity		**4,683**	**4,981**
Non-current liabilities:			
Bank borrowings and other loans received	16	1,588	1,405
Project Finance	17	433	435
Bonds issued	18	1,869	1,661
Derivative financial liabilities	19	104	7
Deferred income tax liabilities	29	263	287
Other non-current liabilities and deferred income	20	120	311
Total non-current liabilities		**4,377**	**4,106**
Current liabilities:			
Bank borrowings and other loans received	16	1,267	1,086
Project Finance	17	68	54
Bonds issued	18	128	366
Derivative financial liabilities	19	28	26
Trade payables	22	527	508
Other accounts payable and accrued expenses	22	503	472
Income tax payable		18	20
Other taxes payable		35	40
Total current liabilities		**2,574**	**2,572**
Total liabilities		**6,951**	**6,678**
TOTAL LIABILITIES AND EQUITY		**11,634**	**11,659**

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

	Note	2020	2019
Sales	23	6,166	6,184
Cost of sales	24	(3,609)	(3,810)
Gross profit		**2,557**	**2,374**
Distribution costs	25	(1,018)	(913)
General and administrative expenses	26	(263)	(242)
Other operating income/(expenses), net	27	71	(42)
Operating profit		**1,347**	**1,177**
Share of profit/(loss) from associates and joint ventures, net		(1)	1
Gain/(loss) from disposal of subsidiaries, net		190	-
Interest income		6	10
Interest expense		(254)	(175)
Financial foreign exchange gain/(loss), net		(441)	168
Other financial gain/(loss), net	28	(286)	58
Profit before taxation		**561**	**1,239**
Income tax expense	29	(66)	(223)
Profit		**495**	**1,016**
Profit attributable to:			
Owners of the parent		494	1,015
Non-controlling interests		1	1
		495	**1,016**
Earnings per share – basic and diluted	30	0.55	1.06

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

	Note	2020	2019
Profit		**495**	**1,016**
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods			
Currency translation differences		(827)	579
Effective portion of changes in fair value of cash flow hedges, net of deferred tax	19	(14)	-
Transfer of changes in fair value of cash flow hedges to profit or loss, net of deferred tax	19	48	-
Share of other comprehensive income/(loss) of associates and joint ventures, net		1	(1)
Currency translation differences on disposed subsidiaries reclassified to profit or loss	31	6	-
Total other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**(786)**	**578**
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods			
Remeasurements of post-employment benefit obligations, net of tax		(2)	(3)
Change in fair value of financial assets measured at fair value through other comprehensive income		(4)	-
Total other comprehensive income/(loss) for the period that will not be reclassified to profit or loss in subsequent periods		**(6)**	**(3)**
Total other comprehensive income/(loss)		**(792)**	**575**
Total comprehensive income/(loss)		**(297)**	**1,591**
Total comprehensive income/(loss) attributable to:			
Owners of the parent		(298)	1,590
Non-controlling interests		1	1
		(297)	**1,591**

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

	Note	2020	2019
Operating profit		1,347	1,177
Income tax paid		(120)	(180)
Operating profit less income tax paid		**1,227**	**997**
Depreciation and amortisation	26	441	389
(Gain)/loss on disposals, impairment and write-off of property, plant and equipment, net		13	11
Change in provision for impairment of receivables (incl. ECL allowance) and provision for obsolete and damaged inventories, net		(2)	5
Other non-cash (income)/expenses, net		(58)	76
Gross cash flow		**1,621**	**1,478**
Cash proceeds/(payments) on operating derivatives, net		(35)	3
Changes in operating assets and liabilities:			
Trade receivables		(92)	(82)
Advances to suppliers		(17)	-
Other receivables		(20)	(62)
Inventories		(19)	(109)
Trade payables		63	(19)
Advances from customers		78	10
Other payables		18	7
Restricted cash		(41)	(36)
Net cash – operating activities		**1,556**	**1,190**
Cash flows from investing activities			
Capital expenditure on property, plant and equipment and intangible assets		(1,163)	(937)
Purchase of mineral rights		-	(11)
Other payments related to mineral rights		(5)	(2)
Proceeds from sale of interest in associate		3	3
Acquisition of subsidiaries, net of cash acquired		-	(5)
Deferred compensation related to business combination, paid	31	(241)	-
Proceeds from sale of property, plant and equipment		2	2
Disposal of cash balances due to sale of subsidiaries		(10)	-
Cash proceeds/(payments) on derivatives, net		(32)	-
Net change in fixed-term deposits		-	2
Originated loans	31	(152)	-
Repayment of originated loans	31	120	3
Interest received		5	8
Other investing activities		3	44
Net cash – investing activities		**(1,470)**	**(893)**
Free cash inflow/(outflow)		**86**	**297**
Cash flows from financing activities			
Proceeds from bank borrowings and other loans received	6	1,823	1,258
Funds received under the Project Finance Facilities		-	94
Repayment of bank borrowings and other loans received		(1,443)	(1,160)
Repayment of Project Finance Facility	17	(66)	(36)
Proceeds from bonds, net of transaction costs		470	1,507
Repayment of bonds		(333)	(979)
Prepaid and additional transaction costs related to bank borrowings and bonds		(14)	(10)
Prepaid and additional transaction costs related to Project Finance Facilities		(6)	(6)
Interest paid		(232)	(211)
Cash proceeds/(payments) on derivatives, net	19	(22)	23
Purchase of treasury shares	15	-	(785)
Dividends paid to non-controlling interests in subsidiaries		(1)	-
Payments of lease liabilities		(11)	(10)
Other financial activities		(5)	(8)
Net cash – financing activities		**160**	**(323)**
Effect of exchange rate changes on cash and cash equivalents		(13)	(3)
Net increase/(decrease) in cash and cash equivalents		**233**	**(29)**
Cash and cash equivalents at the beginning of the period	**14**	**313**	**342**
Cash and cash equivalents at the end of the period	**14**	**546**	**313**

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

	Attributable to owners of the parent						
	Treasury shares	Cumulative currency translation differences	Hedging reserve	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
Balance at 1 January 2019	-	**(2,404)**	-	**6,578**	**4,174**	-	**4,174**
Comprehensive income/(loss)							
Profit	-	-	-	1,015	1,015	1	1,016
Other comprehensive income/(loss)							
Currency translation differences	-	579	-	-	579	-	579
Share of other comprehensive income/(loss) of associates and joint ventures, net	-	(1)	-	-	(1)	-	(1)
Remeasurements of post-employment benefit obligations, net of tax	-	-	-	(3)	(3)	-	(3)
Total other comprehensive income/(loss)	-	**578**	-	**(3)**	**575**	-	**575**
Total comprehensive income/(loss)	-	**578**	-	**1,012**	**1,590**	**1**	**1,591**
Transactions with owners							
Purchase of treasury shares (Note 15)	(785)	-	-	-	(785)	-	(785)
Acquisition of subsidiary	-	-	-	-	-	1	1
Total transactions with owners	**(785)**	-	-	-	**(785)**	**1**	**(784)**
Balance at 31 December 2019	**(785)**	**(1,826)**	-	**7,590**	**4,979**	**2**	**4,981**
Balance at 1 January 2020	**(785)**	**(1,826)**	-	**7,590**	**4,979**	**2**	**4,981**
Comprehensive income/(loss)							
Profit	-	-	-	494	494	1	495
Other comprehensive income/(loss)							
Currency translation differences	-	(827)	-	-	(827)	-	(827)
Effective portion of changes in fair value of cash flow hedges, net of deferred tax	-	-	(14)	-	(14)	-	(14)
Transfer of changes in fair value of cash flow hedges to profit or loss, net of deferred tax	-	-	48	-	48	-	48
Share of other comprehensive income/(loss) of associates and joint ventures, net	-	1	-	-	1	-	1
Currency translation differences on disposed subsidiaries reclassified to to profit or loss	-	6	-	-	6	-	6
Change in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	(4)	(4)	-	(4)
Remeasurements of post-employment benefit obligations, net of tax	-	-	-	(2)	(2)	-	(2)
Total other comprehensive income/(loss)	-	**(820)**	**34**	**(6)**	**(792)**	-	**(792)**
Total comprehensive income/(loss)	-	**(820)**	**34**	**488**	**(298)**	**1**	**(297)**
Transactions with owners							
Dividends paid to non-controlling interests in subsidiaries	-	-	-	-	-	(1)	(1)
Total transactions with owners	-	-	-	-	-	**(1)**	**(1)**
Balance at 31 December 2020	**(785)**	**(2,646)**	**34**	**8,078**	**4,681**	**2**	**4,683**

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.

These consolidated financial statements were granted with approval and confirmed as accurate by the Board of Directors of the Company on 1 February 2021.

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 2019: 100%), which in turn owns 90% of the share capital of EuroChem Group AG (31 December 2019: 90%). The remaining 10% of the share capital is held by a Group's wholly-owned subsidiary (Note 15) (31 December 2019: 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 develops two potassium salts deposits in Perm and Volgograd region, potash production at Verkhnekamskoe deposit (Perm region) began in 2018. The Group's main production facilities are located in Russia, Lithuania, Belgium and Kazakhstan. The Group's distribution assets are located globally across Europe, Russia, North and Latin America, Central and South-East Asia.

2 Basis of preparation and significant accounting policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value and derivative financial instruments, which are accounted for at fair value.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, apart from the changes in accounting policies as described below.

Presentation. All amounts in these consolidated financial statements are presented in millions of US dollars, unless otherwise stated, thus some amounts may be not disclosed being less than US$1 million. The presentation of comparatives was changed accordingly.

***Application of hedge accounting*.** Starting 2020, the Group applied prospectively hedge accounting requirements of IFRS 9 "Financial instruments".

The Group's derivative instruments comprise forward and swap contracts, commodity swaps and collars, freight swaps that can be used as cash flow hedges. Derivative instruments designated as cash flow hedges are disclosed in Note 19. The Group does not have fair value hedges.

Hedge effectiveness is determined at the inception of the hedge relationship and on the ongoing basis to ensure that economic relationship exists between the hedging instrument and hedged item.

Changes in the fair value of effective hedging instruments are recognised in other comprehensive income and accumulated within a hedging reserve in equity. Any cumulative gain or loss on the hedging instrument is reclassified to profit or loss (to "Other operating income/(expenses), net" or "Other financial gain/(loss), net", depending on cash flows being hedged), when the opposite effect arises from the hedge item. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Changes in the fair value of derivative financial instruments to which hedge accounting is not applied are recognised immediately in profit or loss.

2 Basis of preparation and significant accounting policies (continued)

Functional and presentation currency. The functional currency of each of the Group's entities is the currency of the primary economic environment in which the entity operates.

While the Company's functional currency is the US dollar ("US$"), the functional currency for each of the Group's subsidiaries is determined separately. The functional currency of subsidiaries located in Russia is the Russian rouble ("RUB"); the functional currency of subsidiaries located in the Eurozone is the Euro ("EUR"), the functional currency of subsidiaries in North America and in Switzerland carrying trading activities is the US$.

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

Foreign exchange gains and losses that relate to cash and cash equivalents, bank borrowings, third party loans, intragroup loans, bonds issued and deposits are presented in the consolidated statement of profit or loss in a separate line "Financial foreign exchange gain/(loss), net". All other foreign exchange gains and losses mainly arising on working capital and operating derivative financial instruments (Note 19) are presented in the consolidated statement of profit or loss within "Other operating income/(expenses), net".

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

The presentation currency of the Group is the US$ since the management considers the US$ to be more appropriate for the understanding and comparability of consolidated financial statements. The results and financial position of each of the Group's subsidiaries were translated to the presentation currency as required by IAS 21 "The Effects of Changes in Foreign Exchange Rates":

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

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

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

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

At 31 December 2020, the official exchange rates were: US$ 1 = RUB 73.8757, US$ 1 = EUR 0.8147 (31 December 2019: US$ 1 = RUB 61.9057, US$ 1 = EUR 0.8928). Average rates for the year ended 31 December 2020 were: US$ 1 = RUB 72.1464, US$ 1 = EUR 0.8750 (2019: US$ 1 = RUB 64.7362, US$ 1 = EUR 0.8929).

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

2 Basis of preparation and significant accounting policies (continued)

The acquisition method of accounting is used to account for business combinations. The Group determines whether a transaction is a business combination based on the fact that the assets acquired and liabilities assumed constitute a business. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income or generating other income from ordinary activities. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The Group measures non-controlling interest on a transaction-by-transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

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

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

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

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

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

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the consolidated statement of changes in equity.

Disposals of subsidiaries and associates. When the Group ceases to have control or significant influence, any retained interest is remeasured to its fair value at the date when control or significant influence is lost, with the change in carrying amount recognised in profit or loss.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The cost of replacing major parts or components of property, plant and equipment items is capitalised and the replaced part is retired. Minor repair and maintenance costs are expensed when incurred.

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

2 Basis of preparation and significant accounting policies (continued)

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

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

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

Depreciation. Land as well as assets under construction is not depreciated. Depreciation of other items of property, plant and equipment (other than oil and gas and mining assets) is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives from the time they are ready for use:

	Depreciation method	Useful lives in years (for straight-line method)
Buildings and land improvements	straight-line/unit-of-production	15 to 85
Transfer devices	straight-line/unit-of-production	25 to 50
Machinery and equipment	straight-line	2 to 35
Transport	straight-line	5 to 40
Other items	straight-line	1 to 15

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

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

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

Development expenditures. Development expenditures incurred by the Group are capitalised and accumulated separately in the assets under construction category for each area of interest in which economically recoverable resources have been identified. Such expenditures comprise cost directly attributable to the construction of a mine and the related infrastructure.

Stripping costs. The Group separates two types of stripping costs related to mining activity: a) stripping activity asset; and b) current stripping costs. Stripping costs incurred to obtain an access to the ore body during the pre-production phase or improve access to further quantities of minerals are capitalised into stripping activity asset within "Property, plant and equipment" which is subsequently amortised over the life of the mine. Current stripping costs incurred in order to mine mineral ore only in current period are expensed as incurred and presented in profit or loss within "Cost of sales".

2 Basis of preparation and significant accounting policies (continued)

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

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

Leases. The Group assesses whether a contract is a lease based on the fact that the Group obtains 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.

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 presented within “Property, plant and equipment” in the consolidated statement of financial position.

The payments related to short-term leases (with a lease term of 12 months or less) as well as leases of low-value assets are recognised as an expense in the consolidated statement of profit or loss as incurred 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 remeasured in case of change in the lease term, lease modification or revised lease payments.

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.

Goodwill. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. The carrying value of CGU containing goodwill is compared to the relevant amount, which is the higher of value in use and the fair value less cost of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

2 Basis of preparation and significant accounting policies (continued)

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

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

Mineral resources are recognised as assets when acquired as part of a business combination and then depleted using the unit-of-production method based on total proved mineral reserves. Proved mineral reserves reflect the economically recoverable quantities which can be legally recovered in the future from known mineral deposits and were determined by independent professional appraisers when acquired as part of a business combination and are subject to updates in future periods.

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

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

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

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

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

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

Impairment of non-financial assets. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Financial instruments – key measurement terms. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price. The quoted market price used to value financial assets is the current bid price; the quoted market price for financial liabilities is the current asking price.

2 Basis of preparation and significant accounting policies (continued)

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses *("ECL")*. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification and subsequent measurement of financial assets. The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For debt instruments, the subsequent measurement depends on the business model in which the investment is held:

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gains or losses arising from derecognition are recognised directly in profit or loss.

Assets that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI).

2 Basis of preparation and significant accounting policies (continued)

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss (FVPL). For more details on assets at FVPL, please refer to ***Derivative financial instruments*** (below) and ***Application of hedge accounting*** (above).

For investments in equity instruments that are not held for trading, when the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI, there is no subsequent reclassification of gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss within "Dividend income", when the Group's right to receive payments is established. Impairment losses and reversal of impairment losses on equity investments measured at FVOCI are not reported separately from other changes in fair value.

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

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

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

Reclassification of financial assets. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. Loss allowances are measured on either of the following bases: 12-month ECLs that result from default events that are possible within the 12 months after the reporting date; and lifetime ECLs that result from all possible default events over the expected life of a financial instrument.

As permitted by IFRS 9 "Financial Instruments", the Group measures loss allowances for trade receivables applying a simplified approach at an amount equal to lifetime ECL. In calculating the expected credit loss, the Group considers the credit rating for each counterparty, adjusted with forward-looking factors specific to the debtors and economic environment in which they operate, and historical credit loss experience.

For other financial assets loss allowances are measured as 12-month ECL unless there has been a significant increase in credit risk since initial recognition or if the instrument contains a significant financing component. In those cases the allowance is based on the lifetime ECL.

The loans granted are analysed individually based on credit history of each borrower with the Group, financial performance and external credit ratings.

The Group recognises a loss allowance based on the difference between the contractual cash flows and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group has exhausted all practical recovery efforts and concluded that there is no reasonable expectation of recovery. The Group may write off financial assets that are still subject to enforcement activity when it seeks to recover amounts that are contractually due but there is no reasonable expectation of recovery.

2 Basis of preparation and significant accounting policies (continued)

Modification of financial assets. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the risks and rewards of the modified asset are substantially different as a result of the contractual modification by comparing the original and revised expected cash flows to assets. If the modified terms are substantially different, the Group derecognises the original financial asset and recognises a new asset at its fair value. If the risks and rewards do not change, the modification does not result in derecognition, the Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

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

Classification and derecognition of financial liabilities. The Group's financial liabilities have the following measurement categories: (a) derivative liabilities (see ***Derivative financial instruments*** below) and (b) other financial liabilities. Other financial liabilities are carried at amortised cost. The Group's other financial liabilities comprise "trade and other payables" and "borrowings and bonds" and "Project Finance" in the consolidated statement of financial position. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments. The Group's derivative financial instruments comprise forwards, options and swap contracts in foreign exchange, securities and commodities. Derivative financial instruments, including forward rate agreements, options and interest rate swaps, are carried at their fair value. All derivative instruments are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivative instruments are recognised in profit or loss (as financial gain/loss or operating income/expense) in the period in which they arise, unless hedge accounting requirements are applied (Note 19). Derivatives are classified as current or non-current depending on the contractual maturity of the derivative.

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right to offset (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Joint arrangements. Under IFRS 11 "Joint Arrangements", investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses, movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Basis of preparation and significant accounting policies (continued)

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with tax legislation enacted or substantively enacted by the reporting date for each country where the Group companies are registered. The income tax expense comprises current tax and deferred tax and is recognised in profit or loss unless it relates to transactions that are recognised in other comprehensive income or directly in equity.

The Group companies are subject to tax rates depending on the country of domicile (Note 29).

Current tax is the amount expected to be paid to or recovered from the tax authorities in respect of taxable profits or losses for the current and prior periods. Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in associates and joint arrangements except for deferred income tax liabilities for which the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary differences will not be reversed in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference, a deferred income tax liability is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in associates and joint arrangements only to the extent that it is probable the temporary difference will be reversed in the future and there is sufficient taxable profit available against which these temporary difference can be utilised.

Uncertain tax positions. The Group’s uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management’s best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions are recorded within the income tax charge.

2 Basis of preparation and significant accounting policies (continued)

Inventories. Inventories are recorded at the lower of cost and net realisable value. The cost of inventory for distribution companies is determined on FIFO basis by the cost of each inventory lot, for production companies – on the weighted-average basis. The cost of finished goods and work in progress comprises direct costs such as raw material, labour, other direct costs and related production overheads (based on normal operating capacity) as well as transportation expenses to the point of sale, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Factoring arrangements. The Group enters into non-recourse factoring arrangements under which trade receivables can be sold and therefore are derecognised in the full amount from trade receivables as the Group does not retain substantially all risks and rewards of ownership and no longer retain control over the asset sold. The Group continues to collect and service the receivables and then transfers to the purchaser the collected amounts of the trade receivables sold less loss reserve. Loss reserve is recognised as other receivable. Factoring fees (e.g. running costs etc.) are recognised as other financial expense.

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

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

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

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

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

In managing the business, management focuses on a number of cash flow measures including “gross cash flow” and “free cash flow”. Gross cash flow refers to the operating profit after income tax and adjusted for items which are not of a cash nature, which have been charged or credited to profit or loss. The gross cash flow is available to finance movements in operating assets and liabilities, investing and financing activities.

Free cash flows are the cash flows available to the debt or equity holders of the business.

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

Fixed-term deposits. Fixed-term deposits are deposits held with banks and have various original maturities and can be withdrawn with early notification and/or with penalty accrued or interest income forfeited. They are included in the current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current assets.

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

2 Basis of preparation and significant accounting policies (continued)

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

Capital contribution. Capital contributions received from shareholders in a form of a perpetual loan which does not require repayment, or for which the Group will be able to avoid any payments is classified as a component of equity within retained earnings and others reserves in the consolidated statement of changes in equity.

Dividends. Dividends are recognised as a liability and deducted from equity in the period in which they are declared and approved. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

Value added tax ("VAT"). Output VAT related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. VAT incurred on purchases may be offset, subject to certain restrictions, against VAT related to revenues, or can be reclaimed in cash from the tax authorities under certain circumstances. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

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

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

Provisions for liabilities and charges. Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

2 Basis of preparation and significant accounting policies (continued)

Asset retirement obligations. The Group's mining, extraction and processing activities are subject to requirements under federal, state and local environmental regulations which result in asset retirement obligations. Such retirement obligations include restoration costs primarily relating to mining and drilling operations, decommissioning of underground and surfacing operating facilities.

The present value of a liability for asset retirement obligation is recognised in the period in which it is incurred if respective costs could be reliably estimated. The estimated future land restoration costs discounted to present value, are capitalised in underlying items of property, plant and equipment and then depreciated over the useful life of such assets based on the unit-of-production method for oil and gas assets and on the straight-line basis for other assets. The unwinding of the obligation is recognised in profit or loss as part of other financial gain/loss. Actual restoration costs are recognised as expenses against the provision when incurred.

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

Revenue recognition. Revenue from contracts with customers is recognised when control of the goods or services is transferred to a customer. The amount of revenue recognised reflects the consideration the Group expects to receive in exchange for goods or services, taking into account any trade, volume and other discounts. Advances received before the control passes to a customer are recognised as the contract liabilities. There are no other contract liabilities. The amount of consideration does not contain a significant financing component as payment terms for the majority of contracts are less than one year.

Contracts with customers for the supply of products use a variety of delivery terms. In a number of contracts Group is responsible for providing shipping services after the date at which control of the goods passes to the customer at the loading point. Under IFRS 15 "Revenue from Contracts with Customers" such shipping revenue is required to be accounted for as a separate performance obligation and is recognised over time as the service is rendered. The Group allocates the transaction price to each performance obligation based on the relative stand-alone selling prices of the product and shipping services.

In the sales disclosure the revenue of certain product groups includes the proceeds from shipping services presented in the note as well. Costs related to rendering of shipping services are mainly represented by transportation expenses and included in distribution costs disclosed in the corresponding note.

Sales are shown net of VAT and other sales taxes.

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

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

A number of the Group's European subsidiaries operates defined benefit pension plans, which represent an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. Remeasurements of post-employment benefit obligations are recognised in other comprehensive income.

Earnings/(loss) per share. Earnings/(loss) per share is determined by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the reporting period.

Segment reporting. A segment is a component of the Group that is engaged in business activities from which it may earn revenues and incur expenses. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

3 Critical accounting estimates and judgements in applying accounting policies

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

Taxation. Judgments are required in determining tax liabilities (Note 32). The Group recognises liabilities for taxes based on estimates of whether additional taxes will be due. Where the final outcome of various tax matters is different from the amounts that were initially recorded, such differences will impact the tax assets and liabilities in the period in which the matter was resolved.

Deferred income tax asset recognition. The recognised deferred tax assets represent income taxes recoverable through future deductions from taxable profits and are recorded in the consolidated statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. This includes temporary difference expected to reverse in the future and the availability of sufficient future taxable profit against which the deductions can be utilised. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances (Note 29).

Related party transactions. The Group enters into transactions with related parties in the normal course of business (Note 31). These transactions are generally priced at market rates. Judgement is applied in determining whether transactions are priced at market or non-market rates where there is no active market for such transactions. Judgements are made by comparing prices for similar types of transactions with unrelated parties.

Capital contribution. The Group classified the capital contribution received from a shareholder in a form of perpetual loan which does not require repayment, or for which the Group will be able to avoid any payments as component of equity.

Recognition of 100% interest in Fertilizantes Tocantins S.A. In 2016, the Group entered into agreement with Fertilizantes Tocantins S.A., according to which the Group acquired 50% interest plus one share, and entered into put and call options for the remaining 50% interest minus one share. The judgement was applied that the risks and rewards associated with 100% interest in Fertilizantes Tocantins S.A. were transferred to the Group on 1 September 2016, thus, no non-controlling interest was recognised and the transaction was accounted for as the acquisition of 100% interest in the company. The liability payable for the remaining 50% interest minus one share was recognised and reassessed on an annual basis. In 2020, the Group completed an acquisition of 100% interest in Fertilizantes Tocantins S.A (Note 31).

4 Adoption of new or revised standards and interpretations

New amendments and improvements to standards set out below became effective 1 January 2020 (unless otherwise stated) and did not have any impact or did not have a material impact on the Group's consolidated financial statements:

- Amendments to IFRS 3 – Definition of a business. The amendment has been early adopted by the Group as of 1 January 2019.
- Amendments to the Conceptual Framework for Financial Reporting;
- Amendments to IAS 1 and IAS 8 – Definition of materiality;
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform (phase 1);
- Amendments to IFRS 16 – Covid-19-Related Rent Concessions (effective from 1 June 2020).

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2020, and have not been early adopted by the Group:

- IFRS 17 "Insurance contracts";
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IFRS 17 and an amendment to IFRS 4;
- Amendments to IAS 1 – Classification of liabilities as current or non-current, deferral of effective date;
- Narrow scope amendments to IAS 16, IAS 37 and IFRS 3 – Proceeds before intended use, Onerous contracts (cost of fulfilling a contract), Reference to the Conceptual Framework;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark reform (phase 2);
- Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 – Annual Improvements to IFRSs 2018-2020.

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 financial statements.

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

5 Principal subsidiaries, associates and joint ventures

The Group had the following principal subsidiaries, associates and joint ventures as at 31 December 2020:

Name	Nature of business	Percentage of ownership	Country of registration
EuroChem Group AG	Holding and Trading company	-	Switzerland
Subsidiaries:			
Industrial Group Phosphorite, LLC	Manufacturing	100%	Russia
Azot, JSC	Manufacturing	100%	Russia
Novomoskovsky Chlor, LLC	Manufacturing	100%	Russia
Nevinnomyssky Azot, JSC	Manufacturing	100%	Russia
EuroChem-Belorechenskie Minudobrenia, LLC	Manufacturing	100%	Russia
Kovdorsky GOK, JSC	Mining	100%	Russia
Lifosa AB	Manufacturing	100%	Lithuania
EuroChem Antwerpen NV	Manufacturing	100%	Belgium
EuroChem-VolgaKaliy, LLC	Potash project under development	100%	Russia
EuroChem-Usolsky potash complex, LLC	Mining	100%	Russia
EuroChem-ONGK, LLC	Gas project under development	100%	Russia
EuroChem Northwest, JSC	Manufacturing	100%	Russia
EuroChem North-West-2, LLC	Ammonia project under development	100%	Russia
EuroChem-Fertilizers, LLP	Mining	100%	Kazakhstan
Astrakhan Oil and Gas Company, LLC	Gas project under development	100%	Russia
EuroChem Karatau, LLP	Manufacturing	100%	Kazakhstan
Kamenkovskaya Oil and Gas Company LLP	Gas project under development	100%	Kazakhstan
EuroChem Trading GmbH	Trading	100%	Switzerland
EuroChem North America Corp.	Trading and Distribution	100%	USA
EuroChem USA, LLC	Ammonia project	100%	USA
EuroChem Agro France SAS	Distribution	100%	France
EuroChem Agro Asia Pte. Ltd.	Distribution	100%	Singapore
EuroChem Agro Iberia SL	Distribution	100%	Spain
EuroChem Agricultural Trading Hellas SA	Distribution	100%	Greece
EuroChem Agro Spa	Distribution	100%	Italy
EuroChem Agro GmbH	Distribution	100%	Germany
EuroChem Agro México SA de CV	Distribution	100%	Mexico
EuroChem Agro Hungary Kft	Distribution	100%	Hungary
Agrocenter EuroChem Srl	Distribution	100%	Moldova
EuroChem Agro Bulgaria Ead	Distribution	100%	Bulgaria
EuroChem Agro doo Beograd	Distribution	100%	Serbia
Emerger Fertilizantes S.A.	Distribution	100%	Argentina
EuroChem Comercio de Produtos Quimicos Ltda.	Distribution	100%	Brazil
Fertilizantes Tocantins S.A.	Distribution	100%	Brazil
EuroChem Agro Trading (Shenzhen) Co., Ltd.	Distribution	100%	China
EuroChem Trading RUS, LLC	Distribution	100%	Russia
Ural-RemStroiService, LLC	Repair and constructions	100%	Russia
Kingisepp RemStroiService, LLC	Repair and constructions	100%	Russia
Novomoskovsk RemStroiService, LLC	Repair and constructions	100%	Russia
Nevinnomyssk RemStroiService, LLC	Repair and constructions	100%	Russia
Berezniki Mechanical Works, JSC	Repair and constructions	100%	Russia
Tulagiprochim, JSC	Design engineering	100%	Russia
EuroChem-Project, LLC	Design engineering	100%	Russia
Harvester Shipmanagement Ltd.	Logistics	100%	Cyprus
Eurochem Logistics International, UAB	Logistics	100%	Lithuania
EuroChem Terminal Sillamäe Osaühing	Logistics	100%	Estonia
EuroChem Terminal Ust-Luga, LLC	Logistic project under development	100%	Russia
Depo-EuroChem, LLC	Logistics	100%	Russia
EuroChem-Terminal Nevinnomyssk, LLC	Logistics	100%	Russia
EuroChem-Energo, LLC	Other service	100%	Russia
EuroChem International Holding B.V.	Holding company	100%	Netherlands
MCC EuroChem JSC	Holding company	100%	Russia

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

5 Principal subsidiaries, associates and joint ventures (continued)

Name	Nature of business	Percentage of ownership	Country of registration
EuroChem SaratovKaliy, LLC	Potash project under development	100%	Russia
Geres Fertilizers, LLP	Phosphate project under development	100%	Kazakhstan
Azottech, LLC	Blasting and drilling	74.99%	Russia
Joint ventures:			
EuroChem – Migao Ltd.	Holding company	50%	Hong-Kong*
Thyssen Schachtbau EuroChem Drilling, LLC	Drilling	45%	Russia

* represents the country of incorporation of holding company which owns manufacturing facilities located in Yunnan, China

During the year ended 31 December 2020, the main changes in Group’s structure were as follows:

Name	Nature of business	Main changes in 2020	Percentage of ownership as at 31 December 2020
Subsidiaries:			
Fertilizantes Tocantins S.A.	Distribution	Acquisition of 50% interest minus one share (Note 31)	100%
Tuapse Bulk Terminal, LLC	Logistics	Sale of a subsidiary	-
Murmansk Bulkcargo Terminal, LLC	Logistics	Sale of a subsidiary	-

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

6 Fair value of financial instruments

Management applies judgment in categorising financial instruments using the fair value hierarchy. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the consolidated statement of financial position at the end of each reporting period.

a) Financial instruments carried at fair values

The recurring fair value measurements are included into Level 2 of the fair value hierarchy and are as follows.

	31 December 2020	31 December 2019
Financial assets		
Current Financial assets		
Non-deliverable foreign exchange forward contracts – cash flow hedges	39	-
Non-deliverable foreign exchange forward contracts	20	9
Total current financial assets	**59**	**9**
Non-current Financial assets		
Non-deliverable foreign exchange forward contracts	3	-
Cross-currency interest swaps	9	59
Total non-current financial assets	**12**	**59**
Total assets recurring fair value measurements	**71**	**68**
Financial liabilities		
Current Financial liabilities		
Non-deliverable foreign exchange forward contracts	16	9
Commodity swaps	12	-
Commodity collars	-	2
Cross-currency interest swaps	-	15
Total current financial liabilities	**28**	**26**
Non-current Financial liabilities		
Non-deliverable foreign exchange forward contracts	3	7
Cross-currency interest swaps	101	-
Total non-current financial liabilities	**104**	**7**
Total liabilities recurring fair value measurements	**132**	**33**

Derivative financial instruments which typically include foreign exchange forward contracts, cross currency interest rate swaps, commodity swaps and collars, are carried at fair value through profit or loss or through other comprehensive income, depending on whether these instruments are effective hedging instruments (Note 2). The fair values are based on recurring mark-to-market valuations provided by the financial institutions which deal in these financial instruments.

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

6 Fair value of financial instruments (continued)

b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Financial assets and liabilities carried at amortised cost

The carrying amounts of trade and other receivables, trade and other payables and originated loans approximate their fair values and are included into Level 3 of fair value hierarchy. Cash and cash equivalents and fixed-terms deposits are carried at amortised cost which approximates their current fair value, included in Level 2 of fair value hierarchy. The fair values in Level 2 and Level 3 of the fair value hierarchy were estimated using the discounted cash flows valuation technique.

Loans received and bank borrowings are carried at amortised cost. The fair value of floating rate instruments normally approximates their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Fair values analysed by level in the fair value hierarchy and the carrying value of liabilities not measured at fair value are as follows:

	31 December 2020		
	Level 1 Fair value	Level 3 Fair value	Carrying value
Financial liabilities			
- RUB-denominated bonds payable	1,237	-	1,169
- US$-denominated bonds payable	901	-	828
- Long-term US$-denominated fixed interest loans	-	630	600
- Long-term RUB-denominated fixed interest loans	-	220	227
- Long-term BRL-denominated fixed interest loans	-	1	1
Total financial liabilities	**2,138**	**851**	**2,825**

	31 December 2019		
	Level 1 Fair value	Level 3 Fair value	Carrying value
Financial liabilities			
- RUB-denominated bonds payable	1,110	-	1,076
- US$-denominated bonds payable	1,020	-	951
- Long-term US$-denominated fixed interest loans	-	675	650
- Long-term RUB -denominated fixed interest loans	-	34	37
- Long-term BRL-denominated fixed interest loans	-	1	1
Total financial liabilities	**2,130**	**710**	**2,715**

The following information sets out the key inputs relevant to the determination of the fair value of the liabilities for which fair value information is provided as a disclosure only.

- For US$ and RUB-denominated bonds traded on organised financial markets (Irish stock exchange and Moscow Exchange), quotations or executable prices are used as the key inputs to fair value determination. These instruments are included in Level 1 of the fair value hierarchy.
- The fair value of long-term loans and borrowings bearing a fixed interest rate is determined by a discounted cash flows method. The discount factor applied to principal and interest repayments in the valuation model is calculated as a risk free rate at the reporting date adjusted for the Group’s credit risk. The Group’s credit risk component in the discount factor at inception is assumed to remain unchanged on the reporting date and is calculated as a difference between the contract interest rate and the risk-free interest rate, in effect at loan inception date for debt instruments with similar maturities. These instruments are included in Level 3 of the fair value hierarchy.

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

6 Fair value of financial instruments (continued)

During 2020 and 2019 there were no transfers between levels 1, 2 and 3 of the fair value hierarchy.

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

	31 December 2020	31 December 2019
Financial assets		
Non-current financial assets		
Restricted cash	45	37
Originated loans	1	1
Derivative financial assets	12	59
Other non-current assets	-	4
Total non-current financial assets	**58**	**101**
Current financial assets		
Restricted cash	28	4
Trade receivables	493	444
Originated loans	30	-
Derivative financial assets total	59	9
including cash flow hedges	39	-
Other receivables and other current assets including:		
Other receivables	48	46
Interest receivable	-	1
Cash and cash equivalents	546	313
Total current financial assets	**1,204**	**817**
Total financial assets	**1,262**	**918**
Financial liabilities		
Non-current financial liabilities		
Bank borrowings and other loans received	1,588	1,405
Bonds issued	1,869	1,661
Project Finance	433	435
Derivative financial liabilities	104	7
Other non-current liabilities including:		
Contingent liability related to business combination	-	173
Long-term portion of deferred payables related to mineral rights acquisition	11	11
Long-term portion of lease payables	40	57
Total non-current financial liabilities	**4,045**	**3,749**
Current financial liabilities		
Bank borrowings and other loans received	1,267	1,086
Project Finance	68	54
Bonds issued	128	366
Derivative financial liabilities total	28	26
Trade payables	527	508
Other accounts payable and accrued expenses including:		
Interest payable	47	42
Short-term portion of lease payables	9	10
Short-term portion of deferred payables related to acquisition of additional interest in subsidiary	-	2
Short-term portion of deferred payables related to mineral rights acquisition	1	2
Total current financial liabilities	**2,075**	**2,096**
Total financial liabilities	**6,120**	**5,845**

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

6 Fair value of financial instruments (continued)

As required by 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	Lease liabilities	Total
Balance at 1 January 2020	**2,491**	**2,027**	**489**	**42**	**67**	**5,116**
Cash flows						
Proceeds	1,823	470	-	-	-	**2,293**
Repayments	(1,443)	(333)	(66)	-	(11)	**(1,853)**
Prepaid and additional transaction costs	(8)	(6)	(6)	-	-	**(20)**
Interest paid	-	-	-	(232)	(4)	**(236)**
Non-cash flows						
Lease liabilities arising due to new contracts	-	-	-	-	9	**9**
Disposal of lease liabilities due to sale of subsidiaries	-	-	-	-	(12)	**(12)**
Interest expenses accrued	-	-	-	241	4	**245**
Amortisation of transaction costs	6	3	17	-	-	**26**
Financial foreign exchange (gain)/loss, net	115	23	152	-	-	**290**
Currency translation difference, net	(129)	(187)	(85)	(4)	(4)	**(409)**
Balance at 31 December 2020	**2,855**	**1,997**	**501**	**47**	**49**	**5,449**

	Bank borrowings and other loans received	Bonds issued	Project Finance	Interest payable	Lease liabilities	Total
Balance at 1 January 2019	**2,374**	**1,427**	**442**	**27**	**67**	**4,337**
Cash flows						
Proceeds	1,258	1,507	94	-	-	2,859
Repayments	(1,160)	(979)	(36)	-	(10)	(2,185)
Prepaid and additional transaction costs	(2)	(8)	(6)	-	-	(16)
Interest paid	-	-	-	(211)	(5)	(216)
Non-cash flows						
Loans and lease liabilities acquired in a business combination	3	-	-	-	1	4
Lease liabilities arising due to new contracts	-	-	-	-	8	8
Interest expenses accrued	-	-	-	224	5	229
Amortisation of transaction costs	7	6	19	-	-	32
Financial foreign exchange (gain)/loss, net	(8)	(35)	(78)	-	-	(121)
Currency translation difference, net	19	113	54	2	1	189
Other movements	-	(4)	-	-	-	(4)
Balance at 31 December 2019	**2,491**	**2,027**	**489**	**42**	**67**	**5,116**

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

7 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 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 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 different types of transportation services as well as purchase and delivery of raw materials and finished goods.

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 year ended 31 December 2020 were:

	External sales	Internal sales	Total sales	EBITDA
Mining	45	1,027	1,072	532
Fertilizers	29	2,916	2,945	743
Commercial	6,089	243	6,332	551
Other	3	11	14	14
Elimination	-	(4,197)	(4,197)	(31)
Total	**6,166**	**-**	**6,166**	**1,809**

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

7 Segment information (continued)

The division results for the year ended 31 December 2019 were:

	External sales	Internal sales	Total sales	EBITDA
Mining	48	945	993	478
Fertilizers	67	3,282	3,349	894
Commercial	6,072	274	6,346	245
Other	5	10	15	(117)
Elimination	(8)*	(4,511)	(4,519)	45
Total	**6,184**	**-**	**6,184**	**1,545**

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

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

	Note	2020	2019
EBITDA		**1,809**	**1,545**
Depreciation and amortisation	26	(441)	(389)
(Impairment)/reversal of impairment/(write-off) of idle property, plant and equipment	24, 27	(9)	(7)
Non-recurring income/(expenses), net	27	11	38
Gain/(loss) from sale of subsidiaries, net		190	-
COVID-19 associated expenses	27	(19)	-
Interest expense		(254)	(175)
Financial foreign exchange gain/(loss), net		(441)	168
Other financial gain/(loss), net	28	(286)	58
Non-controlling interest		1	1
Profit before taxation		**561**	**1,239**

The divisional capital expenditure on property, plant and equipment, intangible assets and mineral rights for the years ended 31 December 2020 and 31 December 2019 were:

	2020	2019
Mining	553	514
Fertilizers	601	310
Commercial	22	89
Other	13	19
Elimination	(21)	18
Total capital expenditure	**1,168**	**950**

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

	31 December 2020	31 December 2019
Russia	7,106	7,697
Europe	898	820
Kazakhstan	256	265
Brazil	188	242
Other countries	86	101
Total	**8,534**	**9,125**

The Group’s main manufacturing facilities are based in Russia, Lithuania, Belgium and Kazakhstan.

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

7 Segment information (continued)

The analysis of Group sales by region was:

	2020	2019
Europe	1,690	1,862
Latin America	1,530	1,522
North America	971	991
Russia	836	1,056
Asia Pacific	1,004	649
Africa	135	104
Total sales	**6,166**	**6,184**

The sales are allocated to regions based on the destination country. During the year ended 31 December 2020, the Group had sales in excess of 10% to Brazil, Russia, the United States of America and China, representing 21.7%, 13.6%, 12.9% and 11.3% of total revenues, respectively (2019: sales to Brazil, Russia and the United States of America, representing 20.7%, 17.1% and 12.4% of the total revenues, respectively).

During 2020 and 2019 there were no sales in excess of 10% to one customer.

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

8 Property, plant and equipment

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

	Buildings	Land and Land Improvements	Transfer devices	Machinery and equipment	Transport	Other	Assets under construction	Total
Cost								
Balance at 1 January 2020	**1,436**	**1,793**	**657**	**3,275**	**399**	**207**	**2,566**	**10,333**
Additions and transfers from assets under construction	234	82	63	262	98	48	443	1,230
Disposals	(3)	(5)	(4)	(26)	(13)	(1)	-	(52)
Disposal of assets due to sale of subsidiaries	(37)	(47)	(3)	(26)	-	(2)	(9)	(124)
Changes in estimates of asset retirement obligations (Note 21)	-	(4)	-	-	-	-	-	(4)
(Impairment)/reversal of impairment/(write-off) of idle property, plant and equipment	(1)	-	-	(1)	1	-	(8)	(9)
Currency translation difference	(205)	(249)	(91)	(408)	(62)	(29)	(397)	(1,441)
Balance at 31 December 2020	**1,424**	**1,570**	**622**	**3,076**	**423**	**223**	**2,595**	**9,933**
Accumulated Depreciation								
Balance at 1 January 2020	**(236)**	**(221)**	**(185)**	**(1,244)**	**(151)**	**(105)**	**-**	**(2,142)**
Charge for the year	(62)	(61)	(41)	(248)	(33)	(20)	-	(465)
Disposals	3	5	3	26	14	1	-	52
Disposal of assets due to sale of subsidiaries	12	14	2	17	-	2	-	47
(Impairment)/reversal of impairment/(write-off) of idle property, plant and equipment	-	-	-	-	-	-	-	-
Currency translation difference	27	28	21	132	21	14	-	243
Balance at 31 December 2020	**(256)**	**(235)**	**(200)**	**(1,317)**	**(149)**	**(108)**	**-**	**(2,265)**
Net Carrying Value								
Balance at 1 January 2020	**1,200**	**1,572**	**472**	**2,031**	**248**	**102**	**2,566**	**8,191**
Balance at 31 December 2020	**1,168**	**1,335**	**422**	**1,759**	**274**	**115**	**2,595**	**7,668**

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

8 Property, plant and equipment (continued)

	Buildings	Land and Land Improvements	Transfer devices	Machinery and equipment	Transport	Other	Assets under construction	Total
Cost								
Balance at 1 January 2019	**914**	**990**	**295**	**2,100**	**253**	**137**	**3,697**	**8,386**
Additions and transfers from assets under construction	421	664	324	1,018	126	56	(1,503)	1,106
Additions through business combination	1	-	-	2	-	-	1	4
Disposals	(2)	(6)	(5)	(47)	(14)	(1)	(1)	(76)
Changes in estimates of asset retirement obligations (Note 21)	-	19	-	-	-	-	-	19
(Impairment)/reversal of impairment/(write-off) of idle property, plant and equipment	-	-	-	(3)	-	-	(6)	(9)
Currency translation difference	102	126	43	205	34	15	378	903
Balance at 31 December 2019	**1,436**	**1,793**	**657**	**3,275**	**399**	**207**	**2,566**	**10,333**
Accumulated Depreciation								
Balance at 1 January 2019	**(167)**	**(159)**	**(145)**	**(977)**	**(122)**	**(81)**	**-**	**(1,651)**
Charge for the year	(55)	(50)	(32)	(223)	(28)	(17)	-	(405)
Disposals	2	6	5	47	13	1	-	74
(Impairment)/reversal of impairment/(write-off) of idle property, plant and equipment	-	-	-	2	-	-	-	2
Currency translation difference	(16)	(18)	(13)	(93)	(14)	(8)	-	(162)
Balance at 31 December 2019	**(236)**	**(221)**	**(185)**	**(1,244)**	**(151)**	**(105)**	**-**	**(2,142)**
Net Carrying Value								
Balance at 1 January 2019	**747**	**831**	**150**	**1,123**	**131**	**56**	**3,697**	**6,735**
Balance at 31 December 2019	**1,200**	**1,572**	**472**	**2,031**	**248**	**102**	**2,566**	**8,191**

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

8 Property, plant and equipment (continued)

Evaluation and exploration expenditures

Potash fields. At 31 December 2020, the Group has capitalised expenses relating to the evaluation and exploration stages of the potash fields of US$63 million, including borrowing costs capitalised of US$8 million (31 December 2019: US$61 million, including borrowing costs capitalised of US$7 million).

Hydrocarbons fields. At 31 December 2020, the Group has capitalised expenses relating to the evaluation and exploration stages of the hydrocarbon fields of US$45 million (31 December 2019: US$31 million).

These expenses were included in the assets under construction of “Property, plant and equipment” in the consolidated statement of financial position. Substantially, these costs have been paid in the same period when incurred.

Borrowing costs capitalised

During the year ended 31 December 2020, borrowing costs totalling US$14 million were capitalised in property, plant and equipment at an average interest rate of 5.14% p.a. (2019: US$81 million capitalised at an average interest rate of 5.28% p.a.).

Leases

The right-of-use assets mainly comprised land plots and buildings lease contracts and amounted to US$47 million as at 31 December 2020 (31 December 2019: US$67 million). Movements in the carrying amount of right-of-use assets during 2020 and 2019 were as follows:

	Buildings	Land and Land Improvements	Machinery and equipment	Total
Balance at 1 January 2020	**24**	**36**	**7**	**67**
Additions	4	4	1	9
Disposal of assets due to sale of subsidiaries	-	(10)	(3)	(13)
Modifications	1	-	-	1
Depreciation charge for the period	(9)	(2)	(2)	(13)
Currency translation differences	(2)	(1)	(1)	(4)
Balance at 31 December 2020	**18**	**27**	**2**	**47**

	Buildings	Land and Land Improvements	Machinery and equipment	Total
Balance at 1 January 2019	**25**	**37**	**7**	**69**
Additions	5	-	2	7
Additions through business combination	1	-	-	1
Modifications	-	-	-	-
Depreciation charge for the period	(8)	(2)	(2)	(12)
Currency translation differences	1	1	-	2
Balance at 31 December 2019	**24**	**36**	**7**	**67**

The leases resulting from lease contracts which are not capitalised and are recognised in profit or loss for 2020 and 2019 years were as follows:

	2020	2019
Expenses relating to variable lease payments	3	10
Expenses relating to short-term leases	-	2
Expenses relating to lease of low-value assets	4	2
Total	**7**	**14**

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

8 Property, plant and equipment (continued)

As at 31 December 2020, the Group had future minimum undiscounted lease payments under non-cancellable operating lease contracts of US$56 million (31 December 2019: US$79 million). These payments were not included in the measurement of lease liabilities as being variable payments and based on cadastral value of land.

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

	31 December 2020	31 December 2019
Current	9	10
Non-current	40	57
Total lease liabilities	**49**	**67**

Interest expense accrued on lease liabilities amounted to US$4 million for the year ended 31 December 2020 (2019: US$5 million).

9 Mineral rights

	31 December 2020	31 December 2019
Rights for exploration and production:		
Verkhnekamskoe potash deposit	58	69
Gremyachinskoe potash deposit	62	73
Kok-Jon and Gimmelfarbskoe phosphate deposits	9	11
Geres phosphate deposit	19	21
Kovdorsky apatite deposit	2	2
Rights for exploration, evaluation and extraction:		
Belopashninskiy potash deposit	12	14
Ozinsky hydrocarbon deposit	3	4
Rights for proven and unproven mineral resources:		
Astrakhan hydrocarbon deposit	116	139
Kamenkovsky hydrocarbon deposit	30	32
Total mineral rights	**311**	**365**

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.

Verkhnekamskoe potash deposit

In accordance with the conditions of licence agreement and related licence amendments for developing the potash sites, the Group has major commitments in respect of the timing for the potash extraction.

The Group is in compliance with the licence terms, commenced production activities and continues construction and mining activities at Verkhnekamskoe potash deposit.

As at 31 December 2020, the carrying amount of property, plant and equipment (including construction in progress) related to Verkhnekamskoe potash deposit was US$1,743 million (2019: US$2,060 million).

9 Mineral rights (continued)

Gremyachinskoe potash deposit

In accordance with the conditions of licence agreement and related licence amendments for developing the potash deposit, the Group has major commitments in respect of the timing for the construction of the mining facilities and for the potash extraction.

The Group is in compliance with the licence terms and continues with construction of the mining and surface facilities at site.

Management believes that each stage under the current licence terms for Gremyachinskoe potash deposit development will be completed according to the schedules.

As at 31 December 2020, Gremyachinskoe potash deposit was in the development phase with the shaft sinking completed for two shafts at Gremyachinskoe while the third shaft has been delayed due to a water inflow which is being managed. Management has worked out a program which will allow the Group to continue sinking at the third shaft without breaching any of the terms of the licence agreement for Gremyachinskoe deposit.

As at 31 December 2020, the carrying amount of property, plant and equipment (including construction in progress) related to Gremyachinskoe potash deposit was US$1,786 million (2019: US$1,876 million).

For the purpose of impairment testing of the Verkhnekamskoe and Gremyachinskoe potash deposits management has compared the recoverable amount of the non-current assets related to these projects, determined as their value in use with consideration of a recent industry outlook and the operational plans, with the carrying amount of these assets and concluded that no impairment should be recognised in respect of these assets as at 31 December 2020 and 31 December 2019.

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

10 Goodwill

Movements in goodwill arising from the acquisition of subsidiaries are:

	2020	2019
Carrying amount at 1 January	**469**	**476**
Acquisition of subsidiaries	-	4
Disposal of subsidiaries	(2)	-
Currency translation difference	-	(11)
Carrying amount at 31 December	**467**	**469**

Goodwill impairment test

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

	31 December 2020	31 December 2019
EuroChem Antwerpen NV	317	289
EuroChem Agro GmbH	21	19
EuroChem North America Corp.	21	21
Fertilizantes Tocantins S.A.	92	118
EuroChem-Project, LLC	9	11
Azottech, LLC	3	4
Emerger Fertilizantes S.A.	1	2
Other	3	5
Total carrying amount of goodwill	**467**	**469**

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

Management determined budgeted prices and expenses based on past performance and industry and market expectations which included impact of COVID-19. The weighted average growth rate used is consistent with the forecasts included in latest industry reports.

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

	31 December 2020	31 December 2019
Adjusted US$ WACC rates, % p.a.	6.77%-9.49%	6.59%-9.74%
Adjusted BRL WACC rates, % p.a.	10.07%	9.72%
Long-term EUR annual inflation rate, % p.a.	1.30%-1.80%	1.70%-2.00%
Long-term US$ annual inflation rate, % p.a.	2.20%	2.20%-2.70%
Long-term BRL annual inflation rate, % p.a.	4.00%	4.00%-4.10%
Estimated nominal growth rate beyond the five-year period, % p.a.	2.20%	2.20%

Performed calculations showed significant excess of recoverable amounts over respective carrying values of each CGU and the changes of 5 bps in the key assumptions will not lead to the impairment.

The Group did not recognise any goodwill impairment at 31 December 2020 and 31 December 2019.

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

11 Intangible assets

Movements in the carrying amount of intangible assets were:

	Know-how and production technology	Customer relation-ships	Acquired software and licences	Trademarks and others	Total
Cost					
Balance at 1 January 2020	**99**	**121**	**32**	**46**	**298**
Additions	-	-	-	12	12
Disposals	-	-	(1)	(4)	(5)
Currency translation difference	4	(2)	-	3	5
Balance at 31 December 2020	**103**	**119**	**31**	**57**	**310**
Accumulated Depreciation					
Balance at 1 January 2020	**(91)**	**(75)**	**(32)**	**(25)**	**(223)**
Charge for the year	(4)	(8)	-	(4)	(16)
Disposals	-	-	1	2	3
Currency translation difference	(6)	(4)	-	-	(10)
Balance at 31 December 2020	**(101)**	**(87)**	**(31)**	**(27)**	**(246)**
Net Carrying Value					
Balance at 1 January 2020	**8**	**46**	**-**	**21**	**75**
Balance at 31 December 2020	**2**	**32**	**-**	**30**	**64**

	Know-how and production technology	Customer relation-ships	Acquired software and licences	Trademarks and others	Total
Cost					
Balance at 1 January 2019	**101**	**125**	**32**	**40**	**298**
Additions	-	-	-	4	4
Currency translation difference	(2)	(4)	-	2	(4)
Balance at 31 December 2019	**99**	**121**	**32**	**46**	**298**
Accumulated Depreciation					
Balance at 1 January 2019	**(82)**	**(64)**	**(31)**	**(20)**	**(197)**
Charge for the year	(11)	(13)	(1)	(4)	(29)
Disposals	-	-	-	-	-
Currency translation difference	2	2	-	(1)	3
Balance at 31 December 2019	**(91)**	**(75)**	**(32)**	**(25)**	**(223)**
Net Carrying Value					
Balance at 1 January 2019	**19**	**61**	**1**	**20**	**101**
Balance at 31 December 2019	**8**	**46**	**-**	**21**	**75**

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

12 Inventories

	31 December 2020	31 December 2019
Finished goods	662	762
Materials	240	226
Catalysts	106	104
Work in progress	80	87
Less: provision for obsolete and damaged inventories	(7)	(9)
Total inventories	**1,081**	**1,170**

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

	31 December 2020	31 December 2019
Trade receivables		
Trade receivables denominated in US$	354	280
Trade receivables denominated in EUR	60	56
Trade receivables denominated in RUB	32	74
Trade receivables denominated in BRL	56	47
Trade receivables denominated in other currencies	7	12
Less: ECL allowance	(16)	(25)
Total trade receivables	**493**	**444**
Prepayments, other receivables and other current assets		
Advances to suppliers	96	98
VAT recoverable and receivable	157	150
Other taxes receivable	6	7
Other receivables and other current assets	86	92
Receivable for sale of subsidiaries (Note 31)	288	-
Interest receivable	-	1
Less: provision for impairment	(9)	(12)
Total prepayments, other receivables and other current assets	**624**	**336**
Total trade receivables, prepayments, other receivables and other current assets	**1,117**	**780**

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

During 2020 and 2019 the Group entered into a number of non-recourse factoring arrangements according to which the trade receivables were sold to a factoring company and, thus, derecognised in the consolidated statement of financial position. As at 31 December 2020, trade receivables of US$116 million were sold (31 December 2019: US$135 million).

As at 31 December 2020, trade receivables grouped by past due with respective ECL allowance were as follows:

	Trade receivables	ECL allowance
Current	451	(2)
Less than 3 months	31	(1)
From 3 to 12 months	10	(3)
Over 12 months	17	(11)
Total	**509**	**(16)**

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

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

As at 31 December 2019, trade receivables grouped by past due with respective ECL allowance were as follows:

	Trade receivables	ECL allowance
Current	406	(6)
Less than 3 months	29	(3)
From 3 to 12 months	13	(1)
Over 12 months	21	(15)
Total	**469**	**(25)**

Analysis of credit quality of trade receivables is presented in Note 33.

The movements in the ECL allowance/provision for impairment of accounts receivable were:

	Trade receivables	Other receivables
As at 1 January 2020	**25**	**12**
ECL allowance/provision for impairment	2	2
Write-offs	(5)	(3)
ECL allowance/provision for impairment reversed	(5)	-
Currency translation difference	(1)	(2)
Total ECL allowance/provision for impairment of accounts receivable as at 31 December 2020	**16**	**9**

	Trade receivables	Other receivables
As at 1 January 2019	**22**	**13**
ECL allowance/provision for impairment	5	3
Write-offs	(1)	(2)
ECL allowance/provision for impairment reversed	(1)	(3)
Currency translation difference	-	1
Total ECL allowance/provision for impairment of accounts receivable as at 31 December 2019	**25**	**12**

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

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

	31 December 2020	31 December 2019
Bank balances denominated in US$	189	170
Bank balances denominated in RUB	5	10
Bank balances denominated in EUR	24	18
Bank balances denominated in other currencies	13	16
Term deposits denominated in US$	273	66
Term deposits denominated in RUB	20	6
Term deposits denominated in other currencies	22	27
Total cash and cash equivalents	**546**	**313**
Current restricted cash	28	4
Non-current restricted cash	45	37
Total restricted cash	**73**	**41**

Term deposits as at 31 December 2020 and 31 December 2019 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 as at 31 December 2020 and 31 December 2019 had various original maturities and could be withdrawn with an early notification and/or with a penalty accrued or interest income forfeited.

The credit quality of bank balances, term and fixed-term deposits which is based on the credit ratings of independent rating agencies, Standard & Poor's and Fitch Ratings, was as follows*:

	31 December 2020	31 December 2019
A to AAA rated	136	97
BB- to BBB+ rated	471	240
B- to B+ rated	1	2
C to CCC rated	6	2
Unrated	5	13
Total**	**619**	**354**

* Credit ratings as at 18 January 2021 and 11 January 2020, respectively.

At 31 December 2020, non-current restricted cash consisted of US$42 million (31 December 2019: US$35 million) held in a debt service reserve account as required by the Project Finance Facility Agreement (Note 17), US$2 million held in bank accounts as security deposits for third parties (31 December 2019: US$2 million) and US$1 million held in deposit against possible environmental obligations in compliance with the statutory rules of several countries in CIS and Europe (31 December 2019: US$ 0.4 million).

At 31 December 2020, current restricted cash consisted of US$27 million received under targeted loan agreement with Far East and Arctic Development Fund (31 December 2019: nil) and of US$1 million held at banks under regulatory requirements for state contracts (31 December 2019: US$3 million). There was no current restricted cash received under targeted loan agreements with a state industrial development fund (31 December 2019: US$1 million).

15 Equity

Share capital. As at 31 December 2020 and 31 December 2019, 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.

***Treasury shares*.** In 2019, MCC EuroChem JSC, a Group's wholly-owned subsidiary, bought from a company that holds business interests for former executive of the Group 100 ordinary shares of EuroChem Group AG, representing 10% of the issued share capital, for US$785 million paid in cash.

The voting rights in the Company's 100 ordinary shares owned by MCC EuroChem JSC, as well as the rights associated therewith, are suspended.

Dividends. During 2020 and 2019 the Group did not declare or pay dividends.

Capital contribution. In 2016 and in 2018 the Group received funds of US$250 million and US$600 million, respectively, in a form of the perpetual loan under the agreement with AIM Capital S.E.

Hedging reserve. As at 31 December 2020, the hedging reserve represented the cash flow hedge reserve of US$34 million, which is used to recognise the effective portion of changes in fair value of derivative instruments designated as cash flow hedges net of income tax (Note 19).

Other reserves within "Retained earnings and other reserves". At 31 December 2020 and 31 December 2019, other reserves of the Company included a cash contribution of US$5 million from AIM Capital S.E., the parent company.

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

16 Bank borrowings and other loans received

Currency and rate	Interest rate 2020*	Interest rate 2019*	31 December 2020	31 December 2019
Current loans and borrowings				
Short-term unsecured bank loans				
US$ with floating rate	2.72%	3.58% - 6.80%	100	35
EUR with floating rate	1.50%	-	8	-
US$ with fixed rate	2.04% - 5.31%	3.41% - 4.23%	219	478
RUB with fixed rate	1.70% - 5.00%	5.00%	79	12
BRL with fixed rate	-	7.50%	-	9
Short-term unsecured targeted loans				
RUB with fixed rate	5.11% - 5.19%	-	246	-
Current portion of unsecured targeted loans				
RUB with fixed rate	5.00%	5.00%	10	3
Current portion of unsecured long-term bank loans				
US$ with floating rate	1.70% - 2.35%	3.25% - 3.96%	608	498
RUB with fixed rate	5.55%	7.55% - 8.30%	-	53
Current portion of secured long-term bank loans				
BRL with fixed rate	2.94%	2.94%	1	-
Less: short-term portion of transaction costs			(4)	(2)
Total current loans and borrowings			**1,267**	**1,086**

Currency and rate	Interest rate 2020*	Interest rate 2019*	31 December 2020	31 December 2019
Non-current loans and borrowings				
Long-term unsecured bank loans				
RUB with fixed rate	4.75% - 5.25%	-	169	-
US$ with floating rate	2.34%	-	657	-
US$ with fixed rate	3.60% - 4.60%	4.20% - 4.60%	600	650
Long-term unsecured targeted loans				
RUB with fixed rate	5.00%	3.00% - 5.00%	35	21
Long-term portion of unsecured bank loans				
US$ with floating rate	1.70% - 2.35%	3.25% - 3.96%	123	731
RUB with fixed rate	5.55% - 10.20%	7.55% - 10.20%	12	11
Long-term portion of secured bank loans				
BRL with fixed rate	2.94%	2.94%	1	1
Less: long-term portion of transaction costs			(9)	(9)
Total non-current loans and borrowings			**1,588**	**1,405**
Total loans and borrowings			**2,855**	**2,491**

* Contractual interest rate on 31 December 2020 and 31 December 2019, respectively.

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 31 December 2020, the total fair value of long-term loans with fixed interest rates was more than their carrying amount by US$23 million (31 December 2019: the fair value of long-term loans was more than their carrying amount by US$22 million).

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 period.

16 Bank borrowings and other loans received (continued)

Interest rates and outstanding amounts of major loans and borrowings

In December 2020, the Group signed a US$394 million committed credit facility bearing a floating interest rate and maturing in December 2024. As at 31 December 2020, the outstanding amount was US$197 million (31 December 2019: nil). In January 2021, the additional drawdown was made of US$197 million.

In October 2020, the Group signed a US$460 million committed credit facility with an accordion option to increase the maximum facility amount up to US$1 billion bearing a floating interest rate and maturing in October 2025. In December 2020, the facility amount was increased to US$660 million. As at 31 December 2020, the outstanding amount was US$460 million (31 December 2019: nil).

In October 2020, the Group signed a committed revolving credit facility with a Russian bank to finance a urea and ammonia project under development in Kingisepp. The funds through this bridge loan may be obtained in multiple currencies with a credit limit up to RUB 40 billion available up to January 2022. The loan may be refinanced with a non-recourse Project Finance Facility signed on 30 December 2020 (Note 17). As at 31 December 2020, the outstanding amount was RUB 18,201 million (31 December 2019: nil).

In April 2020, the Group signed an uncommitted revolving credit facility with a Russian bank. The funds through this facility may be obtained in multiple currencies with a credit limit up to RUB 50 billion available up to September 2025. As at 31 December 2020, the outstanding amount was RUB 9,722 million (31 December 2019: nil).

In the period from July 2019 to October 2020, the Group signed four non-revolving credit facilities of US$40 million each, maturing in the period from July 2020 to October 2021. As at 31 December 2020, the outstanding amount was US$80 million (31 December 2019: US$80 million).

In December 2019, the Group signed a RUB 6 billion committed revolving credit facility bearing a fixed interest rate and maturing in May 2021. As at 31 December 2020, the outstanding amount was RUB 4,521 million (31 December 2019: RUB 740 million).

In September 2019, the Group signed a US$100 million committed revolving credit facility bearing a floating interest rate and maturing in September 2021. As at 31 December 2020, the outstanding amount was US$100 million (31 December 2019: nil).

In December 2018, the Group signed an uncommitted revolving credit facility with a Russian bank with credit limit increased to US$300 million in 2019. The funds through this facility may be obtained in multiple currencies. As at 31 December 2020, the outstanding amount was US$300 million (31 December 2019: 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 31 December 2020, the outstanding amount was US$442 million (31 December 2019: 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 31 December 2020, the outstanding amount was US$128 million (31 December 2019: 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 31 December 2020, the outstanding amount was US$69 million (31 December 2019: US$109 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 31 December 2020, the outstanding amount was US$300 million (31 December 2019: US$500 million).

16 Bank borrowings and other loans received (continued)

Undrawn facilities

As at 31 December 2020, the below facilities had no outstanding balances and are available to the Group:

- US$125 million uncommitted revolving credit facility bearing a floating interest rate, signed in April 2016, maturing in March 2021;
- US$1 billion revolving credit facility signed in September 2017 and amended in December 2020, available up to November 2026. Commitment for the facility may be activated at any time by notice.
- ***Collaterals and pledges***

As at 31 December 2020, loans of a Brazilian subsidiary totalling US$1 million were collateralised by property, plant and equipment with the carrying value of US$6 million (31 December 2019: loans of US$1 million were collateralised by property, plant and equipment with the carrying value of US$7 million).

As at 31 December 2020 and 31 December 2019, all other bank borrowings and loans received listed in Note 16 were not secured.

17 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 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 year ended 31 December 2020, the Group made a repayment of EUR 58 million (US$66 million) (2019: EUR 32 million (US$36 million)). During the year ended 31 December 2020, the Group did not receive additional funds under the Facility (2019: EUR 83 million (US$94 million)).

As at 31 December 2020, the outstanding balance was US$501 million shown net of transaction costs of US$70 million (31 December 2019: US$489 million shown net of transaction costs of US$98 million). The contractual interest rate as at 31 December 2020 was 1.3% p.a. (31 December 2019: 1.3% p.a.).

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

As at 31 December 2020, in compliance with terms of the facility agreement the Group held US$42 million on a debt service reserve account (31 December 2019: US$35 million) (Note 14).

As at 31 December 2020 and 31 December 2019, 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$999 million as at 31 December 2020 (31 December 2019: US$ 1,197 million).

During the year ended 31 December 2020, the EBITDA of the subsidiary under the Ammonia project was US$66 million (2019: US$54 million).

Ammonia and urea project in Kingisepp. On 30 December 2020, the Group signed a non-recourse Project Finance Facility with a total maximum limit of US$608 million and RUB 78,946 million with the final repayment date in 2031 and an interest rate linked to the Central Bank of the Russian Federation key rate to finance the construction of a new Ammonia and urea Plant in Kingisepp, Russia.

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

18 Bonds issued

				31 December 2020		31 December 2019	
Currency	Rate	Coupon rate, p.a.	Maturity	Fair value	Carrying amount	Fair value	Carrying amount
Current bonds							
US$	Fixed	3.95%	2021	130	128	-	-
US$	Fixed	3.80%	2020	-	-	125	124
RUB	Fixed	8.75%	2020	-	-	245	242
Total current bonds issued				**130**	**128**	**370**	**366**
Non-current bonds							
US$	Fixed	3.95%	2021	-	-	130	128
US$	Fixed	5.50%	2024	771	700	766	700
RUB	Fixed	8.55%	2022	269	257	318	307
RUB	Fixed	7.85%	2023	470	447	546	533
RUB	Fixed	8.05%	2025	363	338	-	-
RUB	Fixed	8.25%	2025	135	135	-	-
Less: transaction costs				-	(8)	-	(7)
Total non-current bonds issued				**2,008**	**1,869**	**1,760**	**1,661**
Total bonds issued				**2,138**	**1,997**	**2,130**	**2,027**

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.

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$700 million bonds issue matures in March 2024. 3.80% US$ denominated loan participation notes of US$124 million were redeemed at maturity in full amount in April 2020.

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 the period from July to August 2019, the Group made three issues of RUB-denominated bonds totalling RUB 33 billion bearing a quarter-annual and a semi-annual coupon rate of 7.85% per annum each and maturing in the period from January to August 2023.

In April 2020, the Group made two issues of RUB-denominated bonds at a nominal value of RUB 10 billion and RUB 25 billion, bearing semi-annual coupon rates of 8.25% and 8.05% per annum, respectively, and maturing in April 2025.

In May 2020, 8.75% RUB-denominated bonds were redeemed at maturity in full amount of RUB 15 billion or US$209 million.

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

19 Derivative financial assets and liabilities

At 31 December 2020, net derivative financial assets and liabilities were:

	Assets		Liabilities	
	Non-current	Current	Non-current	Current
Cash flow hedges:				
RUB/US$ non-deliverable forward contracts with a nominal amount of RUB 64,271 million and BRL/US$ non-deliverable forward contracts with a nominal amount of US$19 million	-	39	-	-
Derivative instruments for which hedge accounting was not applied:				
Commodity swaps	-	-	-	12
EUR/US$ non-deliverable forward contracts with a nominal amount of EUR 62 million	-	-	-	3
RUB/US$ non-deliverable forward contracts with a nominal amount of RUB 29,633 million and US$411 million	3	20	3	13
Cross currency interest rate swaps	9	-	101	-
Total	**12**	**59**	**104**	**28**

At 31 December 2019, net derivative financial assets and liabilities were:

	Assets		Liabilities	
	Non-current	Current	Non-current	Current
Derivative instruments for which hedge accounting was not applied:				
Commodity swaps and collars	-	-	-	2
RUB/US$ non-deliverable forward contracts with a nominal amount of RUB 9,000 million	-	9	-	-
EUR/US$ non-deliverable forward contracts with a nominal amount of EUR 122 million	-	-	7	8
BRL/US$ non-deliverable forward contracts with a nominal amount of US$65 million	-	-	-	1
Cross currency interest rate swaps	59	-	-	15
Total	**59**	**9**	**7**	**26**

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

19 Derivative financial assets and liabilities (continued)

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

	1 January 2020	Gain/(loss) from changes of fair value, net	Cash (proceeds)/ payments on derivatives, net	31 December 2020
Operating activities	**7**	**(8)**	**35**	**34**
Commodity collars	(2)	1	1	-
Commodity swaps	-	(14)	2	(12)
Freight swaps	-	(1)	1	-
Foreign exchange non-deliverable forward contracts, net	9	6	31	46
Investing activities	**-**	**(32)**	**32**	**-**
Foreign exchange non-deliverable forward contracts, net	-	(32)	32	-
Financing activities	**28**	**(145)**	**22**	**(95)**
Foreign exchange non-deliverable forward contracts, net	(16)	3	10	(3)
Cross currency interest rate swaps, net	44	(148)	12	(92)
Total derivative financial assets and liabilities, net	**35**	**(185)**	**89**	**(61)**

Cash flow hedges of foreign currency risk

The Group is exposed to foreign exchange risk to the extent that its future cash inflows and outflows over a certain period of time are denominated in different currencies. The objective of the Group's foreign exchange risk management is to minimise the volatility of the cash flows arising from exchange rates fluctuations to which it is subject to in the countries it operates. In order to achieve this, the Group enters into foreign exchange non-deliverable and deliverable forward contracts and swap agreements. (For more details on foreign currency risk management please refer to Note 33).

The Group enters into derivative contracts where the critical terms of the hedging instrument match with the terms of the hedged item. The Group performs a qualitative assessment of effectiveness. Where the critical terms of the hedging instrument do not match exactly with the terms of the hedged item, the Group uses the hypothetical derivative method to assess hedge effectiveness. The Group identified the following potential sources of hedge ineffectiveness, which are assessed to be not material for the reporting period: differences in timing of cash flows of the hedging instrument and the hedged item, counterparty's credit risk, which affects differently the hedging instrument and the hedged item, and forward component of the hedging instrument that the borrowing designated as the hedged item does not have.

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

19 Derivative financial assets and liabilities (continued)

Cash flow hedges:

	31 December 2020				
	Currency pair (sell/buy)	**Volume (million US$)**	**Derivative assets (million US$)**	**Derivative liabilities (million US$)**	**Average forward rate**
Foreign exchange non-deliverable forward contracts, net					
2021	USD/RUB	800	39	-	79.2237
2021	BRL/USD	19	-	-	5.1635
Total derivative financial assets/ liabilities		**-**	**39**	**-**	**-**

Derivative instruments for which hedge accounting was not applied:

		31 December 2020		
		Derivative assets (million US$)		**Derivative liabilities (million US$)**
Operating activities				
Commodity swaps				
2021		-		12
	Currency pair (sell/buy)	**Volume (million US$)**	**Derivative assets (million US$)**	**Derivative liabilities (million US$)**
Operating activities				
Foreign exchange non-deliverable forward contracts, net				
2021	USD/RUB	271	17	-
2021	RUB/USD	307	3	13
2022	USD/RUB	67	-	2
2022	RUB/USD	67	2	-
2023	USD/RUB	37	-	1
2023	RUB/USD	37	1	-
Financing activities				
Foreign exchange non-deliverable forward contracts, net				
2021	USD/EUR	80	-	3
Cross currency interest rate swaps, net				
2022	USD/RUB	392	-	34
2023	USD/RUB	511	-	64
2024	USD/RUB	30	-	1
2025	USD/RUB	468	9	2
Total derivative financial assets/liabilities		**-**	**32**	**132**

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

19 Derivative financial assets and liabilities (continued)

		31 December 2019		
		Derivative assets (million US$)		Derivative liabilities (million US$)
Operating activities				
Commodity swaps and collars				
2020		-		2
	Currency pair (sell/buy)	Volume (million US$)	Derivative assets (million US$)	Derivative liabilities (million US$)
Operating activities				
Foreign exchange non-deliverable forward contracts, net				
2020	USD/RUB	135	9	-
2020	BRL/USD	33	-	-
Financing activities				
Foreign exchange non-deliverable forward contracts, net				
2020	USD/EUR	76	-	8
2020	BRL/USD	32	-	1
2021	USD/EUR	80	-	7
Cross currency interest rate swaps, net				
2020	USD/RUB	310	-	15
2022	USD/RUB	292	21	-
2023	USD/RUB	511	38	-
Total derivative financial assets/liabilities		**-**	**68**	**33**

The impact of cash flow hedges of foreign currency risk on comprehensive income and profit or loss was as follows:

	2020		
	Gain/(loss) recognised in other comprehensive income	Gain/(loss) reclassified from other comprehensive income to profit or loss	Line in the consolidated statement of profit or loss
Financing activities			
Foreign exchange non-deliverable forward contracts, net	(5)	44	Other financial gain/(loss), net
Cross currency interest rate swaps, net	(3)	3	Other financial gain/(loss), net
Operating activities			
Foreign exchange non-deliverable forward contracts, net	(8)	8	Other operating income/(expenses), net
Total	**(16)**	**55**	

During the year ended 31 December 2020, there was no material hedge ineffectiveness.

The impact of cash flow hedges of foreign currency risk on changes in equity was as follows:

	2020
As at 1 January	**-**
Effective portion of changes in fair value of cash flow hedges	(16)
Transfer of changes in fair value of cash flow hedges to profit or loss	55
Tax effect	(5)
Total hedging reserve as at 31 December	**34**

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

20 Other non-current liabilities and deferred income

	Note	31 December 2020	31 December 2019
Liability from contingent consideration related to business combination	31	-	173
Deferred payable related to mineral rights acquisition		11	11
Provisions for age premium, retirement benefits, pensions and similar obligations		35	28
Provision for land restoration	21	33	41
Deferred income − Investment grants received		1	1
Long-term part of lease payables		40	57
Total other non-current liabilities and deferred income		**120**	**311**

21 Provision for land restoration

In accordance with federal, state and local environmental regulations the Group's mining, drilling and processing activities result in asset retirement obligations to restore the disturbed land in regions in which the Group operates.

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

	Note	2020	2019
As at 1 January		**41**	**18**
Change in estimates	8	(4)	19
Unwinding of the present value discount	28	2	2
Currency translation difference		(6)	2
Total provision for land restoration as at 31 December		**33**	**41**

During 2020 and 2019 the Group reassessed estimates of provision for land restoration due to changes in inflation, discount rates and expected timing for land restoration. Therefore, the amount of provision for land restoration was recalculated and the appropriate changes were disclosed as a change in estimates.

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

	31 December 2020	31 December 2019
Discount rates	5.27% - 6.96%	6.19% - 6.60%
Expected inflation rates in Russia	4.00% - 5.00%	3.00% - 4.00%
Expected timing for land restoration	2025 - 2083	2025 - 2070

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

	31 December 2020	31 December 2019
Between 1 and 5 years	1	-
Between 6 and 10 years	-	1
Between 11 and 20 years	8	9
More than 20 years	24	31
Total provision for land restoration	**33**	**41**

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

22 Trade payables, other accounts payable and accrued expenses

	31 December 2020	31 December 2019
Trade payables		
Trade payables denominated in US$	203	169
Trade payables denominated in EUR	128	140
Trade payables denominated in RUB	19	37
Trade payables denominated in other currencies	39	18
Trade payables denominated in USD with irrevocable documentary letter of credit	7	-
Trade payables denominated in EUR with irrevocable documentary letter of credit	3	-
Trade payables denominated in RUB with irrevocable documentary letter of credit	128	144
Total trade payables	**527**	**508**
Other accounts payable and accrued expenses		
Advances received	227	166
Payroll and social tax	14	15
Accrued liabilities and other creditors	205	235
Interest payable	47	42
Short-term part of lease payables	9	10
Short-term part of deferred payable related to mineral rights acquisition	1	2
Short-term part of deferred payables related to acquisition of additional interest in subsidiary	-	2
Total other payables	**503**	**472**
Total trade payables, other accounts payable and accrued expenses	**1,030**	**980**

As at 31 December 2020, trade payables included payables to suppliers of property, plant and equipment and construction companies of US$142 million (31 December 2019: US$173 million). Trade payables included payables with irrevocable documentary letters of credit with a deferred term of payment opened in the amount of US$61 million (31 December 2019: US$86 million) under the contracts with construction companies, of US$70 million under the contracts with suppliers of property, plant and equipment (31 December 2019: US$50 million) and of US$7 million under operating activities contracts (31 December 2019: US$8 million).

23 Sales

	2020		2019	
	Sales volume (thousand metric tonnes)	Sales (million US$)	Sales volume (thousand metric tonnes)	Sales (million US$)
Nitrogen products	**8,949**	**1,923**	**8,652**	**2,071**
Nitrogen fertilizers	8,912	1,913	8,637	2,068
Other products	37	10	15	3
Phosphate products and complex fertilizers	**6,774**	**2,352**	**6,228**	**2,461**
Phosphate fertilizers	2,681	933	2,542	1,021
Complex fertilizers	3,705	1,246	3,297	1,268
Feed phosphates	388	173	389	172
Potash fertilizers	**2,191**	**603**	**1,104**	**423**
Mining products	**5,737**	**666**	**5,622**	**488**
Iron ore concentrate	5,730	647	5,486	442
Other products	7	19	136	46
Industrial products	**1,975**	**532**	**2,018**	**620**
Other sales	**-**	**90**	**-**	**121**
Logistic services	-	24	-	38
Other products	-	14	-	16
Other services	-	52	-	67
Total sales		**6,166**		**6,184**

The sales of fertilizers, mining and industrial products for the year ended 31 December 2020 included US$412 million of revenues from delivery of these products to customers (2019: US$367 million).

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

24 Cost of sales

	2020	2019
Raw materials	1,009	1,164
Goods for resale	1,280	1,446
Other materials	202	217
Energy	189	199
Utilities and fuel	74	88
Labour, including contributions to social funds	265	269
Depreciation and amortisation	365	324
Repairs and maintenance	59	57
Production overheads	71	78
Property tax, rent payments for land and related taxes	26	27
Impairment /(reversal of impairment)/write-off of idle property, plant and equipment, net	3	1
Changes in work in progress and finished goods	44	(89)
Other costs/(compensations), net	22	29
Total cost of sales	**3,609**	**3,810**

25 Distribution costs

	2020	2019
Transportation	801	703
Labour, including contributions to social funds	103	94
Depreciation and amortisation	57	48
Repairs and maintenance	7	8
ECL allowance for trade receivables and provision/(reversal of provision) for impairment of other receivables, net	(3)	3
Other costs	53	57
Total distribution costs	**1,018**	**913**

26 General and administrative expenses

	2020	2019
Labour, including contributions to social funds	156	133
Depreciation and amortisation	19	17
Consulting, legal and audit services	32	30
Bank charges	4	4
Social expenditure	2	4
Repairs and maintenance	2	2
ECL allowance for trade receivables and provision/(reversal of provision) for impairment of other receivables, net	2	1
Other expenses	46	51
Total general and administrative expenses	**263**	**242**

The total depreciation and amortisation expenses included in the consolidated statement of profit or loss amounted to US$441 million (2019: US$389 million).

The total labour costs (including social expenses) included in the consolidated statement of profit or loss amounted to US$524 million (2019: US$496 million).

The total statutory pension contributions included in all captions of the consolidated statement of profit or loss amounted to US$68 million (2019: US$68 million).

The fees for the audit of the consolidated and statutory financial statements for the year ended 31 December 2020 amounted to US$3 million (2019: US$3 million). The auditors also provided the Group with other non-audit services amounting to US$1 million (2019: US$1 million).

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

27 Other operating income and expenses

	2020	2019
Sponsorship	5	11
(Gain)/loss on disposal of property, plant and equipment and intangible assets, net	3	4
Foreign exchange (gain)/loss from operating activities, net	(86)	56
Impairment /(reversal of impairment)/write-off of idle property, plant and equipment, net	6	6
(Gain)/loss on sales and purchases of foreign currencies, net	(5)	-
Non-recurring (income)/expenses, net*	(11)	(38)
COVID-19 associated expenses	19	-
Other operating (income)/expenses, net	(2)	3
Total other operating (income)/expenses, net	**(71)**	**42**

* The amount for the year ended 31 December 2020 included an income of US$14 million from settlement agreements with counterparties under trading activities of the Group, net of related legal expenses of US$3 million. The amount for the year ended 31 December 2019 included an income of US$74 million (EUR 67 million) from Engineering, Procurement and Construction (EPC) and Engineering and Procurement (EP) contracts, net of payment under Bonus Deed agreement of US$36 million (EUR 33 million).

28 Other financial gain and loss

	Note	2020	2019
Changes in fair value of cross currency interest rate swaps	19	148	(116)
Changes in fair value of foreign exchange deliverable and non-deliverable forward and futures contracts	19	29	2
Change in fair value of foreign exchange swap contracts	19	-	(3)
Reassessment of liability from contingent consideration related to business combination		101	55
Unwinding of discount on deferred payables		1	1
Unwinding of discount on land restoration obligation	21	2	2
(Gain)/loss on disposal of investment in associates and joint ventures, net		-	3
Other financial (gain)/loss, net		5	(2)
Total other financial (gain)/loss, net		**286**	**(58)**

29 Income tax

	2020	2019
Income tax expense – current	104	167
Deferred income tax – (origination)/reversal of temporary differences, net	(42)	56
Prior periods adjustments for income tax	4	(1)
Reassessment of deferred tax assets/liabilities due to change in the tax rate	-	1
Income tax expense	**66**	**223**

A reconciliation between theoretical income tax charge calculated at the applicable tax rates enacted in the countries where Group companies are incorporated, and actual income tax expense was as follows:

	2020	2019
Profit before taxation	**561**	**1,239**
Theoretical tax charge at statutory rate of subsidiaries	(19)	(198)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	(36)	(23)
- (Unrecognised tax loss for the year)/recovery of previously unrecognised tax loss carry forward, net	4	(3)
- Adjustment on deferred tax assets/liabilities on prior periods	(11)	1
- Reassessment of deferred tax assets/liabilities due to change in the tax rate	-	(1)
Prior periods adjustments recognised in the current period for income tax	(4)	1
Income tax expense	**(66)**	**(223)**

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

29 Income tax (continued)

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 year ended 31 December 2020 (2019: 20.0%). Several subsidiaries applied reduced income tax rates within a range from 16.5% to 19.0% according to regional tax law and agreements with regional authorities (2019: within a range from 16.5% to 19.8%).

Under the terms of a special investment contract, in respect of its ammonia project, EuroChem Northwest JSC recognised a deferred tax asset from tax losses carried forward for the year ended 31 December 2020 at the reduced income tax rate of 5% (2019: the reduced income tax rate of 5% on taxable profits). A loss before taxation occurred due to foreign exchange loss on EUR-denominated Project Finance Facility (Note 17).

Under the terms of the signed special investment contracts, in respect of their potash projects, EuroChem-Usolsky potash complex LLC and EuroChem-VolgaKaliy LLC may apply the reduced income tax rates of 0% and 5%, respectively. EuroChem-Usolsky potash complex LLC applied the reduced income tax rate of 0% for the year ended 31 December 2020. EuroChem-VolgaKaliy LLC did not apply the reduced income tax rate of 5% for the year ended 31 December 2020 as the subsidiary did not generate revenue from its primary activity that is one of conditions of the special investment contract. The management expects to use the reduced income tax rate in future periods.

Subsidiaries located in Europe, North and Latin Americas and Asia are subject to the income tax rates ranging from 9.0% to 34.0% (2019: 9.0% to 34.0%).

At 31 December 2020, the Group had US$170 million (31 December 2019: US$200 million) of unused accumulated tax losses carried forward in respect of which deferred tax asset of US$33 million (31 December 2019: US$37 million) had not been recognised as it is not probable that future taxable profit will be available against which the Group can utilise such benefits. These tax losses carried forward expire as follows:

	31 December 2020	31 December 2019
Tax losses carry forwards expiring by:		
- 31 December 2020	-	2
- 31 December 2021	36	36
- 31 December 2022	37	37
- 31 December 2025	42	42
- 31 December 2026	45	75
- 31 December 2027	10	8
Tax loss carry forwards	**170**	**200**

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

29 Income tax (continued)

The movements in deferred tax (assets) and liabilities during 2020 and 2019 were as follows:

	1 January 2020	Differences recognition and reversals	Disposal of subsidiaries	Currency translation difference	31 December 2020
Tax effects of (deductible)/taxable temporary differences					
Property, plant and equipment and Intangible assets	418	29	(8)	(53)	386
Accounts receivable	(6)	10	-	(1)	3
Accounts payable	(11)	(1)	-	4	(8)
Inventories	(24)	(6)	-	3	(27)
Other	(9)	(10)	3	3	(13)
Tax losses carried forward	(194)	(55)	-	15	(234)
Less: Unrecognised deferred tax assets	37	(4)	-	-	33
Net deferred tax (asset)/liability	**211**	**(37)**	**(5)**	**(29)**	**140**
Recognised deferred tax assets	(76)	(56)	(1)	10	(123)
Recognised deferred tax liabilities	287	19	(4)	(39)	263
Net deferred tax (asset)/liability	**211**	**(37)**	**(5)**	**(29)**	**140**

	1 January 2019	Differences recognition and reversals	Reassessment of deferred tax assets/liabilities due to change in the tax rate	Currency translation difference	31 December 2019
Tax effects of (deductible)/taxable temporary differences					
Property, plant and equipment and Intangible assets	339	49	-	30	418
Accounts receivable	(8)	2	-	-	(6)
Accounts payable	2	(13)	-	-	(11)
Inventories	(33)	9	-	-	(24)
Other	(4)	(6)	2	(1)	(9)
Tax losses carried forward	(199)	12	(1)	(6)	(194)
Less: Unrecognised deferred tax assets	34	3	-	-	37
Net deferred tax (asset)/liability	**131**	**56**	**1**	**23**	**211**
Recognised deferred tax assets	(82)	6	-	-	(76)
Recognised deferred tax liabilities	213	50	1	23	287
Net deferred tax (asset)/liability	**131**	**56**	**1**	**23**	**211**

The Group recognised US$5 million of deferred tax expense in other comprehensive income/(loss) for 2020 (2019: the total amount of the deferred tax charge was recognised in profit and loss).

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

30 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, excluding treasury shares (Note 15). The Company has no dilutive potential ordinary shares and, therefore, the diluted earnings per share equal the basic earnings per share.

	2020	2019
Profit for the period attributable to owners of the parent	494	1,015
Weighted average number of ordinary shares outstanding	900	960
Earnings per share – basic and diluted	**0.55**	**1.06**

31 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 beneficiaries. The relationships with those related parties with whom the Group entered into significant transactions or had significant balances outstanding are detailed below:

Financial statements caption	Nature of relationship	31 December 2020	31 December 2019
Consolidated statement of financial position			
Assets			
Non-current originated loans	Joint ventures	1	1
Current originated loans	Other related parties*	30	-
Current derivative financial assets	Other related parties*	3	-
Trade receivables	Other related parties*	34	4
Prepayments, other receivables and other current assets including:			
Receivable for sale of subsidiaries (Note 13)	Other related parties*	288	-
Other receivables	Other related parties*	-	3
Liabilities			
Non-current derivative financial liabilities	Other related parties*	3	-
Non-current bonds issued	Parent company	4	4
Non-current bonds issued	Other related parties*	32	24
Current bonds issued	Other related parties*	2	25
Current derivative financial liabilities	Other related parties*	10	-
Liability from contingent consideration related to business combination (Note 20)	Other related parties*	-	173
Trade payables	Joint ventures	3	6
Trade payables	Other related parties*	12	1
Other accounts payable and accrued expenses including:			
Interest payable	Other related parties*	1	1
Consolidated statement of profit or loss			
Sales	Associates	-	1
Sales	Joint ventures	-	7
Sales	Other related parties*	79	33
Cost of sales	Other related parties*	(4)	-
Distribution costs	Other related parties*	(76)	(37)
Other operating income/(expenses), net	Other related parties*	(6)	-
Interest expense	Other related parties*	(2)	(1)
Gain/(loss) from sale of subsidiaries, net	Other related parties*	189	-
Other financial gain/(loss), net	Other related parties*	(101)	(48)

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

31 Balances and transactions with related parties (continued)

Financial statements caption	Nature of relationship	31 December 2020	31 December 2019
Consolidated statement of cash flows			
Cash proceeds/(payments) on operating derivatives, net	Other related parties*	3	-
(Increase)/decrease in trade receivables	Other related parties*	(31)	(2)
Increase/(decrease) in trade payables	Other related parties*	9	(2)
Increase/(decrease) in advances from customers	Other related parties*	-	(1)
Capital expenditure on property, plant and equipment and other intangible assets	Joint ventures	(7)	(9)
Liability from contingent consideration related to business combination, paid	Other related parties*	(241)	-
Originated loans	Parent company	(70)	-
Originated loans	Other related parties*	(82)	-
Repayment of originated loans	Parent company	70	-
Repayment of originated loans	Other related parties*	50	-
Other investing activities	Joint ventures	-	2
Other investing activities	Other related parties*	3	40
Repayment of bonds issued	Parent company	-	(29)
Repayment of bonds issued	Other related parties*	(22)	-
Interest paid	Other related parties*	(3)	(1)
Purchase of treasury shares (Note 15)	Other related parties*	-	(785)

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

In May 2020, the Group entered into a share purchase agreement with a related party to acquire the remaining 50% interest minus one share in Fertilizantes Tocantins S.A. The respective liability (Note 3) was reassessed based on a final purchase consideration specified in the agreement. The total consideration denominated in BRL of US$241 million (BRL 1,260 million) was paid in cash in July 2020. The put and call options for the purchase of 50% interest minus one share, which the Group entered into in 2016, ceased on the completion of the transaction. As a result of the transaction, the Group recognised a loss of US$101 million. The acquisition allows EuroChem Group to continue an active development of distribution chain in Brazil.

Management compensation. The total key management personnel compensation amounted to US$16 million and US$13 million for the years ended 31 December 2020 and 31 December 2019, 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.

Sale of subsidiaries. In December 2020, the Group sold two port terminals in Murmansk and Tuapse to the related parties for a total consideration of US$283 million denominated in Russian rubles (RUB 21,309 million) to be paid in six months period.

At the date of disposal, the assets and liabilities of the subsidiaries were:

	1 December 2020
Cash and cash equivalents	10
Cash pool receivables	2
Trade and other receivables	11
Inventories	2
Originated loans	2
Property, plant and equipment	81
Goodwill	2
Trade and other payables	(4)
Income tax payable	(1)
Deferred tax liabilities	(4)
Other non-current liabilities and deferred credits	(13)
Net assets	**88**
Consideration	(283)
Currency translation differences reclassified to profit or loss	6
Profit on disposal	**(189)**

The Group recognised profit on disposal of US$189 million.

32 Contingencies, commitments and operating risks

i Capital expenditure commitments

As at 31 December 2020, the Group had contractual commitments for capital expenditures of US$1,375 million (31 December 2019: US$400 million), including amounts denominated in EUR of US$961 million and in RUB of US$220 million, which will represent cash outflows in the next 5 years according to the contractual terms.

US$953 million of the total amount relate to the development of the ammonia and urea project in Kingisepp (31 December 2019: US$ 1 million).

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, intragroup 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 31 December 2020 and 31 December 2019.

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 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.

The Group insures the risks of physical property damage and business interruption in the production of ammonia in Kingisepp under the terms of the facility agreement and in compliance with the requirements of lenders.

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 establishes provisions for respective future environmental costs in accordance with the Group's accounting policies provided for in these consolidated financial statements.

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, based on information currently available, 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.

32 Contingencies, commitments and operating risks (continued)

vi Operating environment of the Group

The Group operates in the fertilizer industry with production assets in Russia, Lithuania, Belgium, Kazakhstan 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.

Current and possible future 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.

Covid-19 situation

Management closely monitors the situation caused by Covid-19 (coronavirus) and takes necessary measures to ensure continuity of a business. The Group has not experienced significant shutdowns in operations or disruptions to supply chains due to coronavirus, except for some delays in materials delivery from contractors. The Group's primary focus is to safeguard its employees, customers and communities it serves. The Group incurred expenses mainly connected with personal protective equipment for on-site staff responsible for maintaining business processes and personnel costs on implementation and support of an action programme to reduce Covid-19 exposure. These expenses were reported within other operating (income)/expenses as "COVID-19 associated expenses" (Note 27). The Group follows official advice in all markets, where it operates, and continues to focus on managing operations in a fast-moving environment.

33 Financial and capital risk management

33.1 Financial risk management

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

(a) Market risk

(i) Foreign currency risk

As mentioned in Note 19, the Group is exposed to foreign exchange risk due to the fact that its cash flows are denominated in different currencies.

The objective of the Group's foreign exchange risk management is to minimise the volatility of the Group's cash flows arising from fluctuations in exchange rates versus the US$ (which is viewed by the Group as its base currency), while simultaneously achieving at least average annual market exchange rates for the Group's non-US$ purchases. Management focuses on assessing the Group's future cash flows in currencies other than US$ and managing operational currency position - the gaps arising between inflows and outflows. Management also pursues to avoid open transactional currency positions by balancing non-US$ cash assets and liabilities.

The Group includes a number of subsidiaries with Russian rouble as functional currency which have a significant volume of US$-denominated transactions as well as several subsidiaries with US$ functional currency having RUB-denominated transactions. At 31 December 2020, if the RUB had appreciated/depreciated against the US$ by 10%, all other things being equal, the after tax result for the year and equity would have been US$116 million lower/higher (2019: US$137 million lower/higher), purely as a result of foreign exchange gains/losses on translation of US$-denominated assets and liabilities at subsidiaries with RUB as a functional currency and RUB-denominated assets and liabilities at subsidiaries with US$ as a functional currency and with no regard to the impact of this appreciation/depreciation on sales.

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

33 Financial and capital risk management (continued)

33.1 Financial risk management (continued)

The Group is disclosing the impact of such a 10% shift in the manner set out above to ease the calculation for the users of these consolidated financial statements of the impact on the after tax profit and equity resulting from subsequent future exchange rate changes; this information is not used by the management for foreign currency risk management purposes.

The Group believes that it benefits from the strengthening of US$ exchange rate versus the RUB and the EUR, and the other way around. This is mainly due to the fact that in terms of economic substance, as opposed to purely settlement perspective, the Group's revenues are directly or indirectly US$-denominated, whereas a significant portion of its operating and capital costs is denominated in RUB and EUR.

During 2020 and 2019 the Group entered into foreign exchange non-deliverable and deliverable forward contracts in order to achieve lower RUB and EUR exchange rates for its RUB and EUR purchases than the average annual exchange rates. The Group also routinely enters into forward and swap agreements aimed at lowering the cost of its debt portfolio in US$ terms.

The table below summarises the Group's financial assets and liabilities which are subject to foreign currency risk as at 31 December 2020:

Functional currency	RUB	US$	BRL	Other foreign currencies
Foreign currency	**US$**	**RUB**	**US$**	**Other foreign currencies**
ASSETS				
Non-current financial assets:				
Restricted cash	-	-	-	43
US$/RUB cross currency swaps (gross amount)	-	1,523	-	-
RUB/US$ non-deliverable forward contracts	-	3	-	-
Total non-current financial assets	**-**	**1,526**	**-**	**43**
Current financial assets:				
Trade receivables	-	-	73	40
Other receivables	-	-	-	42
US$/RUB cross currency swaps (gross amount)	-	104	-	-
RUB/US$ non-deliverable forward contracts - cash flow hedges	-	39	-	-
RUB/US$ non-deliverable forward contracts	-	20	-	-
Cash and cash equivalents	283	-	-	26
Total current financial assets	**283**	**163**	**73**	**108**
Total financial assets	**283**	**1,689**	**73**	**151**
LIABILITIES				
Non-current financial liabilities:				
Bank borrowings and loans received	-	38	-	-
Project Finance	-	-	-	495
RUB/US$ non-deliverable forward contracts	-	3	-	-
Deferred payable related to mineral rights acquisition	-	-	-	10
Total non-current financial liabilities	**-**	**41**	**-**	**505**
Current liabilities:				
Bank borrowings and loans received	-	61	219	-
Project Finance	-	-	-	76
EUR/US$ non-deliverable forward contracts	-	-	-	3
RUB/US$ non-deliverable forward contracts	-	13	-	-
Trade payables	71	-	78	45
Interest payables	-	-	2	1
Deferred payable related to mineral rights acquisition	-	-	-	1
Total current financial liabilities	**71**	**74**	**299**	**126**
Total financial liabilities	**71**	**115**	**299**	**631**

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

33 Financial and capital risk management (continued)

33.1 Financial risk management (continued)

The Group's financial assets and liabilities subject to foreign currency risk as at 31 December 2019 are presented below:

Functional currency	RUB	US$	BRL	Other foreign currencies
Foreign currency	**US$**	**RUB**	**US$**	**Other foreign currencies**
ASSETS				
Non-current financial assets:				
Restricted cash	-	-	-	36
US$/RUB cross currency swaps (gross amount)	-	989	-	-
RUB/US$ non-deliverable forward contracts	-	9	-	-
Total non-current financial assets	**-**	**998**	**-**	**36**
Current financial assets:				
Trade receivables	-	-	94	52
Other receivables	-	-	-	41
US$/RUB cross currency swaps (gross amount)	-	375	-	-
Cash and cash equivalents	74	-	-	28
Total current financial assets	**74**	**375**	**94**	**121**
Total financial assets	**74**	**1,373**	**94**	**157**
LIABILITIES				
Non-current financial liabilities:				
Bank borrowings and loans received	-	-	-	-
Project Finance	-	-	-	522
EUR/US$ non-deliverable forward contracts	-	-	-	7
Deferred payable related to mineral rights acquisition	-	-	-	10
Total non-current financial liabilities	**-**	**-**	**-**	**539**
Current liabilities:				
Bank borrowings and loans received	200	51	306	6
Bonds issued	124	-	-	-
Project Finance	-	-	-	65
EUR/US$ non-deliverable forward contracts	-	-	-	8
BRL/US$ non-deliverable forward contracts	-	-	1	-
Trade payables	46	-	65	37
Interest payables	1	-	3	1
Deferred payable related to acquisition of additional interest in subsidiary	2	-	-	-
Deferred payable related to mineral rights acquisition	-	-	-	1
Total current financial liabilities	**373**	**51**	**375**	**118**
Total financial liabilities	**373**	**51**	**375**	**657**

The Group's sales for the years ended 31 December 2020 and 31 December 2019 are presented in the table below:

	US$	EUR	RUB	Other currencies	Total
	3,395	1,087	857	827	6,166
2020	55%	18%	14%	13%	100%
	3,376	1,158	1,081	569	6,184
2019	55%	19%	17%	9%	100%

33 Financial and capital risk management (continued)

33.1 Financial risk management (continued)

In practice, as noted above, while assessing and managing its exposure to foreign currency risk, the Group's Treasury views most of the Group's sales as predominantly US$-denominated, regardless of the settlement currency. The Group's Treasury views all currencies other than the US$ as foreign currency risk exposures of the Group, while the US$ is viewed as the Group's base economic currency against which all exposures are measured.

(ii) Interest rate risk

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

The Group is exposed to the risk from floating interest rates primary from borrowings and loans denominated in foreign currencies.

The Group had US$1,488 million of US$ denominated loans outstanding at 31 December 2020 (31 December 2019: US$1,264 million) bearing floating interest rates varying from 1-month Libor +1.55% to 1-month Libor +2.20%, from 3-month Libor +0.70% to 3-month Libor +2.15%, 12-month Libor +1.80% (2019: from 1-month Libor +1.55% to 1-month Libor +2.20%, from 3-month Libor +1.50% to 3-month Libor +1.95%, from 6-month Libor +2.65% to 6-month Libor +4.00%).

The Group's profit after tax for the year ended 31 December 2020 and equity would have been US$1 million, or 0.2% lower/higher (2019: US$1 million, or 0.1% lower/higher), if the US$ Libor interest rate was 10 bps higher/lower than its actual level during the year.

During 2020 and 2019 the Group did not hedge this exposure using financial instruments.

The Group has a formal policy of determining how much maximum unhedged exposure it should have to interest rate risk on the basis of the assessment of the likely interest rate changes on the Group's cash flows. The Group performs periodic analysis of the current interest rate environment on the basis of which management makes decisions on the appropriate mix of fixed-rate and variable-rate debt for both existing and planned new borrowings.

(iii) Commodity price risk

Commodity price risk arises from fluctuations in prices of the Group's purchases of raw materials and sales of products. Primary raw materials used by the Group in its production processes are natural gas, energy, apatite and potash. The Group is mostly self-sufficient in apatite and potash, having its own reserves supported by worldwide distribution network. Natural gas and energy prices in Russia, where main production assets are located, are subject to government regulation, and are generally lower than prices established within the European Union. Commodity price risk on products is managed by forecasting future market demand and prices and incorporating risk analysis into decision making. Cost advantages and decrease of exposure to commodity price risk are achieved through operating a vertically integrated business model.

The Group also routinely enters into commodity swaps and collars contracts aimed to minimise price fluctuations of products.

(b) Credit risk

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

The maximum exposure to credit risk resulting from financial assets is equal to the carrying amount of the Group's financial assets, which at 31 December 2020 amounted to US$1,262 million (31 December 2019: US$918 million). The Group has no significant concentrations of credit risk.

33 Financial and capital risk management (continued)

33.1 Financial risk management (continued)

Cash and cash equivalents, restricted cash and fixed-term deposits. Cash and term deposits are mainly placed in major multinational banks and banks with independent credit ratings. No bank balances and term deposits are past due or impaired. (See the analysis by credit quality of bank balances, term and fixed-term deposits in Note 14).

Originated loans. Originated loans are issued to companies which are under common control with the Group and to associated company or joint venture of the Group.

Receivables for sale of subsidiaries. As at 31 December 2020, the receivable for sale of subsidiaries is due from companies which are under common control of the Group, which means that collection of these receivables can be reasonably assured.

Trade receivables. Trade receivables are subject to a policy of active credit risk management which focuses on an assessment of ongoing credit evaluation and account monitoring procedures. The objective of the management of trade receivables is to sustain the growth and profitability of the Group by optimising asset utilisation while maintaining risk at an acceptable level.

Receivables management is geared towards collecting all outstanding accounts punctually and in full to avoid the loss of receivables. Additionally, the Group sells certain trade receivables to a factor on a non-recourse basis.

Advances to Suppliers and Contractors. Advances given to suppliers and contractors are subject to a policy of the supplier credit risk management which focuses on ongoing credit limit evaluation and monitoring goods/services supply contract performance.

The monitoring and controlling of credit risk is performed by the corporate treasury function of the Group. The credit policy requires the performance of credit evaluations and ratings of all counterparties, including customers, suppliers and contractors. The credit quality of each new customer, supplier or contractor is analysed using internal credit rating before the Group provides it with the terms of delivery and payment, or terms of advance payments in the case of suppliers and contractors. The Group gives preference to counterparties with an independent credit rating. New counterparties without an independent credit rating are evaluated with reference to Group’s credit policy which is based on minimum of two ratings: internal creditworthiness rating and internal payment discipline rating. The credit quality of other counterparties is assessed taking into account their financial position, past experience and other factors.

Customers, suppliers and contractors that do not meet the credit quality requirements are supplied on a prepayment basis only and receive no advance payments.

Although the collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the ECL allowance and provision for impairment already recorded (Note 13).

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

33 Financial and capital risk management (continued)

33.1 Financial risk management (continued)

The major part of trade receivables that are not individually impaired (only ECL allowance was created for these receivables) relates to wholesale distributors and steel producers for which the credit exposures and related ratings are presented below:

Group of customers	Rating agency	Credit rating/Other	31 December 2020	31 December 2019
Wholesale customers	-	Credit Insurance	1	3
Wholesale customers	-	Letter of credit	85	28
Wholesale customers	-	Bank guarantee	2	5
Wholesale customers and steel producers	Fitch	2020: A+ to BBB- 2019: A+ to BBB-	3	14
Wholesale customers	Dun & Bradstreet Credibility Corp.*	Minimum risk of failure	34	40
Wholesale customers	Dun & Bradstreet Credibility Corp.*	Lower than average risk	64	27
Wholesale customers	Dun & Bradstreet Credibility Corp.*	Average risk of failure	21	35
Wholesale customers	CreditInfo	A-very good	1	2
Wholesale customers	CreditInfo	Lower than average risk	6	5
Wholesale customers	CreditInfo	Average risk of failure	1	2
Wholesale customers	Counterparties with internal credit rating	Minimum risk of failure	76	4
Wholesale customers	Counterparties with internal credit rating	Lower than average risk	19	17
Wholesale customers	Counterparties with internal credit rating	Average risk of failure	1	1
Total			**314**	**183**

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

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

(c) Liquidity risk

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

While managing its liquidity, the Group aims to ensure that it is sufficient to meet its short-term existing and potential obligations. At the same time, the Group strives to minimise its idle cash balances. These goals are achieved by ensuring, among other things, that there is a sufficient amount of undrawn committed bank facilities at the Group's disposal at all times. This may result, from time to time, in the Group's current liabilities exceeding its current assets.

In order to take advantage of financing opportunities in the international capital markets, the Group maintains credit ratings from Standard & Poor's, Fitch and Moody's. As at 31 December 2020, Standard & Poor's affirmed the Group's rating at BB "minus" with positive outlook (31 December 2019: BB "minus" with positive outlook), Fitch affirmed at BB with stable outlook (31 December 2019: BB with stable outlook) and Moody's affirmed at Ba2 with stable outlook (31 December 2019: Ba2 with stable outlook).

Cash flow forecasting is performed throughout the Group. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 16) at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

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

33 Financial and capital risk management (continued)

33.1 Financial risk management (continued)

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
As at 31 December 2020					
Trade payables	527	-	-	-	**527**
*Gross-settled swaps:***					
- inflows	(104)	(448)	(1,075)	-	**(1,627)**
- outflows	50	435	1,001	-	**1,486**
Non-deliverable forward contracts	16	2	1	-	**19**
Bank borrowings*	1,336	614	1,052	19	**3,021**
Project Finance*	84	83	212	260	**639**
Bonds issued*	267	381	1,800	-	**2,448**
Lease liabilities	9	7	11	22	**49**
Other current and non-current liabilities	-	1	3	12	**16**
Total	**2,185**	**1,075**	**3,005**	**313**	**6,578**
As at 31 December 2019					
Trade payables	508	-	-	-	**508**
*Gross-settled swaps:***					
- inflows	(375)	(68)	(921)	-	**(1,364)**
- outflows	346	30	838	-	**1,214**
Non-deliverable forward contracts	9	7	-	-	**16**
Bank borrowings*	1,164	858	620	-	**2,642**
Project Finance*	73	77	213	298	**661**
Bonds issued*	487	241	1,724	-	**2,452**
Lease liabilities	10	11	9	37	**67**
Other current and non-current liabilities	2	-	177	13	**192**
Total	**2,224**	**1,156**	**2,660**	**348**	**6,388**

* The table above shows undiscounted cash outflows for financial liabilities (including interest together with the borrowings) based on conditions existing as at 31 December 2020 and 31 December 2019, respectively.
** Payments in respect of the gross settled swaps will be accompanied by related cash inflows.

The Group controls the minimum required level of liquidity, consisting of cash balances, as well as committed undrawn bank facilities available for short-term payments in accordance with the financial policy of the Group. Such liquidity are represented by current cash balances on bank accounts, bank deposits, short-term investments, cash and other financial instruments, which may be classified as cash equivalents in accordance with IFRS, as well as undrawn committed bank facilities.

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

33.2 Capital risk management

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

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

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

33 Financial and capital risk management (continued)

33.2 Capital risk management (continued)

Gearing ratio

The gearing ratio is determined as net debt to net worth. The net worth is calculated as shareholder's equity excluding the cumulative currency translation differences as this component of equity has no economic or cash flow significance. For the purposes of the Group's covenants in its external borrowing agreements, where appropriate, net debt consists of the sum of short-term borrowings, long-term borrowings and bonds balance outstanding, less cash and cash equivalents, fixed-term deposits and current restricted cash.

The gearing ratio as at 31 December 2020 and 31 December 2019 is shown in the table below:

	31 December 2020	31 December 2019
Total debt	4,852	4,518
Less: cash and cash equivalents and fixed-terms deposits and current restricted cash	574	317
Net debt	**4,278**	**4,201**
Share capital	-	-
Retained earnings and other reserves	8,078	7,590
Net worth	**8,078**	**7,590**
Gearing ratio	**0.53**	**0.55**

Net Debt/EBITDA

The Group's covenants under the terms of loan agreements and issued Eurobonds stipulate that Net Debt/EBITDA should not exceed the level of three and a half times (3.5x). For the purpose of the ratio calculation, net debt is determined in the same way as described in the Gearing ratio section.

The ratio of net debt to EBITDA as at 31 December 2020 and 31 December 2019 is shown in the table below:

	Note	2020	2019
EBITDA	7	**1,809**	**1,545**
Elimination of EBITDA of subsidiaries under the Project Finance	17	(66)	(54)
Elimination of EBITDA of port terminals from 1 January 2020 to the date of sale		(49)	-
Elimination of EBITDA of Turkish subsidiary from 1 January 2019 to the date of sale		-	(2)
Elimination of net profit share of disposed associate from 1 January 2019 to the date of sale		-	(1)
Covenant EBITDA		**1,694**	**1,488**
Net debt		4,278	4,201
Net debt/Covenant EBITDA		**2.53**	**2.82**

Covenant EBITDA is calculated including EBITDA of acquired associates and subsidiaries for the period from 1 January to the date of acquisition and excluding EBITDA of subsidiaries under the Project Finance for the year and EBITDA of subsidiaries from 1 January to the date of sale.