



**EUROCHEM GROUP**

**INTERNATIONAL ACCOUNTING STANDARD No. 34**

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

**30 SEPTEMBER 2018**

## Contents

Independent Auditor's Report on the Review of the Consolidated Condensed Interim Financial Information as of and for the three and nine months ended 30 September 2018

Consolidated Interim Statement of Financial Position as at 30 September 2018.....	1
Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income for the three and nine months ended 30 September 2018 .....	2
Consolidated Interim Statement of Cash Flows for the nine months ended 30 September 2018 .....	3
Consolidated Interim Statement of Changes in Equity for the nine months ended 30 September 2018.....	4

### Notes to the Consolidated Condensed Interim Financial Information

1	The EuroChem Group and its operations .....	5
2	Basis of preparation, significant accounting policies and adoption of new or revised standards .....	5
3	New or revised standards and interpretations .....	6
4	Fair value of financial instruments .....	7
5	Segment information .....	9
6	Property, plant and equipment.....	11
7	Investment in associates and joint ventures .....	12
8	Inventories.....	14
9	Trade receivables, prepayments, other receivables and other current assets .....	14
10	Originated loans .....	15
11	Cash and cash equivalents, fixed-term deposits and restricted cash.....	15
12	Disposal of subsidiaries .....	16
13	Equity.....	17
14	Bank borrowings and other loans received.....	17
15	Project finance .....	19
16	Bonds issued.....	20
17	Derivative financial assets and liabilities.....	21
18	Sales .....	23
19	Cost of sales .....	24
20	Distribution costs.....	24
21	General and administrative expenses.....	24
22	Other operating income and expenses .....	25
23	Other financial gain and loss.....	25
24	Income tax.....	26
25	Earnings per share .....	26
26	Balances and transactions with related parties .....	27
27	Contingencies, commitments and operating risks.....	28

---

# ***EuroChem Group AG***

***Zug***

***Review Report to the Board of Directors on the consolidated condensed interim financial information as of and for the three- and nine-month periods ended 30 September 2018***





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

***Introduction***

We have reviewed the accompanying consolidated condensed interim financial information (statement of financial position, statement of profit or loss and other comprehensive income, statement of cash flows, statement of changes in equity and notes) of EuroChem Group AG as of and for the three- and nine-month periods ended 30 September 2018. The Board of Directors is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

***Scope of Review***

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

***Conclusion***

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

PricewaterhouseCoopers AG

Joanne Burgener  
Audit Expert  
Auditor in charge

Christopher Vohrer  
Audit Expert

Zug, 7 November 2018

Enclosure:

Consolidated condensed interim financial information (statement of financial position, statement of profit or loss and other comprehensive income, statement of cash flows, statement of changes in equity and notes) as of and for the three- and nine-month periods ended 30 September 2018.



	Note	30 September 2018	31 December 2017, adjusted	1 January 2017, adjusted
<b>ASSETS</b>				
<b>Non-current assets:</b>				
Property, plant and equipment	6	6,757,746	6,918,004	5,297,313
Mineral rights		331,391	372,809	455,488
Goodwill		477,461	516,830	468,223
Intangible assets		109,230	142,924	163,625
Investment in associates and joint ventures	7	36,532	43,152	36,500
Originated loans	10	3,915	51,046	53,178
Restricted cash	11	2,317	22,345	18,170
Derivative financial assets	17	242	7,189	-
Deferred income tax assets		65,745	55,360	112,517
Other non-current assets		73,714	52,199	83,690
<b>Total non-current assets</b>		<b>7,858,293</b>	<b>8,181,858</b>	<b>6,688,704</b>
<b>Current assets:</b>				
Inventories	8	861,676	781,622	713,919
Trade receivables	9	328,174	288,959	267,786
Prepayments, other receivables and other current assets	9	375,706	326,637	315,185
Income tax receivable		17,296	58,999	32,133
Originated loans	10	3,000	-	412
Restricted cash	11	7,081	20,101	45,994
Derivative financial assets	17	8,045	18,955	13,602
Fixed-term deposits	11	1,654	151	294
Cash and cash equivalents	11	183,364	228,613	285,605
<b>Total current assets</b>		<b>1,785,996</b>	<b>1,724,037</b>	<b>1,674,930</b>
<b>TOTAL ASSETS</b>		<b>9,644,289</b>	<b>9,905,895</b>	<b>8,363,634</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Equity attributable to owners of the parent:</b>				
Share capital	13	111	111	111
Cumulative currency translation differences		(2,073,486)	(1,347,833)	(1,749,745)
Retained earnings and other reserves		6,398,524	5,442,999	4,993,073
		<b>4,325,149</b>	<b>4,095,277</b>	<b>3,243,439</b>
Non-controlling interests		130	165	1,371
<b>Total equity</b>		<b>4,325,279</b>	<b>4,095,442</b>	<b>3,244,810</b>
<b>Non-current liabilities:</b>				
Bank borrowings and other loans received	14	1,990,818	1,110,205	1,305,671
Project finance	15	359,801	959,373	573,022
Bonds issued	16	1,223,260	1,512,413	824,848
Derivative financial liabilities	17	30,274	-	75,209
Deferred income tax liabilities		212,814	231,259	214,290
Other non-current liabilities and deferred income		178,848	192,401	166,456
<b>Total non-current liabilities</b>		<b>3,995,815</b>	<b>4,005,651</b>	<b>3,159,496</b>
<b>Current liabilities:</b>				
Bank borrowings and other loans received	14	139,886	770,405	1,075,418
Project finance	15	8,715	-	-
Bonds issued	16	228,829	87,091	323,856
Derivative financial liabilities	17	14,561	61,821	703
Trade payables		528,624	513,004	284,549
Other accounts payable and accrued expenses		337,900	334,519	221,396
Income tax payable		31,493	10,909	18,912
Other taxes payable		33,187	27,053	34,494
<b>Total current liabilities</b>		<b>1,323,195</b>	<b>1,804,802</b>	<b>1,959,328</b>
<b>Total liabilities</b>		<b>5,319,010</b>	<b>5,810,453</b>	<b>5,118,824</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9,644,289</b>	<b>9,905,895</b>	<b>8,363,634</b>

The accompanying notes on pages 5 to 29 are an integral part of this consolidated condensed interim financial information.

**EuroChem Group**  
**Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income**  
**for the three and nine months ended 30 September 2018**

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



	Note	Three months ended		Nine months ended	
		30 September 2018	30 September 2017, adjusted	30 September 2018	30 September 2017, adjusted
Sales	18	1,440,571	1,172,275	4,111,216	3,569,477
Cost of sales	19	(872,238)	(765,302)	(2,533,430)	(2,263,902)
<b>Gross profit</b>		<b>568,333</b>	<b>406,973</b>	<b>1,577,786</b>	<b>1,305,575</b>
Distribution costs	20	(174,831)	(168,627)	(542,173)	(507,817)
General and administrative expenses	21	(46,397)	(58,682)	(155,661)	(159,386)
Other operating income/(expenses), net	22	(4,081)	4,127	(26,208)	(13,216)
<b>Operating profit</b>		<b>343,024</b>	<b>183,791</b>	<b>853,744</b>	<b>625,156</b>
Share of profit/(loss) from associates and joint ventures, net		(485)	(991)	1,299	(2,534)
Loss from disposal of subsidiaries	12	(25,289)	-	(50,552)	-
Interest income		2,195	2,086	6,810	8,564
Interest expense		(20,545)	(43,770)	(87,188)	(96,468)
Financial foreign exchange gain/(loss), net		(44,677)	(722)	(108,654)	9,508
Other financial gain/(loss), net	23	(36,867)	34,288	(110,111)	20,686
<b>Profit before taxation</b>		<b>217,356</b>	<b>174,682</b>	<b>505,348</b>	<b>564,912</b>
Income tax expense	24	(71,913)	(62,949)	(149,844)	(193,309)
<b>Profit</b>		<b>145,443</b>	<b>111,733</b>	<b>355,504</b>	<b>371,603</b>
<b>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods</b>					
Currency translation differences		(243,048)	122,983	(749,969)	346,963
Share of other comprehensive income/(loss) of associates and joint ventures, net	7	(757)	624	(987)	(674)
Currency translation differences on disposed subsidiaries reclassified to profit or loss	12	25,289	-	25,289	-
<b>Total other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods</b>		<b>(218,516)</b>	<b>123,607</b>	<b>(725,667)</b>	<b>346,289</b>
<b>Total comprehensive income/(loss)</b>		<b>(73,073)</b>	<b>235,340</b>	<b>(370,163)</b>	<b>717,892</b>
<b>Profit/(loss) attributable to:</b>					
Owners of the parent		145,449	111,146	355,525	371,694
Non-controlling interests		(6)	587	(21)	(91)
		<b>145,443</b>	<b>111,733</b>	<b>355,504</b>	<b>371,603</b>
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the parent		(73,058)	234,757	(370,128)	717,893
Non-controlling interests		(15)	583	(35)	(1)
		<b>(73,073)</b>	<b>235,340</b>	<b>(370,163)</b>	<b>717,892</b>
Earnings per share – basic and diluted	25	145.45	111.15	355.53	371.69

The accompanying notes on pages 5 to 29 are an integral part of this consolidated condensed interim financial information.



	Note	Nine months ended	
		30 September 2018	30 September 2017, adjusted
Operating profit		853,744	625,156
Income tax paid		(92,550)	(138,994)
<b>Operating profit less income tax paid</b>		<b>761,194</b>	<b>486,162</b>
Depreciation and amortisation	21	232,308	204,577
Loss on disposals, impairment and write-off of property, plant and equipment, net		6,114	5,230
Change in provision for impairment of receivables and provision for obsolete and damaged inventories, net		7,007	17,865
Other non-cash (income)/expenses, net		(52,982)	20,330
<b>Gross cash flow</b>		<b>953,641</b>	<b>734,164</b>
Changes in operating assets and liabilities:			
Trade receivables		(69,011)	4,204
Advances to suppliers		(53,350)	(7,010)
Other receivables		(23,778)	3,825
Inventories		(200,887)	(3,136)
Trade payables		118,946	24,019
Advances from customers		42,898	24,607
Other payables		5,080	96
Restricted cash		29,173	43,310
<b>Net cash – operating activities</b>		<b>802,712</b>	<b>824,079</b>
<b>Cash flows from investing activities</b>			
Capital expenditure on property, plant and equipment and intangible assets		(784,515)	(1,039,110)
Other payments related to mineral rights		(6,936)	(4,455)
Deferred payment for investment in associate/ Investment in associate		(2,769)	(2,991)
Acquisition of subsidiaries, net of cash		-	(3,203)
Proceeds from sale of interest in associate		-	60,749
Deferred compensation related to business combination, paid		(3,004)	(6,795)
Proceeds from sale of property, plant and equipment		377	1,097
Net change in fixed-term deposits		(1,525)	137
Originated loans	10	(503)	(34,702)
Repayment of originated loans	10	-	9,469
Interest received		6,384	10,681
Other investing activities		3,581	(22,427)
<b>Net cash – investing activities</b>		<b>(788,910)</b>	<b>(1,031,550)</b>
<b>Free cash inflow/(outflow)</b>		<b>13,802</b>	<b>(207,471)</b>
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings and other loans received	14	2,114,013	2,066,021
Funds received under the Project Finance Facilities	15	149,383	326,052
Repayment of bank borrowings and other loans	14	(1,776,753)	(2,831,146)
Repayment of Project Finance facility	15	(750,000)	-
Proceeds from bonds, net of transaction costs		-	767,522
Repayment of bonds		(79,428)	-
Prepaid and additional transaction costs related to bank borrowings and bonds		(10,510)	(16,356)
Prepaid and additional transaction costs related to Project Finance Facilities		(4,771)	(3,863)
Interest paid		(163,252)	(128,064)
Cash proceeds/(payments) on derivatives, net	17	(116,712)	7,103
Capital contribution	13	600,000	-
Dividends paid to non-controlling interests in subsidiary		-	(598)
Other financial activities		(3,342)	(1,058)
<b>Net cash – financing activities</b>		<b>(41,372)</b>	<b>185,613</b>
Effect of exchange rate changes on cash and cash equivalents		(17,679)	13,824
<b>Net decrease in cash and cash equivalents</b>		<b>(45,249)</b>	<b>(8,034)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>11</b>	<b>228,613</b>	<b>285,605</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>11</b>	<b>183,364</b>	<b>277,571</b>

The accompanying notes on pages 5 to 29 are an integral part of this consolidated condensed interim financial information.



	Attributable to owners of the parent			Total	Non-controlling interests	Total equity
	Share capital	Cumulative currency translation differences	Retained earnings and other reserves			
<b>Balance at 31 December 2016 as previously reported</b>	111	(1,749,745)	4,966,855	3,217,221	1,371	3,218,592
Adjustment due to change in accounting policy for transportation expenses (Note 2)	-	-	26,218	26,218	-	26,218
<b>Balance at 1 January 2017, adjusted</b>	111	(1,749,745)	4,993,073	3,243,439	1,371	3,244,810
<b>Comprehensive income/(loss)</b>						
Profit/(loss)	-	-	371,694	371,694	(91)	371,603
<i>Other comprehensive income/(loss)</i>						
Currency translation differences	-	346,873	-	346,873	90	346,963
Share of other comprehensive income/(loss) of associate and joint ventures, net	-	(674)	-	(674)	-	(674)
<i>Total other comprehensive income</i>	-	346,199	-	346,199	90	346,289
<b>Total comprehensive income</b>	-	<b>346,199</b>	<b>371,694</b>	<b>717,893</b>	<b>(1)</b>	<b>717,892</b>
Dividends paid to non-controlling interests in subsidiaries	-	-	-	-	(598)	(598)
<b>Total transactions with owners</b>	-	-	-	-	<b>(598)</b>	<b>(598)</b>
<b>Balance at 30 September 2017</b>	111	(1,403,546)	5,364,767	3,961,332	772	3,962,104
<b>Balance at 31 December 2017 as previously reported</b>	111	(1,347,833)	5,419,931	4,072,209	165	4,072,374
Adjustment due to change in accounting policy for transportation expenses (Note 2)	-	-	26,218	26,218	-	26,218
Adjustment due to adoption of IFRS 9 (Note 2)	-	-	(3,150)	(3,150)	-	(3,150)
<b>Balance at 1 January 2018, adjusted</b>	111	(1,347,833)	5,442,999	4,095,277	165	4,095,442
<b>Comprehensive income/(loss)</b>						
Profit/(loss)	-	-	355,525	355,525	(21)	355,504
<i>Other comprehensive income/(loss)</i>						
Currency translation differences	-	(749,955)	-	(749,955)	(14)	(749,969)
Share of other comprehensive income/(loss) of associate and joint ventures, net	-	(987)	-	(987)	-	(987)
Currency translation differences on disposed subsidiaries reclassified to profit or loss	-	25,289	-	25,289	-	25,289
<i>Total other comprehensive income/(loss)</i>	-	<b>(725,653)</b>	-	<b>(725,653)</b>	<b>(14)</b>	<b>(725,667)</b>
<b>Total comprehensive income/(loss)</b>	-	<b>(725,653)</b>	<b>355,525</b>	<b>(370,128)</b>	<b>(35)</b>	<b>(370,163)</b>
<b>Transactions with owners</b>						
Capital contribution	-	-	600,000	600,000	-	600,000
<b>Total transactions with owners</b>	-	-	<b>600,000</b>	<b>600,000</b>	-	<b>600,000</b>
<b>Balance at 30 September 2018</b>	111	(2,073,486)	6,398,524	4,325,149	130	4,325,279

The accompanying notes on pages 5 to 29 are an integral part of this consolidated condensed interim financial information.





## 1 The EuroChem Group and its operations

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

A company that holds business interests beneficially for Mr. Andrey Melnichenko indirectly owns 100% of AIM Capital SE, registered in the Republic of Cyprus (31 December 2017: 100%), which in turn owns 90% (31 December 2017: 90%) of the share capital of EuroChem Group AG, the remaining 10% of the Company are held indirectly by Mr. Dmitry Strezhnev (31 December 2017: 10%).

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

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

**Basis of presentation.** This consolidated condensed interim financial information for the nine months ended 30 September 2018 has been prepared in accordance with IAS 34, “Interim Financial Reporting”; it supplements the annual consolidated financial statements for the year ended 31 December 2017 prepared in accordance with International Financial Reporting Standards.

The principal accounting policies and significant judgments and estimates applied therein are consistent with those of the consolidated financial statements for the year ended 31 December 2017, except for the changes in presentation, accounting policies and the adoption of new and amended standards that became effective on 1 January 2018 as described below.

**Presentation.** Sales to Mexico are reallocated from Latin America to North America (Note 5).

**Accounting policy.** Effective 1 January 2018, the Group applies changes in accounting policy for transportation expenses which are to be capitalised as a part of inventory until the moment of sale. This change in approach is driven by the global expansion of the Group’s distribution network and the increasing share of sales to the final end users of its products. The impact of the change on the Group’s consolidated financial statements is disclosed below.

**Adoption of new and amended standards.** The Group adopted the following new and amended standards effective 1 January 2018:

- IFRS 9, Financial Instruments. The standard requires the financial assets to be classified in the following measurement categories: those to be measured subsequently at amortised cost, those to be measured at fair value through profit or loss, and those to be measured at fair value through other comprehensive income. The initial application of the standard did not result in any reclassifications of the Group’s financial instruments or any material changes in their measurement, therefore, the opening retained earnings were not adjusted. The standard also introduces expected credit losses impairment model, which means that anticipated as opposed to incurred credit losses will be recognised resulting in earlier recognition of impairment. The Group used an exemption in IFRS 9 allowing not to restate prior periods presented as a result of adoption of the new measurement requirements, but rather recognise any differences in the retained earnings as at 1 January 2018. The impact of the initial recognition of the model on the Group’s consolidated financial statements is disclosed below;
- IFRS 15, Revenue from Contracts with Customers. The standard outlines the principles an entity must apply to measure and recognise revenue and the related cash flows. As the majority of the Group’s revenue is derived from arrangements in which the transfer of control coincides with the fulfilment of the performance obligations, the changes in respect of the timing and amount of revenue recognised do not have a material impact on the Group’s consolidated financial statements.



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

At 1 January 2017, the effect of changes in accounting policy was as follows:

	Balance at 31 December 2016, as previously reported	Adjustment, accounting policy	Balance at 1 January 2017, adjusted
Inventories/finished goods	678,754	35,165	713,919
Deferred income tax assets	121,464	(8,947)	112,517
Retained earnings and other reserves	4,966,855	26,218	4,993,073

At 1 January 2018, the effect of changes in accounting policy and adoption of the new standard was as follows:

	Balance at 31 December 2017, as previously reported	Adjustment, accounting policy	Adjustment, IFRS 9	Balance at 1 January 2018, adjusted
Trade receivables/ provision for impairment	293,101	-	(4,142)	288,959
Inventories	746,457	35,165	-	781,622
Deferred income tax assets	63,315	(8,947)	992	55,360
Retained earnings and other reserves	5,419,931	26,218	(3,150)	5,442,999

The adjusted consolidated statement of financial position as of 1 January 2017 and 1 January 2018 is presented in this consolidated condensed interim financial information as a result of the above changes.

At 30 September 2018, the official exchange rates were: US\$ 1 = RUB 65.5906, US\$ 1 = EUR 0.8604 (31 December 2017: US\$ 1 = RUB 57.6002, US\$ 1 = EUR 0.8364). Average rates for the nine months ended 30 September 2018 were: US\$ 1 = RUB 61.4358, US\$ 1 = EUR 0.8382 (nine months ended 30 September 2017: US\$ 1 = RUB 58.3344, US\$ 1 = EUR 0.8986).

## 3 New or revised standards and interpretations

Other new amendments and improvements to standards set out below became effective 1 January 2018 and did not have any impact or did not have a material impact on the Group's consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture;
- Amendments to IFRS 2, Share-based Payment;
- Amendments to IFRS 4, Applying IFRS 9 Financial instruments with IFRS 4, Insurance contracts;
- Annual Improvements to IFRSs 2014-2016 cycle – amendments to IFRS 1 and IAS 28;
- IFRIC 22, Foreign Currency Transactions and Advance Consideration;
- Amendments to IAS 40, Transfers of Investment property.

A number of new standards, amendments to standards and interpretations are not yet effective as at 30 September 2018, and have not been early adopted by the Group:

- IFRS 16, Leases. The Group is currently assessing the impact of the standard on its consolidated financial statements;
- IFRS 17, Insurance contracts;
- IFRIC 23, Uncertainty over Income Tax Treatments;
- Amendments to IFRS 9, Prepayment Features with Negative Compensation;
- Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures;



### 3 New or revised standards and interpretations (continued)

- Annual improvements to IFRSs 2015-2017 cycle;
- Amendments to IAS 19, Plan Amendment, Curtailment or Settlement.

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.

### 4 Fair value of financial instruments

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

**Financial liabilities measured subsequently at amortised cost.** The fair value of loans and borrowings, project finance and issued bonds at 30 September 2018 and 31 December 2017 are disclosed in Notes 14, 15 and 16. The fair value of other financial liabilities carried at amortised cost approximates their carrying values.

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

	30 September 2018	31 December 2017
<b>Financial assets</b>		
<b>Non-current financial assets</b>		
Restricted cash	2,317	22,345
Originated loans	3,915	51,046
Derivative financial assets	242	7,189
Other non-current assets including:		
Long-term other receivables	-	2,514
Interest receivable	-	698
Long-term receivables due to sale of subsidiaries	8,874	-
Other asset	8,333	-
<b>Total non-current financial assets</b>	<b>23,681</b>	<b>83,792</b>
<b>Current financial assets</b>		
Restricted cash	7,081	20,101
Trade receivables	328,174	288,959
Originated loans	3,000	-
Derivative financial assets	8,045	18,955
Other receivables and other current assets including:		
Other receivables	29,462	3,316
Collateral held by banks to secure derivative transactions	56	672
Interest receivable	636	272
Fixed-term deposits	1,654	151
Cash and cash equivalents	183,364	228,613
<b>Total current financial assets</b>	<b>561,472</b>	<b>561,039</b>
<b>Total financial assets</b>	<b>585,153</b>	<b>644,831</b>



#### 4 Fair value of financial instruments (continued)

	30 September 2018	31 December 2017
<b>Financial liabilities</b>		
<b>Non-current financial liabilities</b>		
Bank borrowings and other loans received	1,990,818	1,110,205
Bonds issued	1,223,260	1,512,413
Project finance	359,801	959,373
Derivative financial liabilities	30,274	-
Other non-current liabilities including:		
Contingent liability related to business combination	114,459	123,001
Long-term portion of deferred payables related to acquisition of additional interest in subsidiary	1,500	3,000
Long-term portion of deferred payables related to mineral rights acquisition	11,993	11,785
<b>Total non-current financial liabilities</b>	<b>3,732,105</b>	<b>3,719,777</b>
<b>Current financial liabilities</b>		
Bank borrowings and other loans received	139,886	770,405
Project finance	8,715	-
Bonds issued	228,829	87,091
Derivative financial liabilities	14,561	61,821
Trade payables	528,624	513,004
Other accounts payable and accrued expenses including:		
Interest payable	37,835	29,604
Payable for acquisition of associate	-	3,229
Short-term portion of deferred payables related to business combinations and acquisition of additional interest in subsidiary	1,821	4,697
Short-term portion of deferred payables related to mineral rights acquisition	1,850	1,875
<b>Total current financial liabilities</b>	<b>962,121</b>	<b>1,471,726</b>
<b>Total financial liabilities</b>	<b>4,694,226</b>	<b>5,191,503</b>

As required by the amendment of IAS 7 the Group presents the reconciliation of movements in liabilities arising from financing activities:

	Bank borrowings and other loans received	Bonds issued	Project finance	Interest payable	Total
<b>Balance at 1 January 2018</b>	<b>1,880,610</b>	<b>1,599,504</b>	<b>959,373</b>	<b>29,604</b>	<b>4,469,091</b>
<b>Cash flows</b>					
Proceeds from bank borrowings and other loans received	2,114,013	-	-	-	2,114,013
Funds received under the Project Finance Facility	-	-	149,383	-	149,383
Repayment of bank borrowings and other loans	(1,776,753)	-	-	-	(1,776,753)
Repayment of Project Finance facility	-	-	(750,000)	-	(750,000)
Repayment of bonds	-	(79,428)	-	-	(79,428)
Prepaid and additional transaction costs	(10,481)	(29)	(4,771)	-	(15,281)
Interest paid	-	-	-	(163,252)	(163,252)
<b>Non-cash flows</b>					
Interest expenses accrued	-	-	-	173,864	173,864
Amortisation of transaction costs	3,746	2,439	13,591	-	19,776
Financial foreign exchange (gain)/loss, net	(61,221)	64,084	103,243	905	107,011
Currency translation difference, net	(19,210)	(134,481)	(102,303)	(3,286)	(259,280)
<b>Balance at 30 September 2018</b>	<b>2,130,704</b>	<b>1,452,089</b>	<b>368,516</b>	<b>37,835</b>	<b>3,989,144</b>



## 5 Segment information

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

- *Mining* division encompasses the extraction of ores to obtain apatite, baddeleyite and iron-ore concentrates, phosphorite; as well as the potash production at the Verkhnekamskoe deposit started this year and the development of the second potassium salts deposit (potash) at the Gremyachinskoe deposit;
- *Fertilizers* division includes the production of mineral fertilizers (nitrogen, phosphate and complex) and industrial products;
- *Logistics* division covers all supply chain operations including transportation services, purchase and delivery of raw materials and finished goods, as well as freight forwarding and other logistics services;
- *Sales* 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.

Effective 1 January 2018, *Oil & Gas* division was removed from the Group's corporate structure, reflecting its focus on its core fertilizer business. The operating results of this division for the three and nine months ended 30 September 2017 include results of the company that was engaged in production of hydrocarbons and sold in the end of 2017.

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 nine months ended 30 September 2018 were:

	External sales	Internal sales	Total sales	EBITDA
Mining	8,981	481,432	490,413	212,022
Fertilizers	46,881	2,454,449	2,501,330	710,009
Logistics	33,742	146,780	180,522	71,989
Sales	4,019,485	8,706	4,028,191	181,311
Other	2,127	10,200	12,327	(55,914)
Elimination	-	(3,101,567)	(3,101,567)	(20,338)
<b>Total</b>	<b>4,111,216</b>	<b>-</b>	<b>4,111,216</b>	<b>1,099,079</b>



## 5 Segment information (continued)

The division results for the nine months ended 30 September 2017 were:

	External sales	Internal sales	Total sales	EBITDA
Mining	8,066	488,144	496,210	238,168
Oil&Gas	24,543	40,588	65,131	13,707
Fertilizers	40,970	2,095,086	2,136,056	468,690
Logistics	28,103	136,757	164,860	69,940
Sales	3,463,388	6,232	3,469,620	58,764
Other	4,407	51,528	55,935	(17,244)
Elimination	-	(2,818,335)	(2,818,335)	12,687
<b>Total</b>	<b>3,569,477</b>	<b>-</b>	<b>3,569,477</b>	<b>844,712</b>

The division results for the three months ended 30 September 2018 were:

	External sales	Internal sales	Total sales	EBITDA
Mining	1,867	177,702	179,569	86,752
Fertilizers	15,632	848,037	863,669	278,852
Logistics	8,455	50,194	58,649	20,696
Sales	1,413,676	2,524	1,416,200	69,934
Other	941	3,254	4,195	(15,361)
Elimination	-	(1,081,711)	(1,081,711)	(18,593)
<b>Total</b>	<b>1,440,571</b>	<b>-</b>	<b>1,440,571</b>	<b>422,280</b>

The division results for the three months ended 30 September 2017 were:

	External sales	Internal sales	Total sales	EBITDA
Mining	1,632	141,006	142,638	61,972
Oil&Gas	8,391	14,051	22,442	6,029
Fertilizers	12,510	676,265	688,775	127,559
Logistics	7,128	45,123	52,251	20,973
Sales	1,140,869	2,018	1,142,887	31,138
Other	1,745	17,008	18,753	(6,873)
Elimination	-	(895,471)	(895,471)	13,560
<b>Total</b>	<b>1,172,275</b>	<b>-</b>	<b>1,172,275</b>	<b>254,358</b>

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

	Note	Three months ended		Nine months ended	
		30 September 2018	30 September 2017	30 September 2018	30 September 2017
<b>EBITDA</b>		<b>422,280</b>	<b>254,358</b>	<b>1,099,079</b>	<b>844,712</b>
Depreciation and amortisation	21	(76,451)	(68,952)	(232,308)	(204,577)
(Impairment)/reversal of impairment/(write-off) of idle property, plant and equipment	19,22	(136)	593	(654)	(3,845)
Non-recurring income/(expenses), net	22	(953)	(1,700)	(4,243)	(5,013)
Loss from disposal of subsidiaries	12	(25,289)	-	(50,552)	-
Interest expense		(20,545)	(43,770)	(87,188)	(96,468)
Financial foreign exchange gain/(loss), net		(44,677)	(722)	(108,654)	9,508
Other financial gain/(loss), net	23	(36,867)	34,288	(110,111)	20,686
Non-controlling interests		(6)	587	(21)	(91)
<b>Profit before taxation</b>		<b>217,356</b>	<b>174,682</b>	<b>505,348</b>	<b>564,912</b>

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





## 5 Segment information (continued)

The analysis of Group sales by region was:

	Three months ended		Nine months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Europe	404,323	386,408	1,215,800	1,121,847
Russia	261,086	227,725	790,790	744,491
Latin America	381,493	184,813	760,852	497,613
North America	179,043	102,822	615,367	465,749
Asia Pacific	120,755	141,016	423,839	374,662
CIS*	57,869	95,485	205,032	266,037
Africa	36,002	34,006	99,536	99,078
<b>Total sales</b>	<b>1,440,571</b>	<b>1,172,275</b>	<b>4,111,216</b>	<b>3,569,477</b>

\* including associate states

The sales are allocated to regions based on the destination country. During the nine months ended 30 September 2018, the Group had sales in excess of 10% to Russia, Brazil and the United States of America, representing 19.2%, 14.9% and 12.7% of total revenues, respectively (nine months ended 30 September 2017: sales to Russia, Brazil and the United States of America, representing 20.9%, 10.8% and 11.2% of the total revenues, respectively).

During the nine months ended 30 September 2018 and 30 September 2017, there were no sales in excess of 10% to one customer.

## 6 Property, plant and equipment

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

	Note	2018	2017
<b>Carrying amount at 1 January</b>		<b>6,918,004</b>	<b>5,297,313</b>
<i>Including advances given to construction companies and suppliers of property, plant and equipment</i>		435,692	549,481
Additions		925,868	1,269,988
<i>Including changes in advances given</i>		(49,340)	(70,523)
Additions through business combination		-	1,854
Disposals		(5,837)	(2,482)
Disposal of assets due to sale of subsidiaries		(5,278)	-
Depreciation charge for the period		(236,973)	(206,407)
(Impairment)/ (write-off) of idle property, plant and equipment	19, 22	(654)	(3,845)
Currency translation differences		(837,384)	260,229
<b>Carrying amount at 30 September</b>		<b>6,757,746</b>	<b>6,616,650</b>
<i>Including advances given to construction companies and suppliers of property, plant and equipment</i>		336,963	504,065

### **Borrowing costs capitalised**

During the nine months ended 30 September 2018, borrowing costs totaling US\$ 105,272 thousand were capitalised in property, plant and equipment at an average interest rate of 6.02% p.a. (nine months ended 30 September 2017: US\$ 88,624 thousand capitalised at an average interest rate of 5.47% p.a.).

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

As at 30 September 2018, trade payables included payables to suppliers of property, plant and equipment and construction companies amounting to US\$ 111,727 thousand (31 December 2017: US\$ 174,748 thousand), including payables with irrevocable documentary letter of credit opened in the amount of US\$ 55,220 thousand (31 December 2017: US\$ 38,083 thousand) with a deferred term of payment under the contract with a construction company.



## 7 Investment in associates and joint ventures

The Group's investment in associates and joint ventures were as follows:

	30 September 2018	31 December 2017
Investment in joint venture EuroChem-Migao Ltd.	20,612	20,845
Investment in joint venture Thyssen Schachtbau EuroChem Drilling LLC	6,625	7,485
Investment in associate Agrinos AS	-	5,401
Investment in associate Hispalense de Liquidos S.L.	6,208	5,953
Investment in joint venture Biochem Technologies, LLC	1,641	1,913
Investment in associate Azottech, LLC	1,446	1,555
<b>Total</b>	<b>36,532</b>	<b>43,152</b>

Movements in the carrying amount of the Group's investment in associates and joint ventures were:

	2018	2017
<b>Carrying amount at 1 January</b>	<b>43,152</b>	<b>36,500</b>
Acquisition of interest in associates	-	5,824
Other movement of investment in associate	(201)	-
Disposal of interest held in associate due to loss of significant influence	(5,401)	-
Share of profit/(loss), net	1,299	(2,534)
Share of other comprehensive income/(loss), net	(987)	(674)
Currency translation difference	(1,330)	333
<b>Carrying amount at 30 September</b>	<b>36,532</b>	<b>39,449</b>

### **Investments in joint venture EuroChem-Migao Ltd.**

The aggregated assets, liabilities of the joint venture were as follows:

	30 September 2018	31 December 2017
Current assets	39,480	49,084
Non-current assets	29,551	31,420
Current liabilities	(27,565)	(38,576)
Non-current liabilities	(242)	(238)
<b>Net assets</b>	<b>41,224</b>	<b>41,690</b>

The joint venture's revenues and results were as follows:

	Nine months ended	
	30 September 2018	30 September 2017
Sales	50,539	26,492
Profit/(Loss)	1,360	(477)

### **Investments in joint venture Thyssen Schachtbau EuroChem Drilling LLC**

The aggregated assets, liabilities of the joint venture were as follows:

	30 September 2018	31 December 2017
Current assets	10,606	10,708
Non-current assets	5,215	7,718
Current liabilities	(846)	(1,451)
Non-current liabilities	(253)	(342)
<b>Net assets</b>	<b>14,722</b>	<b>16,633</b>





## 7 Investment in associates and joint ventures (continued)

The joint venture's revenue and result were as follows:

	Nine months ended	
	30 September 2018	30 September 2017
Sales	8,604	7,677
Profit/(Loss)	123	(780)

### **Investments in joint venture Biochem Technologies LLC.**

The aggregated assets, liabilities of the joint venture were as follows:

	30 September 2018	31 December 2017
Current assets	302	461
Non-current assets	113	47
Current liabilities	(33)	(42)
Non-current liabilities	(971)	(694)
<b>Net assets</b>	<b>(589)</b>	<b>(228)</b>

The joint venture's revenues and results were as follows:

	Nine months ended	
	30 September 2018	30 September 2017*
Sales	81	-
Loss	(414)	(127)

\* comparatives available since the acquisition date for the period from April to September 2017

### **Interest in associate Agrinos AS**

Effective 1 January 2018, the Group's total minority ownership does not have significant influence over this company. As a result, the investment in Agrinos AS is no more accounted for as investment in associate and recognised as a financial instrument and presented within Other non-current asset in the consolidated interim statement of financial position as at 30 September 2018.

### **Investments in associate Hispalense de Liquidos S.L.**

The aggregated assets, liabilities of the associate were as follows:

	30 September 2018	31 December 2017
Current assets	8,366	7,964
Non-current assets	5,773	5,851
Current liabilities	(6,271)	(6,143)
Non-current liabilities	(1,957)	(2,675)
<b>Net assets</b>	<b>5,911</b>	<b>4,997</b>

The associate's revenues and results were as follows:

	Nine months ended 30 September 2018	Nine months ended 30 September 2017*
	Sales	17,694
Profit	1,059	230

\* comparatives available for the third quarter as the interest in the company was acquired on 30 June 2017



## 7 Investment in associates and joint ventures (continued)

### **Investments in associate Azottech LLC.**

The aggregated assets, liabilities of the associate were as follows:

	<b>30 September 2018</b>	<b>31 December 2017</b>
Current assets	4,221	3,607
Non-current assets	2,492	1,753
Current liabilities	(1,524)	(1,296)
Non-current liabilities	(1,301)	(4)
<b>Net assets</b>	<b>3,888</b>	<b>4,060</b>

The associate's revenues and results were as follows:

	<b>Nine months ended 30 September 2018*</b>
Sales	11,147
Profit	343

\* no comparatives available as the interest in the company was acquired in December 2017.

## 8 Inventories

	<b>30 September 2018</b>	<b>31 December 2017, adjusted</b>
Finished goods	534,050	465,967
Materials	191,660	184,245
Catalysts	76,776	80,329
Work in progress	66,737	59,366
Less: provision for obsolete and damaged inventories	(7,547)	(8,285)
<b>Total inventories</b>	<b>861,676</b>	<b>781,622</b>

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

	<b>30 September 2018</b>	<b>31 December 2017, adjusted</b>
<b>Trade receivables</b>		
Trade receivables denominated in US\$	179,196	184,312
Trade receivables denominated in EUR	55,151	57,624
Trade receivables denominated in RUB	74,648	31,171
Trade receivables denominated in other currencies	32,364	24,211
Less: provision for impairment	(13,185)	(8,359)
<b>Total trade receivables</b>	<b>328,174</b>	<b>288,959</b>
<b>Prepayments, other receivables and other current assets</b>		
Advances to suppliers	163,514	133,052
VAT recoverable and receivable	148,474	165,713
Other taxes receivable	6,324	13,434
Other receivables and other current assets	68,116	25,552
Collateral held by banks to secure derivative transactions	56	672
Interest receivable	636	272
Less: provision for impairment	(11,414)	(12,058)
<b>Total prepayments, other receivables and other current assets</b>	<b>375,706</b>	<b>326,637</b>
<b>Total trade receivables, prepayments, other receivables and other current assets</b>	<b>703,880</b>	<b>615,596</b>



## 10 Originated loans

	Note	Interest rate 2018*	Interest rate 2017*	30 September 2018	31 December 2017
<i>Non-current originated loans</i>					
Unsecured US\$-denominated loans to related party which is an entity under common control with Group	26	-	2.4%	-	43,501
Unsecured US\$ denominated loan to 3-rd party in 2018/ associate in 2017	26	9.0%	9.0%	3,000	4,024
Unsecured US\$ denominated loan to 3-rd party		5.0%	5.0%	-	3,000
Secured RUB-denominated loan to joint venture		11.95%	11.95%	915	521
<b>Total non-current originated loans</b>				<b>3,915</b>	<b>51,046</b>
<i>Current originated loans</i>					
Unsecured US\$ denominated loan to 3-rd party		5.0%	-	3,000	-
<b>Total current originated loans</b>				<b>3,000</b>	<b>-</b>
<b>Total originated loans</b>				<b>6,915</b>	<b>51,046</b>

\* Contractual interest rate as at 30 September 2018 and 31 December 2017, respectively.

Movements in Group's originated loans were as follows:

	Note	2018	2017
<b>Balance as at 1 January</b>		<b>51,046</b>	<b>53,590</b>
Originated loan to associate		-	3,000
Originated loan to joint venture		503	680
Originated loans to related parties		-	30,850
Originated loan to 3-rd party		-	172
Repayment of originated loan by related party		-	(9,469)
Reclassification of loan issued to 3-rd party to other receivables		-	(433)
Conversion of loans into interest in share capital in 3-rd party		(1,024)	-
Intragroup elimination of loans provided to asset holder before acquisition		(43,501)	(30,850)
Foreign exchange loss, net		-	(2,608)
Currency translation differences		(109)	2,430
<b>Balance as at 30 September</b>		<b>6,915</b>	<b>47,362</b>

## 11 Cash and cash equivalents, fixed-term deposits and restricted cash

	30 September 2018	31 December 2017
Cash on hand*	3,018	1,798
Bank balances denominated in US\$	65,388	80,898
Bank balances denominated in RUB	22,947	11,174
Bank balances denominated in EUR	57,477	48,726
Bank balances denominated in other currencies	11,704	9,016
Term deposits denominated in US\$	1,043	42
Term deposits denominated in RUB	989	26,479
Term deposits denominated in other currencies	20,798	50,480
<b>Total cash and cash equivalents</b>	<b>183,364</b>	<b>228,613</b>
Fixed-term deposits in different currencies	1,654	151
<b>Total fixed-term deposits</b>	<b>1,654</b>	<b>151</b>
Current restricted cash	7,081	20,101
Non-current restricted cash	2,317	22,345
<b>Total restricted cash</b>	<b>9,398</b>	<b>42,446</b>

\* Includes cash on hand denominated in different currencies.



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

Term deposits as at 30 September 2018 and 31 December 2017 were held to meet short term cash needs and had various original maturities but could be withdrawn on request without any restrictions.

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

At 30 September 2018, non-current restricted cash consisted of US\$ 1,892 thousand held in bank accounts as security deposits for third parties (31 December 2017: US\$ 2,153 thousand) and US\$ 425 thousand held in deposit against possible environmental obligations in compliance with the statutory rules of the Republic of Kazakhstan (31 December 2017: US\$ 459 thousand). In June 2018 cash held in a debt service reserve account as required by the Usolsky Project Finance Facility Agreement was released due to early repayment of the Facility (31 December 2017: US\$ 19,733 thousand) (Note 15).

At 30 September 2018, current restricted cash consisted of US\$ 5,249 thousand received under targeted loan agreements with a state development fund (31 December 2017: US\$ 18,166 thousand) and of US\$ 1,832 thousand held at banks under regulatory requirements for state contracts (31 December 2017: US\$ 1,935 thousand).

## 12 Disposal of subsidiaries

In May 2018, the Board of Directors of the Group made a decision to sell two subsidiaries, within the Sales division, located in Ukraine. By the end of May 2018, the Group sold 100% share in both companies to third parties for a consideration of US\$ 53,064 thousand payable in 5 years in the form of promissory notes denominated in Ukrainian hryvnia which was discounted to US\$ 29,397 thousand. In the third quarter 2018, a portion of the promissory notes with the carrying value of US\$ 18,043 thousand was sold to a related party for a consideration of US\$ 28,638 thousand denominated in Ukrainian hryvnia and as at 30 September 2018 the respective receivable was accounted for within "Prepayments, other receivables and other current assets". The remaining part was accounted for within "Other non-current assets" in the Consolidated Interim Statement of Financial Position.

As at date of disposal the assets and liabilities of subsidiaries were as follows:

Cash and cash equivalents	3,477
Trade receivables	5,957
Prepayments, other receivables and other current assets	13,047
Inventories	34,891
<b>Total current assets</b>	<b>57,372</b>
Goodwill	60
Property, plant and equipment	5,541
<b>Total non-current assets</b>	<b>5,601</b>
Trade payables	(5,756)
Other accounts payable and accrued expenses	(1,892)
Income tax payable	(551)
<b>Total current liabilities</b>	<b>(8,199)</b>
Deferred income tax liabilities	(114)
<b>Total non-current liabilities</b>	<b>(114)</b>
<b>Net assets</b>	<b>54,660</b>
Discounted consideration	(29,397)
Currency translation differences reclassified to profit or loss	25,289
<b>Loss on disposal</b>	<b>50,552</b>

The Group recognised a loss on disposal of US\$ 50,552 thousand.



### 13 Equity

**Share capital.** As at 30 September 2018 and 31 December 2017, the nominal registered amount of the Company's issued share capital in Swiss francs ("CHF") was CHF 100 thousand (US\$ 111 thousand). The total authorised number of ordinary shares is 1,000 shares with a par value of CHF 100 (US\$ 111) per share. All authorised shares were issued and fully paid in 2014.

**Dividends.** During nine months ended 30 September 2018 and 30 September 2017 the Group did not declare or pay dividends.

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

**Other reserves within "Retained earnings and other reserves".** At 30 September 2018 and 31 December 2017, other reserves of the Company included cash contribution of US\$ 5,000 thousand from AIM Capital SE, the parent company.

### 14 Bank borrowings and other loans received

Currency and rate	Interest rate 2018*	Interest rate 2017*	30 September 2018	31 December 2017
<b>Current loans and borrowings</b>				
Short-term unsecured bank loans				
US\$ with floating rate	4.42% - 5.87%	3.18% - 5.51%	63,918	114,559
US\$ with fixed rate	-	2.75%	-	50,000
RUB with fixed rate	8.3% - 8.7%	8.56% - 8.90%	4,678	597,988
Current portion of unsecured long-term bank loans				
US\$ with floating rate	4.36%	-	11,486	-
RUB with fixed rate	7.60%	11.05%	48,406	5,309
ARS with fixed rate	19.0% - 36.5%	18.0% - 19.5%	199	11
Current portion of secured long-term bank loans				
BRL with floating rate	9.71%	10.15%	81	107
BRL with fixed rate	2.94% - 12.17%	2.94% - 12.17%	13,382	2,598
Less: short-term portion of transaction costs			(2,264)	(167)
<b>Total current loans and borrowings</b>			<b>139,886</b>	<b>770,405</b>

Currency and rate	Interest rate 2018*	Interest rate 2017*	30 September 2018	31 December 2017
<b>Non-current loans and borrowings</b>				
Long-term unsecured bank loans				
US\$ with floating rate	3.70%	3.60% - 3.85%	1,020,000	1,080,000
US\$ with fixed rate	3.45% - 3.85%	-	500,000	-
Long-term unsecured targeted loans				
RUB with fixed rate	5.0%	5.0%	22,869	26,042
Long-term portion of unsecured bank loans				
US\$ with floating rate	4.36%	-	413,514	-
RUB with fixed rate	7.70%	-	47,949	-
ARS with fixed rate	22.0%	19.0%-22.0%	2	16
Long-term portion of secured bank loans				
BRL with floating rate	-	10.65%	-	44
BRL with fixed rate	2.94% - 12.17%	2.94%-12.17%	1,689	14,667
Less: long-term portion of transaction costs			(15,205)	(10,564)
<b>Total non-current loans and borrowings</b>			<b>1,990,818</b>	<b>1,110,205</b>
<b>Total loans and borrowings</b>			<b>2,130,704</b>	<b>1,880,610</b>

\* Contractual interest rate on 30 September 2018 and 31 December 2017, respectively.



#### 14 Bank borrowings and other loans received (continued)

Movements in the Group's bank borrowings and other loans received were as follows:

	Currency	2018	2017
<b>Balance as at 1 January</b>		<b>1,880,610</b>	<b>2,381,089</b>
Bank loans received	US\$	1,995,117	1,300,651
Bank loan received	EUR	4,359	-
Bank loans received	RUB	100,873	740,414
Targeted loans received	RUB	-	17,345
Bank loans received	UAH	-	7,611
Bank loan received	BRL	13,343	-
Bank loan received	ARS	321	-
Bank loans acquired in a business combination	ARS	-	36
Loan acquired in a business combination	EUR	-	6,555
Bank loans repaid	US\$	(1,230,651)	(2,657,400)
Bank loan repaid	EUR	(4,359)	-
Loan repaid	EUR	-	(6,555)
Bank loans repaid	RUB	(529,534)	(155,431)
Bank loans repaid	UAH	-	(7,670)
Bank loans repaid	BRL	(12,209)	(4,090)
Capitalisation and amortisation of transaction costs, net		(6,735)	13,434
Foreign exchange (gain)/loss, net		(61,221)	10,026
Currency translation differences, net		(19,210)	1,015
<b>Balance as at 30 September</b>		<b>2,130,704</b>	<b>1,647,030</b>

The Group's bank borrowings and other loans received mature:

	30 September 2018	31 December 2017
- within 1 year	139,886	770,405
- between 1 and 2 years	960,778	82,438
- between 2 and 5 years	1,030,040	1,021,632
- more than 5 years	-	6,135
<b>Total bank borrowings and other loans received</b>	<b>2,130,704</b>	<b>1,880,610</b>

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

The fair value of the long-term borrowings bearing a fixed interest rate is estimated based on expected cash flows discounted at a prevailing market interest rate. As at 30 September 2018 the total fair value of long-term loans with fixed interest rates was less than their carrying amount by US\$ 3,983 thousand (31 December 2017: the fair value of long-term loans was less than their carrying amount by US\$ 3,830 thousand).

Under the terms of the loan agreements, the Group is required to comply with a number of covenants and restrictions, including the maintenance of certain financial ratios and financial indebtedness and cross-default provisions. The Group was in compliance with covenants during the periods and as at 30 September 2018 and 31 December 2017.

#### **Interest rates and outstanding amounts of major loans and borrowings**

In June 2018, the Group signed a US\$ 820 million committed credit facility bearing a floating interest rate and maturing in July 2021. As at 30 September 2018, the outstanding amount was 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 2021. As at 30 September 2018, the outstanding amount was US\$ 200 million.

In 2017, the Group signed a 3-year uncommitted facility agreement with a Russian bank, the funds through this facility may be obtained in multiple currencies with a credit limit up to US\$ 550 million. As at 30 September 2018, the outstanding amount was RUB 6,320 million (31 December 2017: RUB 14,250 million).





## 14 Bank borrowings and other loans received (continued)

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

In 2014, the Group signed an uncommitted revolving credit facility with a Russian bank. The funds through this facility may be obtained in multiple currencies. As at 30 September 2018, the outstanding amount was US\$ 500 million (31 December 2017: US\$ 330 million).

### **Undrawn facilities**

As at 30 September 2018, 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 April 2019;
- US\$ 100 million uncommitted revolving credit facility bearing a floating interest rate, signed in May 2012, maturing in May 2020;
- RUB 20 billion uncommitted revolving credit agreement, signed in September 2016, maturing in September 2019;
- RUB 10 billion committed revolving fixed-interest rate credit agreement, signed in December 2017, maturing in December 2018;
- US\$ 125 million committed revolving credit facility bearing a floating interest rate, signed in December 2017, maturing in December 2019.

### **Collaterals and pledges**

As at 30 September 2018, loans of a Brazilian subsidiary totaling US\$ 15,150 thousands were collateralised by property, plant and equipment with the carrying value of US\$ 17,484 thousand (31 December 2017: loans of US\$ 17,416 thousand were collateralised by property, plant and equipment with the carrying value of US\$ 30,748 thousand).

As at 30 September 2018 and 31 December 2017, all other bank borrowings and loans received listed in Note 14 were not secured.

## 15 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.

**Usolsky potash project.** In 2014, the Group signed a US\$ 750 million Non-recourse Project Finance Facility Agreement ("Project Financing" or the "facility") maturing at the end of 2022 with a floating interest rate based on 3-month Libor for financing the Usolsky potash project located in the Perm region of Russia.

In June 2018, the Project Finance Facility was repaid (as at 31 December 2017, the outstanding balance was US\$ 732,255 thousand shown net of transaction costs of US\$ 17,745 thousand).

**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 nine months ended 30 September 2018, the Group received funds under the facility of EUR 124,574 thousand (US\$ 149,383 thousand) (nine months ended 30 September 2017: EUR 143,711 thousand (US\$ 166,497 thousand)).



## 15 Project finance (continued)

As at 30 September 2018, the outstanding balance was US\$ 368,516 thousand shown net of transaction costs of US\$ 109,051 thousand (31 December 2017: US\$ 227,118 thousand shown net of transaction costs of US\$ 115,232 thousand). The contractual interest rate as at 30 September 2018 was 1.3% p.a. (31 December 2017: 1.3% p.a.).

The facility matures:

	30 September 2018	31 December 2017
- less than 1 year	8,715	-
- between 1 and 2 years	34,714	364
- between 2 and 5 years	125,813	76,589
- more than 5 years	199,274	150,165
<b>Total</b>	<b>368,516</b>	<b>227,118</b>

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

As at 30 September 2018 and 31 December 2017, 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\$ 916,992 thousand as at 30 September 2018 (31 December 2017: US\$ 895,680 thousand).

During the nine months ended 30 September 2018 the EBITDA of the subsidiary under the Ammonia project was negative of US\$ 4,022 thousand (nine months ended 30 September 2017: the EBITDA was positive of US\$ 2,011 thousand solely due to foreign exchange impact).

## 16 Bonds issued

Currency	Rate	Coupon rate, p.a.	Maturity	30 September 2018		31 December 2017	
				Fair value	Carrying amount	Fair value	Carrying amount
<b>Current bonds</b>							
RUB	Fixed	12.40%	2018	-	-	90,017	86,805
RUB	Fixed	8.25%	2018	273	273	310	310
RUB	Fixed	10.60%	2019	230,932	228,691	-	-
Less: transaction costs				-	(135)	-	(24)
<b>Total current bonds issued</b>				<b>231,205</b>	<b>228,829</b>	<b>90,327</b>	<b>87,091</b>
<b>Non-current bonds</b>							
US\$	Fixed	3.80%	2020	491,400	500,000	502,145	500,000
US\$	Fixed	3.95%	2021	484,170	500,000	502,760	500,000
RUB	Fixed	10.60%	2019	-	-	269,661	260,416
RUB	Fixed	8.75%	2020	233,036	228,691	266,666	260,416
Less: transaction costs				-	(5,431)	-	(8,419)
<b>Total non-current bonds issued</b>				<b>1,208,606</b>	<b>1,223,260</b>	<b>1,541,232</b>	<b>1,512,413</b>
<b>Total bonds issued</b>				<b>1,439,811</b>	<b>1,452,089</b>	<b>1,631,559</b>	<b>1,599,504</b>

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.

On 26 June 2018 12.40% RUB-denominated bonds were redeemed at maturity in full amount of US\$ 79,428 thousand or RUB 5,000 million.





## 17 Derivative financial assets and liabilities

At 30 September 2018, net derivative financial assets and liabilities were:

	Assets		Liabilities	
	Non-current	Current	Non-current	Current
RUB/US\$ deliverable forward contracts with a nominal amount of RUB 8,475 million	-	5,344	-	525
RUB/US\$ non-deliverable forward contracts with a nominal amount of RUB 7,000 million	-	11	-	8,660
EUR/US\$ non-deliverable forward contracts with a nominal amount of EUR 164 million	242	-	3,217	1,531
BRL/US\$ non-deliverable forward contracts with a nominal amount of US\$ 81 million	-	968	-	845
RUB/US\$ contingent premium put option contract with a nominal amount of US\$ 33 million	-	-	-	1,383
RUB/US\$ swap contracts with a nominal amount of RUB 2,000 million	-	1,722	-	-
Cross currency interest rate swaps	-	-	27,057	1,617
<b>Total</b>	<b>242</b>	<b>8,045</b>	<b>30,274</b>	<b>14,561</b>

At 31 December 2017, net derivative financial assets and liabilities were:

	Assets		Liabilities	
	Non-current	Current	Non-current	Current
Commodity swaps	-	-	-	30
RUB/US\$ deliverable forward contracts with a nominal amount of RUB 2,470 million	-	954	-	-
RUB/US\$ non-deliverable forward contracts with a nominal amount of RUB 5,500 million	-	2,530	-	-
EUR/US\$ non-deliverable forward contracts with a nominal amount of EUR 67 million	645	-	-	-
Cross currency interest rate swaps	6,544	15,471	-	61,791
<b>Total</b>	<b>7,189</b>	<b>18,955</b>	<b>-</b>	<b>61,821</b>

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

	1 January 2018	Gain/(loss) from changes of fair value, net	Cash (proceeds)/ payments on derivatives, net	Net results of notional set-offs	Currency translation difference	30 September 2018
<b>Operating activities</b>	<b>3,454</b>	<b>(47,168)</b>	<b>33,297</b>	<b>-</b>	<b>(17)</b>	<b>(10,434)</b>
Commodity swaps	(30)	30	-	-	-	-
Foreign exchange deliverable and non-deliverable forward contracts, net	3,484	(37,393)	24,875	-	(17)	(9,051)
Contingent premium put option contracts	-	(9,805)	8,422	-	-	(1,383)
<b>Financing activities</b>	<b>(39,131)</b>	<b>(103,677)</b>	<b>116,712</b>	<b>-</b>	<b>(18)</b>	<b>(26,114)</b>
Foreign exchange deliverable and non-deliverable forward contracts, net	645	(2,380)	(19)	2,610	(18)	838
Foreign exchange swap contracts, net	-	679	-	1,043	-	1,722
Cross currency interest rate swaps, net	(39,776)	(101,976)	116,731	(3,653)	-	(28,674)
<b>Total derivative financial assets and liabilities, net</b>	<b>(35,677)</b>	<b>(150,845)</b>	<b>150,009</b>	<b>-</b>	<b>(35)</b>	<b>(36,548)</b>



## **17 Derivative financial assets and liabilities (continued)**

Changes in the fair value of derivatives, which are entered into for the purpose of mitigating risks linked to cash flows from operating activities of the Group, are recognised in “Other operating income/(expenses), net” (Note 22), foreign currency derivative contracts and contingent premium put option contracts are recognised in “Foreign exchange gain/(loss) from operating activities, net” and commodity swaps are recognised in “Other operating income/(expenses), net”.

Changes in the fair value of derivatives, which are entered into for the purpose of hedging the financing and investing cash flows, are recognised in “Other financial gain/(loss), net” (Note 23).

### ***Cross currency interest rate swaps***

In June 2018, the Group signed RUB/US\$ cross currency interest rate swap agreements with total notional amount of RUB 6,320 million, which mature in the period from June 2019 to September 2020.

Outstanding at the beginning of the year, RUB/US\$ cross currency interest rate swap agreements with total notional amount of RUB 34,250 million matured in the period from July to September 2018.

Outstanding at the beginning of the year, RUB/US\$ cross currency interest rate swap agreements with total notional amount of US\$ 235 million matured in September 2018. Settlement of the swaps was performed subject to netting of RUB-denominated payments partly with RUB/US\$ deliverable forward contracts signed in the period from August to September 2018 with total notional amount of RUB 8,132 million that matured in September 2018 and partly with RUB/US\$ swap contracts signed in September 2018 with total notional amount of RUB 2,000 million, which mature in April 2019.

### ***Foreign exchange non-deliverable forward contracts***

Outstanding at the beginning of the year, RUB/US\$ non-deliverable forward contracts with total notional amount of RUB 5,500 million matured in the period from January to April 2018.

In the period from January to May 2018, the Group signed EUR/US\$ non-deliverable forward contracts with total notional amount of EUR 97 million, which mature in the period from May 2020 to November 2021.

In the period from February to April 2018, the Group signed RUB/US\$ non-deliverable forward contracts with total notional amount of RUB 23,598 million, out of which contracts with total notional amount of RUB 16,598 million matured in the period from May to September 2018, and the outstanding contracts mature in the period from October 2018 to January 2019.

### ***Foreign exchange deliverable forward contracts***

Outstanding at the beginning of the year, RUB/US\$ deliverable forward contracts with total notional amount of RUB 2,470 million matured in the period from March to June 2018.

In the period from March to September 2018, the Group signed RUB/US\$ deliverable forward contracts with total notional amount of RUB 11,600 million, out of which contracts with total notional amount of RUB 3,125 million matured in the period from June to August 2018, and the outstanding contracts mature in the period from October 2018 to April 2019.

### ***Put option contracts***

In the period from January to March 2018, the Group signed contingent premium RUB/US\$ put option contracts with total notional amount of US\$ 249 million, out of which contracts with total notional amount of US\$ 216 million matured in the period from July to September 2018, and the outstanding contract matures in October 2018.



## 18 Sales

The external sales by product group were:

	Nine months ended			
	30 September 2018		30 September 2017	
	Sales volume (thousand metric tonnes)	Sales (thousand US\$)	Sales volume (thousand metric tonnes)	Sales (thousand US\$)
<b>Nitrogen products</b>	<b>6,063</b>	<b>1,373,596</b>	<b>6,199</b>	<b>1,282,288</b>
Nitrogen fertilizers	6,050	1,371,412	6,186	1,280,252
Other products	13	2,184	13	2,036
<b>Phosphate and complex fertilizers</b>	<b>4,272</b>	<b>1,713,855</b>	<b>3,895</b>	<b>1,374,018</b>
Phosphate fertilizers	1,804	783,764	1,667	611,223
Complex fertilizers	2,169	799,508	1,977	666,010
Feed phosphates	299	130,583	251	96,785
<b>Potash fertilisers</b>	<b>408</b>	<b>148,478</b>	<b>269</b>	<b>85,119</b>
<b>Mining products</b>	<b>4,557</b>	<b>316,461</b>	<b>4,388</b>	<b>336,915</b>
Iron ore concentrate	4,478	285,192	4,350	312,694
Apatite concentrate	11	2,118	33	4,288
Baddeleyite concentrate	6	25,436	5	19,933
Phosphate flour	62	3,715	-	-
<b>Industrial products</b>	<b>-</b>	<b>459,267</b>	<b>-</b>	<b>376,112</b>
Wood Processing	440	163,339	383	134,026
Organic base chemicals	145	109,801	145	95,200
Explosives	491	118,065	356	81,405
Other products	-	68,062	-	65,481
<b>Hydrocarbons</b>	<b>-</b>	<b>-</b>	<b>66</b>	<b>22,110</b>
<b>Other sales</b>	<b>-</b>	<b>99,559</b>	<b>-</b>	<b>92,915</b>
Logistic services	-	32,092	-	26,463
Other products	-	30,300	-	34,263
Other services	-	37,167	-	32,189
<b>Total sales</b>		<b>4,111,216</b>		<b>3,569,477</b>

The sales of fertilizers, mining and industrial products for nine months ended 30 September 2018 include US\$ 195,101 thousand of revenues from delivery of these products to customers (nine months ended 30 September 2017: US\$ 183,785 thousand).

	Three months ended			
	30 September 2018		30 September 2017	
	Sales volume (thousand metric tonnes)	Sales (thousand US\$)	Sales volume (thousand metric tonnes)	Sales (thousand US\$)
<b>Nitrogen products</b>	<b>1,677</b>	<b>376,688</b>	<b>1,796</b>	<b>346,018</b>
Nitrogen fertilizers	1,672	375,932	1,792	345,455
Other products	5	756	4	563
<b>Phosphate and complex fertilizers</b>	<b>1,676</b>	<b>673,182</b>	<b>1,455</b>	<b>519,487</b>
Phosphate fertilizers	674	300,227	624	230,230
Complex fertilizers	909	330,196	745	254,911
Feed phosphates	93	42,759	86	34,346
<b>Potash fertilisers</b>	<b>272</b>	<b>100,558</b>	<b>141</b>	<b>45,150</b>
<b>Mining products</b>	<b>1,635</b>	<b>106,724</b>	<b>1,546</b>	<b>103,747</b>
Iron ore concentrate	1,568	94,738	1,540	95,594
Apatite concentrate	3	687	4	698
Baddeleyite concentrate	2	7,584	2	7,455
Phosphate flour	62	3,715	-	-
<b>Industrial products</b>	<b>-</b>	<b>160,084</b>	<b>-</b>	<b>131,848</b>
Wood Processing	156	59,963	131	44,504
Organic base chemicals	53	41,215	50	34,456
Explosives	150	38,329	133	28,633
Other products	-	20,577	-	24,255
<b>Hydrocarbons</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>6,849</b>
<b>Other sales</b>	<b>-</b>	<b>23,335</b>	<b>-</b>	<b>19,176</b>
Logistic services	-	7,643	-	6,502
Other products	-	2,475	-	3,194
Other services	-	13,217	-	9,480
<b>Total sales</b>		<b>1,440,571</b>		<b>1,172,275</b>



## 19 Cost of sales

The components of cost of sales were:

	Three months ended		Nine months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Raw materials	286,946	255,097	879,490	753,394
Goods for resale	351,746	244,724	980,603	733,355
Other materials	44,140	42,756	138,530	130,146
Energy	43,701	44,930	136,159	130,108
Utilities and fuel	16,464	14,621	59,043	52,264
Labour, including contributions to social funds	58,090	53,422	182,796	174,599
Depreciation and amortisation	62,834	56,110	192,140	168,742
Repairs and maintenance	14,557	15,455	41,189	44,605
Production overheads	18,271	17,854	57,986	52,834
Property tax, rent payments for land and related taxes	5,618	8,685	14,309	31,329
Impairment /(reversal of impairment)/write-off of idle property, plant and equipment, net	112	(593)	128	(1,239)
Provision/(reversal of provision) for obsolete and damaged inventories, net	771	(1,901)	518	(2,082)
Changes in work in progress and finished goods	(32,142)	4,182	(154,048)	(24,563)
Other costs/(compensations), net	1,130	9,960	4,587	20,410
<b>Total cost of sales</b>	<b>872,238</b>	<b>765,302</b>	<b>2,533,430</b>	<b>2,263,902</b>

## 20 Distribution costs

Distribution costs were:

	Three months ended		Nine months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Transportation	123,224	123,599	392,179	370,813
Labour, including contributions to social funds	20,609	20,572	64,313	58,129
Depreciation and amortisation	10,687	9,504	31,062	25,627
Repairs and maintenance	1,514	2,322	5,193	4,867
Provision/(reversal of provision) for impairment of receivables, net	4,870	79	6,180	14,407
Other costs	13,927	12,551	43,246	33,974
<b>Total distribution costs</b>	<b>174,831</b>	<b>168,627</b>	<b>542,173</b>	<b>507,817</b>

## 21 General and administrative expenses

General and administrative expenses were:

	Three months ended		Nine months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Labour, including contributions to social funds	27,855	31,501	94,508	89,215
Depreciation and amortisation	2,930	3,338	9,106	10,208
Audit, consulting and legal services	2,801	3,064	9,200	9,563
Rent	1,581	1,632	5,166	5,164
Bank charges	877	1,017	2,599	3,182
Social expenditure	1,016	1,481	2,355	3,044
Repairs and maintenance	396	468	1,520	1,714
Provision/(reversal of provision) for impairment of receivables, net	446	5,663	309	5,540
Other expenses	8,495	10,518	30,898	31,756
<b>Total general and administrative expenses</b>	<b>46,397</b>	<b>58,682</b>	<b>155,661</b>	<b>159,386</b>



## 21 General and administrative expenses (continued)

The total depreciation and amortisation expenses included in the consolidated interim statement of profit or loss and other comprehensive income amounted to US\$ 232,308 thousand (nine months ended 30 September 2017: US\$ 204,577 thousand).

The total labour costs (including social expenses) included in the consolidated interim statement of profit or loss and other comprehensive income amounted to US\$ 341,617 thousand (nine months ended 30 September 2017: US\$ 321,943 thousand).

## 22 Other operating income and expenses

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

	Three months ended		Nine months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Sponsorship	1,608	5,597	5,466	16,119
(Gain)/loss on disposal of property, plant and equipment and intangible assets, net	1,500	1,040	6,884	3,960
Foreign exchange (gain)/loss from operating activities, net	5,692	(5,595)	22,254	(6,671)
Impairment /(reversal of impairment)/write off of idle property plant and equipment, net	24	-	526	5,084
(Gain)/loss on sales and purchases of foreign currencies, net	(1,291)	(783)	(3,829)	(2,266)
Non-recurring (income)/expenses, net	953	1,700	4,243	5,013
Other operating (income)/expenses, net	(4,405)	(6,086)	(9,336)	(8,023)
<b>Total other operating (income)/expenses, net</b>	<b>4,081</b>	<b>(4,127)</b>	<b>26,208</b>	<b>13,216</b>

## 23 Other financial gain and loss

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

	Note	Three months ended		Nine months ended	
		30 September 2018	30 September 2017	30 September 2018	30 September 2017
Changes in fair value of cross currency interest rate swaps	17	45,047	(37,801)	101,976	(35,644)
Changes in fair value of foreign exchange deliverable and non-deliverable forward contracts	17	(1,726)	(397)	2,380	(397)
Change in fair value of foreign exchange swap contracts		(679)	-	(679)	-
Unwinding of liability from contingent consideration related to business combination		4,613	4 892	14,495	13,911
Unwinding of discount on deferred payables		163	(1 664)	487	(977)
Unwinding of discount on land restoration obligation		455	458	1,432	1,363
Other financial (gain)/loss, net		(11,006)	224	(9,980)	1,058
<b>Total other financial (gain)/loss, net</b>		<b>36,867</b>	<b>(34,288)</b>	<b>110,111</b>	<b>(20,686)</b>



## 24 Income tax

	Three months ended		Nine months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Income tax expense – current	63,341	30,927	156,317	130,229
Deferred income tax – origination and reversal of temporary differences, net	(5,478)	32,701	(24,715)	30,620
Prior periods adjustments for income tax	(2,020)	(679)	2,172	(824)
Reassessment of deferred tax assets/ liabilities due to change in the tax rate	16,070	-	16,070	33,284
<b>Income tax expense</b>	<b>71,913</b>	<b>62,949</b>	<b>149,844</b>	<b>193,309</b>

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 nine months ended 30 September 2018 (nine months ended 30 September 2017: 20.0%). Reduced income tax rates are applied at several subsidiaries within a range from 15.5% to 19.3% according to regional tax law and agreements with regional authorities (nine months ended 30 September 2017: within a range from 15.5% to 19.3%).

In the third quarter 2018, the Group signed a special investment contract with Russian authorities in respect of its ammonia project subsidiary, EuroChem NorthWest, JSC enacted from 24 July 2018 and effective till 31 December 2025. Under the contract's terms income tax rate is reduced to 5%, the respective effect from reassessment of deferred tax assets and liabilities amounted to US\$ 16,070 thousand for the nine months ended 30 September 2018.

Subsidiaries located in Europe, North and Latin Americas and Asia are subject to the income tax rates ranging from 7.8% to 35% (nine months ended 30 September 2017: 7.8% to 39.5%).

Starting 1 January 2018, income tax rates in the USA and Belgium were decreased to 26.5% and 29.58%, respectively, following changes in tax legislation in December 2017 (nine months ended 30 September 2017: income tax rates in the USA and Belgium were 39.5% and 33.99%, respectively). Starting 1 January 2020, the tax rate in Belgium will decrease to 25%.

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

## 25 Earnings per share

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

	Three months ended		Nine months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Profit for the period attributable to owners of the parent	145,449	111,146	355,525	371,694
Weighted average number of ordinary shares outstanding	1,000	1,000	1,000	1,000
<b>Earnings per share – basic and diluted</b>	<b>145.45</b>	<b>111.15</b>	<b>355.53</b>	<b>371.69</b>





## 26 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	30 September 2018	31 December 2017
<b>Statement of financial position</b>			
<b>Assets</b>			
Non-current originated loans (Note 10)	Associates	-	4,024
Non-current originated loans (Note 10)	Other related parties*	-	43,501
Trade receivables	Joint ventures	-	1,018
Other receivables	Other related parties*	27,468	162
<b>Liabilities</b>			
Liability from contingent consideration related to business combination	Other related parties	114,459	123,001
Trade payables	Joint ventures	2,496	1,784
Trade payables	Other related parties*	844	1,277

Financial statements caption	Nature of relationship	Three months ended		Nine months ended	
		30 September 2018	30 September 2017	30 September 2018	30 September 2017
<b>Statement of profit or loss and other comprehensive income</b>					
Sales	Joint ventures	658	644	1,901	2,385
	Other related parties*				
Sales	Other related parties*	4,986	71	11,951	3,568
Distribution costs	Other related parties*	(1,449)	(198)	(4,276)	(6,702)
Interest income	Other related parties*	-	317	-	1,283
Other financial gain	Other related parties*	10,595	-	10,595	-

Financial statements caption	Nature of relationship	Nine months ended	
		30 September 2018	30 September 2017
<b>Statement of cash flows</b>			
Decrease in trade receivables	Joint ventures	1,011	-
Capital expenditure on property, plant and equipment and other intangible assets	Joint ventures	(3,303)	(7,754)
Proceeds from sale of interest in associate	Other related parties*	-	60,749
Originated loans (Note 10)	Associates	-	(3,000)
Originated loans (Note 10)	Other related parties*	-	(31,530)
Repayment of originated loans (Note 10)	Other related parties*	-	9,469
Interest received	Other related parties*	-	3,455
Capital contribution	Parent company	600,000	-

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

In the first quarter 2018, the Group acquired from the parent company of the Group, AIM Capital S.E., a company owning a land plot for a project to construct a nitrogen fertilizer plant. The company is located in the USA. The Group treats this transaction as an asset acquisition.

**Management compensation.** The total key management personnel compensation amounted to US\$ 14,525 thousand and US\$ 12,504 thousand for the nine months ended 30 September 2018 and 30 September 2017, respectively. This compensation relates to individuals who are members of the Management Board, for their services in full time positions. Compensation is made up of an annual fixed remuneration plus a performance bonus accrual.



## **27 Contingencies, commitments and operating risks**

### ***i Capital expenditure commitments***

As at 30 September 2018, the Group had contractual commitments for capital expenditures of US\$ 557,797 thousand (31 December 2017: US\$ 846,280 thousand), including amounts denominated in RUB of US\$ 245,050 thousand and in EUR of US\$ 212,552 thousand, which will represent cash outflows in the next 6 years according to the contractual terms.

US\$ 147,691 thousand and US\$ 125,631 thousand of the total amount relate to the development of potassium salt deposits and the construction of mining facilities at the Gremyachinskoe and Verkhnekamskoe potash licence areas, respectively (31 December 2017: US\$ 184,809 thousand and US\$ 253,578 thousand, respectively).

US\$ 96,467 thousand of the total amount relates to the construction of the Ammonia Plant at Kingisepp, Russia (31 December 2017: US\$ 212,928 thousand).

### ***ii Tax legislation***

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

### ***ii Tax legislation (continued)***

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

The majority of the Group's production subsidiaries are located in Russia and are required to comply with Russian tax, currency and customs legislation. The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments than the Management of the Group, and it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review with possible extension of this period under certain circumstances.

Where management believes that it is probable that certain tax positions taken by the Group may not be sustained if challenged by the tax authorities, the Group recognizes provisions for related taxes, interest and penalties. There were no such provisions recorded by the Group at 30 September 2018 and 31 December 2017.

### ***iii Insurance policies***

The Group obtains risk insurance cover as mandated by statutory requirements. The Group also holds voluntary insurance policies covering directors' and officers' liability (D&O insurance), general third party and product liability, physical property damage and business interruption insurance at major production plants, as well as insurance policies related to trade operations, including export shipments, and credit insurance of certain trade debtors.

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

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

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





## **27 Contingencies, commitments and operating risks (continued)**

### **iv Environmental matters**

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

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

### **v Legal proceedings**

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

### **vi Operating environment of the Group**

The Group operates in the fertilizer industry with production assets in Russia, Lithuania, Belgium, Kazakhstan, China and sales networks in Europe, Russia, the CIS, North and Latin America, Central and South East Asia. The highly competitive nature of the market makes prices of the Group's key products relatively volatile.

Possible deteriorating economic conditions may have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. Debtors of the Group may also become adversely affected by the financial and economic environment, which could in turn impact their ability to repay amounts owed or fulfil obligations undertaken.

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

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