EUROCHEM GROUP

INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2019

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EuroChem Group AG
Zug

Report of the statutory auditor
to the General Meeting

on the consolidated financial statements 2019

Report of the statutory auditor

to the General Meeting of EuroChem Group AG

Zug

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 2019 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 2019 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.

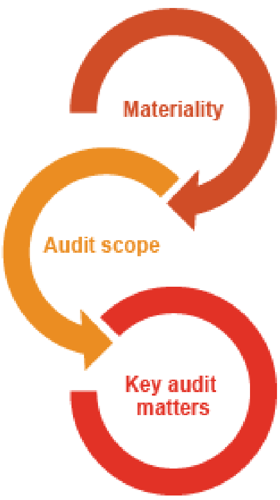
Basis for opinion

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 IESBA Code of Ethics for Professional Accountants, 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 62'000'000

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 85% of the Group’s total revenue and 85% 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.

PricewaterhouseCoopers AG, Dammstrasse 21, Postfach, CH-6302 Zug, Switzerland
Telefon: +41 58 792 68 00, Telefax: +41 58 792 68 10, www.pwc.ch

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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 62'000'000
How we determined it	5% of profit before tax
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, and it is a generally accepted benchmark.

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 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, as well as 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 85% of the Group's total revenue and 85% 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 2019, 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$ 1,949 million, including mineral rights of US$ 73 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 2019) 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 2019 and therefore proceeded with a full impairment assessment of these assets. Under the impairment assessment, management updated value in use model based on discounted cash flows (DCF). 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 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. 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 car-	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 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, 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 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

rying amount of these assets and concluded that no impairment should be recognised in respect of the assets as at 31 December 2019.

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

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.
- 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Hanspeter Gerber

Audit expert

Zug, 31 January 2020

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 thousands of US dollars, unless otherwise stated)

	Note	31 December 2019	31 December 2018
ASSETS			
Non-current assets:			
Property, plant and equipment	8	8,190,662	6,666,090
Mineral rights	9	364,985	315,753
Goodwill	10	469,104	475,797
Intangible assets	11	74,592	102,838
Investment in associates and joint ventures	12	24,771	38,198
Originated loans		1,000	3,864
Restricted cash	15	37,049	2,276
Derivative financial assets	20	59,354	-
Deferred income tax assets	30	76,203	82,613
Other non-current assets		73,857	71,011
Total non-current assets		**9,371,577**	**7,758,440**
Current assets:			
Inventories	13	1,170,228	1,044,690
Trade receivables	14	443,902	366,836
Prepayments, other receivables and other current assets	14	336,015	289,201
Income tax receivable		11,412	15,428
Restricted cash	15	3,895	2,850
Derivative financial assets	20	9,167	1,126
Fixed-term deposits	15	124	1,801
Cash and cash equivalents	15	313,241	341,911
Total current assets		**2,287,984**	**2,063,843**
TOTAL ASSETS		**11,659,561**	**9,822,283**
LIABILITIES AND EQUITY			
Equity attributable to owners of the parent:			
Share capital	16	111	111
Treasury shares	16	(785,050)	-
Cumulative currency translation differences		(1,825,722)	(2,403,963)
Retained earnings and other reserves		7,592,130	6,578,487
		4,981,469	**4,174,635**
Non-controlling interests		1,669	117
Total equity		**4,983,138**	**4,174,752**
Non-current liabilities:			
Bank borrowings and other loans received	17	1,405,458	2,003,275
Project Finance	18	435,192	420,070
Bonds issued	19	1,660,982	1,211,261
Derivative financial liabilities	20	7,453	57,103
Deferred income tax liabilities	30	286,627	212,721
Other non-current liabilities and deferred income	21	311,351	178,057
Total non-current liabilities		**4,107,063**	**4,082,487**
Current liabilities:			
Bank borrowings and other loans received	17	1,085,568	371,133
Project Finance	18	54,405	21,612
Bonds issued	19	366,225	215,850
Derivative financial liabilities	20	25,929	12,629
Trade payables	23	508,138	470,264
Other accounts payable and accrued expenses	23	472,126	407,191
Income tax payable		19,907	37,539
Other taxes payable		37,062	28,826
Total current liabilities		**2,569,360**	**1,565,044**
Total liabilities		**6,676,423**	**5,647,531**
TOTAL LIABILITIES AND EQUITY		**11,659,561**	**9,822,283**

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

	Note	2019	2018
Sales	24	6,183,970	5,577,472
Cost of sales	25	(3,809,862)	(3,437,727)
Gross profit		**2,374,108**	**2,139,745**
Distribution costs	26	(912,542)	(744,985)
General and administrative expenses	27	(241,830)	(208,292)
Other operating income/(expenses), net	28	(41,848)	2,956
Operating profit		**1,177,888**	**1,189,424**
Share of profit/(loss) from associates and joint ventures, net		819	3,395
Gain/(loss) from disposal of subsidiaries, net		-	(45,753)
Interest income		10,161	8,130
Interest expense		(174,734)	(94,480)
Financial foreign exchange gain/(loss), net		168,360	(162,070)
Other financial gain/(loss), net	29	57,682	(159,804)
Profit before taxation		**1,240,176**	**738,842**
Income tax expense	30	(222,500)	(200,421)
Profit		**1,017,676**	**538,421**
Profit/(loss) attributable to:			
Owners of the parent		1,017,118	538,448
Non-controlling interests		558	(27)
		1,017,676	**538,421**
Earnings per share – basic and diluted	31	1,059.50	538.45

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

	Note	2019	2018
Profit		**1,017,676**	**538,421**
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods			
Currency translation differences		578,995	(1,080,523)
Share of other comprehensive income/(loss) of associates and joint ventures, net	12	(620)	(917)
Currency translation differences on disposed subsidiaries reclassified to profit or loss		-	25,289
Total other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**578,375**	**(1,056,151)**
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		(3,475)	1,361
Change in fair value of financial assets measured at fair value through other comprehensive income		-	(4,321)
Total other comprehensive income/(loss) for the period that will not be reclassified to profit or loss in subsequent periods		**(3,475)**	**(2,960)**
Total other comprehensive income/(loss)		**574,900**	**(1,059,111)**
Total comprehensive income/(loss)		**1,592,576**	**(520,690)**
Total comprehensive income/(loss) attributable to:			
Owners of the parent		1,591,884	(520,642)
Non-controlling interests		692	(48)
		1,592,576	**(520,690)**

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

	Note	2019	2018
Operating profit		1,177,888	1,189,424
Income tax paid		(179,848)	(140,364)
Operating profit less income tax paid		**998,040**	**1,049,060**
Depreciation and amortisation	27	388,555	308,336
(Gain)/loss on disposals, impairment and write-off of property, plant and equipment, net		11,091	7,570
Change in provision for impairment of receivables (incl. ECL allowance) and provision for obsolete and damaged inventories, net		4,541	18,276
Other non-cash (income)/expenses, net		75,423	(41,820)
Gross cash flow		**1,477,650**	**1,341,422**
Cash proceeds/(payments) on operation derivatives, net		3,027	(38,935)
Changes in operating assets and liabilities:			
Trade receivables		(81,886)	(119,787)
Advances to suppliers		152	14,282
Other receivables		(61,844)	(16,228)
Inventories		(108,680)	(403,778)
Trade payables		(19,159)	46,425
Advances from customers		9,718	90,563
Other payables		7,030	49,809
Restricted cash		(35,582)	17,942
Net cash – operating activities		**1,190,426**	**981,715**
Cash flows from investing activities			
Capital expenditure on property, plant and equipment and intangible assets		(936,991)	(1,100,134)
Purchase of mineral rights		(11,171)	(357)
Other payments related to mineral rights		(1,524)	(10,913)
Deferred payment for investment in associate		-	(2,769)
Proceeds from sale of interest in associate		2,744	-
Acquisition of subsidiaries, net of cash acquired		(4,949)	-
Deferred compensation related to business combination, paid		(326)	(3,004)
Proceeds from sale of property, plant and equipment		1,834	589
Net change in fixed-term deposits		1,666	(1,701)
Originated loans		-	(503)
Repayment of originated loans		3,000	24,100
Interest received		7,562	7,783
Other investing activities		44,464	11,369
Net cash – investing activities		**(893,691)**	**(1,075,540)**
Free cash inflow/(outflow)		**296,735**	**(93,825)**
Cash flows from financing activities			
Proceeds from bank borrowings and other loans received		1,257,717	2,723,656
Funds received under the Project Finance Facilities		93,746	219,309
Repayment of bank borrowings and other loans received		(1,159,625)	(2,136,094)
Repayment of Project Finance Facility	18	(35,583)	(750,000)
Proceeds from bonds, net of transaction costs		1,506,887	-
Repayment of bonds		(978,694)	(79,697)
Prepaid and additional transaction costs related to bank borrowings and bonds		(9,909)	(10,898)
Prepaid and additional transaction costs related to Project Finance Facilities		(5,563)	(5,285)
Interest paid		(210,886)	(219,873)
Cash proceeds/(payments) on derivatives, net	20	22,675	(110,572)
Capital contribution	16	-	600,000
Purchase of treasury shares	16	(785,050)	-
Payments of lease liabilities		(9,945)	-
Other financial activities		(7,966)	(3,972)
Net cash – financing activities		**(322,196)**	**226,574**
Effect of exchange rate changes on cash and cash equivalents		(3,209)	(19,451)
Net increase/(decrease) in cash and cash equivalents		**(28,670)**	**113,298**
Cash and cash equivalents at the beginning of the period	**15**	**341,911**	**228,613**
Cash and cash equivalents at the end of the period	**15**	**313,241**	**341,911**

The accompanying notes on pages 6 to 66 are an integral part of these consolidated financial statements.

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

	Attributable to owners of the parent						
	Share capital	**Treasury shares**	**Cumulative currency translation differences**	**Retained earnings and other reserves**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2018	**111**	**-**	**(1,347,833)**	**5,442,999**	**4,095,277**	**165**	**4,095,442**
Comprehensive income/(loss)							
Profit/(loss)	-	-	-	538,448	538,448	(27)	538,421
Other comprehensive income/(loss)							
Currency translation differences	-	-	(1,080,502)	-	(1,080,502)	(21)	(1,080,523)
Share of other comprehensive income/(loss) of associates and joint ventures, net	-	-	(917)	-	(917)	-	(917)
Currency translation differences on disposed subsidiaries reclassified to profit or loss	-	-	25,289	-	25,289	-	25,289
Change in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	(4,321)	(4,321)	-	(4,321)
Remeasurements of post-employment benefit obligations, net of tax	-	-	-	1,361	1,361	-	1,361
Total other comprehensive income/(loss)	**-**	**-**	**(1,056,130)**	**(2,960)**	**(1,059,090)**	**(21)**	**(1,059,111)**
Total comprehensive income/(loss)	**-**	**-**	**(1,056,130)**	**535,488**	**(520,642)**	**(48)**	**(520,690)**
Transactions with owners							
Capital contribution (Note 16)	-	-	-	600,000	600,000	-	600,000
Total transactions with owners	**-**	**-**	**-**	**600,000**	**600,000**	**-**	**600,000**
Balance at 31 December 2018	**111**	**-**	**(2,403,963)**	**6,578,487**	**4,174,635**	**117**	**4,174,752**
Balance at 1 January 2019	**111**	**-**	**(2,403,963)**	**6,578,487**	**4,174,635**	**117**	**4,174,752**
Comprehensive income/(loss)							
Profit/(loss)	-	-	-	1,017,118	1,017,118	558	1,017,676
Other comprehensive income/(loss)							
Currency translation differences	-	-	578,861	-	578,861	134	578,995
Share of other comprehensive income/(loss) of associates and joint ventures, net	-	-	(620)	-	(620)	-	(620)
Remeasurements of post-employment benefit obligations, net of tax	-	-	-	(3,475)	(3,475)	-	(3,475)
Total other comprehensive income/(loss)	**-**	**-**	**578,241**	**(3,475)**	**574,766**	**134**	**574,900**
Total comprehensive income/(loss)	**-**	**-**	**578,241**	**1,013,643**	**1,591,884**	**692**	**1,592,576**
Transactions with owners							
Purchase of treasury shares (Note 16)	-	(785,050)	-	-	(785,050)	-	(785,050)
Acquisition of subsidiary	-	-	-	-	-	860	860
Total transactions with owners	**-**	**(785,050)**	**-**	**-**	**(785,050)**	**860**	**(784,190)**
Balance at 31 December 2019	**111**	**(785,050)**	**(1,825,722)**	**7,592,130**	**4,981,469**	**1,669**	**4,983,138**

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 31 January 2020.

A company that holds business interests beneficially for Mr. Andrey Melnichenko indirectly owns 100% of AIM Capital S.E., registered in the Republic of Cyprus (31 December 2018: 100%), which in turn owns 90% of the share capital of EuroChem Group AG (31 December 2018: 90%). The remaining 10% of the share capital is held by a Group’s wholly-owned subsidiary (Note 16) (31 December 2018: 10% of the Company was held indirectly by Mr. Dmitry Strezhnev).

The Group’s principal activity is the production of mineral fertilizers (nitrogen-, potash- and phosphate-based) as well as mineral extraction (apatite, phosphate rock, iron-ore, baddeleyite and potash), and the operation of a distribution network. The Group is developing two potassium salts deposits. Production of potassium fertilizers began at Verkhnekamskoe deposit in the first half of 2018. The Group’s main production facilities are located in Russia, Lithuania, Belgium 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 accounting policy changes resulting from the adoption of IFRS 16 "Leases" effective from 1 January 2019 and early adoption of amendments to IFRS 3 “Business Combinations” – Definition of a business.

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

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

In applying IFRS 16 "Leases" for the first time, the Group used exemptions permitted by the standard to the leases with a remaining lease term of less than 12 months as at 1 January 2019 (short-term leases) and leases of low-value assets. As at the transition date the lease liability was measured as the present value of fixed lease payments in accordance with the lease contract that are not paid at the commencement date. At the transition date lease payments were discounted at incremental borrowing rate. The weighted average incremental borrowing rate varied from 4.5% to 9.0% depending on a subsidiary’s country of domicile. In determining the lease term the management applied judgment in cases where contracts provide for the possibility of extending or terminating the lease.

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

2 Basis of preparation and significant accounting policies (continued)

The right-of-use assets mainly comprised land plots and buildings lease contracts and amounted to US$68,649 thousand as at 1 January 2019. Movements in the carrying amount of right-of-use assets for the year ended 31 December 2019 were as follows:

	Buildings	Land and Land Improvements	Machinery and equipment	Total
Balance at 1 January 2019 (Note 8)	**24,632**	**36,951**	**7,066**	**68,649**
Additions	5,115	182	2,027	7,324
Additions through business combination	575	-	100	675
Modifications	(9)	(36)	-	(45)
Depreciation charge for the period	(8,205)	(1,641)	(1,814)	(11,660)
Currency translation differences	1,150	904	293	2,347
Balance at 31 December 2019	**23,258**	**36,360**	**7,672**	**67,290**

The leases resulting from lease contracts which are not capitalised and are recognised in profit or loss for the year ended 31 December 2019 were as follows:

	2019
Expenses relating to variable lease payments	10,369
Expenses relating to short-term leases	2,340
Expenses relating to lease of low-value assets	2,078
Total	**14,787**

Future cash outflows to which the Group is potentially exposed include variable lease payments based on cadastral value of land that are not reflected in the measurement of lease liabilities and amounted to US$78,599 thousand as at 31 December 2019.

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

	31 December 2019	1 January 2019
Current	10,193	8,175
Non-current	57,014	59,009
Total lease liabilities	**67,207**	**67,184**

Interest expense accrued on lease liabilities amounted to US$4,553 thousand for the year ended 31 December 2019.

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

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

2 Basis of preparation and significant accounting policies (continued)

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 and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain 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 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 2019, the official exchange rates were: US$ 1 = RUB 61.9057, US$ 1 = EUR 0.8928 (31 December 2018: US$ 1 = RUB 69.4706, US$ 1 = EUR 0.8743). Average rates for the year ended 31 December 2019 were: US$ 1 = RUB 64.7362, US$ 1 = EUR 0.8929 (2018: US$ 1 = RUB 62.7078, US$ 1 = EUR 0.8465).

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

The acquisition method of accounting is used to account for 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.

2 Basis of preparation and significant accounting policies (continued)

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 to sell.

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

2 Basis of preparation and significant accounting policies (continued)

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 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.

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 because the economic benefits that the assets represent are not consumed until the production phase. Capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied.

2 Basis of preparation and significant accounting policies (continued)

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 accounted for 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.

Previous accounting policy applied to operating leases under IAS 17 till 31 December 2018. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

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

Goodwill. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. 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 recognition of gains and losses 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).

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss (FVPL).

2 Basis of preparation and significant accounting policies (continued)

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, when the Group's right to receive payments is established. There are no impairment requirements for equity investments measured at FVOCI.

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 entity 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 amount of ECL is assessed based on market risk premium that is taken as probability of default.

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 included in profit or loss (as financial gain /loss or operating income/expense) in the period in which they arise (Note 20).

The Group has no derivatives accounted for as hedges.

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.

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Dividends received from associates reduce the carrying value of the investment in associates. Post-acquisition changes in the Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as the share of results of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii) all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of results of associates.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2 Basis of preparation and significant accounting policies (continued)

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.

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 30).

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. 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 the temporary difference can be utilised.

2 Basis of preparation and significant accounting policies (continued)

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.

Inventories. Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the weighted-average basis. The cost of finished goods and work in progress comprises 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.

2 Basis of preparation and significant accounting policies (continued)

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.

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.

2 Basis of preparation and significant accounting policies (continued)

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.

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 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 financial 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 should be 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. The defined pension obligation of the Group is not material.

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.

2 Basis of preparation and significant accounting policies (continued)

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 33). 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 such determination is made.

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 30).

Related party transactions. The Group enters into transactions with related parties in the normal course of business (Note 32). These transactions are 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 Ltda. In 2016, the Group entered into agreement with Fertilizantes Tocantins Ltda, 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 to be executed in 2022. Since put and call options will be executed simultaneously at the same exercise price, the judgement was applied that the risks and rewards associated with 100% interest in Fertilizantes Tocantins Ltda 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 under the put and call options scheme payable in 2022 is assessed on an annual basis and subject to unwinding. The valuation technique used to measure the liability arising from contingent consideration is based on calculating the present value of the future expected cash flows.

4 Adoption of new or revised standards and interpretations

In addition to those disclosed in note 2, other new amendments and improvements to standards set out below became effective 1 January 2019 and did not have any impact or did not have a material impact on the Group's consolidated financial statements:

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

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2019, and have not been early adopted by the Group:

- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- IFRS 17 "Insurance contracts";
- Amendments to the Conceptual Framework for Financial Reporting;
- Amendments to IAS 1 and IAS 8 – Definition of materiality;
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform.

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

- Amendments to IFRS 3 – Definition of a business.

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

(all amounts are presented in thousands 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 2019:

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-Fertilizers, LLP	Mining	100%	Kazakhstan
Astrakhan Oil and Gas Company, LLC	Gas project under development	100%	Russia
Sary-Tas Fertilizers, LLP	Other service	85.79%	Kazakhstan
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 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 Ltda	Distribution	50% plus 1 share	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
Volgograd 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 Aktsiaselts	Logistics	100%	Estonia
EuroChem Terminal Ust-Luga, LLC	Logistic project under development	100%	Russia
Tuapse Bulk Terminal, LLC	Logistics	100%	Russia
Murmansk Bulkcargo Terminal, LLC	Logistics	100%	Russia
Depo-EuroChem, LLC	Logistics	100%	Russia
EuroChem-Energo, LLC	Other service	100%	Russia
EuroChem Usolsky Mining S.à r.l.	Holding company	100%	Luxemburg
EuroChem International Holding B.V.	Holding company	100%	Netherlands
MCC EuroChem JSC	Holding company	100%	Russia

(all amounts are presented in thousands 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
EuroChem-Terminal Nevinnomyssk, LLC	Logistics	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 2019, the main changes in Group's structure were as follows:

Name	Nature of business	Main changes in 2019	Percentage of ownership as at 31 December 2019
Subsidiaries:			
EuroChem North America Corp.	Trading and Distribution	Merger of Ben-Trei Ltd. into Eurochem Trading USA Corp and change in name to EuroChem North America Corp.	100%
Geres Fertilizers, LLP	Phosphate project under development	Acquisition of assets	100%
Azottech, LLC	Blasting and drilling	Step-up acquisition of additional 50.1% interest	74.99%
EuroChem Agro Turkey	Distribution	Disposal of interest	-
Associates:			
Hispalense de Líquidos S.L.	Distribution	Disposal of interest	-

(all amounts are presented in thousands 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 2019	31 December 2018
Financial assets		
Current Financial assets		
Non-deliverable foreign exchange forward contracts	8,683	74
Deliverable foreign exchange forward contracts	-	806
Swap contracts	-	246
Cross-currency interest swaps	484	-
Total current financial assets	**9,167**	**1,126**
Non-current Financial assets		
Cross-currency interest swaps	59,354	-
Total non-current financial assets	**59,354**	**-**
Total assets recurring fair value measurements	**68,521**	**1,126**
Financial liabilities		
Current Financial liabilities		
Non-deliverable foreign exchange forward contracts	8,756	6,752
Deliverable foreign exchange forward contracts	-	1,278
Commodity swaps	332	-
Commodity collars	1,717	-
Cross-currency interest swaps	15,124	4,599
Total current financial liabilities	**25,929**	**12,629**
Non-current Financial liabilities		
Non-deliverable foreign exchange forward contracts	7,453	6,869
Cross-currency interest swaps	-	50,234
Total non-current financial liabilities	**7,453**	**57,103**
Total liabilities recurring fair value measurements	**33,382**	**69,732**

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

6 Fair value of financial instruments (continued)

For derivative financial instruments at fair value through profit or loss, which typically include foreign exchange forward contracts, cross currency interest rate swaps, commodity swaps etc., the fair values are based on recurring mark-to-market valuations provided by the financial institutions which deal in these financial instruments.

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, contingent consideration related to business combinations 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 2019			
	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value	Carrying value
Financial liabilities				
- RUB-denominated bonds payable	1,109,647	-	-	1,076,330
- US$-denominated bonds payable	1,020,144	-	-	950,877
- Long-term US$-denominated fixed interest loans	-	-	674,789	650,000
- Long-term RUB -denominated fixed interest loans	-	-	34,079	36,684
- Long-term BRL-denominated fixed interest loans	-	-	1,406	1,443
Total financial liabilities	**2,129,791**	**-**	**710,274**	**2,715,334**

	31 December 2018			
	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value	Carrying value
Financial liabilities				
- RUB-denominated bonds payable	435,810	-	-	431,332
- US$-denominated bonds payable	979,785	-	-	995,779
- Long-term US$-denominated fixed interest loans	-	-	545,297	550,000
- Long-term RUB -denominated fixed interest loans	-	-	61,267	66,863
- Long-term BRL-denominated fixed interest loans	-	-	1,837	2,019
Total financial liabilities	**1,415,595**	**-**	**608,401**	**2,045,993**

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 thousands of US dollars, unless otherwise stated)

6 Fair value of financial instruments (continued)

During 2019 and 2018 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 2019	31 December 2018
Financial assets		
Non-current financial assets		
Restricted cash	37,049	2,276
Originated loans	1,000	3,864
Derivative financial assets	59,354	-
Other non-current assets including:		
Long-term receivables due to sale of subsidiaries	-	9,431
Other assets	4,012	4,012
Total non-current financial assets	**101,415**	**19,583**
Current financial assets		
Restricted cash	3,895	2,850
Trade receivables	443,902	366,836
Derivative financial assets	9,167	1,126
Other receivables and other current assets including:		
Other receivables	45,610	27,426
Collateral held by banks to secure derivative transactions	464	-
Interest receivables	606	580
Fixed-term deposits	124	1,801
Cash and cash equivalents	313,241	341,911
Total current financial assets	**817,009**	**742,530**
Total financial assets	**918,424**	**762,113**

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

6 Fair value of financial instruments (continued)

	31 December 2019	31 December 2018
Financial liabilities		
Non-current financial liabilities		
Bank borrowings and other loans received	1,405,458	2,003,275
Bonds issued	1,660,982	1,211,261
Project Finance	435,192	420,070
Derivative financial liabilities	7,453	57,103
Other non-current liabilities including:		
Contingent liability related to business combination	172,946	122,866
Long-term portion of deferred payables related to acquisition of additional interest in subsidiary	-	1,821
Long-term portion of deferred payables related to mineral rights acquisition	11,346	11,088
Long-term portion of lease payables	57,014	-
Total non-current financial liabilities	**3,750,391**	**3,827,484**
Current financial liabilities		
Bank borrowings and other loans received	1,085,568	371,133
Project Finance	54,405	21,612
Bonds issued	366,225	215,850
Derivative financial liabilities	25,929	12,629
Trade payables	508,138	470,264
Other accounts payable and accrued expenses including:		
Interest payables	42,177	27,457
Short-term portion of lease payables	10,193	-
Short-term portion of deferred payables related to business combinations and acquisition of additional interest in subsidiary	1,500	1,500
Short-term portion of deferred payables related to mineral rights acquisition	1,642	1,460
Total current financial liabilities	**2,095,777**	**1,121,905**
Total financial liabilities	**5,846,168**	**4,949,389**

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

6 Fair value of financial instruments (continued)

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

	Bank borrowings and other loans received	Bonds issued	Project Finance	Interest payable	Lease liabilities	Total
Balance at 1 January 2019	**2,374,408**	**1,427,111**	**441,682**	**27,457**	**67,184**	**4,337,842**
Cash flows						
Proceeds	1,257,717	1,506,887	93,746	-	-	2,858,350
Repayments	(1,159,625)	(978,694)	(35,583)	-	(9,945)	(2,183,847)
Prepaid and additional transaction costs	(2,050)	(7,859)	(5,563)	-	-	(15,472)
Interest paid	-	-	-	(210,886)	(4,531)	(215,417)
Non-cash flows						
Loans and lease liabilities acquired in a business combination	2,834	-	-	-	675	3,509
Lease liabilities arising due to new contracts	-	-	-	-	7,527	7,527
Interest expenses accrued	-	-	-	224,192	4,553	228,745
Amortisation of transaction costs	6,719	5,715	19,091	-	-	31,525
Financial foreign exchange (gain)/loss, net	(8,302)	(35,135)	(78,386)	(403)	15	(122,211)
Currency translation difference, net	19,325	112,892	54,610	1,817	1,729	190,373
Other movements	-	(3,709)	-	-	-	(3,709)
Balance at 31 December 2019	**2,491,026**	**2,027,208**	**489,597**	**42,177**	**67,207**	**5,117,215**

	Bank borrowings and other loans received	Bonds issued	Project Finance	Interest payable	Total
Balance at 1 January 2018	**1,880,610**	**1,599,504**	**959,373**	**29,604**	**4,469,091**
Cash flows					
Proceeds	2,723,656	-	219,309	-	2,942,965
Repayments	(2,136,094)	(79,697)	(750,000)	-	(2,965,791)
Prepaid and additional transaction costs	(10,836)	(62)	(5,285)	-	(16,183)
Interest paid	-	-	-	(219,873)	(219,873)
Non-cash flows					
Interest expenses accrued	-	-	-	220,473	220,473
Amortisation of transaction costs	5,157	3,182	18,313	-	26,652
Financial foreign exchange (gain)/loss, net	(70,068)	93,037	126,370	1,286	150,625
Currency translation difference, net	(18,017)	(188,853)	(126,398)	(4,033)	(337,301)
Balance at 31 December 2018	**2,374,408**	**1,427,111**	**441,682**	**27,457**	**4,270,658**

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

Since 2019, the Logistics and Sales divisions were integrated in Commercial Division, the operating results for the years ended 31 December 2019 and 31 December 2018 were jointly presented in Commercial Division.

Starting 2019, the Oil & Gas division was included in the Group's corporate structure as a part of Mining division, the operating results for the year ended 31 December 2019 were presented in the Mining division. The comparative information for the year ended 31 December 2018 was not changed as being immaterial.

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

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

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

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

	External sales	Internal sales	Total sales	EBITDA
Mining	48,083	945,420	993,503	479,448
Fertilizers	66,722	3,281,679	3,348,401	895,362
Commercial	6,071,538	273,891	6,345,429	244,096
Other	5,530	10,215	15,745	(117,534)
Elimination	(7,903)*	(4,511,205)	(4,519,108)	45,187
Total	**6,183,970**	**-**	**6,183,970**	**1,546,559**

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

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

7 Segment information (continued)

The division results for the year ended 31 December 2018 were:

	External sales	Internal sales	Total sales	EBITDA
Mining	11,601	675,608	687,209	304,401
Fertilizers	66,653	3,364,594	3,431,247	1,032,777
Commercial	5,496,682	168,866	5,665,548	301,805
Other	2,536	14,259	16,795	(39,336)
Elimination	-	(4,223,327)	(4,223,327)	(82,721)
Total	**5,577,472**	**-**	**5,577,472**	**1,516,926**

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

	Note	2019	2018
EBITDA		**1,546,559**	**1,516,926**
Depreciation and amortisation	27	(388,555)	(308,336)
(Impairment)/reversal of impairment/(write-off) of idle property, plant and equipment	25,28	(7,313)	(1,459)
Non-recurring income/(expenses), net	28	37,619	(6,155)
Gain/(loss) from disposal of subsidiaries, net		-	(45,753)
Interest expense		(174,734)	(94,480)
Financial foreign exchange gain/(loss), net		168,360	(162,070)
Other financial gain/(loss), net	29	57,682	(159,804)
Non-controlling interests		558	(27)
Profit before taxation		**1,240,176**	**738,842**

The divisional capital expenditure on property, plant and equipment, intangible assets and mineral rights for the years ended 31 December 2019 and 31 December 2018 were:

	2019	2018
Mining	514,214	594,559
Fertilizers	310,032	447,863
Commercial	88,933	69,921
Other	18,424	19,431
Elimination	18,083	(20,370)
Total capital expenditure	**949,686**	**1,111,404**

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 2019	31 December 2018
Russia	7,696,954	6,236,501
Europe	819,978	806,921
Kazakhstan	264,693	221,441
Brazil	241,887	241,154
Other countries	100,602	92,659
Total	**9,124,114**	**7,598,676**

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

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

7 Segment information (continued)

The analysis of Group sales by region was:

	2019	2018
Europe	1,632,204	1,600,106
Latin America	1,522,486	1,154,193
Russia	1,055,830	1,062,519
North America	991,435	841,997
Asia Pacific	617,782	526,780
CIS*	260,656	262,158
Africa	103,577	129,719
Total sales	**6,183,970**	**5,577,472**

* including associate states

The sales are allocated to regions based on the destination country. During the year ended 31 December 2019, the Group had sales in excess of 10% to Brazil, Russia and the United States of America, representing 20.7%, 17.1% and 12.4% of total revenues, respectively (2018: sales to Russia, Brazil and the United States of America, representing 19.1%, 16.5% and 12.8% of the total revenues, respectively).

During 2019 and 2018 there were no sales in excess of 10% to one customer.

(all amounts are presented in thousands 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 2019	**889,112**	**952,919**	**295,467**	**2,092,462**	**253,117**	**136,792**	**3,697,031**	**8,316,900**
Adjustment due to adoption of IFRS 16	24,632	36,951	-	7,066	-	-	-	68,649
Balance at 1 January 2019, adjusted	**913,744**	**989,870**	**295,467**	**2,099,528**	**253,117**	**136,792**	**3,697,031**	**8,385,549**
Additions and transfers from assets under construction	421,372	664,401	324,178	1,017,570	126,432	55,594	(1,503,115)	1,106,432
Additions through business combination	618	-	-	1,849	-	1	1,185	3,653
Disposals	(2,362)	(5,877)	(5,165)	(46,974)	(14,385)	(1,466)	(534)	(76,763)
Changes in estimates of asset retirement obligations (Note 22)	-	18,941	-	-	-	-	-	18,941
(Impairment)/reversal of impairment/(write-off) of idle property, plant and equipment	-	-	(70)	(3,382)	(41)	(18)	(5,612)	(9,123)
Currency translation difference	103,023	125,827	42,236	206,243	33,549	16,200	377,096	904,174
Balance at 31 December 2019	**1,436,395**	**1,793,162**	**656,646**	**3,274,834**	**398,672**	**207,103**	**2,566,051**	**10,332,863**
Accumulated Depreciation								
Balance at 1 January 2019	**(166,510)**	**(159,487)**	**(144,704)**	**(976,734)**	**(122,219)**	**(81,156)**	**-**	**(1,650,810)**
Charge for the year	(55,281)	(49,823)	(31,537)	(222,885)	(27,891)	(16,716)	-	(404,133)
Disposals	2,014	5,634	4,622	46,803	12,576	1,227	-	72,876
(Impairment)/reversal of impairment/(write-off) of idle property, plant and equipment	-	-	34	1,725	41	10	-	1,810
Currency translation difference	(16,114)	(16,854)	(13,832)	(93,320)	(13,058)	(8,766)	-	(161,944)
Balance at 31 December 2019	**(235,891)**	**(220,530)**	**(185,417)**	**(1,244,411)**	**(150,551)**	**(105,401)**	**-**	**(2,142,201)**
Net Carrying Value								
Balance at 1 January 2019, adjusted	**747,234**	**830,383**	**150,763**	**1,122,794**	**130,898**	**55,636**	**3,697,031**	**6,734,739**
Balance at 31 December 2019	**1,200,504**	**1,572,632**	**471,229**	**2,030,423**	**248,121**	**101,702**	**2,566,051**	**8,190,662**

(all amounts are presented in thousands 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 2018	**615,509**	**648,835**	**312,685**	**2,067,848**	**300,785**	**145,970**	**4,469,708**	**8,561,340**
Additions and transfers from assets under construction	400,607	459,387	34,396	372,155	35,257	17,810	(12,627)	1,306,985
Disposal due to sale of subsidiaries	(2,052)	(1,140)	-	(1,815)	(29,652)	(309)	(1,321)	(36,289)
Disposals	(9,866)	(5,633)	(2,249)	(23,257)	(6,176)	(1,978)	(186)	(49,345)
Changes in estimates of asset retirement obligations (Note 22)	-	(6,138)	-	-	-	-	-	(6,138)
(Impairment)/reversal of impairment/(write-off) of idle property, plant and equipment	(67)	-	(7)	(396)	(18)	(521)	(1,323)	(2,332)
Currency translation difference	(115,019)	(142,392)	(49,358)	(322,073)	(47,079)	(24,180)	(757,220)	(1,457,321)
Balance at 31 December 2018	**889,112**	**952,919**	**295,467**	**2,092,462**	**253,117**	**136,792**	**3,697,031**	**8,316,900**
Accumulated Depreciation								
Balance at 1 January 2018	**(168,789)**	**(153,046)**	**(146,030)**	**(963,000)**	**(130,602)**	**(81,869)**	**-**	**(1,643,336)**
Charge for the year	(31,207)	(37,501)	(23,585)	(183,636)	(23,467)	(15,870)	-	(315,266)
Disposal due to sale of subsidiaries	289	184	-	742	3,873	135	-	5,223
Disposals	7,322	5,128	2,097	21,022	5,502	1,684	-	42,755
(Impairment)/reversal of impairment/(write-off) of idle property, plant and equipment	33	-	7	326	18	489	-	873
Currency translation difference	25,842	25,748	22,807	147,812	22,457	14,275	-	258,941
Balance at 31 December 2018	**(166,510)**	**(159,487)**	**(144,704)**	**(976,734)**	**(122,219)**	**(81,156)**	**-**	**(1,650,810)**
Net Carrying Value								
Balance at 1 January 2018	**446,720**	**495,789**	**166,655**	**1,104,848**	**170,183**	**64,101**	**4,469,708**	**6,918,004**
Balance at 31 December 2018	**722,602**	**793,432**	**150,763**	**1,115,728**	**130,898**	**55,636**	**3,697,031**	**6,666,090**

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

8 Property, plant and equipment (continued)

Evaluation and exploration expenditures

Potash fields. At 31 December 2019, the Group has capitalised expenses relating to the evaluation and exploration stages of the potash fields of US$61,156 thousand, including borrowing costs capitalised of US$7,327 thousand (31 December 2018: US$42,108 thousand, including borrowing costs capitalised of US$4,809 thousand).

Hydrocarbons fields. At 31 December 2019, the Group has capitalised expenses relating to the evaluation and exploration stages of the hydrocarbon fields of US$30,889 thousand (31 December 2018: US$25,475 thousand).

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 2019, borrowing costs totalling US$80,983 thousand were capitalised in property, plant and equipment at an average interest rate of 5.28% p.a. (2018: US$151,465 thousand capitalised at an average interest rate of 5.66% p.a.).

9 Mineral rights

	31 December 2019	31 December 2018
Rights for exploration and production:		
Verkhnekamskoe potash deposit	68,726	63,775
Gremyachinskoe potash deposit	72,896	66,611
Kok-Jon and Gimmelfarbskoe phosphate deposits	10,868	11,417
Geres phosphate deposit	20,990	-
Kovdorsky apatite deposit	2,135	2,016
Rights for exploration, evaluation and extraction:		
Belopashninskiy potash deposit	14,297	12,741
Ozinsky hydrocarbon deposit	3,983	3,549
Perelyubsko-Rubezhinskiy hydrocarbon deposit	357	318
Vostochno-Perelyubskiy potash deposit	485	432
Zapadno-Perelyubskiy potash deposit	378	337
Rights for proven and unproven mineral resources:		
Astrakhan hydrocarbon deposit	138,365	123,298
Kamenkovsky hydrocarbon deposit	31,505	31,259
Total mineral rights	**364,985**	**315,753**

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 2019, the carrying amount of property, plant and equipment (including construction in progress) related to Verkhnekamskoe potash deposit was US$2,060 million (2018: US$1,633 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 2019, 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 2019, the carrying amount of property, plant and equipment (including construction in progress) related to Gremyachinskoe potash deposit was US$1,876 million (2018: US$1,483 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 2019 and 31 December 2018.

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

10 Goodwill

Movements in goodwill arising from the acquisition of subsidiaries are:

	2019	2018
Carrying amount at 1 January	**475,797**	**516,830**
Acquisition of subsidiaries	4,011	-
Disposal of subsidiaries	-	(60)
Currency translation difference	(10,704)	(40,973)
Carrying amount at 31 December	**469,104**	**475,797**

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 2019	31 December 2018
EuroChem Antwerpen NV	288,937	295,050
EuroChem Agro	19,468	19,880
EuroChem North America Corp.	20,803	20,803
Fertilizantes Tocantins Ltda	118,149	123,123
EuroChem-Project, LLC	11,322	10,089
Azottech, LLC	4,042	-
Emerger Fertilizantes S.A.	1,662	2,632
Other	4,721	4,220
Total carrying amount of goodwill	**469,104**	**475,797**

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

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

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

	31 December 2019	31 December 2018
Adjusted US$ WACC rates, % p.a.	6.59%-9.74%	6.50%-9.27%
Adjusted BRL WACC rates, % p.a.	9.72%	9.95%
Long-term EUR annual inflation rate, % p.a.	1.70%-2.00%	1.50%-2.10%
Long-term US$ annual inflation rate, % p.a.	2.20%-2.70%	2.10%-2.40%
Long-term BRL annual inflation rate, % p.a.	4.00%-4.10%	4.21%
Estimated nominal growth rate beyond the five-year period, % p.a.	2.20%	2.10%

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 2019 and 31 December 2018.

(all amounts are presented in thousands 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 2019	**100,995**	**124,709**	**32,357**	**41,717**	**299,778**
Adjustment due to adoption of IFRS 16	-	-	-	(2,152)	(2,152)
Balance at 1 January 2019, adjusted	**100,995**	**124,709**	**32,357**	**39,565**	**297,626**
Additions	-	-	235	4,304	4,539
Disposals	-	-	(237)	(161)	(398)
Currency translation difference	(2,101)	(3,172)	273	1,761	(3,239)
Balance at 31 December 2019	**98,894**	**121,537**	**32,628**	**45,469**	**298,528**
Accumulated Depreciation					
Balance at 1 January 2019	**(81,855)**	**(63,893)**	**(30,717)**	**(20,475)**	**(196,940)**
Adjustment due to adoption of IFRS 16	-	-	-	577	577
Balance at 1 January 2019, adjusted	**(81,855)**	**(63,893)**	**(30,717)**	**(19,898)**	**(196,363)**
Charge for the year	(11,368)	(13,086)	(875)	(4,454)	(29,783)
Disposals	-	-	237	11	248
Currency translation difference	1,696	1,548	(231)	(1,051)	1,962
Balance at 31 December 2019	**(91,527)**	**(75,431)**	**(31,586)**	**(25,392)**	**(223,936)**
Net Carrying Value					
Balance at 1 January 2019, adjusted	**19,140**	**60,816**	**1,640**	**19,667**	**101,263**
Balance at 31 December 2019	**7,367**	**46,106**	**1,042**	**20,077**	**74,592**

	Know-how and production technology	Customer relation-ships	Acquired software and licences	Trademarks and others	Total
Cost					
Balance at 1 January 2018	**105,587**	**134,984**	**34,576**	**44,159**	**319,306**
Additions	-	-	263	2,551	2,814
Disposals	-	-	-	(186)	(186)
Currency translation difference	(4,592)	(10,275)	(2,482)	(4,807)	(22,156)
Balance at 31 December 2018	**100,995**	**124,709**	**32,357**	**41,717**	**299,778**
Accumulated Depreciation					
Balance at 1 January 2018	**(73,431)**	**(53,635)**	**(31,866)**	**(17,450)**	**(176,382)**
Charge for the year	(11,992)	(13,857)	(1,157)	(5,618)	(32,624)
Disposals	-	-	-	76	76
Currency translation difference	3,568	3,599	2,306	2,517	11,990
Balance at 31 December 2018	**(81,855)**	**(63,893)**	**(30,717)**	**(20,475)**	**(196,940)**
Net Carrying Value					
Balance at 1 January 2018	**32,156**	**81,349**	**2,710**	**26,709**	**142,924**
Balance at 31 December 2018	**19,140**	**60,816**	**1,640**	**21,242**	**102,838**

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

12 Investment in associates and joint ventures

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

	31 December 2019	31 December 2018
Investment in joint venture EuroChem-Migao Ltd.	17,462	23,019
Others	7,309	15,179
Total	**24,771**	**38,198**

At 31 December 2019 the category "Others" included investment in joint venture Thyssen Schachtbau EuroChem Drilling LLC (31 December 2018: investments in joint ventures Thyssen Schachtbau EuroChem Drilling LLC, Biochem Technologies LLC and associates Hispalense de Liquidos S.L., Azottech LLC), which is immaterial.

13 Inventories

	31 December 2019	31 December 2018
Finished goods	762,013	682,656
Materials	226,108	225,227
Catalysts	104,475	79,667
Work in progress	86,894	63,921
Less: provision for obsolete and damaged inventories	(9,262)	(6,781)
Total inventories	**1,170,228**	**1,044,690**

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

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

	31 December 2019	31 December 2018
Trade receivables		
Trade receivables denominated in US$	279,588	233,414
Trade receivables denominated in EUR	56,021	59,214
Trade receivables denominated in RUB	73,754	64,082
Trade receivables denominated in BRL	46,569	25,425
Trade receivables denominated in other currencies	12,976	7,035
Less: ECL allowance	(25,006)	(22,334)
Total trade receivables	**443,902**	**366,836**
Prepayments, other receivables and other current assets		
Advances to suppliers	98,037	96,722
VAT recoverable and receivable	149,848	134,110
Other taxes receivable	7,039	4,032
Other receivables and other current assets	92,280	67,080
Collateral held by banks to secure derivative transactions	464	-
Interest receivable	606	580
Less: provision for impairment	(12,259)	(13,323)
Total prepayments, other receivables and other current assets	**336,015**	**289,201**
Total trade receivables, prepayments, other receivables and other current assets	**779,917**	**656,037**

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

During 2019 and 2018 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 2019, trade receivables of US$135,055 thousand were sold (31 December 2018: US$120,899 thousand).

As at 31 December 2019, the ECL allowance and provision for impairment of trade receivables, prepayments, other receivables and other current assets amounted to US$37,265 thousand (31 December 2018: US$35,657 thousand). The ageing of these receivables is as follows:

	31 December 2019	31 December 2018
Less than 3 months	9,250	11,121
From 3 to 12 months	1,216	6,565
Over 12 months	26,799	17,971
Total	**37,265**	**35,657**

As at 31 December 2019, trade receivables of US$47,613 thousand (31 December 2018: US$58,654 thousand) were past due but not individually impaired (only ECL allowance was created for these receivables). Out of this, US$22,602 thousand (31 December 2018: US$35,318 thousand) were covered either by bank guarantees or backed by solid ratings from independent rating agencies or by internal creditworthiness rating and internal payment discipline rating (Note 34). The ageing analysis of these trade receivables from past due date is:

	31 December 2019	31 December 2018
Less than 3 months	36,720	54,627
From 3 to 12 months	5,363	2,504
Over 12 months	5,530	1,523
Trade accounts receivable past due not impaired	**47,613**	**58,654**

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

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

Analysis of credit quality of trade receivables is presented in Note 34.

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

	Trade receivables	Other receivables
As at 1 January 2019	**22,334**	**13,323**
ECL allowance/provision for impairment	5,035	1,148
Write-offs	(1,345)	(772)
ECL allowance/provision for impairment reversed	(1,426)	(2,922)
Currency translation difference	408	1,482
Total ECL allowance/provision for impairment of accounts receivable as at 31 December 2019	**25,006**	**12,259**

	Trade receivables	Other receivables
As at 1 January 2018	**8,359**	**12,058**
ECL allowance/provision for impairment	15,888	4,534
Write-offs	(272)	(244)
ECL allowance/provision for impairment reversed	(1,031)	(1,047)
Disposal of ECL allowance due to sale of subsidiary	(64)	-
Currency translation difference	(546)	(1,978)
Total ECL allowance/provision for impairment of accounts receivable as at 31 December 2018	**22,334**	**13,323**

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

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

	31 December 2019	31 December 2018
Cash on hand*	90	5,777
Bank balances denominated in US$	169,311	96,829
Bank balances denominated in RUB	10,316	16,827
Bank balances denominated in EUR	18,335	91,140
Bank balances denominated in other currencies	16,015	10,110
Term deposits denominated in US$	65,805	77,214
Term deposits denominated in RUB	6,434	9,467
Term deposits denominated in Euro	-	296
Term deposits denominated in other currencies	26,935	34,251
Total cash and cash equivalents	**313,241**	**341,911**
Fixed-term deposits in different currencies	124	1,801
Total fixed-term deposits	**124**	**1,801**
Current restricted cash	3,895	2,850
Non-current restricted cash	37,049	2,276
Total restricted cash	**40,944**	**5,126**

* Includes cash on hand denominated in different currencies.

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

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

No bank balances, term and fixed-term deposits were past due or impaired. 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 2019	31 December 2018
A to AAA rated	97,250	76,970
BB- to BBB+ rated	240,289	251,675
B- to B+ rated	2,093	2,491
C to CCC rated	2,447	2,293
Unrated	12,140	9,632
Total**	**354,219**	**343,061**

* Credit ratings as at 11 January 2020 and 16 January 2019, respectively.

** The rest of the consolidated statement of financial position item 'cash and cash equivalents' is cash on hand.

At 31 December 2019, non-current restricted cash consisted of US$34,723 thousand (31 December 2018: nil) held in a debt service reserve account as required by the Project Finance Facility Agreement (Note 18) and US$1,892 thousand held in bank accounts as security deposits for third parties (31 December 2018: US$1,865 thousand) and US$434 thousand held in deposit against possible environmental obligations in compliance with the statutory rules of the Republic of Kazakhstan (31 December 2018: US$411 thousand).

At 31 December 2019, current restricted cash consisted of US$1,010 thousand received under targeted loan agreements with a state industrial development fund (31 December 2018: US$954 thousand) and of US$2,885 thousand held at banks under regulatory requirements for state contracts (31 December 2018: US$1,896 thousand).

16 Equity

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

Treasury shares. In August 2019, MCC EuroChem JSC, a Group's wholly-owned subsidiary, bought from a company that holds business interests for Mr. Dmitry Strezhnev 100 ordinary shares of EuroChem Group AG, representing 10% of the issued share capital, for US$785 million paid in cash (Note 32).

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 2019 and 2018 the Group did not declare or pay dividends.

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

Other reserves within "Retained earnings and other reserves". At 31 December 2019 and 31 December 2018, 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 thousands of US dollars, unless otherwise stated)

17 Bank borrowings and other loans received

Currency and rate	Interest rate 2019*	Interest rate 2018*	31 December 2019	31 December 2018
Current loans and borrowings				
Short-term unsecured bank loans				
US$ with floating rate	3.58% - 6.80%	4.11% - 5.42%	34,520	85,402
US$ with fixed rate	3.41% - 4.23%	3.08% - 4.85%	477,961	171,363
RUB with fixed rate	5.00%	8.30% - 10.20%	11,954	11,152
BRL with fixed rate	7.50%	-	9,024	-
Current portion of unsecured targeted loans				
RUB with fixed rate	5.00%	-	2,895	-
Current portion of unsecured long-term bank loans				
US$ with floating rate	3.25% - 3.96%	4.67%	497,794	45,955
RUB with fixed rate	7.55% - 8.30%	7.60%	53,189	45,703
ARS with fixed rate	-	19.00% - 36.50%	-	213
Current portion of secured long-term bank loans				
BRL with floating rate	-	10.13%	-	59
BRL with fixed rate	2.94%	2.94% - 6.80%	495	13,550
Less: short-term portion of transaction costs			(2,264)	(2,264)
Total current loans and borrowings			**1,085,568**	**371,133**

Currency and rate	Interest rate 2019*	Interest rate 2018*	31 December 2019	31 December 2018
Non-current loans and borrowings				
Long-term unsecured bank loans				
US$ with floating rate	-	3.98% - 4.01%	-	1,020,000
US$ with fixed rate	4.20% - 4.60%	3.45% - 4.75%	650,000	550,000
Long-term unsecured targeted loans				
RUB with fixed rate	3.00% - 5.00%	5.00%	21,275	21,592
Long-term portion of unsecured bank loans				
US$ with floating rate	3.25% - 3.96%	4.67%	731,215	379,053
RUB with fixed rate	7.55% - 10.20%	7.70%	11,498	45,271
ARS with fixed rate	-	22.00%	-	2
Long-term portion of secured bank loans				
BRL with fixed rate	2.94%	2.94%	948	1,504
Less: long-term portion of transaction costs			(9,478)	(14,147)
Total non-current loans and borrowings			**1,405,458**	**2,003,275**
Total loans and borrowings			**2,491,026**	**2,374,408**

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

17 Bank borrowings and other loans received (continued)

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

The fair value of the long-term borrowings bearing a fixed interest rate is estimated based on expected cash flows discounted at a prevailing market interest rate. As at 31 December 2019, the total fair value of long-term loans with fixed interest rates was less than their carrying amount by US$22,147 thousand (31 December 2018: the fair value of long-term loans was less than their carrying amount by US$10,481 thousand).

Under the terms of the loan agreements, the Group is required to comply with a number of covenants and restrictions, including the maintenance of certain financial ratios and financial indebtedness and cross-default provisions. The Group was in compliance with covenants during the reporting periods and as at 31 December 2019 and 31 December 2018.

Interest rates and outstanding amounts of major loans and borrowings

In August 2019, the Group signed a US$200 million uncommitted credit facility bearing a fixed interest rate and maturing in August 2020. The funds through this facility may be obtained in multiple currencies. As at 31 December 2019, the outstanding amount was US$200 million (31 December 2018: nil).

In December 2018, the Group signed a US$150 million uncommitted revolving credit facility with a Russian bank. The funds through this facility may be obtained in multiple currencies. As at 31 December 2019, the outstanding amount was US$150 million (31 December 2018: US$150 million). In January 2020, the additional drawdown was made of US$150 million following execution of amendment on increase of the facility amount in December 2019.

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 2019, the outstanding amount was US$820 million (31 December 2018: US$820 million).

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

In 2017, the Group signed a US$750 million unsecured credit facility bearing a floating interest rate and maturing in September 2022. As at 31 December 2019, the outstanding amount was US$109 million (31 December 2018: US$425 million).

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

Undrawn facilities

As at 31 December 2019, the below facilities had no outstanding balances and were available to the Group:

- US$100 million committed revolving credit facility bearing a floating interest rate, signed in September 2019, maturing in September 2021;
- US$125 million uncommitted revolving credit facility bearing a floating interest rate, signed in April 2016, maturing in March 2020;
- US$100 million uncommitted revolving credit facility bearing a floating interest rate, signed in May 2012, maturing in May 2020.

Collaterals and pledges

As at 31 December 2019, loans of a Brazilian subsidiary totalling US$1,443 thousand were collateralised by property, plant and equipment with the carrying value of US$7,062 thousand (31 December 2018: loans of US$15,113 thousand were collateralised by property, plant and equipment with the carrying value of US$17,155 thousand).

As at 31 December 2019 and 31 December 2018, all other bank borrowings and loans received listed in Note 17 were not secured.

18 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 2019, the Group received funds under the Facility of EUR 82,939 thousand (US$93,746 thousand) (2018: EUR 186,292 thousand (US$219,309 thousand)) and made the first repayment of EUR 32,001 thousand (US$35,583 thousand).

As at 31 December 2019, the outstanding balance was US$489,597 thousand shown net of transaction costs of US$96,856 thousand (31 December 2018: US$441,682 thousand shown net of transaction costs of US$98,916 thousand). The contractual interest rate as at 31 December 2019 was 1.3% p.a. (31 December 2018: 1.3% p.a.).

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

As at 31 December 2019, in compliance with terms of the facility agreement the Group held US$34,723 thousand on a debt service reserve account (31 December 2018: nil) (Note 15).

As at 31 December 2019 and 31 December 2018, under the terms of the facility agreement 100% of the shares in EuroChem Northwest JSC, the project owner and wholly-owned subsidiary of the Group, were pledged as collateral. The carrying value of the total assets of the company pledged under the Facility related to the project amounted to US$1,196,921 thousand as at 31 December 2019 (31 December 2018: US$946,059 thousand).

During the year ended 31 December 2019, the EBITDA of the subsidiary under the Ammonia project was positive of US$53,510 thousand (2018: negative of US$4,360 thousand).

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

19 Bonds issued

				31 December 2019		31 December 2018	
Currency	Rate	Coupon rate, p.a.	Maturity	Fair value	Carrying amount	Fair value	Carrying amount
Current bonds							
US$	Fixed	3.80%	2020	124,749	124,128	-	-
RUB	Fixed	8.75%	2020	244,727	242,304	-	-
RUB	Fixed	10.60%	2019	-	-	217,948	215,919
Less: transaction costs				-	(207)	-	(69)
Total current bonds issued				**369,476**	**366,225**	**217,948**	**215,850**
Non-current bonds							
US$	Fixed	5.50%	2024	765,884	700,000	-	-
US$	Fixed	3.95%	2021	129,511	128,046	486,265	500,000
US$	Fixed	3.80%	2020	-	-	493,520	500,000
RUB	Fixed	7.85%	2023	546,492	533,069	-	-
RUB	Fixed	8.55%	2022	318,428	306,918	-	-
RUB	Fixed	8.75%	2020	-	-	217,862	215,919
Less: transaction costs				-	(7,051)	-	(4,658)
Total non-current bonds issued				**1,760,315**	**1,660,982**	**1,197,647**	**1,211,261**
Total bonds issued				**2,129,791**	**2,027,207**	**1,415,595**	**1,427,111**

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

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

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

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

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.

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

20 Derivative financial assets and liabilities

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

	Assets		Liabilities	
	Non-current	Current	Non-current	Current
Commodity collars	-	-	-	1,717
Commodity swaps	-	-	-	332
RUB/US$ non-deliverable forward contracts with a nominal amount of RUB 9,000 million	-	8,683	-	-
EUR/US$ non-deliverable forward contracts with a nominal amount of EUR 122 million	-	-	7,453	7,984
BRL/US$ non-deliverable forward contracts with a nominal amount of US$65 million	-	-	-	772
Cross currency interest rate swaps	59,354	484	-	15,124
Total	**59,354**	**9,167**	**7,453**	**25,929**

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

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

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

	1 January 2019	Gain/(loss) from changes of fair value, net	Cash (proceeds)/ payments on derivatives, net	Currency translation difference	31 December 2019
Operating activities	**(3,901)**	**13,134**	**(3,027)**	**46**	**6,252**
Commodity collars	-	(4,411)	2,694	-	(1,717)
Commodity swaps	-	(332)	-	-	(332)
Foreign exchange deliverable and non-deliverable forward contracts, net	(3,901)	17,877	(5,721)	46	8,301
Financing activities	**(64,705)**	**116,145**	**(22,675)**	**122**	**28,887**
Foreign exchange deliverable and non-deliverable forward contracts, net	(10,118)	(2,671)	(3,160)	122	(15,827)
Foreign exchange swap contracts, net	246	2,723	(2,969)	-	-
Cross currency interest rate swaps, net	(54,833)	116,093	(16,546)	-	44,714
Total derivative financial assets and liabilities, net	**(68,606)**	**129,279**	**(25,702)**	**168**	**35,139**

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

20 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 28), foreign currency derivative contracts are recognised in “Foreign exchange gain/(loss) from operating activities, net” and commodity collars 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 29).

Cross currency interest rate swaps

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

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

In the period from March to August 2019, the Group signed RUB/US$ cross currency interest rate swap agreements with total amount of RUB 52,000 million, maturing in the period from April 2022 to August 2023.

Foreign exchange non-deliverable forward contracts

Outstanding at the beginning of the year, EUR/US$ non-deliverable forward contracts with total notional amount of EUR 42 million matured in the period from February to November 2019.

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

In the period from August to November 2019, the Group signed RUB/US$ non-deliverable forward contracts with total notional amount of RUB 12,000 million, out of which contracts with total notional amount of RUB 3,000 million matured in the period from October to December 2019, and the outstanding contracts mature in the period from January to June 2020.

Foreign exchange deliverable forward contracts

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

21 Other non-current liabilities and deferred income

	Note	31 December 2019	31 December 2018
Liability from contingent consideration related to business combination	32	172,946	122,866
Deferred payable related to acquisition of additional interest in subsidiary		-	1,500
Deferred payable related to business combination		-	321
Deferred payable related to mineral rights acquisition		11,346	11,088
Provisions for age premium, retirement benefits, pensions and similar obligations		28,000	22,768
Provision for land restoration	22	40,562	17,625
Deferred income − Investment grants received		1,483	1,889
Long-term part of lease payables		57,014	-
Total other non-current liabilities and deferred income		**311,351**	**178,057**

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

22 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	2019	2018
As at 1 January		**17,625**	**26,348**
Change in estimates	8	18,941	(6,138)
Unwinding of the present value discount	29	1,686	1,903
Currency translation difference		2,310	(4,488)
Total provision for land restoration as at 31 December		**40,562**	**17,625**

During 2019 and 2018 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 2019	31 December 2018
Discount rates	6.19% - 6.60%	8.18% - 8.95%
Expected inflation rates in Russia	3.00% - 4.00%	3.60% - 4.00%
Expected timing for land restoration	2025 - 2070	2021 - 2070

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

	31 December 2019	31 December 2018
Between 1 and 5 years	-	307
Between 6 and 10 years	349	-
Between 11 and 20 years	8,737	4,261
More than 20 years	31,476	13,057
Total provision for land restoration	**40,562**	**17,625**

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

23 Trade payables, other accounts payable and accrued expenses

	31 December 2019	31 December 2018
Trade payables		
Trade payables denominated in US$	169,209	136,147
Trade payables denominated in EUR	140,309	143,060
Trade payables denominated in RUB	37,061	86,380
Trade payables denominated in other currencies	17,788	23,972
Trade payables denominated in RUB with irrevocable documentary letter of credit	143,771	80,705
Total trade payables	**508,138**	**470,264**
Other accounts payable and accrued expenses		
Advances received	166,027	157,773
Payroll and social tax	15,243	14,933
Accrued liabilities and other creditors	235,344	204,068
Interest payable	42,177	27,457
Short-term part of lease payables	10,193	-
Short-term part of deferred payable related to mineral rights acquisition	1,642	1,460
Short-term part of deferred payables related to business combination and acquisition of additional interest in subsidiary	1,500	1,500
Total other payables	**472,126**	**407,191**
Total trade payables, other accounts payable and accrued expenses	**980,264**	**877,455**

As at 31 December 2019, trade payables included payables to suppliers of property, plant and equipment and construction companies of US$172,551 thousand (31 December 2018: US$123,116 thousand). Trade payables included payables with irrevocable documentary letters of credit with a deferred term of payment opened in the amount of US$86,191 thousand (31 December 2018: US$72,120 thousand) under the contracts with construction companies, of US$49,547 thousand under the contracts with suppliers of property, plant and equipment (31 December 2018: US$6,709 thousand) and of US$8,033 thousand under operating activities contracts (31 December 2018: US$1,875 thousand).

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

24 Sales

	2019		2018	
	Sales volume (thousand metric tonnes)	**Sales (thousand US$)**	**Sales volume (thousand metric tonnes)**	**Sales (thousand US$)**
Nitrogen products	**8,652**	**2,070,806**	**7,813**	**1,837,985**
Nitrogen fertilizers	8,637	2,068,007	7,797	1,835,278
Other products	15	2,799	16	2,707
Phosphate products and complex fertilizers	**6,228**	**2,461,337**	**5,685**	**2,317,795**
Phosphate fertilizers	2,542	1,021,242	2,379	1,044,475
Complex fertilizers	3,297	1,267,727	2,907	1,097,168
Feed phosphates	389	172,368	399	176,152
Potash fertilizers	**1,104**	**422,600**	**632**	**235,705**
Mining products	**5,622**	**487,889**	**5,977**	**422,252**
Iron ore concentrate	5,486	441,593	5,844	381,800
Other products	136	46,296	133	40,452
Industrial products	**2,018**	**620,416**	**1,871**	**632,003**
Other sales	**-**	**120,922**	**-**	**131,732**
Logistic services	-	37,761	-	43,728
Other products	-	16,382	-	31,937
Other services	-	66,779	-	56,067
Total sales		**6,183,970**		**5,577,472**

The sales of fertilizers, mining and industrial products for the year ended 31 December 2019 included US$366,750 thousand of revenues from delivery of these products to customers (2018: US$273,449 thousand).

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

25 Cost of sales

	2019	2018
Raw materials	1,164,159	1,204,587
Goods for resale	1,446,293	1,403,816
Other materials	217,494	184,508
Energy	198,600	184,709
Utilities and fuel	88,268	84,542
Labour, including contributions to social funds	269,161	244,770
Depreciation and amortisation	323,937	255,366
Repairs and maintenance	57,379	53,253
Production overheads	77,564	78,756
Property tax, rent payments for land and related taxes	27,473	27,236
Impairment /(reversal of impairment)/write-off of idle property, plant and equipment, net	1,481	920
Provision/(reversal of provision) for obsolete and damaged inventories, net	263	(68)
Changes in work in progress and finished goods	(88,686)	(293,288)
Other costs/(compensations), net	26,476	8,620
Total cost of sales	**3,809,862**	**3,437,727**

26 Distribution costs

	2019	2018
Transportation	703,376	530,320
Labour, including contributions to social funds	94,386	87,650
Depreciation and amortisation	47,635	41,511
Repairs and maintenance	8,270	8,033
Provision/(reversal of provision) for impairment of receivables, including ECL allowance, net	3,252	16,307
Other costs	55,623	61,164
Total distribution costs	**912,542**	**744,985**

27 General and administrative expenses

	2019	2018
Labour, including contributions to social funds	132,588	122,366
Depreciation and amortisation	16,983	11,459
Audit, consulting and legal services	30,110	13,150
Bank charges	3,761	3,436
Social expenditure	3,909	3,227
Repairs and maintenance	2,435	2,401
Provision/(reversal of provision) for impairment of receivables, including ECL allowance, net	1,026	2,037
Other expenses	51,018	50,216
Total general and administrative expenses	**241,830**	**208,292**

The total depreciation and amortisation expenses included in the consolidated statement of profit or loss amounted to US$388,555 thousand (2018: US$308,336 thousand).

The total labour costs (including social expenses) included in the consolidated statement of profit or loss amounted to US$496,135 thousand (2018: US$454,786 thousand).

The total statutory pension contributions included in all captions of the consolidated statement of profit or loss amounted to US$68,050 thousand (2018: US$64,837 thousand).

The fees for the audit of the consolidated and statutory financial statements for the year ended 31 December 2019 amounted to US$2,775 thousand (2018: US$3,063 thousand). The auditors also provided the Group with other non-audit services amounting to US$554 thousand (2018: US$152 thousand).

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

28 Other operating income and expenses

	2019	2018
Sponsorship	11,435	6,752
(Gain)/loss on disposal of property, plant and equipment and intangible assets, net	4,213	8,409
Foreign exchange (gain)/loss from operating activities, net	55,562	(3,676)
Impairment /(reversal of impairment)/write-off of idle property, plant and equipment, net	5,832	539
(Gain)/loss on sales and purchases of foreign currencies, net	(359)	(4,780)
Non-recurring (income)/expenses, net*	(37,619)	6,155
Other operating (income)/expenses, net	2,784	(16,355)
Total other operating (income)/expenses, net	**41,848**	**(2,956)**

* The amount for the year ended 31 December 2019 includes income of US$74,258 thousand (EUR 67,459 thousand) from Engineering, Procurement and Construction (EPC) and Engineering and Procurement (EP) contracts net of payment under Bonus Deed agreement of US$36,639 thousand (EUR 33,500 thousand).

29 Other financial gain and loss

	Note	2019	2018
Changes in fair value of cross currency interest rate swaps	20	(116,093)	121,995
Changes in fair value of foreign exchange deliverable and non-deliverable forward contracts	20	2,671	13,371
Change in fair value of foreign exchange swap contracts	20	(2,723)	797
Reassessment of liability from contingent consideration related to business combination		54,941	19,095
Unwinding of discount on deferred payables		703	707
Unwinding of discount on land restoration obligation	22	1,686	1,903
(Gain)/loss on disposal of investment in associates and joint ventures, net		2,897	-
Other financial (gain)/loss, net		(1,764)	1,936
Total other financial (gain)/loss, net		**(57,682)**	**159,804**

30 Income tax

	2019	2018
Income tax expense – current	167,180	213,953
Deferred income tax – (origination)/reversal of temporary differences, net	54,922	(21,853)
Prior periods adjustments for income tax	(1,017)	2,163
Reassessment of deferred tax assets/liabilities due to change in the tax rate	1,415	6,158
Income tax expense	**222,500**	**200,421**

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:

	2019	2018
Profit before taxation	**1,240,176**	**738,842**
Theoretical tax charge at statutory rate of subsidiaries	(198,099)	(176,315)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	(21,562)	(16,189)
- (Unrecognised tax loss for the year)/recovery of previously unrecognised tax loss carry forward, net	(3,303)	2,169
- Adjustment on deferred tax assets/liabilities on prior periods	862	(1,765)
- Reassessment of deferred tax assets/liabilities due to change in the tax rate	(1,415)	(6,158)
Prior periods adjustments recognised in the current period for income tax	1,017	(2,163)
Income tax expense	**(222,500)**	**(200,421)**

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

30 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 2019 (2018: 20.0%). Several subsidiaries applied reduced income tax rates within a range from 16.5% to 19.8% according to regional tax law and agreements with regional authorities (2018: within a range from 15.5% to 19.3%).

Under the terms of a special investment contract, effective till 31 December 2025, in respect of its ammonia project, EuroChem Northwest JSC may apply the reduced income tax rate of 5%. In 2019 EuroChem Northwest JSC did not apply the reduced income tax rate as profit from its primary activity was lower than required by the special investment contract. The management expects to use the reduced income tax rate in future periods.

Under the terms of the signed special investment contracts, effective till 31 December 2025, 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 2019.

EuroChem-VolgaKaliy LLC did not apply the reduced income tax rate of 5% for the year ended 31 December 2019 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% (2018: 7.8% to 34.0%).

Starting from 1 January 2020, following the changes in tax legislation the income tax rate of subsidiaries located in Switzerland is changed to 11.91% and the different tax regimes used earlier by Swiss companies are revoked. As at 31 December 2019, the effect from reassessment of deferred tax assets and liabilities was immaterial.

At 31 December 2019, the Group had US$200,480 thousand (31 December 2018: US$171,681 thousand) of unused accumulated tax losses carried forward in respect of which deferred tax asset of US$37,639 thousand (31 December 2018: US$34,336 thousand) 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 2019	31 December 2018
Tax losses carry forwards expiring by:		
- 31 December 2020	1,901	1,901
- 31 December 2021	35,840	35,840
- 31 December 2022	37,224	37,224
- 31 December 2025	42,178	42,178
- 31 December 2026	74,916	44,565
- 31 December 2027	8,184	9,973
- 31 December 2028	237	-
Tax loss carry forwards	**200,480**	**171,681**

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

30 Income tax (continued)

The movements in deferred tax (assets) and liabilities during 2019 and 2018 were as follows:

	1 January 2019	Adjustment, IFRS 16	1 January 2019, adjusted	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	327,755	9,981	337,736	49,039	263	30,135	417,173
Accounts receivable	(8,364)	-	(8,364)	1,661	(9)	(7)	(6,719)
Accounts payable	1,832	-	1,832	(13,383)	(14)	263	(11,302)
Inventories	(32,969)	-	(32,969)	8,692	145	452	(23,680)
Other	6,090	(9,981)	(3,891)	(6,437)	2,302	(526)	(8,552)
Tax losses carried forward	(198,572)	-	(198,572)	12,047	(1,272)	(6,338)	(194,135)
Less: Unrecognised deferred tax assets	34,336	-	34,336	3,303	-	-	37,639
Net deferred tax (asset)/liability	**130,108**	**-**	**130,108**	**54,922**	**1,415**	**23,979**	**210,424**
Recognised deferred tax assets	(82,613)	-	(82,613)	5,882	361	167	(76,203)
Recognised deferred tax liabilities	212,721	-	212,721	49,040	1,054	23,812	286,627
Net deferred tax (asset)/liability	**130,108**	**-**	**130,108**	**54,922**	**1,415**	**23,979**	**210,424**

	1 January 2018	Differences recognition and reversals	Disposal of subsidiaries	Reassessment of deferred tax assets/liabilities due to change in the tax rate	Currency translation difference	31 December 2018
Tax effects of (deductible)/taxable temporary differences						
Property, plant and equipment and Intangible assets	335,944	42,727	-	-	(50,916)	327,755
Accounts receivable	(4,207)	(4,346)	-	-	189	(8,364)
Accounts payable	(2,350)	3,868	-	-	314	1,832
Inventories	(14,491)	(19,054)	(114)	-	690	(32,969)
Other	9,787	(4,129)	-	-	432	6,090
Tax losses carried forward	(185,744)	(38,750)	-	6,158	19,764	(198,572)
Less: Unrecognised deferred tax assets	36,960	(2,169)	-	-	(455)	34,336
Net deferred tax (asset)/liability	**175,899**	**(21,853)**	**(114)**	**6,158**	**(29,982)**	**130,108**
Recognised deferred tax assets	(55,360)	(33,827)	-	-	6,574	(82,613)
Recognised deferred tax liabilities	231,259	11,974	(114)	6,158	(36,556)	212,721
Net deferred tax (asset)/liability	**175,899**	**(21,853)**	**(114)**	**6,158**	**(29,982)**	**130,108**

The total amount of the deferred tax charge for 2019 and 2018 is recognised in profit or loss.

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

31 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 16). The Company has no dilutive potential ordinary shares and, therefore, the diluted earnings per share equal the basic earnings per share.

	2019	2018
Profit for the period attributable to owners of the parent	1,017,118	538,448
Weighted average number of ordinary shares outstanding	960	1,000
Earnings per share – basic and diluted	**1,059.50**	**538.45**

32 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 2019	31 December 2018
Consolidated statement of financial position			
Assets			
Non-current originated loans	Joint ventures	1,000	864
Other non-current assets	Other related parties*	-	9,431
Trade receivables	Other related parties*	3,753	1,356
Other receivables	Other related parties*	2,670	24,176
Liabilities			
Liability from contingent consideration related to business combination (Note 21)	Other related parties*	172,946	122,866
Non-current bonds issued	Parent company	4,234	27,864
Non-current bonds issued	Other related parties*	24,411	-
Current bonds issued	Other related parties*	25,104	-
Trade payables	Joint ventures	5,573	1,959
Trade payables	Other related parties*	1,328	2,846
Consolidated statement of profit or loss			
Sales	Joint ventures	6,978	7,327
Sales	Other related parties*	33,027	16,660
Distribution costs	Other related parties*	(37,298)	(4,502)
Interest expense	Other related parties*	(1,246)	-
Gain/(loss) from disposal of subsidiaries, net	Other related parties*	-	4,799
Other financial gain/(loss), net	Other related parties*	(47,878)	-
Consolidated statement of cash flows			
(Increase)/decrease in trade receivables	Other related parties*	(2,418)	(1,049)
Increase/(decrease) in trade payables	Other related parties*	(1,679)	1,825
Capital expenditure on property, plant and equipment and other intangible assets	Joint ventures	(9,364)	(3,609)
Other investing activities	Other related parties*	40,054	3,768
Other investing activities	Joint ventures	2,300	-
Repayment of originated loans	Other related parties*	-	21,100
Repayment of bonds issued	Parent company	(28,516)	-
Interest paid	Other related parties*	(1,141)	-
Purchase of treasury shares (Note 16)	Other related parties*	(785,050)	-
Capital contribution (Note 16)	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 the Group's shareholders or key management personnel.

32 Balances and transactions with related parties (continued)

Management compensation. The total key management personnel compensation amounted to US$12,842 thousand and US$16,496 thousand for the years ended 31 December 2019 and 31 December 2018, respectively. This compensation of members of the Management Board for their services in full time positions is made up of an annual fixed remuneration plus a performance bonus accrual.

33 Contingencies, commitments and operating risks

i Capital expenditure commitments

As at 31 December 2019, the Group had contractual commitments for capital expenditures of US$400,107 thousand (31 December 2018: US$499,134 thousand), including amounts denominated in RUB of US$211,872 thousand and in EUR of US$128,483 thousand, which will represent cash outflows in the next 4 years according to the contractual terms.

US$136,655 thousand and US$98,123 thousand of the total amount relate to the development of potassium salt deposits and the construction of mining facilities at the Gremyachinskoe and Verkhnekamskoe potash licence areas, respectively (31 December 2018: US$130,154 thousand and US$166,135 thousand, respectively).

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 2019 and 31 December 2018.

iii Insurance policies

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

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

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.

33 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 material compliance with environmental laws and regulations. The estimated cost of known environmental obligations has been provided for in these consolidated financial statements 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.

34 Financial and capital risk management

34.1 Financial risk management

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

(a) Market risk

(i) 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 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 2019, 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$137,172 thousand lower/higher (2018: US$59,378 thousand lower/higher), purely as a result of foreign exchange gains/losses on translation of US$-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.

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 2019 and 2018 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.

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

34 Financial and capital risk management (continued)

34.1 Financial risk management (continued)

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

Functional currency	RUB	US$	Other foreign currencies
Foreign currency	**US$**	**RUB**	**Other foreign currencies**
ASSETS			
Non-current financial assets:			
Restricted cash	-	-	35,664
US$/RUB cross currency swaps (gross amount)	-	989,201	-
RUB/US$ non-deliverable forward contracts	-	8,683	-
Total non-current financial assets	**-**	**997,884**	**35,664**
Current financial assets:			
Trade receivables	-	-	146,285
Other receivables	-	-	40,707
US$/RUB cross currency swaps (gross amount)	-	374,749	-
Cash and cash equivalents	73,694	63	28,367
Total current financial assets	**73,694**	**374,812**	**215,359**
Total financial assets	**73,694**	**1,372,696**	**251,023**
LIABILITIES			
Non-current financial liabilities:			
Project Finance	-	-	521,547
EUR/US$ non-deliverable forward contracts	-	-	7,453
Deferred payable related to mineral rights acquisition	-	-	9,988
Total non-current financial liabilities	**-**	**-**	**538,988**
Current liabilities:			
Bank borrowings and loans received	200,000	50,803	312,481
Bonds issued	124,128	-	-
Project Finance	-	-	64,906
EUR/US$ non-deliverable forward contracts	-	-	7,984
BRL/US$ non-deliverable forward contracts	-	-	772
Trade payables	45,989	-	101,765
Interest payables	1,136	258	4,124
Deferred payable related to acquisition of additional interest in subsidiary	1,500	-	-
Deferred payable related to mineral rights acquisition	-	-	1,075
Total current financial liabilities	**372,753**	**51,061**	**493,107**
Total financial liabilities	**372,753**	**51,061**	**1,032,095**

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

34 Financial and capital risk management (continued)

34.1 Financial risk management (continued)

The Group's financial assets and liabilities subject to foreign currency risk as at 31 December 2018 are presented below:

Functional currency	RUB	US$	Other foreign currencies
Foreign currency	**US$**	**RUB**	**Other foreign currencies**
ASSETS			
Non-current financial assets:			
Restricted cash	-	-	876
US$/RUB cross currency swaps (gross amount)	-	273,182	-
Other non-current assets	-	-	9,431
Total non-current financial assets	**-**	**273,182**	**10,307**
Current financial assets:			
Trade receivables	-	-	106,223
Other receivables	-	-	24,176
US$/RUB cross currency swaps (gross amount)	-	98,746	-
RUB/US$ deliverable forward contracts	-	119,288	-
Cash and cash equivalents	17,258	3,760	117,394
Total current financial assets	**17,258**	**221,794**	**247,793**
Total financial assets	**17,258**	**494,976**	**258,100**
LIABILITIES			
Non-current financial liabilities:			
Bank borrowings	-	45,271	-
Bonds issued	500,000	-	-
Project Finance	-	-	509,460
EUR/US$ non-deliverable forward contracts	-	-	6,869
Deferred payable related to acquisition of additional interest in subsidiary	1,500	-	-
Deferred payable related to mineral rights acquisition	-	-	10,295
Total non-current financial liabilities	**501,500**	**45,271**	**526,624**
Current liabilities:			
Bank borrowings and loans received	-	45,703	106,765
Project Finance	-	-	31,138
EUR/US$ non-deliverable forward contracts	-	-	3,187
RUB/US$ non-deliverable forward contracts	-	1,101	-
BRL/US$ non-deliverable forward contracts	-	-	2,464
Trade payables	4,299	-	112,122
Interest payables	4,169	458	3,102
Deferred payable related to acquisition of additional interest in subsidiary	1,500	-	-
Deferred payable related to mineral rights acquisition	-	-	1,225
Total current financial liabilities	**9,968**	**47,262**	**260,003**
Total financial liabilities	**511,468**	**92,533**	**786,627**

The Group's sales for the years ended 31 December 2019 and 31 December 2018 are presented in the table below:

	US$	EUR	RUB	Other currencies	Total
	3,376,492	1,158,128	1,081,069	568,281	6,183,970
2019	55%	19%	17%	9%	100%
	2,802,514	1,120,085	1,091,677	563,196	5,577,472
2018	50%	20%	20%	10%	100%

34 Financial and capital risk management (continued)

34.1 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$1,263,529 thousand of US$ denominated loans outstanding at 31 December 2019 (31 December 2018: US$1,530,410 thousand) bearing floating interest rates varying 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% (2018: from 1-month Libor +1.55% to 1-month Libor +2.20%, 3-month Libor +2.00%, 6-month Libor +2.75%).

The Group's profit after tax for the year ended 31 December 2019 and equity would have been US$1,105 thousand, or 0.1% lower/higher (2018: US$1,261 thousand, or 0.2% lower/higher), if the US$ Libor interest rate was 10 bps higher/lower than its actual level during the year.

During 2019 and 2018 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) Price risk

The Group can be exposed to equity securities price risk because of investments held by the Group classified as financial assets measured at FVOCI. As at 31 December 2019 and 31 December 2018, the Group had no material exposure to equity securities price risk.

The Group can be exposed to price risk because it enters into transactions with commodity swaps and collars whose value is subject to the value of commodities traded on a public market (Note 20). As at 31 December 2019 and 31 December 2018, the Group had no material exposure to price risk.

(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 2019 amounted to US$918,424 thousand (31 December 2018: US$762,113 thousand). The Group has no significant concentrations of credit risk.

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 15).

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

34 Financial and capital risk management (continued)

34.1 Financial risk management (continued)

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.

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 provision already recorded (Note 14).

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 2019	31 December 2018
Wholesale customers	-	Credit Insurance	3,369	-
Wholesale customers	-	Letter of credit	28,229	2,713
Wholesale customers	-	Bank guarantee	5,142	2,152
Wholesale customers and steel producers	Fitch	2019: A+ to BBB- 2018: A+ to BBB-	13,504	21,988
Wholesale customers	Dun & Bradstreet Credibility Corp.*	Minimum risk of failure	40,169	36,359
Wholesale customers	Dun & Bradstreet Credibility Corp.*	Lower than average risk	26,662	45,316
Wholesale customers	Dun & Bradstreet Credibility Corp.*	Average risk of failure	35,423	25,389
Wholesale customers	CreditInfo	A-very good	1,795	3,814
Wholesale customers	CreditInfo	Lower than average risk	4,687	3,478
Wholesale customers	CreditInfo	Average risk of failure	2,189	3,418
Wholesale customers	Other local credit agencies	-	5,228	25,557
Wholesale customers	Counterparties with internal credit rating	Minimum risk of failure	1,253	1,250
Wholesale customers	Counterparties with internal credit rating	Lower than average risk	15,509	29,153
Wholesale customers	Counterparties with internal credit rating	Average risk of failure	368	3,701
Total			**183,527**	**204,288**

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

34 Financial and capital risk management (continued)

34.1 Financial risk management (continued)

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 2019, Standard & Poor's affirmed the Group's rating at BB "minus" with positive outlook (31 December 2018: BB "minus" with positive outlook), Fitch affirmed at BB with stable outlook (31 December 2018: BB with stable outlook) and Moody's affirmed at Ba2 with stable outlook (31 December 2018: 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 17) at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

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

34 Financial and capital risk management (continued)

34.1 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 2019					
Trade payables	508,138	-	-	-	508,138
*Gross-settled swaps:***					
- inflows	(374,749)	(68,041)	(921,160)	-	(1,363,950)
- outflows	345,649	29,517	837,625	-	1,212,791
Non-deliverable forward contracts	8,756	7,453	-	-	16,209
Bank borrowings*	1,164,186	857,580	620,263	-	2,642,029
Project Finance*	72,865	77,489	212,887	297,541	660,782
Bonds issued*	487,036	241,422	1,724,439	-	2,452,897
Lease liabilities	10,193	11,455	9,058	36,501	67,207
Other current and non-current liabilities	1,575	1,392	176,656	12,864	192,487
Total	**2,223,649**	**1,158,267**	**2,659,768**	**346,906**	**6,388,590**
As at 31 December 2018					
Trade payables	470,264	-	-	-	470,264
*Gross-settled swaps:***					
- inflows	(98,746)	(273,182)	-	-	(371,928)
- outflows	90,815	316,070	-	-	406,885
Deliverable forward contracts:					
- inflows	(119,288)	-	-	-	(119,288)
- outflows	118,175	-	-	-	118,175
Non-deliverable forward contracts	6,752	4,030	2,839	-	13,621
Bank borrowings*	471,786	1,164,788	953,050	-	2,589,624
Project Finance*	41,223	65,270	196,253	294,256	597,002
Bonds issued*	285,262	754,487	519,805	-	1,559,554
Other current and non-current liabilities	2,811	2,811	216,545	13,058	235,225
Total	**1,269,054**	**2,034,274**	**1,888,492**	**307,314**	**5,499,134**

* The table above shows undiscounted cash outflows for financial liabilities (including interest together with the borrowings) based on conditions existing as at 31 December 2019 and 31 December 2018, 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.

As at 31 December 2019, the Group had US$100 million in committed undrawn facilities with major international banks (31 December 2018: US$100 million).

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

34.2 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 thousands of US dollars, unless otherwise stated)

34 Financial and capital risk management (continued)

34.2 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 2019 and 31 December 2018 is shown in the table below:

	31 December 2019	31 December 2018
Total debt	4,518,233	3,801,519
Less: cash and cash equivalents and fixed-terms deposits and current restricted cash	317,260	346,562
Net debt	**4,200,973**	**3,454,957**
Share capital	111	111
Retained earnings and other reserves	7,592,130	6,578,487
Net worth	**7,592,241**	**6,578,598**
Gearing ratio	**0.55**	**0.53**

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 2019 and 31 December 2018 is shown in the table below:

	Note	2019	2018
EBITDA	7	**1,546,559**	**1,516,926**
Elimination of EBITDA of subsidiaries under the Project Finance	18	(53,510)	4,360
Elimination of EBITDA of Turkish subsidiary from 1 January 2019 to the date of disposal		(1,959)	-
Elimination of net profit share of disposed associate from 1 January 2019 to the date of disposal		(500)	-
Elimination of EBITDA of Ukrainian subsidiaries from 1 January 2018 to the date of disposal		-	(3,755)
Elimination of EBITDA of disposed shipping companies from 1 January 2018 to the date of disposal		-	(6,352)
Covenant EBITDA		**1,490,590**	**1,511,179**
Net debt		**4,200,973**	**3,454,957**
Net debt/Covenant EBITDA		**2.82**	**2.29**

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.