



EUROCHEM GROUP

**CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
AND REVIEW REPORT**

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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EUROCHEM GROUP AG, ZUG

Independent Auditor's Report on the Review of
consolidated condensed Interim Financial Information as
of and for the six-month period ended 30 June 2021

Independent Auditor's Report on the Review of consolidated condensed Interim Financial Information to the Board of Directors of EUROCHEM GROUP AG, ZUG

Introduction

We have reviewed the accompanying consolidated condensed interim financial information (statement of financial position, statement of profit or loss and comprehensive income, statement of cash flows, statement of changes in equity and notes) of EuroChem Group AG and its subsidiaries (the "Group") as of 30 June 2021 and for the six-month period then ended. The Board of Directors is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard IAS 34 – "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other Matters

The Group's consolidated financial statements as of 31 December 2020 and for the year then ended, were audited by another auditor whose report, dated 1 February 2021, expressed an unqualified opinion on those financial statements. The comparative figures for the six-month period ended 30 June 2020, as presented in the accompanying consolidated condensed interim statements of profit or loss and comprehensive income, cash flows and changes in equity, were reviewed by other auditors, whose report thereon dated 31 July 2020, expressed an unqualified review conclusion.

Deloitte AG

Matt Sheerin
Licensed Audit Expert

Dmitry Ustinov
Licensed Audit Expert

Zurich, 28 July 2021

Enclosure

Consolidated condensed interim financial information (statement of financial position, statement of profit or loss and comprehensive income, statement of cash flows, statement of changes in equity and notes) as of and for the six-month period ended 30 June 2021.

	Note	30 June 2021	31 December 2020
ASSETS			
Non-current assets:			
Property, plant and equipment	4	8,154	7,668
Mineral rights		316	311
Goodwill		462	467
Restricted cash	7	45	45
Derivative financial assets	10	15	12
Deferred income tax assets		177	123
Other non-current assets		107	124
Total non-current assets		9,276	8,750
Current assets:			
Inventories	5	1,333	1,081
Trade and other receivables	6	1,432	1,170
Restricted cash	7	15	28
Derivative financial assets	10	34	59
Cash and cash equivalents	7	1,259	546
Total current assets		4,073	2,884
TOTAL ASSETS		13,349	11,634
LIABILITIES AND EQUITY			
Equity attributable to owners of the parent:			
Share capital		-	-
Treasury shares		(785)	(785)
Cumulative currency translation differences		(2,562)	(2,646)
Hedging reserve		22	34
Retained earnings and other reserves		9,205	8,078
		5,880	4,681
Non-controlling interests		2	2
Total equity		5,882	4,683
Non-current liabilities:			
Borrowings	8	3,957	3,457
Project Finance	9	759	433
Derivative financial liabilities	10	83	104
Deferred income tax liabilities		295	263
Other non-current liabilities and deferred income		121	120
Total non-current liabilities		5,215	4,377
Current liabilities:			
Borrowings	8	648	1,395
Project Finance	9	65	68
Derivative financial liabilities	10	70	28
Trade accounts and other payables		1,340	1,030
Taxes payable		129	53
Total current liabilities		2,252	2,574
Total liabilities		7,467	6,951
TOTAL LIABILITIES AND EQUITY		13,349	11,634

	Note	Six months ended	
		30 June 2021	30 June 2020
Sales	11	4,366	3,006
Cost of sales	12	(2,290)	(1,953)
Gross profit		2,076	1,053
Distribution costs	13	(608)	(480)
General and administrative expenses	14	(56)	(56)
Other operating (expenses)/income, net	15	(6)	89
Operating profit		1,406	606
Interest income		8	4
Interest expense		(124)	(135)
Financial foreign exchange gain/(loss), net		39	(318)
Other financial gain/(loss), net	16	15	(232)
Profit/(loss) before taxation		1,344	(75)
Income tax expense	17	(217)	(12)
Profit/(loss)		1,127	(87)
Profit/(loss) attributable to:			
Owners of the parent		1,127	(87)
Non-controlling interests		-	-
		1,127	(87)
Basic and diluted earnings/(loss) per share (in US Dollars)		1,252	(97)
Weighted average number of ordinary shares outstanding		900	900
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods			
Currency translation differences		84	(671)
Effective portion of changes in fair value of cash flow hedges, net of deferred tax		17	(3)
Transfer of changes in fair value of cash flow hedges to profit or loss, net of deferred tax		(29)	-
Total other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		72	(674)
Total comprehensive income/(loss)		1,199	(761)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		1,199	(760)
Non-controlling interests		-	(1)
		1,199	(761)

	Note	Six months ended	
		30 June 2021	30 June 2020
Operating profit		1,406	606
Income tax paid		(157)	(53)
Depreciation and amortisation		226	226
Provision for impairment of receivables, including ECL allowance, net	13	3	2
Cash proceeds/(payments) on operating derivatives, net		18	(2)
Other non-cash expenses/(income), net		14	(65)
Gross cash flow		1,510	714
Changes in operating assets and liabilities:			
Trade receivables		(124)	(22)
Advances to suppliers		(117)	(29)
Other receivables		63	3
Inventories		(220)	23
Trade payables		216	44
Advances from customers		90	4
Other payables		13	(13)
Restricted cash		11	(8)
Net cash – operating activities		1,442	716
Cash flows from investing activities			
Purchase of property, plant and equipment		(569)	(382)
Net change in originated loans		(95)	-
Interest received		3	2
Other investing activities		2	3
Net cash – investing activities		(659)	(377)
Free cash inflow		783	339
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs		1,233	1,129
Proceeds from the Project Finance Facilities, net of transaction costs		371	(5)
Repayment of borrowings		(1,536)	(734)
Repayment of the Project Finance Facility	9	(38)	(30)
Interest paid		(120)	(114)
Cash proceeds/(payments) on financing derivatives, net		25	(25)
Other financial activities		(8)	(10)
Net cash – financing activities		(73)	211
Effect of exchange rate changes on cash and cash equivalents		3	(19)
Net increase in cash and cash equivalents		713	531
Cash and cash equivalents at the beginning of the period	7	546	313
Cash and cash equivalents at the end of the period	7	1,259	844

	Attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Share capital	Treasury shares	Cumulative currency translation differences	Hedging reserve	Retained earnings and other reserves			
Balance at 1 January 2020	-	(785)	(1,826)	-	7,592	4,981	2	4,983
Comprehensive loss								
Loss	-	-	-	-	(87)	(87)	-	(87)
Other comprehensive loss								
Currency translation differences	-	-	(670)	-	-	(670)	(1)	(671)
Effective portion of changes in fair value of cash flow hedges, net of deferred tax	-	-	-	(3)	-	(3)	-	(3)
Total other comprehensive loss	-	-	(670)	(3)	-	(673)	(1)	(674)
Total comprehensive loss	-	-	(670)	(3)	(87)	(760)	(1)	(761)
Balance at 30 June 2020	-	(785)	(2,496)	(3)	7,505	4,221	1	4,222
Balance at 1 January 2021	-	(785)	(2,646)	34	8,078	4,681	2	4,683
Comprehensive income								
Profit	-	-	-	-	1,127	1,127	-	1,127
Other comprehensive income/(loss)								
Currency translation differences	-	-	84	-	-	84	-	84
Effective portion of changes in fair value of cash flow hedges, net of deferred tax	-	-	-	17	-	17	-	17
Transfer of changes in fair value of cash flow hedges to profit or loss, net of deferred tax	-	-	-	(29)	-	(29)	-	(29)
Total other comprehensive income/(loss)	-	-	84	(12)	-	72	-	72
Total comprehensive income/(loss)	-	-	84	(12)	1,127	1,199	-	1,199
Balance at 30 June 2021	-	(785)	(2,562)	22	9,205	5,880	2	5,882

1 The EuroChem Group and its operations

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

A company that holds business interests beneficially for Mr. Andrey Melnichenko indirectly owns 100% of AIM Capital S.E., registered in the Republic of Cyprus (31 December 2020: 100%), which in turn owns 90% of the share capital of EuroChem Group AG (31 December 2020: 90%). The remaining 10% of the share capital is held by a Group’s wholly-owned subsidiary (31 December 2020: 10%).

The Group’s principal activity is the production of mineral fertilizers (nitrogen-, potash- and phosphate-based) as well as mineral extraction (apatite, phosphate rock, iron-ore, baddeleyite and potash), and the operation of a distribution network. The Group’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. This consolidated condensed interim financial information for the six months ended 30 June 2021 has been prepared in accordance with IAS 34 “Interim Financial Reporting”; it supplements the annual consolidated financial statements for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards.

The principal accounting policies and significant judgments and estimates applied therein are consistent with those of the consolidated financial statements for the year ended 31 December 2020.

The following exchange rates were applied at 30 June and during the periods then ended:

	2021	2020
US\$/RUB		
Period end (year end for 2020)	72.37	73.88
Average rate for 6 months ended 30 June	74.28	69.37
US\$/EUR		
Period end (year end for 2020)	0.84	0.81
Average rate for 6 months ended 30 June	0.83	0.91

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

Financial assets and liabilities measured subsequently at amortised cost. The fair value of loans and borrowings, Project Finance and issued bonds at 30 June 2021 and 31 December 2020 are disclosed in Notes 8 and 9. The fair value of other financial assets and liabilities carried at amortised cost approximates their carrying value.

3 Segment information

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

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

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

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

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

The division results for the six months ended 30 June 2021 were:

	External sales	Internal sales	Total sales	EBITDA
Mining	23	811	834	547
Fertilizers	18	2,029	2,047	904
Commercial	4,314	121	4,435	288
Other	11	126	137	4
Inter-segment elimination	-	(3,087)	(3,087)	(102)
Total	4,366	-	4,366	1,641

The division results for the six months ended 30 June 2020 were:

	External sales	Internal sales	Total sales	EBITDA
Mining	22	436	458	208
Fertilizers	14	1,427	1,441	335
Commercial	2,968	131	3,099	243
Other	2	5	7	40
Inter-segment elimination	-	(1,999)	(1,999)	5
Total	3,006	-	3,006	831

3 Segment information (continued)

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

	Note	Six months ended	
		30 June 2021	30 June 2020
EBITDA		1,641	831
Depreciation and amortisation		(226)	(226)
Impairment of idle property		-	(2)
Income from settlement agreements, net	15	3	11
COVID-19 associated expenses		(4)	(4)
Interest expense		(124)	(135)
Financial foreign exchange gain/(loss), net		39	(318)
Other financial gain/(loss), net	16	15	(232)
Profit before taxation		1,344	(75)

4 Property, plant and equipment

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

	2021	2020
Carrying amount at 1 January	7,668	8,191
<i>Including advances given to construction companies and suppliers of property, plant and equipment</i>	316	92
Additions	606	418
Disposals	(7)	(1)
Depreciation charge for the period	(248)	(237)
Currency translation differences	135	(882)
Carrying amount at 30 June	8,154	7,489
<i>Including advances given to construction companies and suppliers of property, plant and equipment</i>	512	105

Leases

The right-of-use assets are accounted for within “Property, plant and equipment” and mainly comprised lease of land plots and buildings, amounting to US\$47 million as at 30 June 2021 (31 December 2020: US\$47 million).

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

	30 June 2021	31 December 2020
Current	11	9
Non-current	36	40
Total lease liabilities	47	49

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 interim statement of financial position.

5 Inventories

	30 June 2021	31 December 2020
Finished goods	815	662
Materials	309	240
Catalysts	115	106
Work in progress	102	80
Less: provision for obsolete and damaged inventories	(8)	(7)
Total inventories	1,333	1,081

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

	30 June 2021	31 December 2020
Trade receivables		
Trade receivables denominated in US\$	416	354
Trade receivables denominated in RUB	80	32
Trade receivables denominated in EUR	59	60
Trade receivables denominated in BRL	47	56
Trade receivables denominated in other currencies	7	7
Less: ECL allowance	(19)	(16)
Total trade receivables	590	493
Other receivables		
Receivable from SUEK group (see note 18)	294	288
Advances to suppliers	221	96
Other receivables and other current assets	185	116
VAT recoverable and receivable	141	157
Income tax receivable	5	23
Other taxes receivable	5	6
Less: provision for impairment	(9)	(9)
Total other receivables	842	677
Total trade and other receivables	1,432	1,170

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

	30 June 2021	31 December 2020
Bank balances	900	231
Term deposits	359	315
Total cash and cash equivalents	1,259	546
Non-current restricted cash	45	45
Current restricted cash	15	28
Total restricted cash	60	73

Non-current restricted cash mainly consisted of cash held in a debt service reserve account as required by the Project Finance Facility Agreement (see note 9).

8 Borrowings

Currency and rate	Interest/ coupon rate 2021*	30 June 2021	31 December 2020
Non-current loans and borrowings			
Long-term unsecured bank loans			
US\$ with floating rate	0.89% - 2.34%	1,394	1,388
US\$ with fixed rate	3.60% - 4.60%	600	600
RUB with fixed rate	3.90% - 10.20%	312	181
Long-term unsecured targeted loans			
RUB with fixed rate	5.00%	40	45
Other borrowings		1	2
Less: current portion of long-term loans		(10)	(619)
Less: long-term portion of transaction costs		(12)	(9)
Total non-current loans and borrowings		2,325	1,588
Non-current bonds issued			
RUB with fixed rate	7.85% - 8.55%	939	1,177
US\$ with fixed rate	5.50%	700	700
Less: transaction costs		(7)	(8)
Total non-current bonds issued		1,632	1,869
Current loans and borrowings			
Short-term unsecured bank loans			
US\$ with fixed rate	1.96% - 2.28%	171	219
RUB with fixed rate	2.75% - 5.00%	76	79
US\$ with floating rate	-	-	100
EUR with floating rate	-	-	8
Short-term unsecured targeted loans			
RUB with fixed rate	-	-	246
Current portion of long-term loans		10	619
Less: short-term portion of transaction costs		-	(4)
Total current loans and borrowings		257	1,267
Current bonds issued			
US\$ with fixed rate	3.95%	391	128
Total current bonds issued		391	128
Total borrowings		4,605	4,852

* Contractual rate on 30 June 2021.

US\$-denominated bonds and RUB-denominated bonds were listed on the Irish Stock Exchange and the Moscow Exchange, respectively. As at 30 June 2021, the fair value of the bonds was more than their carrying amount by US\$86 million (31 December 2021: was more by US\$142 million) and determined with reference to their market quotations or executable prices.

In July 2021, 3.95% US\$-denominated bonds were redeemed at maturity in full amount of US\$128 million.

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.

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

As at 30 June 2021 and 31 December 2020, all bank borrowings and loans received listed in Note 8 were not secured.

8 Borrowings (continued)

The central treasury department of the Group maintains flexibility in funding by ensuring the availability of credit line facilities. As at 30 June 2021, the unused portion of revolving committed and uncommitted credit lines totalled US\$111 million and US\$1,015 million, respectively (31 December 2020: US\$317 million and US\$2,192 million, respectively). Commitment for undrawn US\$827 million of US\$1,000 million uncommitted revolving credit facility signed in September 2017 and amended in December 2020, available in multiple currencies up to November 2026, may be activated at any time by notice.

9 Project Finance

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

	2021			2020		
	Ammonia project	Ammonia and urea project	Total	Ammonia project	Ammonia and urea project	Total
Carrying amount at 1 January	571	-	571	587	-	587
<i>Including transaction costs capitalised</i>	(70)	-	(70)	(97)	-	(97)
Proceeds	-	404	404	-	-	-
Repayments	(38)	-	(38)	(30)	-	(30)
Foreign exchange (gain)/loss, net	(27)	-	(27)	71	-	71
Currency translation differences	11	1	12	(70)	-	(70)
Carrying amount at 30 June	517	405	922	558	-	558
<i>Including transaction costs capitalised</i>	(67)	(31)	(98)	(82)	-	(82)

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.

The contractual interest rate as at 30 June 2021 was 1.3% p.a. (31 December 2020: 1.3% p.a.).

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

As at 30 June 2021, in compliance with terms of the facility agreement the Group held US\$42 million on a debt service reserve account (31 December 2020: US\$42 million) (see note 7).

As at 30 June 2021 and 31 December 2020, under the terms of the facility agreement shares in EuroChem Northwest JSC (the project owner), held by the Company, were pledged as the collateral. The carrying value of the total assets of the company pledged under the Facility related to the project amounted to US\$1,059 million as at 30 June 2021 (31 December 2020: US\$999 million).

During the six months ended 30 June 2021, the EBITDA of the subsidiary under the Ammonia project was US\$133 million (six months ended 30 June 2020: US\$39 million).

9 Project Finance (continued)

Ammonia and urea project in Kingisepp. On 30 December 2020, the Group signed a non-recourse Project Finance Facility with a total maximum limit of US\$608 million and RUB 78,946 million with the final repayment date in 2031 and an interest rate linked to the Central Bank of the Russian Federation key rate to finance the construction of a new Ammonia and urea Plant in Kingisepp, Russia. The bridge loan obtained in October 2020 to finance the ammonia and urea project was repaid in June 2021 from the funds received under the Facility.

The bank margin on contractual interest rates as at 30 June 2021 was from 1.4% to 2.55%.

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

10 Derivative financial assets and liabilities

At 30 June 2021, net derivative financial assets and liabilities were:

	Assets		Liabilities	
	Non-current	Current	Non-current	Current
Cash flow hedges:				
Foreign exchange non-deliverable forward contracts	-	27	-	5
Cross currency interest rate swaps	5	-	-	-
Derivative instruments for which hedge accounting is not applied:				
Cross currency interest rate swaps	4	3	76	33
Commodity swaps	-	-	-	13
Freight swaps	-	2	-	13
Call options	-	1	-	2
Foreign exchange non-deliverable forward contracts	6	1	7	4
Total	15	34	83	70

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

	Assets		Liabilities	
	Non-current	Current	Non-current	Current
Cash flow hedges:				
Foreign exchange non-deliverable forward contracts	-	39	-	-
Derivative instruments for which hedge accounting was not applied:				
Cross currency interest rate swaps	9	-	101	-
Commodity swaps	-	-	-	12
Foreign exchange non-deliverable forward contracts	3	20	3	16
Total	12	59	104	28

10 Derivative financial assets and liabilities (continued)

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

	1 January 2021	Gain/(loss) from changes of fair value, net	Cash (proceeds)/ payments on derivatives, net	Currency translation difference	30 June 2021
Commodity swaps	(12)	(17)	16	-	(13)
Freight swaps	-	(11)	-	-	(11)
Call options	-	1	(2)	-	(1)
Foreign exchange non-deliverable forward contracts, net	43	7	(31)	(1)	18
Cross currency interest rate swaps, net	(92)	21	(26)	-	(97)
Total derivative financial assets and liabilities, net	(61)	1	(43)	(1)	(104)

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

	Six months ended			
	30 June 2021		30 June 2020	
	Gain recognised in other comprehensive income	Loss recycled from other comprehensive income to profit or loss	Loss recognised in other comprehensive income	Gain recycled from other comprehensive income to profit or loss
Effective portion of changes in fair value of cash flow hedges	18	(32)	(2)	-
Tax effect	(1)	3	(1)	-
Total	17	(29)	(3)	-

11 Sales

	Six months ended	
	30 June 2021	30 June 2020
Nitrogen products	1,552	1,086
Nitrogen fertilizers	1,544	1,082
Other products	8	4
Phosphate products and complex fertilizers	1,514	1,151
Phosphate fertilizers	730	493
Complex fertilizers	679	576
Feed phosphates	105	82
Mining products	491	201
Iron ore concentrate	483	190
Other products	8	11
Potash fertilizers	385	275
Industrial products	368	249
Other sales	56	44
Logistic services	2	13
Other products	14	7
Other services	40	24
Total sales	4,366	3,006

11 Sales (continued)

The analysis of Group sales by region was:

	Six months ended	
	30 June 2021	30 June 2020
Europe	1,090	883
North America	1,086	589
Latin America	874	645
Russia	662	421
Asia Pacific	567	385
Africa	87	83
Total sales	4,366	3,006

The sales are allocated to regions based on the destination country.

12 Cost of sales

	Six months ended	
	30 June 2021	30 June 2020*
Goods for resale	1,110	630
Raw materials	536	521
Depreciation and amortisation	210	210
Labour, including contributions to social funds	197	181
Other materials	115	96
Energy	98	95
Utilities and fuel	54	41
Production overheads	37	34
Repairs and maintenance	29	30
Property tax, rent payments for land and related taxes	24	15
Changes in work in progress and finished goods	(145)	69
Other costs, net	25	31
Total cost of sales	2,290	1,953

* The Group has reclassified general and administrative expenses related to its costs at production facilities of US\$89 million to Cost of sales in the comparative information.

13 Distribution costs

	Six months ended	
	30 June 2021	30 June 2020
Transportation	499	385
Labour, including contributions to social funds	57	47
Depreciation and amortisation	13	14
Provision for impairment of receivables, including ECL allowance, net	3	2
Other costs	36	32
Total distribution costs	608	480

14 General and administrative expenses

	Six months ended	
	30 June 2021	30 June 2020
Labour, including contributions to social funds	37	38
Consulting, legal and audit services	8	8
Depreciation and amortisation	3	3
Other expenses	8	7
Total general and administrative expenses	56	56

15 Other operating income and expenses

	Six months ended	
	30 June 2021	30 June 2020
Foreign exchange gain from operating activities, net	(25)	(74)
Income from settlement agreements	(3)	(11)
Other operating expenses/(income), net	34	(6)
Total other operating expenses/(income), net	6	(89)

16 Other financial gain and loss

	Note	Six months ended	
		30 June 2021	30 June 2020
Changes in fair value of cross currency interest rate swaps	10	(21)	88
Changes in fair value of foreign exchange deliverable and non-deliverable forward contracts		3	38
Reassessment of liability from contingent consideration related to business combination		-	101
Other financial loss, net		3	5
Total other financial (gain)/loss, net		(15)	232

17 Income tax

	Six months ended	
	30 June 2021	30 June 2020
Income tax expense – current	238	61
Deferred income tax – origination of temporary differences, net	(21)	(49)
Income tax expense	217	12

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

Subsidiaries located in Russia applied a tax rate of 20% on taxable profits during the six months ended 30 June 2021 (six months ended 30 June 2020: 20%). Several subsidiaries applied reduced income tax rates within a range from 16.5% to 19% according to regional tax law and agreements with regional authorities (six months ended 30 June 2020: within a range from 16.5% to 19%).

Under the terms of a special investment contract in respect of its ammonia project, EuroChem Northwest JSC applied the reduced income tax rate of 5% on taxable profits for the six months ended 30 June 2021 (six months ended 30 June 2020: a deferred tax asset from tax losses carried forward at the reduced income tax rate of 5%).

Under the terms of the signed special investment contracts in respect of their potash projects, EuroChem-VolgaKaliy LLC and EuroChem-Usolsky potash complex LLC may apply the reduced income tax rates of 5% and 0% respectively. EuroChem-Usolsky potash complex LLC applied the reduced income tax rate of 0% for the six months ended 30 June 2021. Under the contract terms of EuroChem-VolgaKaliy LLC, the subsidiary needs to generate revenue from its primary activity to apply for the income tax rate reduction. As at 30 June 2021 the subsidiary did not reach certain revenue level, therefore the reduced income tax rate was not applied by EuroChem-VolgaKaliy LLC.

Subsidiaries located in Europe, North and Latin Americas and Asia are subject to the income tax rates ranging from 9% to 34% (six months ended 30 June 2020: 9% to 34%).

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

18 Balances and transactions with related parties

The Group's related parties are considered to include the ultimate beneficiaries, affiliates, entities under common ownership and control within the Group and/or entities having common principal ultimate beneficiary and key management personnel. 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	30 June 2021	31 December 2020
Consolidated interim statement of financial position		
Assets		
Receivable for sold subsidiaries from SUEK group (see note 6)	294	288
Current originated loans to the parent company	95	-
Current originated loans to other related parties	30	30
Trade and other receivables from SUEK group	58	34
Liabilities		
Non-current bonds issued from other related parties	29	32
Current derivative financial liabilities from other related parties	6	10
Trade payables to SUEK group	22	12

18 Balances and transactions with related parties (continued)

Financial statements caption	Six months ended	
	30 June 2021	30 June 2020
Consolidated interim statement of profit or loss		
Sales of iron ore concentrate and other products and services to SUEK Group	90	17
Transportation and other costs from SUEK group	(201)	(11)
Other operating expenses, net from other related parties	(4)	(4)
Other financial loss, net	-	(101)
Remuneration of the Board of Directors and the Management Board Members	11	10

19 Contingencies, commitments and operating risks

i Capital expenditure and lease commitments

As at 30 June 2021, the Group had contractual commitments for capital expenditures of US\$1,226 million (31 December 2020: US\$1,646 million), including amounts denominated in EUR of US\$791 million and in RUB of US\$315 million, which will represent cash outflows in the next 5 years according to the contractual terms. US\$811 million of the total amount included EPC-contracts under the development of the ammonia and urea project in Kingisepp, covered by the Project Finance Facility (31 December 2020: US\$ 953 million).

As at 30 June 2021, the Group had future minimum undiscounted lease payments under non-cancellable operating lease contracts of US\$72 million (31 December 2020: US\$69 million). These payments were not included in the measurement of lease liabilities as being variable payments and based on cadastral value of land.

ii Operating environment of the Group

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

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

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

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.

Covid-19 situation

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