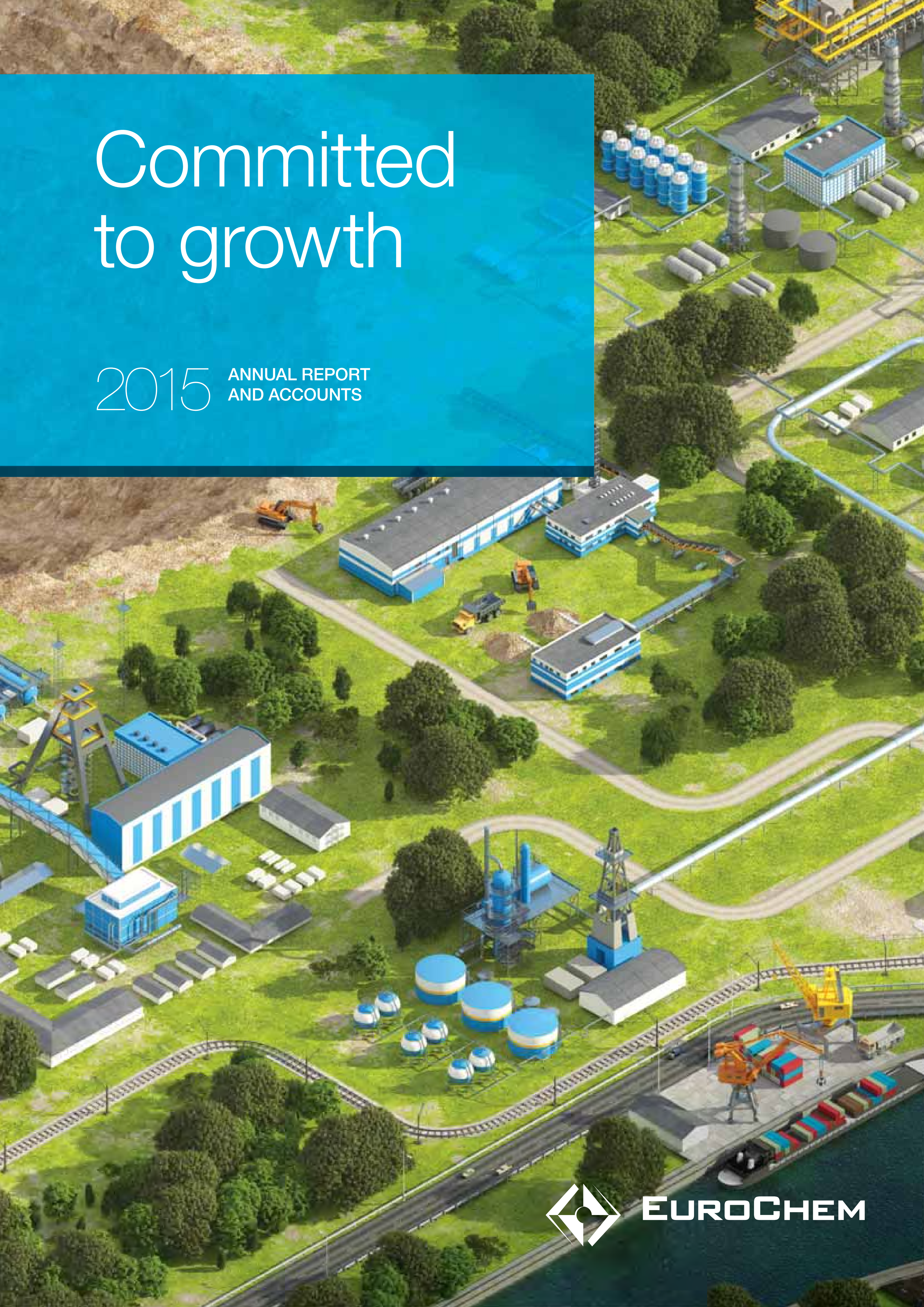

Committed to growth

2015 ANNUAL REPORT AND ACCOUNTS

EUROCHEM

Committed to growth

As one of the world's leading international fertilizer businesses, we are very focused on how we can sustain our success over the long term and continue to deliver for our customers, employees, partners, communities and shareholders.

This strategic approach is crucial to our ability to withstand any periods of short-term market volatility that affect our business, and ensures that we remain well-positioned to respond efficiently and responsibly to world demand for our products.

Contents

Online

View the Annual Report and Accounts 2015 online

www.eurochemgroup.com/reports/annual-reports

How we measure up

A global leader
EuroChem is a world-leading agrochemical company with low-cost natural resources and production bases. These are supported by wholly-owned logistics assets and a global advisory, sales and distribution network.

Our ability to access lower cost raw materials and energy, combined with a vertically integrated business model provides us with distinct cost advantages over many of our competitors. Our significant investment in major potash reserves will reinforce our leadership position in global fertilizer production when they come on stream next year.

As one of the fastest growing fertilizer majors, we aim to be a top five producer by nutrient capacity by 2020.

Who we are and what we do
Our holding company – EuroChem Group AG – is based in Zug, Switzerland. It operates under Swiss law and financial regulations, whereas the Group's operational functions fall under local jurisdictions.

We manufacture high quality nitrogen and phosphate fertilizers. Our range includes standard and commodity products as well as a growing slow-release and specialty offering. In 2017 we will commence potash operations to further enhance our portfolio of products.

Our expanding international production base comprises assets in Russia, Lithuania, Kazakhstan and Belgium, as well as a joint venture in China, the world's largest mineral fertilizer market. These assets have ready access to key markets through our logistics and distribution network that extends across 25 countries. We employ more than 23,400 people globally.

Strategic advantages

- Access to low-cost, high-quality resources, including phosphate rock, hydrocarbons and potash.
- Efficient, advanced production assets accessible to key markets.
- Vertical integration enables control of raw materials, production, logistics and distribution, which deliver cost advantages, sector knowledge and economies of scale.
- High quality products, with a growing emphasis on slow release and specialty grades in addition to our standard lines.
- Global distribution network enables us to get the right product to the right place at the right time.
- Investments in upstream supply (mainly potash and phosphate rock) provide a clear path for growth.

2015 highlights

Total sales (US$)

4.5bn

EBITDA (US$)

1.6bn

EBITDA increase (vs. 2014)

4%

EBITDA margin

35%

Lost time injury frequency rate (LTIFR)

1.08

Total products sold

18 MMT

Committed to our customers

Customer needs

- Balanced fertilization
- Seasonality of demand
- Precision agriculture
- Stable/just-in-time suppliers
- Global presence
- Affordable quality products

What we need to do...

- **Multi-nutrient business model**
  N Nitrogen K Potash
  P Phosphates M Micronutrients
- Global distribution and multi-regional cost competitiveness
- R&D investment into new products and technology (eg. micronutrients, inhibitors, bio-stimulants)
- Global logistics platform
- Access to competitive raw materials/feedstock
- Own capabilities in repair/maintenance, industrial construction, own logistics

Our vertically integrated business model helps us create a leading agrochemical company

Page 02

Our sustaining capitals

Our interrelated capitals are the vital components for EuroChem's continuing success. They combine to create sustainable value through our vertically integrated business model.

Financial

Our robust financial structure controls the flow of funds available for our expansion, whether obtained through financing or operations. Coupled with our shareholders' commitment, it provides us with a substantial supportive base for long-term growth.

Business

We make the fertilizer products needed to increase crop yield. Our production assets and processing facilities, rail and shipping fleet, port facilities and distribution network facilitate the extraction, refining, manufacture and transportation of our products to market.

Social

We build enduring relationships based on trust and actively engage with a range of stakeholders – including suppliers, contractors and other third parties – that meet high standards of compliance, integrity, health and safety.

Human

The individual knowledge, skills and experience of our motivated employees combine to form EuroChem's reservoir of talent. We are a fast growing multinational company already comprising over 23,400 employees of 34 different nationalities.

Intellectual

We have robust corporate governance, management information, internal control and internal audit systems, as well as extensive knowledge resources that underpin our operations. The challenges of food security are driving our R&D efforts towards advanced specialty products to serve sustainable farming practices. We have been actively expanding our product portfolio with proprietary specialty products and bio-stimulants, engineered to promote the efficiency of fertilizers.

Natural

Our natural reserve base comprises high quality reserves of potash, natural gas, phosphate rock and other raw materials used in the manufacture of our products. Wherever we operate, we seek to minimize any adverse impact on the natural environment.

Our unique business model

Our vertically integrated business model provides EuroChem with distinct cost advantages and economies of scale.

Logistics

Essential to the flow of raw materials and finished goods, our sophisticated and flexible logistics infrastructure comprises rail rolling stock, rail depots, port facilities and wholly-owned transhipment operations as well as a growing network of distribution centers across key markets.

Strategic priorities

1. **Cost leadership through vertical integration**
2. **Growth through potash**
3. **Value-added product range**
4. **Proximity to customers**

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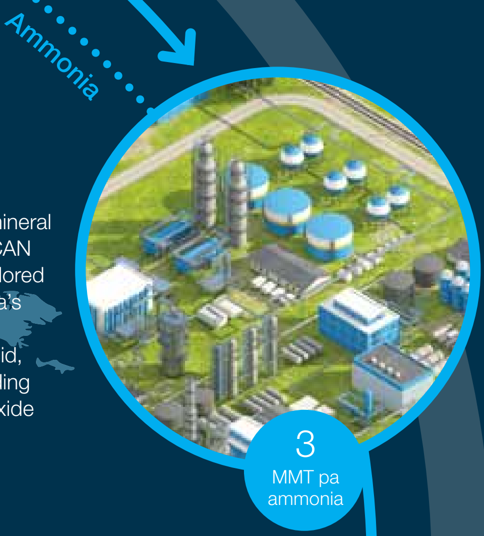
Phosphate fertilizer production

Our plants in Russia and Lithuania produce MAP, DAP, NP and feed phosphates as well as a growing number of complex products. All our facilities have sulphuric acid capacity and phosphoric acid units. Our Lithuanian plant also produces aluminium fluoride, which is used in the manufacture of aluminium, glass and optics as well as in the tanning industry. Wherever possible, our facilities use phosphate rock from our Kovdorskiy and Kazakhstan mines.

Natural gas

Natural gas is the primary raw material used to produce ammonia, the main component of nitrogen-based fertilizers. Our own oil and gas operations help reduce natural gas costs, boost our ammonia gas efficiency and strengthen our cost advantages. Over the last couple of years, the competitiveness of our predominantly Russian-based nitrogen assets has considerably expanded on the back of the devaluation of the Russian currency.



Nitrogen fertilizer production

Our three nitrogen plants produce mineral fertilizers including urea, AN, UAN, CAN as well as a variety of regular and tailored complex NPK grades. We are Russia's only manufacturer of AdBlue® and melamine and also produce nitric acid, methanol and industrial gases including argon, nitrogen, oxygen, carbon dioxide and solid carbon dioxide (dry ice).

Phosphate mining

From our Kovdorskiy GOK operations in Russia, we mine magnetite-apatite ore, from which we extract apatite concentrate as well as baddeleyite concentrate and iron ore concentrate. We have been moving closer towards self-sufficiency in phosphate rock with the start-up of our mining facility in Kazakhstan.

Potash

EuroChem has rights to over 10 billion tonnes of potash reserves and resources in Russia. Our two key assets, EuroChem VolgaKaliy (Gremyachinskoe deposit, Volgograd region) and EuroChem Usolskiy (Verkhnekamskoe deposit, Perm region), are scheduled to commence operations around 2017-2018. They are widely expected to be amongst the lowest cost potash operations globally.

Distribution

We serve our extensive customer base through an efficient distribution platform. With trading arms in the US, Switzerland and Brazil and our EuroChem Agro distribution assets the Group sells to wholesalers, distributors and cooperatives across Northern, Central and Eastern Europe, South East Asia and the Americas.

The benefits we generate

Customers

By meeting and exceeding their expectations with our products, we help farmers to produce better and more productive crop yields – enabling them to deliver the food, feed and fiber needed to sustain the world's growing population.

Government

Excellent working relationships with federal, regional and local authorities support our growth plans and help deliver competitive advantage. Partnerships with local government also reinforce our social and community credentials and enhance our reputation.

Shareholders

Our operations generate cash for investment across our business, enabling EuroChem to flourish and grow, delivering long-term financial stability and good returns on investment for our shareholders.

Trade unions

Strong links with employee groups including trade unions enable us to nurture and maintain mutual respect between management and employees. Ongoing constructive dialogue builds trust and fosters collaborative workplace relationships.

Employees

EuroChem provides attractive careers, with competitive pay, safe workplaces, job security and training and development programs for our people. Recognizing and rewarding the talent and effort of our people maximizes their productivity, strengthens their loyalty and increases job satisfaction.

Media

Open communication enables us to promote the value we create, through positive coverage of our operational successes, community investments and proactive approach to health, safety and environmental issues.

Local communities

We actively and enthusiastically support the communities in which we operate, investing in a range of local educational and health facilities that benefit the wider communities in areas where we operate.

>6,000
customers

>23,400
employees

Configured for superior returns

Low cost

Currently in lowest quartile delivered cost to all target markets globally with VolgaKaliy projected to provide EuroChem with global cost leadership in potash from 2017/18.

Global production

Large-scale production within easy reach of high quality raw material sources and customers – EuroChem is well-established in Russia and Western/Eastern Europe and seeks to build its presence in Asia and North America.

Competitive feedstock

Secured access to vast high quality natural resources in Russia and Kazakhstan, including hydrocarbons, phosphate rock and potash supported by a superior logistics platform to minimize costs and optimize production.

All-nutrient

Once potash is on stream, EuroChem will be one of only four companies globally to have capacity in all three primary nutrients – and the only company globally to have full vertical integration in ammonia, phosphate rock and potash – to meet the requirements for balanced fertilization and diversification considerations.

Industrial construction expertise

In a sector where global demand, supported by the megatrends of a growing global population, reduction of arable land per capita, and changing diets requires the constant addition of new supply. EuroChem's construction expertise, backed by a solid track-record in large-scale industrial projects, is a competitive advantage.

Global distribution

EuroChem operates a global distribution platform across key markets, with plans to expand in Asia and North America, enabling long-term partnerships between customers and a reliable low-cost supplier who is able to deliver the needed volumes of quality products throughout the year. Global distribution is required on the one hand by the need to combine high capacity load in production with the seasonality of demand, on the other – by the need to have skillful salesforce to place specialty products.

Vertical integration

The depth of EuroChem's value chain provides it with more investment options and higher returns than its peers. Our vertically integrated model raises returns on investment via synergies with the existing assets while lowering financial and execution risks.

Specialty products

The EuroChem product offering combines low-cost commodity and advanced specialty fertilizer production (slow release, inhibitor-enhanced, etc.) which are an essential and growing part of the product menu on account of environmental regulations and increasing farmer sophistication.

EuroChem's strategy is focused on all of the above

Staying close to our customers

2015 developments
Ben-Trei, USA

Acquisition of Ben-Trei Fertilizers (Tulsa, OK) – a distributor of dry fertilizer and feed products with a strong presence in the country's key agricultural regions, from Texas and the Louisiana delta in the South, across the Corn Belt in the Midwest and west to California.

2015 developments
R&D, Norway (Oslo)

In December we announced our intention to enter into multi-year marketing, distribution & sales, R&D and equity agreements with Agrinos AS, a global leader in biological crop nutrition products.

Key offices
Zug, CH (Global HQ)
Moscow, RF (CIS HQ)

Oil and gas
1 Severneft-Urengoy
2 Ozinskiy deposit (Saratov)
3 Astrakhan Oil and Gas

Mining
4 Kovdorskiy GOK
5 EuroChem VolgaKaliy
6 EuroChem Usolskiy
7 EuroChem Fertilizers

Fertilizers
8 Novomoskovskiy Azot
9 Nevinnomysskiy Azot
10 EuroChem Antwerpen
11 Lifosa
12 Phosphorit
13 BMU
14 EuroChem Migao JV

Logistics
15 Tuapse
16 Murmansk
17 Sillamäe
18 EuroChem Antwerpen Jetty

Distribution
19 Mexico
20 USA (Tulsa)
21 USA (Tampa)
22 Brazil
23 Spain
24 France
25 Germany
26 Switzerland (Zug)
27 Italy
28 Greece
29 Turkey
30 Ukraine
31 Belarus
32 Russia
33 China
34 Singapore

2015 developments
Ammonia, Russia

Start of construction of EuroChem Northwest – a 1 MMT pa ammonia plant located in Kingisepp, Russia.

2015 developments
Kazakhstan

Start of first intra-group deliveries of phosphate rock from Kazakhstan (EuroChem Fertilizers) to EuroChem-Belorechenskie Minudobrenia (EuroChem-BMU), a producer of phosphate and compound fertilizers in southern Russia.

2015 developments
Berezniki, Russia

Acquisition of Berezniki Mechanical Plant (Berezniki), a company specializing in auxiliary mining equipment, including conveyors, shaft support and components, as well as related installation and repair services.

2015 developments
Kovdorskiy GOK, Russia

Start-up of new apatite – staffelite ore processing plant. Once fully operational in 2017, the new processing plant will increase Kovdorskiy's output by 948 KMT of apatite concentrate and 130 KMT of iron ore concentrate per year.

Total sales (US$)

4.5bn

Customers globally

>6,000

Number of countries consuming EuroChem products

>100

Total transhipment capacity in Russia

c8.8 MMT

Total transhipment capacity in EU

c3.5 MMT

Fertilizer sales volume

10.81 MMT

Challenges to food security

Population growth

Feeding the world's growing population is an ongoing – and formidable – long-term challenge. It is made more complex by increasing pressures on limited arable land and more frequent extreme weather events.

EuroChem's products ensure soils retain their essential nutrients and help farmers increase their yields.

With the world's population growing by more than 200,000 every day, the UN estimates it will total 9.6 billion by 2050. By this time, the required growth rate of food production is expected to exceed the actual rate by 3-4%. Improved trade links and better crop yields will help to close this gap and meet demand.

Soil productivity

Increasingly intensive farming methods have a direct impact on soil fertility. The loss of topsoil to erosion also contributes to a loss in soil nutrients, which leads to a decline in potential crop yield. Fertilizers play a vital role in replenishing nutrients lost to intensive agriculture and shorter fallow periods. It is widely acknowledged however, that a combination of improved management, advanced products and more precise application is required to drive better yields.

Food price volatility

Population expansion and economic growth are likely to push the cost of food up over the next decade, according to the FAO. With food producers also facing the challenges of energy price volatility and natural resource constraints, the use of new fertilizer compounds and technologies will deliver improvements in crop productivity.

Weather shocks

The past decade has seen the world's major food-producing regions experience an increasing number of extreme weather events. Such episodes have contributed to the volatility – and overall rise – in crop prices. An increase in the frequency or severity of weather-related occurrences will inevitably have an adverse effect upon agricultural productivity.

Changing diets

Changing dietary habits are a direct consequence of growing prosperity. The populations of relatively prosperous economies increasingly demand protein-rich foods such as red meat, poultry and dairy products, which are resource-intensive to produce. At the same time, the amount of food consumed in developed countries has also risen.

Crop substitution

With greenhouse gas reduction driving energy policies, the demand for biomass-based power sources is growing. This is prompting changes in land use trends and patterns of fertilizer demand.

The fertilizer industry

With our highly competitive cost base and the advent of potash as an additional high-value revenue stream in the near future, EuroChem has a clearly identifiable route to sustainable earnings growth over the next ten years.

Production in nutrient content (MMT pa)

	2010	2015	2020	10-year CAGR
N	2.2	**2.7**	2.8	2.5%
P_2O_5	1.1	**1.1**	1.2	0.6%
K_2O	0.1	**0.2**	2.4	37.5%
Total EuroChem[1]	**3.4**	**4.1**	**6.4**	**6.5%**
N	103.0	**110.1**	115.7	1.2%
P_2O_5	39.8	**40.6**	47.4	1.8%
K_2O	27.3	**31.9**	41.4	4.3%
Total world[2]	**170.1**	**182.6**	**204.5**	**1.9%**
EuroChem market share	**2.0%**	**2.2%**	**3.1%**	

[1] Without products for industrial use (urea, ammonium nitrate, LDAN), feed phosphates, carnallite.
[2] Production of fertilizers consumed in agriculture.
Sources: Company data, CRU, Fertecon, IFA.

Global nitrogen market (MMT pa)

	Ammonia capacity	Ammonia production	Ammonia trade balance
China	71.87	59.79	(0.39)
SE Asia ex China and India	18.79	13.46	(1.20)
Middle East	18.60	15.83	1.88
North America	17.74	15.99	(3.91)
Russia	15.08	14.68	3.50
Rest of the world	71.59	53.81	0.12
Total world	**213.68**	**173.55**	**0.00**

Sources: CRU December 2015, EuroChem estimates.

Global phosphate market (MMT pa, except Reserves)

	Reserves (P_2O_5) bn t	Phosphoric acid capacity, (P_2O_5)	MAP+DAP+TSP production, (P_2O_5)	MAP+DAP+TSP trade balance, (P_2O_5)
China	3.70	19.38	14.63	4.85
North America	1.18	8.82	4.87	0.87
Morocco and Western Sahara	50.00	5.64	1.86	1.61
Middle East	3.87	4.15	2.05	1.24
Africa, ex Morocco	4.60	3.49	0.45	(0.11)
Rest of the world	4.08	13.44	6.81	(8.46)
Total world	**67.42**	**54.91**	**30.67**	**0.00**

Sources: CRU January 2016, USGS January 2015.

Global potash market (MMT pa, except Reserves)

	Reserves (K_2O) bn t	Potash capacity, (K_2O)	Potash fertilizer production, (K_2O)	Potash fertilizer trade balance, (K_2O)
North America	1.30	20.31	10.67	4.85
China	0.21	7.12	5.17	(4.49)
Russia	0.60	6.68	6.42	4.97
Belarus	0.75	6.59	5.99	5.45
Western Europe	0.24	5.76	4.15	1.09
Rest of the world	0.37	6.77	4.73	(11.88)
Total world	**3.47**	**53.23**	**37.13**	**0.00**

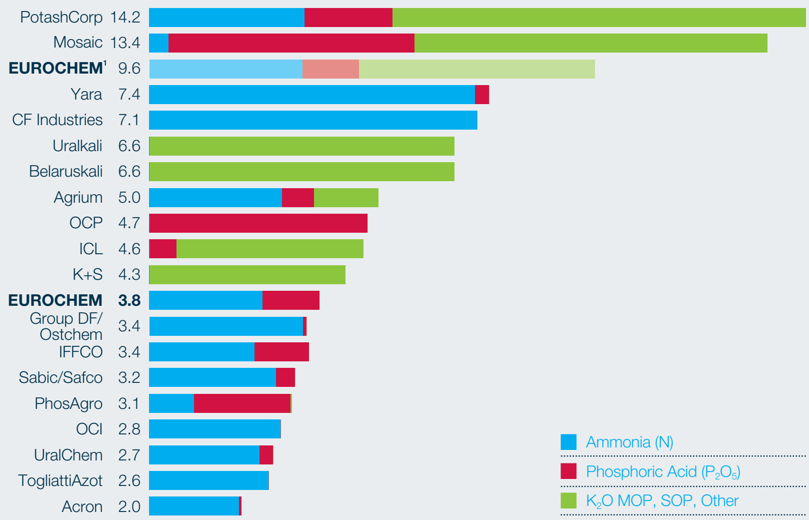
Sources: Fertecon, October 2015, USGS January 2015.
Note: Due to rounding, some figures may not exactly add up to the totals.

Our international peer group

In our peer group, we have access to the second largest potash and phosphate rock reserves and resources. The depth of our vertical integration also means our 'delivered to market' costs are particularly competitive in respect of urea and DAP.

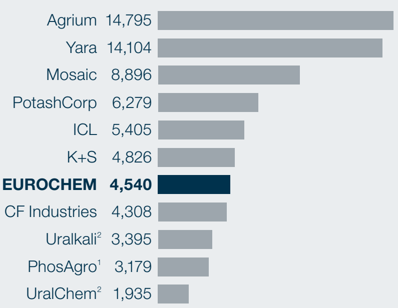
Industry-leading potash technologies and sophisticated logistics will deliver some of the world's most cost competitive capacity from our two greenfield projects.

Selected ranking by nutrient capacity (MMT pa)

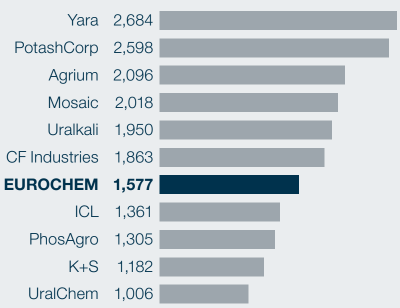


[1] Once Baltic ammonia and both potash projects are operational. Source: Company data, CRU, Fertecon, IFA.

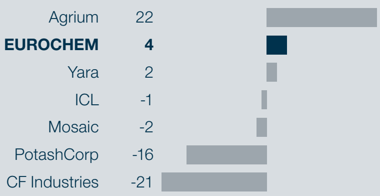
Sales (US$m)



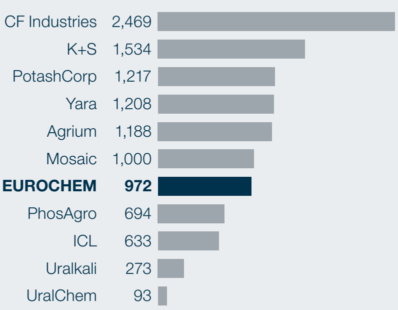
EBITDA (US$m)



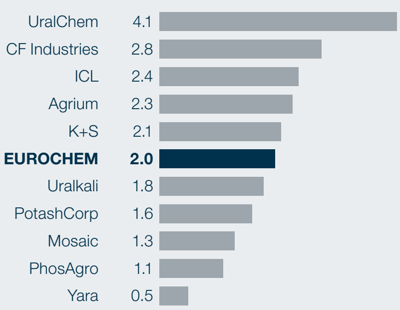
EBITDA change (US$, %)



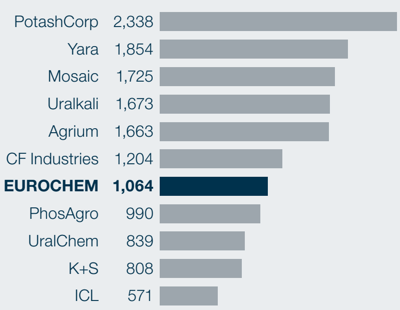
CAPEX (US$m)



Net debt/EBITDA (x)



Cash from operations (US$m)



Note: All amounts US$, for the 12-month period ended 31 December 2015, unless otherwise indicated.
[1] LTM (30.09.2015).
[2] LTM (30.06.2015).

Positive long-term supply/demand outlook

DEMAND

Megatrends
Population growth
Changing diets
Available arable land

INCREASING DEMAND

DECREASING DEMAND

Ethanol demand
Biotechnology
Agrotechnology

SUPPLY

Net capacity additions

New mineral fertilizer production capacity is being brought online at a rate outstripping the shutdown of inefficient capacity

INCREASING SUPPLY

DECREASING SUPPLY

Nitrogen capacity

- Large portion of nitrogen capacity is outdated and inefficient and would need to be gradually replaced
- Restructuring of Chinese nitrogen capacity (energy prioritization and environmental concerns)

Phosphates and Potash

- No substitute for phosphate rock (P_2O_5) and potash (KCl)
- Scarce and finite natural resources
- Economically viable reserves are limited and geographically concentrated

BALANCE

Leaders will build worldwide distribution networks and integrate multi-nutrient and specialty fertilizers

Leaders will replace obsolete capacity with efficient integrated chains fed by low costs resources

Leaders will combine access to scarce resources with optimal chemical processing

See how EuroChem is on track to become a clear leader

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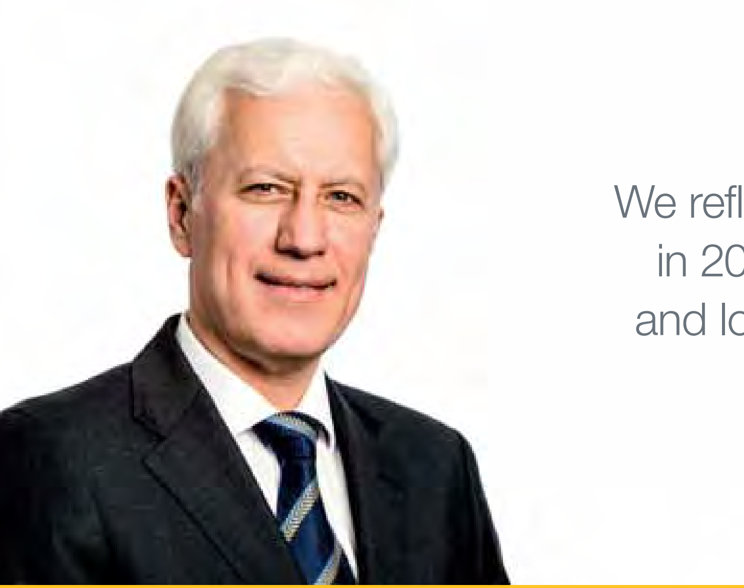
Building on success



We reflect on the Group's achievements in 2015 with particular satisfaction – and look forward to an exciting future.

"We have achieved much over the past 15 years, promoting best practices – both within the Group and in farming as a whole. While it is gratifying to reflect on how far we've come, we continually seek to refine our offering to address the challenge of sustainable practices."

Alexander Landia
Chairman

Against the backdrop of a growing global population, the pressure on arable land to produce increasing quantities of food is greater than ever. Fertilizers are essential to help satisfy this increasing demand and, as a leading global producer, our products play a vital part in helping farmers around the world improve their crop yields.

We reflect on the Group's achievements in 2015 with particular satisfaction – and look forward to an exciting future.

Last year we experienced falling commodity prices and short-term economic uncertainty across most of our markets. This uncertainty was mitigated for us by EuroChem's vertically integrated model with support from favorable currency shifts. Our margins remained healthy and we continued to invest in our operations.

Our vertically integrated model

The economic turmoil of 2015 highlighted the resilience of our business model, underpinned by a substantial reserves base and low-cost production, which enables us to create value along the entire production chain. The quality of our resources, our state-of-the-art facilities and technologies, sophisticated global logistics and the skill and expertise of our people are the foundations of our model's success.

Control of upstream resources takes us closer to self-sufficiency and enhances our global competitiveness. We know well the importance of securing access to low-cost raw materials and were proud to complete our first intra-group shipment of phosphate rock from Kazakhstan this year. At the opposite end of the chain, we acquired a distributor in the US to enhance our reach in this key agricultural market.

Investing for growth

Our roots are what ultimately make us sustainable. We are proud of the value EuroChem has built – and continues to create – through investment in production capacity, efficiency and crucially, innovation. In the last ten years alone we invested a total of US$7.3 billion in the Group. This decade of investment has given us a solid platform for further growth. As part of our strategy to improve our level of self-sufficiency through greater control over our raw material base, we made good progress with our two potash projects in Russia in the Perm and Volgograd regions. These are on schedule for start-up in 2017-18.

As a prime investment location for fertilizer plants, Russia is a very attractive proposition and we commenced construction of a high-tech ammonia plant in Kingisepp, due for completion at the end of 2018 by Maire Tecnimont. The project showcases the continued support from our banking relationships and Italy's export credit agency SACE, which together helped deliver a landmark facility for the Group with EUR 557 million of project finance.

In addition to investing in our raw materials capacity, we continue to enhance our position at the heart of the evolving fertilizer industry. In January 2016 we announced equity investment and marketing, distribution, sales and R&D collaborations with Agrinos, a global leader in biological crop nutrition products. These actions will help us expand our portfolio with innovative specialty products and environmentally friendly crop-enhancing solutions. This is our first foray into advanced scientific applications and indicative of the way forward for EuroChem as we evolve in line with our customers' requirements.

Corporate structure and governance

Our new corporate structure is our springboard to future growth and this is the first time we are reporting a full 12 months as EuroChem Group AG, following the establishment of the Swiss holding company in summer 2014.

The reorganization was designed to allow the business to grow globally, with a view to ensuring that our investments in Russia – which are perhaps the largest industrial investments outside of the oil and gas space – remain sustainable over the long term. While EuroChem's international workforce now comprises of 23,407 people, of whom over 1,600 are within the EU, we remain proud of our origins – and of the importance of our activities to many of the regions in which we operate. This is especially true in certain Russian towns and cities, where many of our assets – acquired over the years – form the economic backbone of entire regions, with generations of families having contributed to EuroChem's success today. Our global aspirations, underpinned by our dynamic growth and ambitious strategy, cemented our ability to attract and retain top talent as we moved our headquarters to Switzerland. The internationalization of the Group and our quest for global expertise is well reflected in the more than 34 nationalities working within EuroChem.

Our Board is now constituted in line with Swiss law. While there were no changes to its composition, Nicholas Page joined the Audit Committee at the end of the year. We are fortunate to have such a depth of extensive industry expertise and international experience in our Boardroom. I extend my thanks to my fellow Directors for their wise counsel in a busy year – and to our senior management team for their hard work.

Building a sustainable business

We have achieved a lot over the past 15 years, promoting best practices – both within the Group and in farming as a whole. While it is gratifying to reflect on how far we've come, we continually seek to refine our offering to address the challenge of sustainable practices. During the year we continued to invest in our people and the development of a pipeline of emerging talent within EuroChem. We are also committed to embedding sustainable practices across all aspects of our business, whether through recycling, waste and emissions reduction or enhanced energy efficiency.

With support from best-in-class advisors, we continued our implementation of new systems and behaviors throughout EuroChem and will extend this activity across the business in the coming year. In 2015, EuroChem's Integrated Management System was recertified in accordance with ISO9001 (Quality), OHSAS 18001 (Health & Safety) and ISO 14001 (Environment) requirements, which encapsulates our commitment to ensuring continual QHSE performance improvement.

These steps – and our ongoing efforts to implement safe working practices – help drive us closer to our stated ambition of becoming a safety exemplar. It was therefore deeply regrettable that we experienced three fatalities in 2015. This distressing loss of life only reinforces our determination to create a safe working environment for all our people.

To ensure our strategic goals are achieved, we have begun implementing a Quality Management Project, which will transform management procedures and decisions into agile and best-in-class processes, supported by proprietary IT systems.

Looking ahead

Fertilizers have a key part to play in the development of sustainable agricultural practices. At EuroChem we take a holistic view – both of our own business and of the role we play at a global level. Regardless of economic volatility and the vagaries of the agrochemical sector, our simple mission remains to help farmers increase production and productivity. The combination of our prized Russian asset base and our international growth ambitions mean we are well placed to rise to this challenge in the years ahead.

Driving cost competitiveness

We delivered another year of good performance in 2015, utilizing our strengths and flexibility to navigate the year's more challenging market backdrop.

"EuroChem is well positioned to respond to today's more challenging market conditions. Our low-cost, high-quality resource base – coupled with our strong market presence – sharpens our competitive edge. It also provides us with operational flexibility and ensures security of supply to our customers."

Dmitry Strezhnev
Chief Executive Officer

We continued to invest in our mining, manufacturing and distribution operations, all of which contribute to the strengthening of our vertically integrated business model.

EuroChem's strategy for growth is based on this flexible and efficient model. With secured access to low-cost natural resources and production bases, supported by wholly-owned logistics and distribution assets, we maintain tight control of our costs and respond quickly to market variations.

Market conditions remained challenging in 2015. Our consolidated sales for the year were US$4.54 billion, down 11% on 2014. This was principally a consequence of the lower pricing environment across the Group's business, despite a slight increase in sales volumes. Nevertheless, full-year EBITDA rose 4% to US$1.58 billion as favorable currency movements continued to mitigate the effects of lower prices. Despite the year's deteriorating market backdrop, our EBITDA margin for the year grew to 35%, compared to 30% in 2014.

Now headquartered in Switzerland, the Group continued to reinforce its foothold in Europe. Underpinned by our extensive and robust network of banking relationships, we achieved a significant milestone with our first-ever European fundraising exercise with a club of European banks at the level of EuroChem Antwerpen.

Sales growth

Our efficient distribution platform helped maintain strong sales in Europe and Russia, which accounted for 38% and 20% of total sales respectively. Sales to the CIS rose 13%, boosted by our growing distribution business.

We sold 10.8 million tonnes (MMT) of fertilizer products in the year, an improvement of 2% against our 2014 sales. Additionally, the expansion of operations at our Kovdorskiy GOK mine, where we launched a new apatite-staffelite ore processing plant, allowed us to ship 5.6 MMT of iron ore. The past year also saw Kovdorskiy GOK celebrate the production of its 600 millionth tonne of ore – testimony to the knowledge, experience and commitment of all our employees at this location.

Our acquisition of the US-based Ben-Trei Fertilizer Company helped boost North American sales at the end of the year by 5%, with the region accounting for 12% of sales in 2015. Proximity to customers is a key strategic aim for EuroChem; with its extensive customer base and strategically located assets, Ben-Trei presents valuable opportunities for us in this key market, providing improved access to our complete product range for US customers.

Towards vertical integration

Achieving cost leadership through vertical integration is a cornerstone of our strategy and we made good progress on all our key projects in 2015.

The procurement of phosphate rock is a key strategic element in our drive towards self-sufficiency. With production and intra-Group deliveries now underway from our mining project in Kazakhstan, we have taken a major step towards closing the raw material gap in phosphates.

In April we completed the acquisition of OJSC Astrakhan Oil and Gas Company, which reinforces our nitrogen integration. With natural gas accounting for a significant part of ammonia production costs, access to a low-cost supply provides us with a considerable competitive advantage in the production of nitrogen-based fertilizers.

In September we commenced construction of a new state-of-the-art ammonia production facility in Kingisepp. With an annual capacity of 1 million tonnes, this investment also aligns with our drive towards self-sufficiency in raw materials. Expected online in 2018, the project has been independently recognized for its safety, environmental and social impact and will make a significant contribution to the reliability and efficiency of our fertilizer production.

On a smaller scale, yet also capable of pushing us to new milestones, the start of the newly upgraded 1B ammonia unit helped us set a new annual ammonia production record of 3 MMT, boosting the plant's annual output by 19%.

We continued to see good progress at our greenfield potash projects, which are key components of our organic growth strategy.

With the sinking and equipping of both shafts completed, visible progress was achieved above ground at our Usolskiy site in Russia's Perm region. Construction activity accelerated in the second half of the year with the appointment of a contractor for the mine's future mill. The site is expected to start production in the end of 2017.

Our VolgaKaliy potash project continued to move toward commissioning within the next 24 months. Showcasing our technical abilities, the site's teams pushed skip shaft #1 to the potash salt layer and work began on the horizontal development of the shaft at a depth of 1,080 meters. Not too far behind, skip shaft #2 passed the lowest water bearing level and exited the freeze wall, ending the year at a depth of 880 meters. At the cage shaft, an assessment and survey identified the path of the manageable water inflow that occurred in the second half of the year. An intensive grouting program was undertaken, while plans were devised to utilize skip shaft #2 as a viable alternative for mine start-up – allowing the project to remain on schedule.

Mining, processing and construction are hazardous activities, but all our employees should expect to return home safely from work. However, despite our ongoing focus on all aspects of workplace safety, there were three fatalities in 2015. We deeply regret this tragic loss of life – and I extend my sincere condolences to the families and friends of those who died. Continuous improvement our safety systems, practices and programs remains a priority for EuroChem in the year ahead.

Innovation

We continually seek to improve and extend our range of value-added fertilizer products. Our recently announced partnership with Agrinos AS aligns perfectly with this ambition and will enable us to significantly enhance our product portfolio. Combining our traditional strengths in mineral-based products with innovative microbial and specialty nutrient technologies will help us create effective new crop-enhancing solutions.

During the year EuroChem became the first company in Russia to commence production of aqueous urea solution – 'AdBlue®' – a fuel additive used to reduce emissions of oxides of nitrogen from diesel exhausts. Demand in the CIS has tripled in the last three years and this market is poised for considerable growth. Our Novomoskovskiy plant will produce 100,000 tonnes per year, with potential demand in Russia approaching 240,000 tonnes per year.

Outlook

As we started 2016, demand across global fertilizer markets remained flat, with the expectation of continued short-term pressure on pricing. However, despite a large inventory build-up across the agricultural chain we expect demand to gradually improve, albeit slowly, as the year progresses.

New acquisitions and recent investments have extended our reach and secured our footing. Our low-cost, high-quality resource base – coupled with a strong market presence – provides us with operational flexibility and ensures security of supply to our customers. I am therefore confident that EuroChem is well positioned for the future.

Maintaining strategic discipline

01 Cost leadership through vertical integration

Strategic priorities

- Target self-sufficiency (ammonia, phosphate rock, potash)
- Enhance cash cost position and reduce risk/volatility of earnings

Associated risks

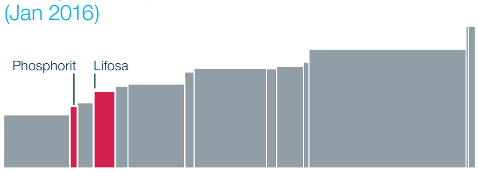
- Shrinking natural gas cost differential between Russia and Europe/US
- Vertical integration results in higher operating leverage which may be detrimental to cost position in a period of prolonged market deterioration
- New capacity, especially ammonia, in other low-cost regions

Performance/KPIs

Our competitiveness depends on the cost of delivering products to key markets and their quality. Our cost and quality advantages are driven by the ownership and control we have over the manufacturing and distributing of our products – the very essence of our vertically integrated business model. (See charts below and pages 24, 28).

Global urea export cost curve
(Jan 2016)

DAP global export cost curve
(Jan 2016)



Targets for 2016

- Increase intra-group shipments of phosphate rock from Kazakhstan operations
- Improve existing production efficiency in natural gas
- Progress with construction of new ammonia capacity

02 Growth through potash

Strategic priorities

- Build leading low-cost potash production by the end of 2017
- Maximize internal processing of potash for NPK, NK, SOP production

Associated risks

- Technical risks relating to the construction of potash mines
- Commercial risks

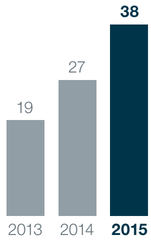
Performance/KPIs

We have secured access to over ten billion tonnes of proven and probable potash reserves. With initial production set to commence from late 2017, our two key sites will have over 8.3 MMT KCl (5.0 MMT K_2O) of capacity once fully ramped up, which is equivalent to approximately 10% of current global supply. We derive our completion rate from capital expenditures incurred at each project.

The completion rates provided below represent the percentage of planned first phase total capital expenditure.

VolgaKaliy
(%)

Usolskiy
(%)



Note: Based on budget for all items, including associated social infrastructure

Targets for 2016

- Reach upper potash salt layer and begin horizontal development in hard rock layer (VolgaKaliy, skip shaft 2)
- Finalize potash market entry strategy and positioning
- Configure potash product storage at ports (Tuapse, Ust-Luga, Murmansk)
- Test runs on the entire 46 km rail logistics system, including main line, depot, and stations (Usolskiy)
- Begin underground development, place mining machines underground (Usolskiy)
- Resume sinking of VolgaKaliy cage shaft

In this section, we highlight the four key pillars of our strategy and provide an overview of our main priorities and risks. We measure our progress on several levels and present the major indicators against which we review our performance.

03 Value-added product range

Strategic priorities

- Maximize specialty products and emphasize the de-commoditization of the Group's fertilizer product portfolio
- Expand industrial portfolio
- Develop bio-fertilizers/stimulants

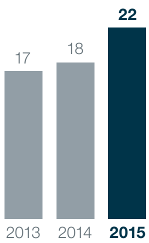
Associated risks

- Cost of de-commoditization
- Need for high-quality distribution platform

Performance/KPIs

EuroChem's ability to tailor products to specific crops and soils is both cost effective for our customers and encourages sustainable agriculture practices by providing optimal nutrition with minimal application. We plan on further expanding EuroChem's product portfolio, which already includes advanced products such as ENTEC and UTEC, with innovative specialty products and environmentally friendly crop enhancing solutions. One of the key signposts we follow is the progression of premium product sales.

Premium product sales
(% of Group sales)



Targets for 2016

- Add new capacity for higher value/lower gas content products
- Introduce bio-fertilizers/stimulants in product offering

04 Proximity to customers

Strategic priorities

- Proximity to customers in key home markets via distribution allows EuroChem to sell at a premium and exploit seasonality patterns
- Brings valuable market knowledge from direct end-user contact

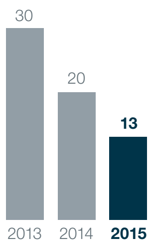
Associated risks

- Cost of developing high-quality distribution platform
- Increased credit and currency risks

Performance/KPIs

The development of our distribution capacity has enabled us to move closer to the farmers who trust and rely on EuroChem for quality fertilizer products. Developing end-user relationships has become a key consideration as we seek to further align our business in terms of support, services and product development. We measure our success by tracking the proportion of Group sales to commodity traders.

Sales to traders
(% of Group volumes)

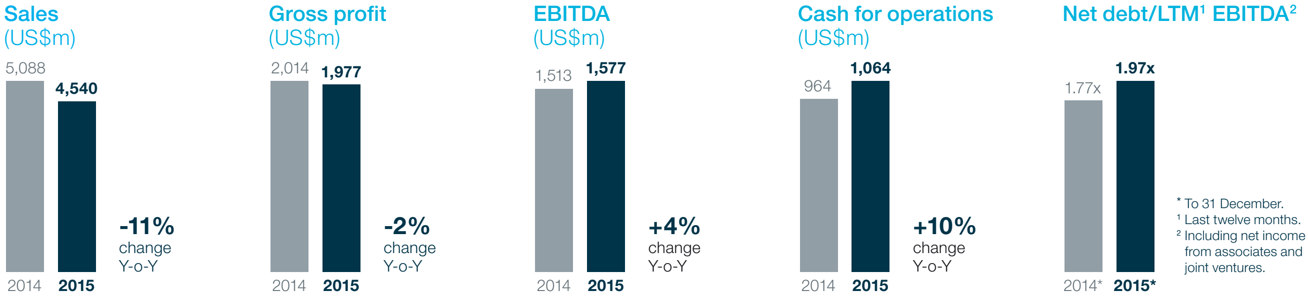


Targets for 2016

- Enhance distribution in core markets
- Maintain sales volumes to traders below 15% of total sales volumes

Group performance

Financial highlights for 2015



Sales

EuroChem Group AG consolidated sales for the twelve months ended 31 December 2015 amounted to US$4.54 billion, as compared to US$5.09 billion in 2014. Despite additional sales volumes, the decline in sales followed the significant deterioration in fertilizer prices with urea, AN, and DAP each falling 14%, 21% and 2% year-on-year from their respective 2014 averages. With an average price of US$56/tonne, iron ore was down 44% year-on-year and contributed considerably less to Group sales than over the same period last year.

Total sales

US$m	2015	2014	% change Y-o-Y
Nitrogen	1,919	2,322	(17%)
Phosphates	1,937	2,185	(11%)
Potash	–	–	n/a
Distribution	2,384	2,315	3%
Other	637	940	(32%)
Elimination	(2,336)	(2,675)	n/a
Total	**4,540**	**5,088**	**(11%)**

> "Our advanced, cost-efficient and flexible production capacity is underpinned by abundant, world-class reserves. We also have logistics and distribution assets that provide us with economies of scale, enhancing our cost competitiveness."

Dmitry Strezhnev
Chief Executive Officer

EBITDA

While the continued appreciation of the US$ sustained pressure on global commodity prices, it also delivered significant cost relief on the Group's Russian operations. As in prior periods, the rate of the rouble devaluation outpaced – and compensated for – the loss of sales from lower product prices. Despite the end of the year's weaker market backdrop, the Group's EBITDA for the year increased 4% year-on-year to US$1.58 billion, generating EBITDA margin of 35% for the year.

For the year ended 31 December 2015, the bulk of the Group's sales were nominally denominated in US$ and EUR, which accounted for 45% and 29% of total sales respectively (2014: 47% and 27%). Russian rouble sales declined 13% and represented 19% of the Group's sales for 2015. In terms of the economic substance, the Group views its sales as predominantly denominated in US dollars even where nominally this may not be the case.

The Group estimates that 46% of total cash operating costs (including transportation) for the January to December period were incurred in Russian roubles.

EBITDA

US$m	2015	2014	% change Y-o-Y
Nitrogen	867	865	–
Phosphates	540	477	13%
Potash	(16)	(32)	n/a
Distribution	97	90	7%
Other	131	144	(9%)
Elimination	(41)	(32)	n/a
Total	**1,577**	**1,513**	**4%**

Key product prices

Average market prices (US$/tonne)	2015	2014	% change Y-o-Y	Last 12 months High	Last 12 months Low
Ammonia (FOB Yuzhny)	US$387	US$496	(22%)	US$449	US$282
Prilled urea (FOB Yuzhny)	US$272	US$318	(14%)	US$324	US$238
AN (FOB Black Sea)	US$222	US$281	(21%)	US$286	US$188
MAP (FOB Baltic)	US$459	US$470	(2%)	US$489	US$384
MOP (FOB Baltic, spot)	US$288	US$287	–	US$300	US$267
Iron ore (CFR China)	US$56	US$99	(44%)	US$71	US$38

Averages are derived from weekly prices.

Geography of sales

The share of sales from Europe and Russia remained stable year-on-year, accounting for 38% and 20% of total sales, respectively.

The acquisition of the Ben-Trei fertilizer distribution assets in the fourth quarter of the year supported a 5% increase in North American sales, with the region accounting for 12% of 2015 sales (2014: 10%).

The Asia Pacific region accounted for 12% of sales in 2015 (2014: 14%). Sales from the region declined 22% year-on-year as local currency weakness, additional capacity and more competitive exports from China contributed to a lacklustre market backdrop.

Geography of sales

	2015	2014	Percentage point change
Europe	38%	38%	–
Russia	20%	20%	–
Asia Pacific	12%	14%	(2)
North America	12%	10%	2
Latin America	8%	10%	(2)
CIS (excl. Russia)	8%	6%	2
Africa	2%	2%	–

Latin American sales declined 2 percentage points to represent 8% of our 2015 sales. Demand in Brazil, the main regional market, remained hindered by credit issues and the depreciation of the Real against the US dollar. Sales from the region declined 25% year-on-year.

Showing a 13% year-on-year increase, sales to CIS countries (excl. Russia) accounted for 8% of our 2015 sales (2014: 6%) as supply disruptions in Ukraine supported regional prices and demand for imported product.

Note: Figures may not recalculate exactly due to rounding. Percentage changes are calculated based on whole numbers, not the rounded numbers presented. Unless otherwise stated, all comparisons relate to the corresponding period in the previous year.

Group performance
continued

Cost of sales

Our cost base continued to benefit from the appreciation of the US dollar against most currencies, including the Russian rouble and euro. Excluding the cost of goods for resale, the Group's full-year cost of sales decreased 21% to US$2.17 billion, as compared to US$2.74 billion for the twelve-month period ended 31 December 2014. Raw material sourcing, which accounted for 55% of our cost of sales, declined 15% year-on-year from US$1.41 billion in 2014 to US$1.21 billion. While the depreciation of the rouble generated a sizeable portion of the savings, organic developments, such as a 7% increase in ammonia production and the start of phosphate rock deliveries from our mining operations in Kazakhstan, delivered further positive contributions.

Energy costs accounted for 6% of total costs (2014: 7%) and amounted to US$145 million, 35% less than the US$222 million spent in 2014. The saving was primarily the result of a 37% decline in the average dollar-rouble exchange rate and its effect on the rouble portion of energy costs.

Full-year labor costs, including contributions to social funds, declined 25% to US$232 million, as compared to US$309 million a year earlier. Representing 9% of the Group's total cost of sales, the share of labor costs within our cost structure remained flat year-on-year. Group-wide staff costs for the twelve months ended 31 December 2015 amounted to US$375 million, 23% lower than the US$487 million in 2014. Over the same period, our total permanent headcount increased from 22,468 to more than 23,400.

Difficult trading conditions in the fourth quarter eroded contributions from our distribution of third-party products. For 2015, we generated a gross profit of US$24 million on third-party sales of US$590 million. Nearly 60% of the 2.13 MMT of third-party products sold consisted of ammonium sulfate, while sales of urea and NPK together represented approximately 26% of volumes sold.

Cost of sales structure

	2015		2014		
	US$m	**% of total**	US$m	% of total	% change Y-o-Y
Materials and components	**1,922**	**75%**	2,010	65%	(4%)
Labor	**232**	**9%**	309	10%	(25%)
Energy	**145**	**6%**	222	7%	(35%)
Depreciation of plants and equipment	**175**	**7%**	219	7%	(20%)
Utilities and fuel	**75**	**3%**	123	4%	(39%)
Changes in work in progress and finished goods	**(175)**	**(7%)**	(50)	(2%)	247%
Other costs	**190**	**7%**	241	8%	(21%)
Total	**2,563**		**3,074**		**(17%)**

Structure of materials and components

	2015		2014		
	US$m	**% of total**	US$m	% of total	% change Y-o-Y
Natural gas	**287**	**15%**	441	22%	(35%)
Sulphur	**94**	**5%**	79	4%	20%
Apatite	**262**	**14%**	260	13%	1%
Potassium chloride	**65**	**3%**	68	3%	(3%)
Ammonia	**339**	**18%**	413	21%	(18%)
Goods for resale	**566**	**29%**	387	19%	46%
Other	**309**	**16%**	363	18%	(15%)
Total	**1,922**		**2,010**		**(4%)**

Distribution, general and administrative expenses

	2015		2014		
	US$m	**% of total**	US$m	% of total	% change Y-o-Y
Transportation	**436**	**77%**	521	75%	(16%)
Export duties	**2**	**–**	2	–	17%
Other distribution costs	**128**	**23%**	170	25%	(25%)
Subtotal distribution	**566**		**694**		**(18%)**
Labor	**86**	**51%**	108	50%	(21%)
Audit, consulting and legal	**25**	**15%**	25	12%	0%
Provision for impairment of receivables	**2**	**1%**	7	3%	(76%)
Other G&A expenses	**55**	**33%**	75	35%	(27%)
Subtotal G&A	**168**		**216**		**(22%)**
Sponsorships	**12**		18	–	(31%)
Foreign exchange (gain)/loss	**(53)**		(120)	–	n/a
Other operating (income)/expenses, net	**(31)**		(53)	–	n/a
Subtotal other net operating (income)/expenses	**(72)**		**(156)**		**(54%)**

Below the operating profit line, we recognized unrealized financial foreign exchange losses of US$213 million (2014: US$1,067 million) and US$49 million (2014: US$528 million), primarily in unrealized financial losses from currency forwards and swaps which economically convert the Group's RUB-denominated borrowings into USD. Our participation in associates and joint ventures also contributed US$24 million in 2015. Management believes that foreign exchange gains and losses below the operating profit level should be excluded from the analysis of the Group's underlying performance.

Balance sheet

As at 31 December 2015, the Group had a total gross covenant debt of US$3.50 billion, of which 98% was effectively (inclusive of the related derivatives) US dollar-denominated and 2% was denominated in roubles. Last 12-month rolling EBITDA, including associates, of US$1.58 billion on net covenant debt of US$3.11 billion yielded a net debt to EBITDA ratio of 1.97x (2014: 1.77x).

As at 31 December 2015, net working capital had increased 10% from US$706 million to US$778 million on the back of higher inventories.

In the fourth quarter of 2015, S&P assigned EuroChem Group AG a 'BB' rating with a Stable outlook and affirmed Russia-based JSC MCC EuroChem at 'BB' with a Stable outlook. These ratings are underpinned by the Group's high degree of self-sufficiency in raw materials, strong market presence in Europe and Russia, product diversification, and commitment to maintaining a moderate financial policy. In January 2016, Fitch affirmed the Group's rating at BB and revised the outlook to Negative in light of the deteriorating fertilizer market backdrop.

Operating profit

	2015 US$m/%	2014 US$m/%	% change Y-o-Y
Operating profit	**1,314**	1,260	4%
Sales	**4,540**	5,088	(11%)
Operating profit margin	**29%**	25%	4 p.p.
EBITDA margin	**35%**	30%	5 p.p.

Working capital

	2015 US$m	2014 US$m	% change Y-o-Y
Inventories	**675**	556	21%
Incl. finished goods	**380**	260	46%
Trade receivables	**308**	340	(9%)
Other receivables and current assets	**256**	261	(2%)
Subtotal	**1,239**	**1,156**	**7%**
Trade payables	**187**	199	(6%)
Other accounts payable and current liabilities	**274**	251	9%
Subtotal	**461**	**450**	**2%**
Net working capital	**778**	706	
Finished goods, days	**54**	31	
Trade debtors, days	**25**	24	
Trade creditors, days	**27**	24	

Group performance
continued

Project finance
On 22 December 2015, the Group's EuroChem Northwest subsidiary signed a loan agreement with a club of banks for project financing of an ammonia project in Russia. The facility is structured as a non-recourse EUR 557 million 13.5-year project finance facility and benefits from insurance cover provided by the Italian Export Credit Agency SACE for the project's political and commercial risks.

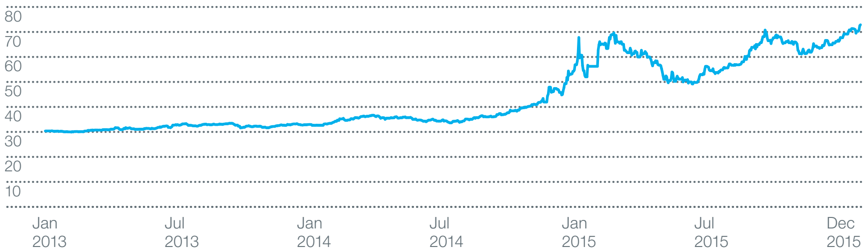
In 2014, the Group secured its debut project finance facility for the Usolskiy potash project in Russia's Perm region. As at 31 December 2015, the Group had utilized an aggregate US$278 million from the US$750 million non-recourse facility.

Cash flow
We generated US$1.06 billion in operating cash flow during the January to December period, which was 10% higher than the US$964 million achieved in 2014, despite significantly weaker fourth quarter metrics.

Capital expenditure

	2015	2014	2013
	US$m	US$m	US$m
Nitrogen	**271**	340	326
Phosphates	**212**	282	270
Potash	**446**	439	388
Other	**40**	46	18
Total	**969**	**1,108**	**1,002**

Currency (Rouble/US$)



Capital expenditure (CAPEX) spending for the 12-month period ended 31 December 2015, amounted to US$969 million, 13% behind the US$1.11 billion spent in the same period a year ago. With three large-scale projects in Russia, including the Usolskiy and VolgaKaliy potash projects and the Northwest ammonia project, the Group's CAPEX is largely skewed to the Russian rouble. It is therefore subject to exchange rate variations with a strengthening of the US dollar contributing to lower total costs.

We invested US$212 million in our phosphates operations. As reported earlier, a new apatite-staffelite ore processing plant was commissioned at Kovdorskiy GOK in 2015. The plant is designed to increase Kovdorskiy's output by 948 KMT of apatite concentrate and 130 KMT of iron ore concentrate per year once fully ramped-up in 2017. A major milestone was passed with the start of intra-group shipments of ground phosphate rock from Kazakhstan, where we are developing a phosphate rock deposit. As of 31 December 2015, EuroChem-Belorechenskie Minudobrenia (BMU) had already received over 47 KMT of ore from our operations in the Araltobe deposit.

The Group's nitrogen operations received US$271 million in CAPEX during the year. One of the key projects completed this year was the construction of a low-density ammonium nitrate (LDAN) production unit at our Novomoskovskiy Azot facility.

We allocated US$446 million to our potash projects in 2015.

Increased cost competitiveness
As for most commodity products, while transaction currencies can vary, fertilizer prices are ultimately dollar-based. As a result, currency devaluations against the US dollar can provide producers with an additional competitive edge. With a significant portion of its cost base in Russia, including raw materials, production and logistics, EuroChem has seen its profitability considerably expand as a result of currency shifts. Additionally, the RUB/US$ dynamics significantly enhance the economics of investment projects in Russia, whether in terms of capital costs or operating costs.

Corporate developments
In October 2015, as part of our strategy to expand the Group's presence in the US market, we completed the acquisition of a 100% interest in Ben-Trei Fertilizer Company (Ben-Trei). Founded in 1987 and based in Tulsa, Oklahoma, Ben-Trei distributes a variety of dry fertilizer and feed products, primarily via truck and rail transport. It has built a strong presence in the country's key agricultural regions, from Texas and the Louisiana delta in the South, across the Corn Belt in the Midwest and west to California. In fiscal year 2015 Ben-Trei supplied over 1 million short tons of product to more than 530 customers.

In December 2015 we announced our intention to enter into multi-year marketing, distribution & sales, research & development and equity investment agreements with Agrinos AS, a global leader in biological crop nutrition products. These investments will enhance our product portfolio with innovative specialty products and environmentally friendly crop enhancing solutions. The agreements were signed in January 2016.

From January 2015, the Group's business is conducted by five operating divisions aggregated in five reportable segments identified as Oil & Gas, Mining, Fertilizers, Logistics, and Sales. The Group also presents its results based on the following product groups: Nitrogen, Phosphates, Potash, and Distribution. We believe that providing information under such groupings offers better comparability with the results of fertilizer industry peers. The Group presents both reporting approaches in its financial accounts.

Nitrogen — includes the production and sale of nitrogen mineral fertilizers and organic synthesis products and the extraction of hydrocarbons (natural gas and gas condensate). More information can be found on pages 22-25.

Phosphates — includes the production and sale of phosphate mineral fertilizers, including raw material mining (phosphate rock, iron ore, baddeleyite). EuroChem mines and processes high-quality phosphate rock used for the production of MAP, DAP, NP and a range of complex fertilizers and feed phosphate products. More information can be found on pages 26-29.

Potash — currently represents the development of potassium salts (potash) deposits. More information can be found on pages 30-33.

Distribution — the Group's distribution segment is comprised of retail sales of EuroChem fertilizers, as well as third-party lines such as ammonium sulfate (AS), seeds and crop protection products, via the Group's global distribution network. More information can be found on pages 34-37.

Selected events of 2015

January 2016

Agrinos AS and EuroChem Group AG
enter into Distribution & Sales, Research & Development, and Equity Investment Agreements.

European funding
EuroChem Antwerpen signs EUR 200 million, 5-year loan facility with a club of European banks.

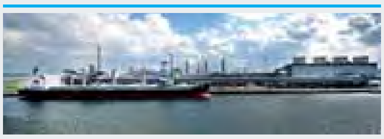
First deliveries of phosphate rock
from Kazakhstan to EuroChem BMU (50 KMT delivered in 2015).

Start of construction of new ammonia plant in Kingisepp
with a design capacity of 1 MMT pa. All Engineering, Procurement and Construction (EPC, Tecnimont) work is expected to be completed within 36 months.

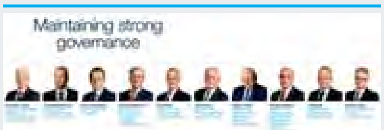
Ammonia project finance
Non-recourse EUR 557 million loan agreement with a club of banks for SACE-covered project financing for Northwest ammonia project in Russia.

bentrei Ltd

US distribution
Acquisition of Ben-Trei Fertilizer Company, a 1 MMTpa US-based fertilizer distributor.

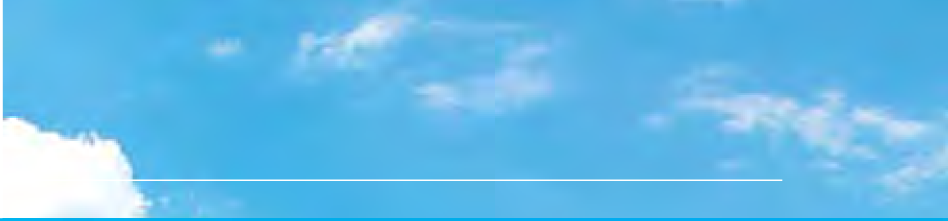


US$750 million pre-export
finance facility with a club of leading international banks.



EuroChem Group AG Forms Board of Directors
Final step in corporate reorganization, see pages 48-49.

January 2015



N Nitrogen

2015 market backdrop

2015 was a relatively flat year, with the supply of nitrogen fertilizers outstripping demand and prices collapsing in the second half. The year started slowly, with inventory accumulating in key markets and the appreciation of the US dollar hindering buyers' purchasing power. Demand returned in the second quarter and there was a brief price rise. Towards the middle of the year there were mixed pricing trends, as seasonal demand increased in some markets and supply tightened in others.

The first of an anticipated 10 MMT tonnes of new urea capacity came online as new plants ramped up in the third quarter and soft commodity prices remained depressed by expectations of a strong harvest. Despite strong domestic demand early in the year, declining costs pushed Chinese urea exports up, which put additional pressure on global prices. In Brazil, currency and credit issues adversely affected demand against a soft commodity backdrop.

Supply demand dynamics

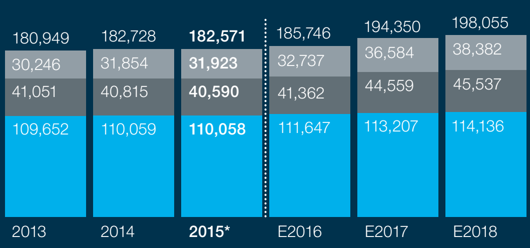
According to preliminary data from the International Fertilizer Association (IFA), global nitrogen fertilizer sales remained unchanged year-on-year at an estimated 110.1 MMT of nutrient (N) in 2015. Within regional markets, demand was noticeably lower in Latin America, which declined 4.9% as compared to 2014, and amounted to 7.7 MMT (N). The Middle East saw a 2.3% decline in demand, which decreased to 2.9 MMT of N, while the North American market slipped 1.0% to 14.3 MMT (N).

Mitigating the lower demand trends, consumption of nitrogen fertilizers increased in the CIS and Baltics, where N demand grew 4.0% to 4.6 MMT (N). Further growth was seen in Africa, up 2.5% to 3.2 MMT (N), and Western and Central Europe which added 1.1% year-on-year for a total of 11.5 MMT of N. Accounting for 60% of global demand, Asia, including Oceania, remained the largest N market with consumption increasing +0.3% to 65.9 MMT (N).

Global ammonia capacity increased by 2.8%, or 6.1 MMT, to reach 221.0 MMT of NH_3, while an additional 5% of urea capacity was brought online, bringing global capacity to 218.0 MMT, again, according to IFA.

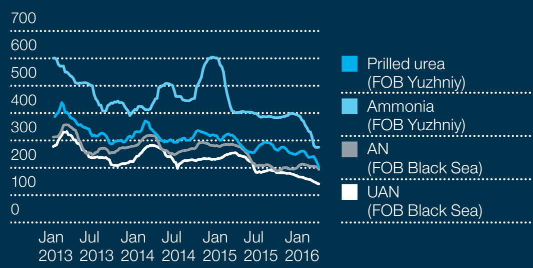
China dominated global fertilizer exports as its government abandoned the dual export tax system used to curb exports during peak domestic season in favor of a year-round flat export tax per tonne of urea. Buoyed by lower input costs, China accounted for approximately 30% of global urea trade with record-setting exports of 13.8 MMT in 2015.

Fertilizer consumption (KMT nutrients)



Source: IFA, CRU, Fertecon *Preliminary data

Key Nitrogen product prices (US$/tonne)



Average market prices (US$/tonne)	2015	2014	% change Y-o-Y	Last 12 months High	Last 12 months Low
Ammonia (FOB Yuzhny)	**US$387**	US$496	(22%)	US$449	US$282
Prilled urea (FOB Yuzhny)	**US$272**	US$318	(14%)	US$324	US$238
AN (FOB Black Sea)	**US$222**	US$281	(21%)	US$286	US$188

01 Novomoskovskiy Azot

Capacity by product (KMT pa)

1,844	Ammonia
1,177	Urea (granular)
445	Urea (prilled)
1,981	AN
458	UAN
437	CAN

02 Nevinnomysskiy Azot

Capacity by product (KMT pa)

1,330	Ammonia
991	Urea (prilled)
1,417	AN
1,025	UAN
463	NPK
55	Melamine

03 EuroChem Antwerpen

Capacity by product (KMT pa)

1,250	NPK
854	CAN
293	AN

04 Severneft

Capacity by product (KMT pa)

1.1	Natural gas (billion m³)
220	Gas condensate (KMT pa)
Proven and probable reserves	
50	Natural gas (billion m³)
32	Oil (KMT pa)

All capacity figures are provided according to total nameplate capacity and do not reflect operational capabilities or annual production plans.

Nitrogen products

We produce a broad range of mineral fertilizers including urea, AN, UAN, CAN as well as a range of regular and tailored complex NPK grades. We are Russia's only producer of melamine and of diesel additive AdBlue®. We continue to enhance our offering, moving towards the production of more slow-release, non-chloride, inhibitor-treated fertilizers. These delay the conversion of urea into ammonium, thus leaving more nitrogen in the soil for crops to absorb and requiring the application of smaller quantities by farmers.

We also produce a wide range of industrial products

Industrial products: 2015 key figures

Total sales volume	976 KMT
Total sales	US$339M

Wood based industry
- Melamine • Methanol • Urea

Base organic chemistry
- Acetic acid • Vinyl acetate • Butyl acetate
- Methyl acetate • Acetaldehyde • Butanol
- Nitric acid

Explosives
- High density ammonium nitrate
- Low density ammonium nitrate

Water treatment, deicing agents and industrial gases
- Caustic soda • Calcium chloride
- Hydrochloric acid • Hypochlorite • Argon
- Carbon dioxide • AdBlue®

N Nitrogen
continued

2015 Nitrogen performance

Full-year nitrogen sales volumes amounted to 6.91 MMT, 2% higher than sales of 6.75 MMT in 2014. Higher sales volumes of prilled urea and ammonium nitrate partially offset both the weaker pricing environment and the lower granular urea sales.

Full-year sales from nitrogen products amounted to US$1.92 billion, 17% behind sales of US$2.32 billion in 2014. Benefiting from additional internal capacity and favorable currency shifts, the Group's nitrogen business provided EBITDA of US$867 million, US$2 million better than the previous year's results, and generating a solid 45% EBITDA margin.

The start-up of Nevinnomysskiy Azot's 1B ammonia unit boosted the plant's annual ammonia production by 19%. In addition to reducing raw material costs, the capacity increase enabled us to set a new production record as annual ammonia output exceeded the 3.0 MMT mark for the first time. Full-year ammonia production volumes surpassed the previous year's 2.81 MMT by 7%.

Natural gas costs trended lower with the appreciation of the US dollar. Excluding deliveries from our Severneft Urengoy natural gas operator, average natural gas prices at the Group's Novomoskovskiy Azot and Nevinnomysskiy Azot nitrogen facilities declined to US$2.12/mmBtu and US$2.37/mmBtu respectively for the year. This compares to 2014 average prices of US$3.41 and US$3.60 at Novomoskovskiy Azot and Nevinnomysskiy Azot respectively. Our natural gas costs remained among the lowest globally outside the Middle East, with natural gas prices at benchmark hubs averaging US$2.63/mmBtu in the US (Henry Hub), and US$6.45/mmBtu in the Netherlands (TTF).[1]

Investments

The Group's nitrogen operations received US$271 million in CAPEX during the year. One of the key projects completed this year was the construction of a low-density ammonium nitrate (LDAN) production unit at our Novomoskovskiy Azot facility.

Production record

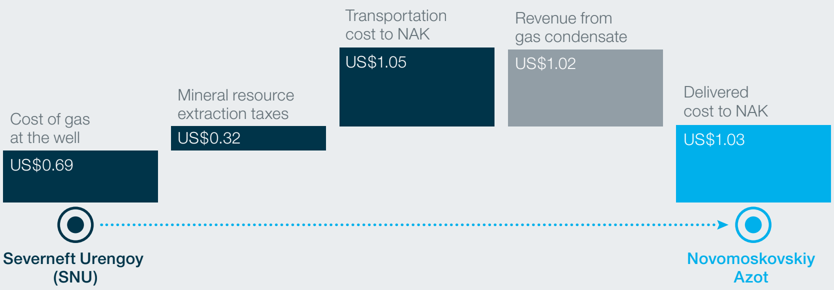
New production record with annual ammonia output exceeding 3.0 MMT.

[1] Average prices derived from weekly data points.

Cost competitiveness

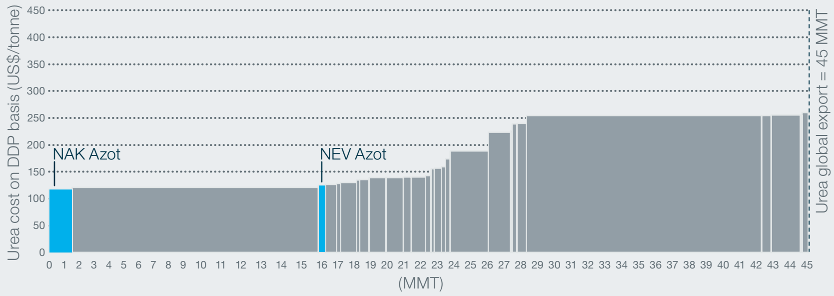
- One of the largest nitrogen manufacturers globally
- 3.0 MMT pa of ammonia production in 2015
- With natural gas accounting for c. 90.0% of ammonia production costs, manufacturers in lower-gas regions such as Russia are among the most advantaged globally
- Low-cost natural gas provides EuroChem with a natural cost advantage for the production nitrogen-based fertilizers
- Ammonia competitiveness further enhanced by in-house natural gas capacity (c. 25% of requirements);
- Production in Russia and Western Europe ensures close proximity to end-users in key emerging and developed markets
- Cost competitiveness in commodity products sustained through to specialty products

Upstream integration provides EuroChem with a natural gas cost advantage for the production of nitrogen-based fertilizers.



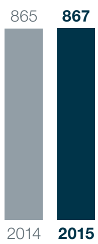
Note: FY-2015 data, US$/mmBtu.

Global urea export cost curve (Jan 2016)

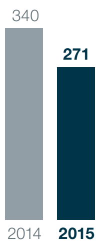


Sales
(US$m)

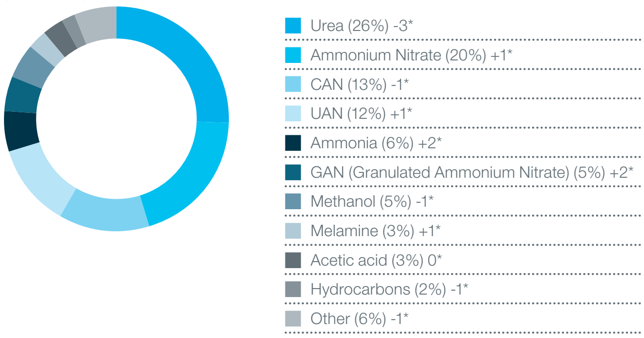
EBITDA
(US$m)



CAPEX
(US$m)

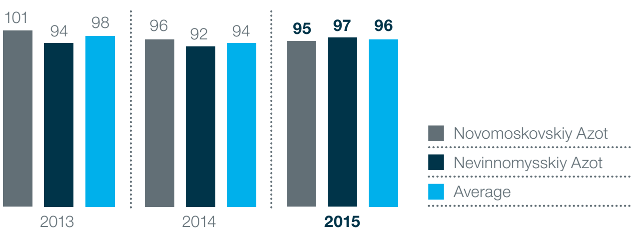


Sales by product
(2015, %)



* Change on 2014 (percentage points).

Ammonia capacity utilization
(%)



SWOT analysis

Strengths

- Cost competitiveness in Russia due to lower gas prices, enhanced by rouble devaluation vs US$
- Flexibility and security of natural gas supply, with addition of wholly-owned supply (25%)
- Established global distribution platform via EuroChem Agro and favorable logistics of EuroChem Antwerpen, with good transport links and proximity to key customers
- Growing range of specialty products with low environmental impact in response to market demand
- Ongoing investment in ammonia production
- Ongoing upgrades of plant and technology offering improved efficiency and production flexibility
- Wholly-owned transport and transhipment operations
- Economies of scale
- Diversified customer base in more than 100 countries

Weaknesses

- Some ageing equipment, which is less efficient and incurs higher raw material, energy and maintenance costs
- Relatively high transportation costs from Novomoskovskiy Azot to key markets (compared with NEV Azot and Antwerp facilities)
- Not fully self-sufficient in terms of ammonia needs; requiring external purchases of up to 0.8 MMT pa

Opportunities

- Further broaden the product mix at Novomoskovskiy Azot
- Additional efficiency improvements through ongoing investment
- Construction of new ammonia capacity close to international ports and taking advantage of relatively low feedstock costs (2015: start of construction of 1 MMT pa plant in Russia)

Threats

- Local and regional economic instability
- Trade barriers in target markets
- Increasing unconventional gas production is changing supply/demand dynamics and reducing gas costs in historically higher-cost regions
- New ammonia capacity in lower-cost regions could alter the supply/demand balance unfavorably

P

Phosphates

2015 market backdrop

The first nine months of 2015 were characterized by a mixed – but balanced – market environment. Strong pockets of demand for phosphate fertilizers were apparent during this period, but this was followed by a collapse in the fourth quarter. Low inventory levels, coupled with strong domestic demand in China supported prices early in the year. However, as prices began to reflect the increasing global supply towards the year end, demand dried up as buyers pushed for even lower prices.

The Brazilian market exhibited lower-than-average demand on high inventory levels, depressed crop prices, and the depreciation of the Real and high interest rates. The strength of the US dollar also hampered demand across most key markets, while favoring supply from low-cost regions such as China and Russia.

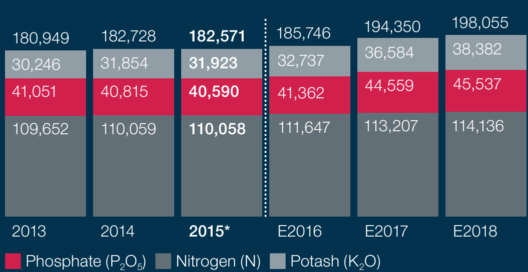
Supply/demand dynamics

Global demand for phosphate fertilizers declined 0.6%, from 40.8 MMT (P_2O_5) in 2014 to an estimated 40.6 MMT (P_2O_5) in 2015. This slight decrease was mainly the result of reduced demand from Latin America, where factors such as credit availability and currency depreciation cut demand by 9.2% year-on-year to 5.9 MMT (P_2O_5). Demand in North America declined 2.7% to an estimated 5.0 MMT (P_2O_5). Weaker demand was also observed in the Middle East where it contracted 1.7% and amounted to 0.9 MMT (P_2O_5).

Despite reportedly high stock levels, India was the largest net importer of DAP as an estimated 6.0. MMT of product entered the country. On the export side, China remained the largest global phosphates exporter with a record 8.0 MMT of DAP and 2.7 MMT of MAP exports in 2015, as compared to 4.9 MMT and 2.3 MMT respectively, in 2014. The increase in exports was primarily brought on by downward revisions to the phosphate export tax.

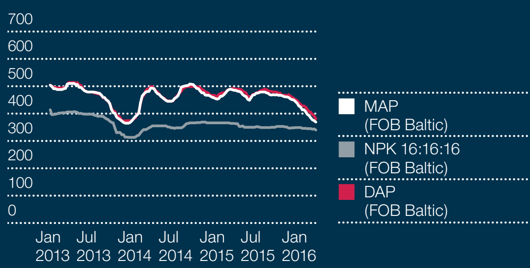
During 2015, global phosphoric acid capacity grew by an additional 0.6 MMT and stood at 56.0 MMT (P_2O_5). Only a handful of MAP/DAP expansion projects were completed in 2015. The few projects that were commissioned, such as in Russia, India and Vietnam, had limited market impact as capacity was taken offline, particularly in North America.

Fertilizer consumption (KMT nutrients)

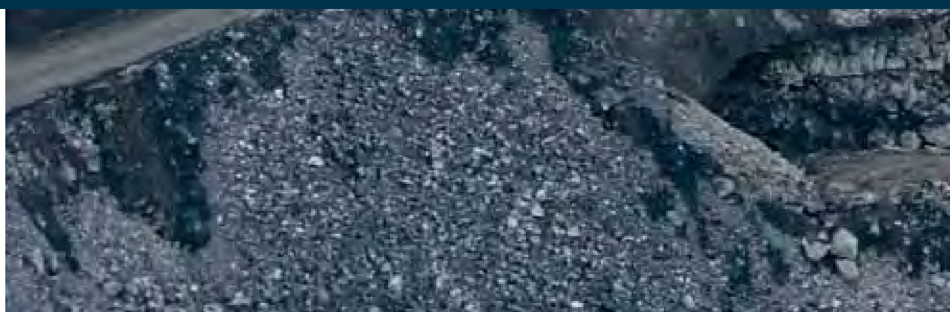


Source: IFA, CRU, Fertecon *Preliminary data

Key Phosphate product prices (US$/tonne)



Average market prices (US$/tonne)	**2015**	2014	% change Y-o-Y	Last 12 months High	Last 12 months Low
MAP (FOB Baltic)	**US$459**	US$470	(2%)	US$489	US$384
DAP (FOB Baltic)	**US$468**	US$473	(1%)	US$493	US$405
NPK 16:16:16 (FOB Baltic)	**US$352**	US$356	(1%)	US$366	US$345



01 Kovdorskiy GOK

Capacity by product (KMT pa)	
5,550	Iron ore
2,450	Apatite
8	Baddeleyite

02 Phosphorit

Capacity by product (KMT pa)	
812	MAP
414	DAP
223	Feed phosphates

03 EuroChem Migao (JV)

Capacity by product (KMT pa)	
100	NPK
60	Potassium Nitrate

04 EuroChem Fertilizers (Kz)

Capacity	
515	KMT pa – Phosphate rock
515	Reserves (MMT of P_2O_5)

05 EuroChem BMU

Capacity by product (KMT pa)	
714	MAP
471	NP

06 Lifosa

Capacity by product (KMT pa)	
960	DAP
188	Feed phosphates

All capacity figures are provided according to total nameplate capacity and do not reflect operational capabilities or annual production plans.

Phosphate products

We produce MAP, DAP, NP, feed and a wide range of NPK and complex products. Our Kovdorskiy GOK mining operations provide us with magnetite-apatite ore and the recent start of our mining project in Kazakhstan yields additional phosphate raw material capacity. The beneficiation facilities at Kovdorskiy GOK produce P_2O_5 rich (37-38%) apatite concentrate as well as baddeleyite and iron ore concentrates.

Our phosphate fertilizer plants produce sulphuric acid and operate phosphoric acid units. Lifosa produces aluminium fluoride, used in the manufacture of aluminium, glass and optics as well as the tanning industry.

P Phosphates
continued

2015 Phosphates performance

The Group's phosphates sales volumes for 2015 amounted to 3.90 MMT, which was 31 KMT above the previous year's 3.86 MMT. Strong complex (+4%) and feed (+12%) sales fully offset the slight dip in MAP/DAP sales.

In spite of the lacklustre trading conditions, higher iron ore sales supported a slight increase in full-year mineral raw material volumes. For the twelve months ended 31 December 2015, the Group sold 5.55 MMT of iron ore and baddeleyite, as compared to 5.52 MMT during the corresponding period last year. The increase in volumes was primarily due to the ramping-up of Kovdorskiy's new apatite-staffelite ore processing plant. By virtue of the Kovdorskiy deposit's unique geological features, the Group benefits from having iron ore embedded in apatite rock.

The lower market prices, while partially offset by additional volumes, resulted in lower sales for our phosphates business. Full-year sales of US$1.94 billion were 11% lower year-on-year, as compared to sales of US$2.19 billion realized in 2014. By providing us with additional in-house raw material capacity, Kovdorskiy's new apatite-staffelite ore processing plant – coupled with the start of intra-group deliveries from our mining operations in Kazakhstan – added to the positive effect of US$/RUB dynamics. Consequently, the Group's phosphates operations generated full-year EBITDA of US$540 million, which was 13% stronger than the US$477 million realized in 2014.

The Kovdorskiy GOK expansion and the Kazakhstan mining project, both implemented to extend the Group's upstream vertical integration in phosphate raw materials, supported a 284 KMT increase in annual output. From 2.35 MMT of phosphate rock production in 2014, the Group produced 2.63 MMT in 2015, setting a five-year record.

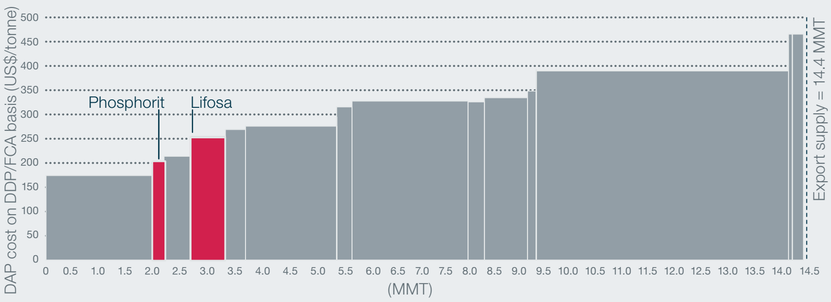
Investments

We invested US$212 million in our phosphates operations. A key project was the launch of an apatite-staffelite ore processing plant at Kovdorskiy GOK. The plant is designed to increase Kovdorskiy's output by 948 KMT of apatite concentrate and 130 KMT of iron ore concentrate per year once fully ramped-up in 2017. A major milestone was crossed with the start of intra-group shipments of ground phosphate rock from Kazakhstan, where we are developing a phosphate rock deposit. EuroChem-Belorechenskie Minudobrenia (BMU) received close to 50 KMT of ore from our operations in the Araltobe deposit.

Cost competitiveness

The market for phosphate rock, the principal ingredient in phosphate fertilizers, is highly concentrated. Access to in-house reserves is therefore crucial for the stability of production and competitiveness in terms of 'delivered cost' to key target markets. Our plants benefit from internally-sourced supplies of both apatite and ammonia, another key raw material, as well as from their proximity to ports. Its geological setting means we are also able to extract iron ore and baddeleyite from our Kovdorskiy GOK mine, which significantly enhances the profitability of our operations.

DAP global export cost curve (Jan 2016)

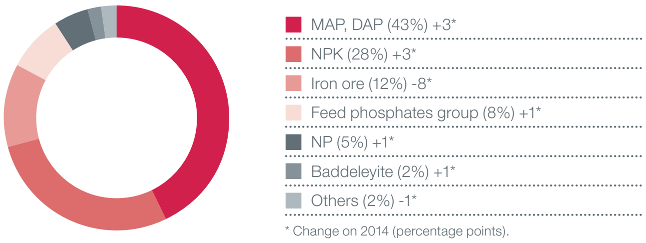


Sales
(US$m)

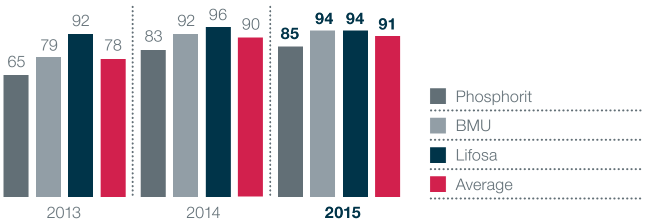
EBITDA
(US$m)

CAPEX
(US$m)

Sales by product
(2015, %)



Phosphoric acid capacity utilization
(%)



SWOT analysis

Strengths

- Diversified customer base in more than 100 countries
- Wholly-owned supply of high quality apatite (phosphate rock) from open pit mining, c.75% self-sufficient
- Phosphate fertilizer facilities close to ports and target markets (Europe and Russia/CIS)
- Growing range of products with low environmental impact – in response to market demand
- Lifosa assets in the EU with supportive logistical position
- Lifosa is considered a high-quality producer, allowing for premium pricing
- Co-production of baddeleyite and iron ore at Kovdorskiy GOK

Weaknesses

- Relatively high transportation costs of Kovdorskiy GOK apatite to Lifosa and EuroChem-BMU
- Size and depth of Kovdorskiy GOK open pit
- Some ageing equipment, which is less efficient and has higher maintenance costs
- Reliant on external supplies of phosphate rock for c.25% of Group requirements

Opportunities

- Increase phosphate rock extraction at EuroChem Fertilizers in Kazakhstan
- Increase production at Kovdorskiy GOK through new ore deposit
- Additional investment in operational efficiency at Eurochem-BMU and Phosphorit
- Achieve self-sufficiency in phosphate rock

Threats

- New capacity can change the supply/demand balance and pricing structure, disadvantaging EuroChem
- Further declines in iron ore price could reduce the phosphate segment economics at Kovdorskiy GOK

K Potash

2015 market backdrop

There was relatively weak demand for potash throughout the year, with spot markets experiencing significant price falls. Soft commodity prices coupled with an appreciating US dollar restricted buyers' purchasing power in most markets – and this sluggish demand gradually led to inventory build-up. As a result, potash producers globally were forced to curtail their production capacity.

Supply demand dynamics

According to preliminary data from the International Fertilizer Association (IFA), demand for potash amounted to an estimated 31.9 MMT of nutrient (K_2O) in 2015, (2014: 31.9 MMT). Strong demand growth was recorded in the CIS and Baltics, where shipments increased 9.1%, to 1.3 MMT (K_2O). Demand in the Middle East climbed 3.3% to a total of 0.25 MMT (K_2O), while Asia, including Oceania saw demand grow 2.7% to 15.7 MMT (K_2O).

Global MOP sales were estimated at 62.5 MMT, representing a 5% year-on-year decrease over 2014 deliveries. Unfavorable currency movements and depressed soft commodity prices led to a drop of 6% in global exports and amounted to 47.2 MMT of MOP (2014: 50.4 MMT), or 76% of total global trade. Representing the remaining 24% of total sales, domestic deliveries remained stable at around 15.0 MMT of MOP.

[1] Source: Global Trade Information Services (GTIS).

Potash sales remained strong in India, despite the sustained depreciation of the rupee against the US$ and the lower subsidy on potash products. IFA estimates place total Indian potash imports for 2015 at around 4.3-4.5 MMT, in line with the 4.4 MMT of MOP imported in 2014.

In China, stronger potash demand supported stable domestic sales and higher import levels. Total Chinese potash production for 2015 was estimated at 5.2 MMT (K_2O). Imports for the year rose 18% to 9.4 MMT.[1]

Hampered by currency and credit concerns, imports of MOP in Brazil totaled 7.8 MMT, which was 14% less than in 2014.[1]

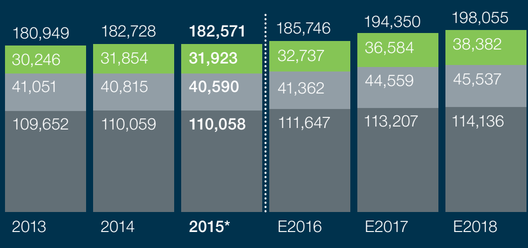
In 2015, total potash (MOP/SOP/etc.) capacity amounted to 87.2 MMT (physical weight), including 82.3 MMT of MOP, as compared to 83.6 MMT MOP in 2014.

Over the years, EuroChem has secured mining rights to over 10 billion tonnes of estimated potash reserves in several key deposits in Russia.

Phase one of our development plans will see potash production commence around 2017/18. Over time, our two key sites of Usolskiy and VolgaKaliy will increase their capacity to a combined 8.3 MMT of KCl (5.0 MMT K_2O).

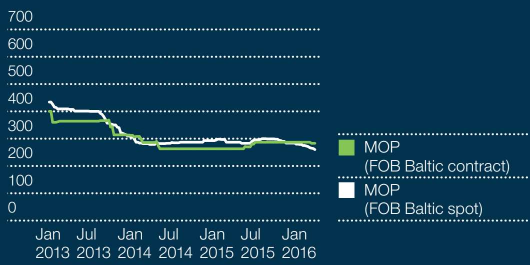
Thanks to our mine design, efficient use of the latest available technology, low energy prices and proximity to some of our own ports, we expect to have one of the lowest 'delivered to' costs in the industry.

Fertilizer consumption (KMT nutrients)



Source: IFA, CRU, Fertecon *Preliminary data

Key Potash product prices (US$/tonne)



Average market prices (US$/tonne)	2015	2014	% change Y-o-Y	Last 12 months High	Last 12 months Low
MOP (FOB Baltic, spot)	**US$288**	US$287	0%	US$300	US$267

01 Usolskiy

Capacity by product (KMT pa)

2,300 Phase 1 (greenfield)

1,400 Phase 2 (brownfield)

3,700 KMT total

02 VolgaKaliy

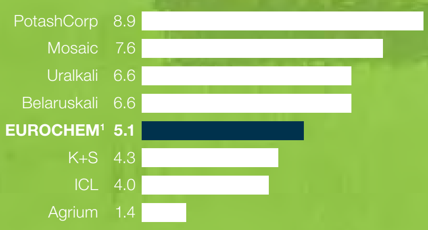
Capacity by product (KMT pa)

2,300 Phase 1 (greenfield)

2,300 Phase 2 (brownfield)

4,600 KMT total

Potash ranking



[1] Following the ramp-up of potash operations.

Estimated reserves and resources (tonnes)

>10bn

All capacity figures are provided according to total nameplate capacity and do not reflect operational capabilities or annual production plans.

SWOT analysis

Strengths

- Significant reserves: estimated to be second largest globally
- Proximity to EuroChem transport hubs, infrastructure and end user markets
- Once fully ramped-up, prospective lowest cost per tonne in the industry
- Robust distribution platform can be leveraged for potash
- High nutrient content

Weaknesses

- Limited experience in greenfield potash mine construction globally

Opportunities

- Potential to become one of only four companies in the world producing fertilizers in all three primary nutrient categories
- Deploy state-of-the-art technologies to improve efficiency and safety
- Apply experience gained on current projects to develop new reserves
- Replace purchased potash with in-house production, including SOP

Threats

- Deteriorating market conditions and/or prices may adversely impact the investment case
- Technical risks associated with sinking shafts to significant depths
- New capacity could prolong temporary oversupply in the industry
- Decline in N and P fertilizer prices may impair EuroChem's cash flow generation and its ability to finance potash projects to scheduled completion

K Potash
continued

Potash projects

EuroChem is currently developing two potash deposits in Russia. The Group's projects in the Verkhnekamskoe potash deposit (Perm region) and the Gremyachinskoe deposit (Volgograd region) are a key component of our vertical integration strategy. They will provide in excess of 8 million tonnes of annual potash capacity and are widely expected to be amongst the lowest cost potash operations globally.

As of 31 December 2015, the Group had spent an aggregate total of US$2.8 billion on its two potash projects in Russia, including US$446 million in 2015.

EuroChem VolgaKaliy (Gremyachinskoe potash deposit, Volgograd region)

The sinking of skip shaft #1 progressed well throughout the year and reached the potash salt layer in the third quarter. Our crews spent the end of the year working on the junctions between shaft and ventilation level as well as the mine's loading and haulage levels.

The site reached another milestone as the sinking of skip shaft #2 passed beyond the lowest water bearing level and exited the protective freeze wall. At the time of this report, skip shaft #2 was at a depth of around 975 meters.

The cage shaft, which suffered manageable water inflow in the second half of the year, was fitted with a bottom concrete plug. An assessment and survey were conducted to determine the specific path and features of the inflow. With that complete and a plug in place, a very intensive grouting program was initiated. We have developed alternatives utilizing the site's third shaft (skip shaft #2), which would enable the project to maintain good progress and begin production should the situation at the cage shaft take longer than planned to be resolved. EuroChem management therefore remains confident that the delay should not significantly alter the project's total timeline.

Throughout the year, the construction and installation of numerous surface facilities continued to progress on schedule.

VolgaKaliy progress as of April 2016

	Completion		Completion
1 Main beneficiation	65%	6 Skip shaft #1	82%
2 Administrative building	80%	7 Skip shaft #2	61%
3 Railcar loading station	10%	8 Product storage	80%
4 Mine rescue	100%	9 Ore storage	40%
5 Cage shaft	70%	10 Crushing unit	85%

Inflow at VolgaKaliy

While construction and installation continued to progress on schedule on numerous surface facilities, we encountered a certain setback with the sinking of the cage shaft in the second half of the year as manageable water inflow developed as sinking efforts transitioned beyond the protection of the freeze wall at a depth of around -810 meters. The VolgaKaliy crews followed mine safety protocols and fitted a concrete plug before initiating a grouting program to block the water inflow. Extensive surveying of the adjacent area and freeze wall revealed that two of the freeze holes had deviated from where initial surveys indicated, to a point where the geological water bearing layer also dipped – something which had gone undetected by previous bore holes and surveys. This combination created a gap in the protective freeze wall at the bottom of the sandstone water bearing layer slightly below the -810 meter level. Once sinking progressed beyond this depth, the gap in the freeze wall allowed water to be channelled into the shaft.

EuroChem Usolskiy (Verkhnekamskoe potash deposit, Perm region)

With both shaft sinking and equipping completed at the cage shaft and skip shaft, 2015 saw a substantial amount of work carried out on surface buildings. Overall good progress was achieved on the main beneficiation building in the fourth quarter of the year. The site successfully performed hydrostatic testing on the thickeners, and further advanced with the construction of other surface facilities, including, but not limited to, the raw ore storage facility, product storage, administration buildings, canteen and boiler house.

Upcoming construction milestones include the commissioning of the site's equipment and material storage buildings and the completion of the hoist buildings for the first two shafts.

Key to illustrations

- Completed before 2014
- Completed in 2015
- To be completed between 2016-2017

Usolskiy progress as of April 2016

	Completion
1 Administrative building	52%
2 Equipment and material storage	0%
3 Railcar loading station	0%
4 Ore storage	23%
5 Cage shaft	86%
6 Skip shaft #2 (phase 2)	0%

	Completion
7 Mine rescue	0%
8 Skip shaft #1	89%
9 Product storage	16%
10 Main beneficiation	18%
11 Crushing unit	0%

As we have previously announced, we have developed alternatives utilizing the site's third shaft (skip shaft #2), together with skip shaft #1 which will enable the project to maintain good progress and begin production with limited delays to our end-2017/early-2018 guidance.

Commenting on the developments at the VolgaKaliy cage shaft Clark Bailey, Managing Director of EuroChem's Mining Division, commented "We have been implementing an appropriate action plan which has yielded good results. With the inflow isolated and stabilized, we are ready to start a local freeze program targeting the weakness in the ice formation. In the meantime, we will continue with our alternative plan to proceed with the mine development using the two skip shafts. We will still be able to bring ore up at the end of 2017, but the volumes will be insufficient to allow us any significant operations. Nevertheless, the volumes will still allow us to go through cold and hot commissioning and on to start-up as ore production increases. Given the slower ramp-up, initial volumes of product will be delayed until approximately mid-2018, although we expect to be back to our original production forecast within approximately 18 months."

D Distribution

EuroChem's global distribution network ensures our fertilizers are available in our key markets. A vital component of our vertically integrated business model; it comprises our EuroChem Agro network and retail sales of our own fertilizers as well as third party products such as ammonium sulfate, seeds and crop protection products.

Global reach

Most of our fertilizer sales take place via our trading companies in Switzerland, Brazil and the USA – and our expanding EuroChem Agro distribution network. As a group, our sales force ensures quality products are delivered to more than 6,000 clients in over 100 countries.

Our distribution operations span five regions: Europe, Russia/CIS/Ukraine, North America, Latin America and Asia. These are managed through our network of regional offices in Russia, Ukraine, Belarus, Germany, Spain, Italy, Greece, Mexico, France, Turkey, Singapore, China, Brazil and the USA and provide our complete range of nitrogen fertilizers – from our standard range through to our more advanced specialty products.

Russia and CIS

EuroChem operates a network of distribution centers in Russia and Ukraine and an office in Belarus. This is concentrated mainly in the Black Earth Region, which includes the Caucasian, Southern, Volga and Central Federal Districts; accounting for approximately 90% of the country's total fertilizer use.

Agricultural advisory services

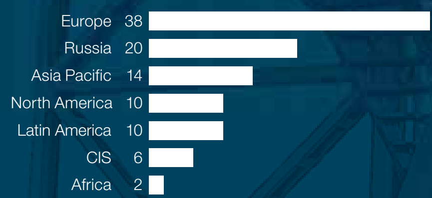
Our distribution network also plays a key role in advising customers on the selection and efficient use of fertilizers to optimize their crop yields. We offer:

- Compound fertilizers;
- Crop protection products from the world's leading brands;
- Reputable seeds and water-soluble fertilizers;
- Advanced application systems;
- Agricultural storage, delivery and packaging services;
- Best practice references in agricultural production; and
- Soil analysis and field mapping.

Sales
(US$m)

EBITDA
(US$m)

Group sales by region
(2015, %)



D Distribution
continued

Acquisition of Ben-Trei

The US market has always been a priority market for us. EuroChem has been operating in the US through its Tampa-based subsidiary EuroChem Trading USA since 2006 and has announced plans to build a natural gas-based fertilizer plant in Louisiana. Sales to the US market accounted for 10% of total Group sales in 2015.

In October 2015, EuroChem completed the acquisition of Ben-Trei Fertilizer Company, a US-based fertilizer distributor.

Founded in 1987 and based in Tulsa, Oklahoma, Ben-Trei has built a strong presence in the country's key agricultural regions, from Texas and the Louisiana delta in the South, across the Corn Belt in the Midwest and west to California. The company distributes a variety of dry fertilizer and feed products, primarily via truck and rail transport.

This transaction will allow EuroChem to benefit from Ben-Trei's established relationships with local customers as the Group seeks to expand its presence in the US. During its fiscal year 2015 Ben-Trei supplied over 1 million short tons of product to more than 530 customers.

At the time of the acquisition,
Dmitry Strezhnev
EuroChem CEO, commented:

"With its strategically located assets and vast customer network, the acquisition of Ben-Trei also brings valuable market intelligence and a strong team to bolster our growing US presence. We believe that this acquisition will enable us to better service this key agricultural market, while customers will gain from improved access to EuroChem's full range of products."

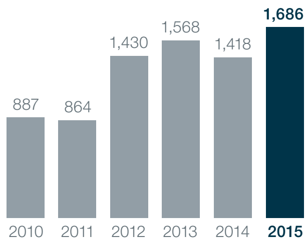
Ben-Trei charters approximately 150 river barges and over 2,000 rail cars a year to transport product from point of production direct to customer facilities and to its system of privately managed river warehouses – ensuring just in time seasonal delivery for customers.

Ben-Trei storage locations

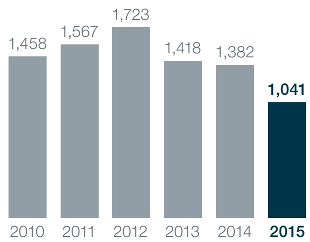
1. Inola, OK
2. St Paul, MN
3. Fort Smith, AR
4. Pine Bluff, AR
5. Granite City, IL
6. Hastings, NE
7. Springfield, IL
8. Kansas City, MO
9. Henry, IL

Total Group sales volumes (KMT)

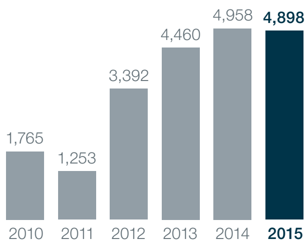
North America



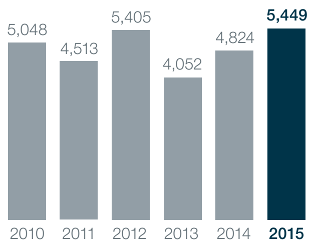
Latin America



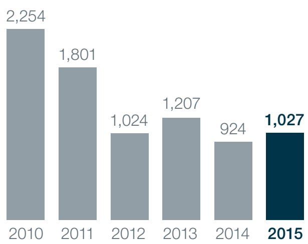
Europe



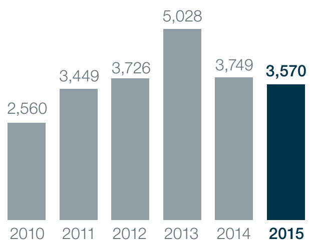
Russia



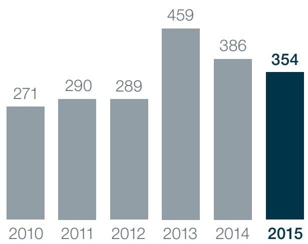
CIS (excluding Russia)



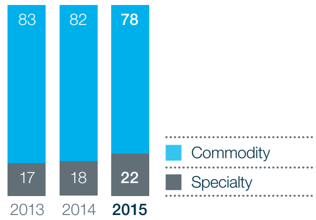
Asia Pacific



Africa



Share within total sales (%)



SWOT analysis

Strengths

- Proximity to end-user markets
- Global reach through land- and sea-based infrastructure
- Growing brand recognition built on quality and reliability
- Excellent storage capacity
- Advisory services including soil analysis coupled with high-quality products
- Research partnerships

Weaknesses

- Small-scale distribution platforms in Latin America and Asia
- Relatively sparse coverage of Eastern Europe
- Dependence on several large counterparties for third-party product sourcing

Opportunities

- Potential for development across Asia
- Development of a distribution platform in Latin America
- Continued development and application of new low-impact, high-yield products
- Further growth and diversification of third-party product sourcing relationships

Threats

- Price volatility can impact on margins
- Intensifying competition
- Currency and political risks
- Price regulation risks (e.g. Russia)

Enhancing our product portfolio

We have been focusing on adapting our business model to reflect the evolving needs of our customers with the broadening of our specialized product offering and targeted R&D initiatives. Our recent collaboration announcement with Agrinos is an example of our drive to broaden EuroChem's product portfolio with innovative specialty products and environmentally friendly crop enhancing solutions.

Logistics

As producers of more than 30 million tonnes of raw materials and products per year, our sophisticated logistics system is a crucial part of our vertically integrated business model – and thus vital to our continuing success. Whether procuring raw materials or delivering to our customers, it is essential that our products are handled and transported in the most effective and efficient way.

The principal strategic objective of our logistics investments is to decrease our overall transportation costs, since they comprise a significant cost element in the mineral fertilizer value chain – allowing us to provide our customers with cost-competitive quality products with the added benefit of just-in-time seasonal delivery. Our logistics operations include warehousing capability, ports and terminals, a rail service center and over 6,400 rail cars, as well as expertise in cargo vessels brokerage and other transportation services.

EuroChem owns and operates transhipment terminals in Tuapse (Black Sea) and Murmansk (Barents Sea) in Russia, as well as in Sillamäe (Gulf of Finland) in Estonia. We also benefit from dedicated jetty access in Antwerp, Belgium.

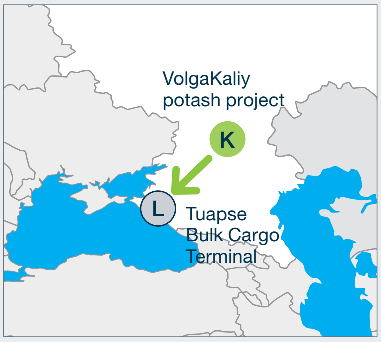
Our Tuapse terminal will play a key role in the supply of potash from our VolgaKaliy development, which will help drive us towards cost leadership in the global potash segment. We also have plans to construct a bulk terminal in the Baltic port of Ust-Luga to support exports from our Usolskiy potash mine.

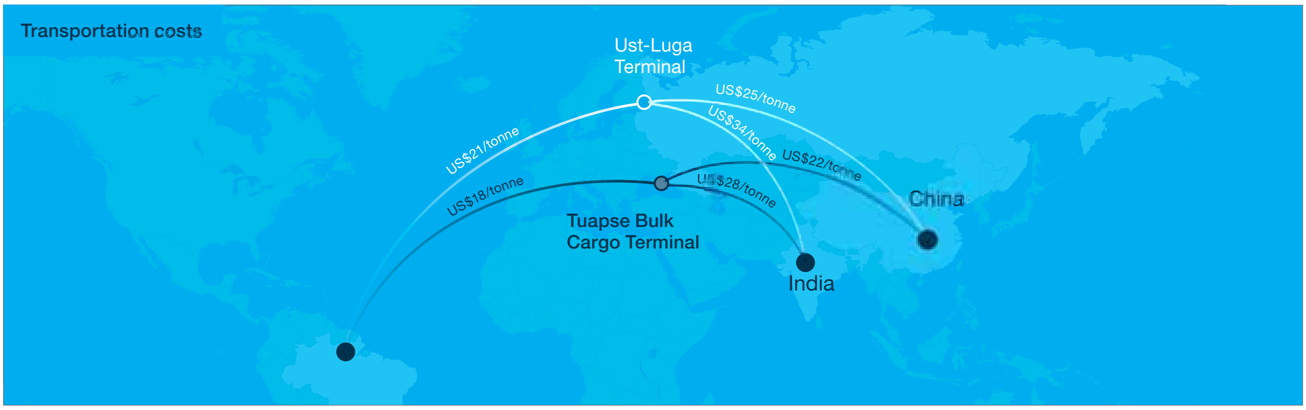
Usolskiy

Distance to port	**1,600km**
Inland transportation costs EXW to FOB	**US$28/tonne**
FOB-CFR transportation costs	
• Brazil	**US$21/tonne**
• China	**US$25/tonne**
• India	**US$34/tonne**
Usolskiy EXW to CFR	
• Brazil	**US$49/tonne**
• China	**US$53/tonne**
• India	**US$62/tonne**

VolgaKaliy

Distance to port	**600km**
Inland transportation costs EXW to FOB	**US$15/tonne**
FOB-CFR transportation costs	
• Brazil	**US$18/tonne**
• China	**US$22/tonne**
• India	**US$28/tonne**
VolgaKaliy EXW to CFR	
• Brazil	**US$33/tonne**
• China	**US$37/tonne**
• India	**US$43/tonne**

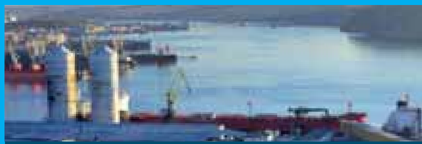




Murmansk

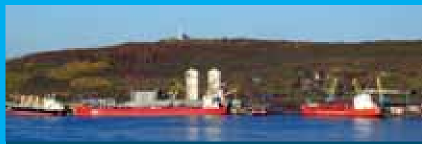
Iron ore concentrate

Transhipment capacity (million tonnes pa)	3.0
Number of berths	1
Depth at berth (meters)	12.7
Deadweight tonnage (tonnes)	80,000
Storage capacity (tonnes)	100,000



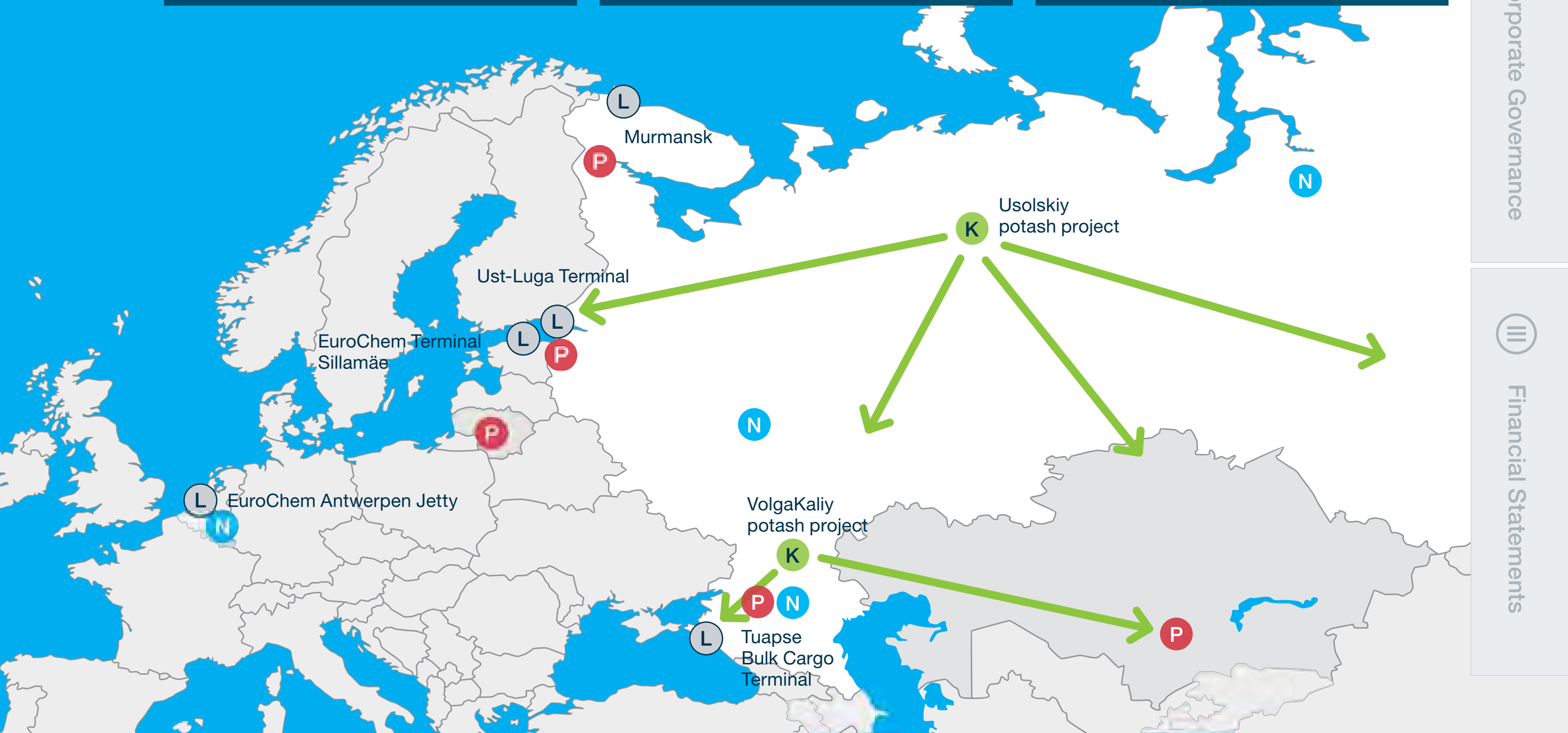
Apatite concentrate

Transhipment capacity (million tonnes pa)	2.0
Number of berths	1
Depth at berth (meters)	11.0
Deadweight tonnage (tonnes)	40,000
Storage capacity (tonnes)	25,000



Fertilizers

Transhipment capacity (million tonnes pa)	over 1.5
Number of berths	1
Depth at berth (meters)	11.1
Deadweight tonnage (tonnes)	5,000
Railway car unloading rate (tonnes per day)	7,800



EuroChem Antwerpen Jetty

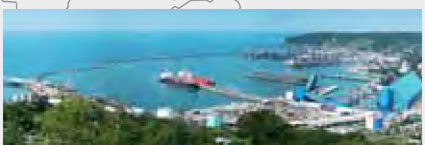
Transhipment capacity – loading (finished product exports) (million tonnes pa)	0.7
– unloading (raw material imports) (million tonnes pa)	2.8

Ust-Luga Terminal
The terminal is under construction and expected to be completed by 2020.
Expected capacity **5.0 MMT pa**

EuroChem Terminal Sillamäe

Transhipment capacity (million tonnes pa)	0.6
Number of berths	1
Depth at berth (meters)	12.0
Deadweight tonnage (tonnes)	35,000
Storage capacity (tonnes of liquid chemicals)	35,000

Tuapse Bulk Cargo Terminal



Transhipment capacity (million tonnes pa)	2.3
Number of berths	1
Depth at berth (meters)	12.5
Deadweight tonnage (tonnes)	52,000
Storage capacity (tonnes of dry fertilizers)	90,000

All capacity figures are provided according to total nameplate capacity and do not reflect operational capabilities or annual production plans.

N Nitrogen P Phosphates K Potash L Logistics

Corporate responsibility

How we manage water use, emissions, waste and effluent

In 2015, we have further developed our approach to Health, Safety and Environmental (HSE) management that is built around best international practice and the application of EU standards.

This approach, applied to solid waste, effluent and emissions generated across the business, as well as the way we promote resource efficiency, protect ecosystems and manage health and safety, is the responsibility of the Group's Divisional Directors. Our corporate HSE (Health Safety and Environment) Department (based in Moscow), leads on management and implementation. This Department reports directly to the Group's Administrative Director and manages Divisional HSE groups and more than 120 professionals. Since its formation in 2014, the Department has made significant progress in strengthening the HSE culture, management systems and compliance across the Group. In 2015, the Department head was elected to the Strategic Advisory Team of the Technical and HSE Committee of the International Fertilizer Association.

Water

Water is used in production and energy generation at our plants. It is sourced from a mixture of surface and groundwater sources, depending of the location and needs of each plant. In all cases, water use is governed by national and EU regulations, as well as our own management system targets. To support this, usage patterns are monitored and managed by the HSE teams at each plant, reporting back to the Corporate HSE Department.

In 2015, our estimated consumption of non-recycled water per tonne of production was 2.58 m^3/t (2014: 2.87). This significant reduction stems from the investments made in water and sewerage systems at our production operations, in particular Kovdorskiy and Phosphorit.

Air emissions

The profile of our air emissions in 2015 was very similar to previous years, with the main outputs being sulphur oxides, carbon monoxide, nitrogen oxides, sulphuric acid, ammonia, particulates and hydrocarbons.

Emissions levels and controls are governed by national and EU regulations, as well as our own management system targets only monitored above in SR. From 2015, we are applying the new Russian Best Available Technology (BAT) equivalent guidelines levels for emissions from fertilizer production, which are in line with EU standards.

Our monitoring capacity is traditionally strong, both on site and around our production operations. For example, we operate a network of air quality monitoring stations at Belorechensk, Nevinnomyssk, Tuapse, Kotelnikovo, Novomoskovsk, Kingisepp and Usoliye. The resulting data is fed to regional hydro-meteorological centers, from where it is made available to government authorities, communities and the media.

Data on air emission levels are monitored and managed by the HSE teams at each plant, reporting back to the Plant Managers and Corporate HSE Department.

Air emissions are measured per tonne of production (kg/t). In 2015, estimated Group-wide emissions were 0.92 kg/t, compared to 1.02 kg/t in 2014. This reflected the ongoing investment in emissions reduction, as described in this section.

Greenhouse gas emissions

On 1st January 2016, new Russian GHG reduction regulations came into force. These commit the country to reducing net GHG emissions by 70% by 2030 (based on a 1990 baseline).

We are currently working through 'test' calculations, as required by the regulation, which should be completed by July 2016. Our own approach will be to satisfy domestic and international standards on GHG calculation. We will do this first for our owned production and logistics operations in 2016-17, followed by our supply chain in 2018-19.

In large part, our response to GHG reduction will be built around our investments in BAT and modern production technologies with an inherently lower carbon footprint. For example, the Environmental Impact Assessment of our future EuroChem Northwest ammonia facility noted that the resulting CO_2 equivalent emissions will be below EU regulations.

GHG emissions are a function of many processes, including the use of energy. While we have not formally reported here on these emissions (as described above), we measure the energy that we use per tonne (kWh/t) of production. The resulting data shows that, in 2015, we used an estimated 118.40 kWh/t of energy compared to 126.60 kWh/t in 2014. This further supports our strategy of investment in the latest production and logistics technologies and management systems that promote energy efficiency.

Waste and effluent

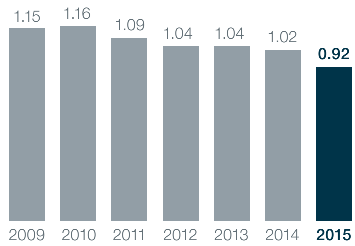
The main solid waste streams from our plants are phosphogypsum (from phosphate fertilizer production), overburden and concentration tailings (from mining operations).

Waste water from our plants contains, in varying degrees, levels of petroleum products, suspended matter, ammonium, nitrates, sulfates, chlorides, fluorine and phosphorous.

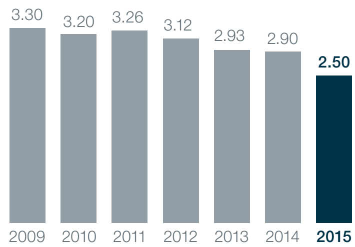
In 2015, the Group's estimated effluent discharge per tonne of production was 2.5 m³/t (2014: 2.9). This reduction reflects the investments made in water and effluent management infrastructure across the Group, but in particular at Phosphorit, Kovdorskiy and Novomoskovskiy.

Waste and emissions levels are governed by national and EU regulations, as well as our own management targets. These are monitored and managed by the HSE teams at each plant, reporting back to the Plant Managers and Corporate HSE Department.

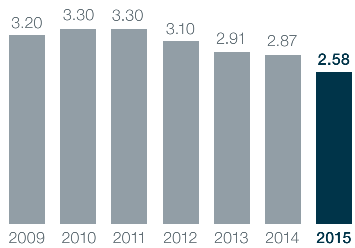
Air emissions per tonne of production (kg/t)



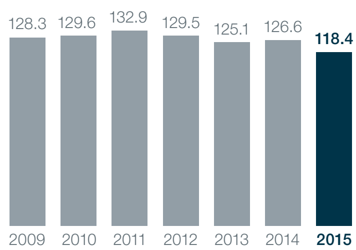
Effluent discharges per tonne of production (m³/t)



Non-recycled water consumption per tonne of production (m³/t)



Energy consumption per tonne of production (kWh/t)



Corporate responsibility

continued

Key stakeholders

Our environmental management systems apply to all of our production and logistics operations, therefore we engage with many different stakeholders.

Regional administrations

- Co-operation agreements signed with regional government cover environmental and social responsibility.

Customers

- Our sales and agricultural teams advise our retail and wholesale customers on safe and appropriate use of our fertilizer and chemical products. All of our products carry the relevant safety and usage information as guided by international laws and best practice.

Governmental authorities

- Our production facilities are regulated and monitored by more than 20 government agencies in Russia, Kazakhstan and EU member countries (Belgium, Lithuania, etc). We work closely with these agencies to improve our compliance with statutory requirements.

Shareholders

- Shareholders are updated on our environmental management indicators, chiefly investment, energy use, atmospheric emissions, fresh water use and effluent discharge.

Suppliers/contractors

- We expect our suppliers to demonstrate best practice in relation to their own environmental management. We also ensure that all equipment supplied to EuroChem carries appropriate safety and usage permits. Our contractors are also instructed in and expected to comply with the requirements of our management systems.

Trade unions

- Collective bargaining agreements are in place at all of our operating companies, including commitments to provide employees with necessary guidance and equipment enabling them to comply with environmental management targets.

Employees

- All employees are trained and certified according to their environmental responsibilities and specific management routines.

Local communities

- Our community liaison team organizes regular site visits for local communities to view environmental management processes. The data from our air quality monitoring stations are also made available via government agencies and local media.

Targets and objectives

Our strategic objective is to continually reduce our environmental footprint.
In relation to our key indicators we have the following objectives:

- Reduce atmospheric emissions and waste water year-on-year
- Reduce volumes of solid waste and increase recycling year-on-year
- Continuously improve environmental management systems and compliance

In 2015 we focused on environmental impact assessments (EIA) and actions plans for major investment projects. These included the Northwest ammonia project in Kingisepp and the Usolskiy potash project, both of which required a detailed social and environmental impact assessment in order to meet the requirements of lenders, in accordance with the Equator Principles.

Promoting active lifestyles

For many years our team at Phosphorit has been working closely with local and regional authorities on community development projects. A key development in 2015 was the opening of the 'Olymp Ice Arena'. Partly funded by EuroChem, the construction of the arena falls within our strategic focus to promote healthy lifestyles among the communities where we have a presence. The arena is a key part of Kingisepp plans to promote and enable children's sports and to drive improvements in health and quality of life in the city.
As well as the infrastructure, EuroChem promotes and organizes ice hockey tournaments that match players from Kingisepp and the greater Leningrad region with teams from outside Russia.

"EuroChem's goal is to establish eight new regional youth sport centers and schools. Our program has been acclaimed as the best industry and community collaboration in Russia. We believe that such public-private partnerships offer benefits to local people, business and government authorities."

Igor Schelkunov
Head of HR, HSE and Business support

EuroChem Northwest – lowering emissions with the latest technology

- Once completed, set to be the most technologically advanced European ammonia plant
- Full environmental impact assessment complies with Equator Principles
- EIA covered air emissions, waste, resource use, effluent, biodiversity, safety

In September 2015, we started building a new state of the art ammonia plant in Kingisepp, Russia. Aptly named Eurochem Northwest on account of its location, the plant is expected to be the most technologically advanced of its kind in Europe. It has a design capacity of 1 million tonnes per annum and the US$1 billion investment will also support the creation of utility and warehouse infrastructure. All of the Engineering, Procurement and Construction (EPC) work is expected to be completed in late 2018 and will be accomplished by subsidiaries of Maire Tecnimont, a leading global engineering contractor.

The latest control and process technologies will be deployed, in particular, environmental and safety features. The project has secured financing from a club of banks, which meant the provision of a full Environmental Impact Assessment (EIA), in order to comply with the Equator Principles (EPs). The latter is a risk management framework which enables financial institutions to assess and manage environmental and social risks in projects. Its primary purpose is to provide a minimum standard for due diligence and support decision making.

The EIA covers all aspects of the plant's operations, including air emissions, waste, resource use, effluent, biodiversity and safety.

Managing our risks

Risk management

Our risk management function
Our approach to risk management is based on international standards, including ISO 31000 and COSO ERM. We continuously develop our risk management methodology and the underlying risk culture towards 'state-of-the-art' practices. The methodology evolves as it progresses and is refined throughout its implementation. Prior to being implemented throughout the Group, the concepts and functions are tried and tested.

Risk management strategy
EuroChem takes a proactive and efficient approach to the management of risk at all levels across the Group. Process owners are responsible for defining the associated risk mitigation and maintain appropriate internal controls. Our Group Internal Audit function follows a risk-based audit approach and provides independent, objective assurance regarding the effectiveness of risk management and the Company's system of internal controls and governance processes.

2015 developments
During 2015, we continued to evolve our risk management methodology for both financial and operational risks. In particular, credit risk assessment and management methodology and processes were reviewed and strengthened. Also, we strengthened our investment risk management methodology by embedding risk analysis tools including quantification techniques.

Plans and outlook for the next 12-18 months
We will start implementation of the updated credit risk management methodology, including development and testing of the internal rating-based counterparties' assessment methodology. We will also continue to further develop and implement the updated investment and project risk management methodologies and procedures.

External environment risks

Market risks
Financial risks are assessed and prioritized according to their potential impact on cash flow – within individual businesses and across the Group. Our approach is based on our in-depth knowledge of the fertilizer market and years of experience dealing with price volatility relating to nitrogen and phosphate fertilizers and iron ore concentrate. This volatility is generated by variations in raw material volumes on the market, political and regulatory change, farming economics, seasonality and weather extremes. The principal aim is therefore to anticipate market volatility and act appropriately in order to protect cash flows and maintain a strong balance sheet (across-the-cycle net debt/next twelve months' EBITDA ratio within a 1.5-2.5x band).

Product pricing
Price variations in fertilizer and iron ore affect our cash flow. While mitigating these risks through financial instruments is constrained by liquidity, we employ such tools judiciously and with clear and ongoing consideration by the management team. Strategically, we mitigate product risk through cost control and broadening our product portfolio, as shown by our potash investments. In conjunction with ongoing efficiency improvements, our robust vertically integrated model and geographic diversity, we are able to offer predictable and stable margins across the business.

Strategic and investment risks

Strategic risks
Key strategic risks relate to business and investment decisions. We identify, assess and map our response through a regular review of strategy in our main business segments. Details of the strategic risks associated with these can be found on page 14 of this report.

Reputational risks
Our reputation can be impacted by operational, financial and strategic issues. We therefore ensure that our governance and management systems are robust and effective. Clear, accurate and timely communication is essential and we have a clear strategy and processes in place, managed by our public relations, government and investor relations teams. We also have an established crisis communications process that follows best international practice.

Construction risk
Our significant investment in the business requires the construction of new extraction and manufacturing facilities and associated infrastructure. Setbacks or delays in construction programs could potentially erode our competitiveness and adversely affect performance. We plan projects carefully, screen contractors and monitor progress. We employ a strong team of commissioning and management personnel and work with leading contracting companies and advisors. This is reinforced by comprehensive insurance that covers mining, logistics, property and business continuity.

Reorganization/expansion
EuroChem has rapidly expanded its business and entered new markets. This poses additional risks that need to be properly assessed. The Group also reorganized its legal and corporate structure and relocated its headquarters to Switzerland, all of which required diligent changes to the Group's operational model. To mitigate these risks, the Group initiated its Quality Management Project, comprising members of the Group's senior management team and Board members.

Operational risks

Unplanned production shutdowns or equipment failure
Unplanned process issues, equipment failure or a stoppage of production can have a material impact on Group performance. To mitigate these risks, we invest in and operate high quality systems, technology, equipment and maintenance/repair programs. These are supported with technical training for employees and robust equipment and business insurance.

Health, Safety and Environment (HSE)
Our corporate HSE lead and department defines Group practice and works closely with HSE specialists at each EuroChem operating company. A core requirement is that all production sites operate environmental and safety management systems in accordance with ISO 9001, ISO 14001 and OHSAS 18001.

We remain on track to achieve our target of being a HSE exemplar by 2018. Working with a specialist consultancy, we have defined a roadmap and are rolling out revised policies, procedures and associated technologies across all our sites.

Logistics
One of our key challenges is the generation, shipping and delivery of over 30 million tonnes of raw materials and products per year safely and efficiently. We use best in class planning, management techniques and equipment to maintain a steady flow of raw materials and finished products. Our insurance cover is also effective and tailored to cover any unscheduled stoppages or delays.

Compliance
Expansion of the Group's geographical presence, together with a tightening of the regulatory requirements in various jurisdictions – resulting from heightened tensions in the political and economic environment – requires maintenance of a robust system of monitoring, as well as early warning of any changes in legislation. In order to make our compliance system more effective, the Group Compliance Function is currently under development.

All employees comply with our codes of conduct and understand that the Group has a zero tolerance policy towards fraud and bribery. This behavior is monitored through our Internal Affairs and Internal Audit units and transaction monitoring procedures. All key purchases are channelled through a tender process, unless there is a transparent business reason why this should not be the case.

Financial risks

Foreign currency risk
While most of our sales are generated in US dollars and euros, a significant proportion of the Group's expenses is incurred in roubles. As a result, we try to match the currency of our investments and borrowings proportionally to our cash flow whenever possible. We also match cash flows and deploy financial instruments such as forward currency contracts to contain our exposure to fluctuations.

Interest rate risk
A proportion of our borrowings is subject to variable interest rates. We occasionally enter into hedging arrangements to mitigate the risks associated with interest rate fluctuations, although the impact on cash flow is usually limited as periods of high rates historically correspond with raised commodity prices.

Increase in costs
Significant cost increases in major items such as raw materials, energy, and transportation can negatively impact our cost base. EuroChem mitigates these risks in several ways including via investing in our own raw material supplies, improving energy efficiency at our production facilities and optimizing logistics via our own rail infrastructure, rolling stock, and transhipment terminals.

Other financial risks
Additional financial risks that we monitor and mitigate include liquidity, credit, financial covenants, ratings and tax.

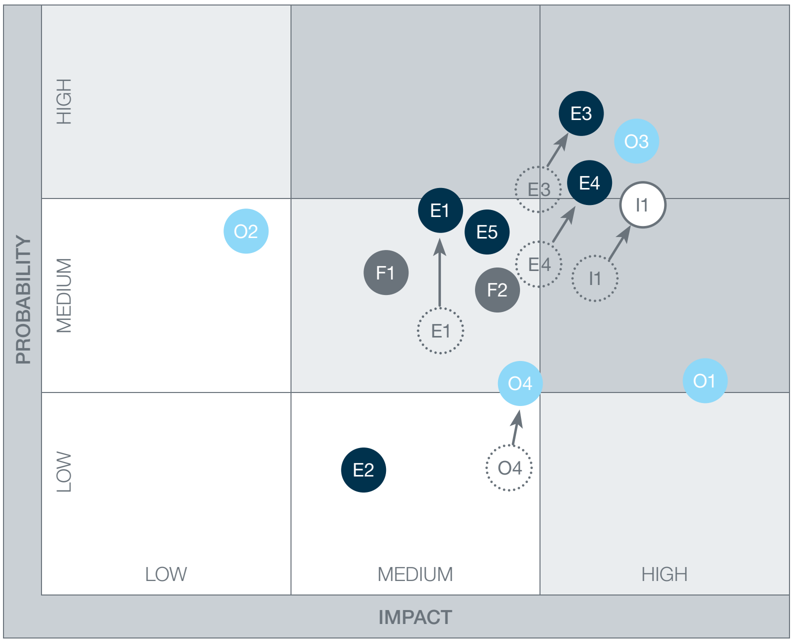
On an ongoing basis the Group monitors many different risks across every management level of its business. The tables and matrix presented on pages 46-47 of this report provide a consolidated overview and visual representation of the key risks.

Overview of the main risks

The following table provides an overview of the main risks we manage as part of our risk mitigation planning and strategy, while the matrix on page 47 highlights perception changes in some risks.

	Code	Risk nature	Description	Mitigation
External environmental risks	E1	Off-market regulation	• Implementation of protective import/export duties and other restrictions • Regulation of fertilizer prices in Russia	• Continuous monitoring of trade legislation and potentially restrictive initiatives across all markets
External environmental risks	E2	Increase in gas costs	• Differential in natural gas cost between Russian and European/US producers is decreasing	• Upstream integration • Extensive modernization of ammonia production to improve ammonia gas efficiency • Launch production of higher-value-added and premium specialty products
External environmental risks	E3	Nitrogen prices	• New supply from low gas cost areas may cause unfavorable shifts in EuroChem's position on the global cost curve	• Cost reduction, deep modernization and efficiency upgrade of ammonia units • Own natural gas capacity • Branding of specialty products
External environmental risks	E4	Phosphate prices	• New supply from low cost areas may lead to the gradual erosion of EuroChem's position on the global cost curve • Reliance on third-party phosphate rock supply	• Increase phosphate rock resource base • Increase foothold in the Group's domestic markets • Target reductions in logistics costs
External environmental risks	E5	Iron ore prices	• Declining iron ore prices represent a risk to EuroChem's cash flows	• Iron ore hedging mechanisms • Monitoring of debt levels for potential volatility in iron ore-related cash flows
Investment risks	I1	Potash projects	• Failure to meet potash project deadlines and budgets due to various issues surrounding logistics, geological conditions, shaft sinking and ore mining operations	• Involvement of experienced mining sub-contractors • Constant monitoring of project management systems and controls • Insurance taken out for shafts
Operational risks	O1	Plant shutdowns	• Unplanned business interruption, including accidents and incidents due to the age and depreciation of equipment, breach of technological processes and logistics, terrorism	• Full insurance coverage, including business interruptions • Controls over maintenance and repairs • Logistics management/new storage facilities
Operational risks	O2	Bottlenecks/ increasing prices	• Limited fertilizer transhipment capacity in Russia • Growth in the cost of rail and port services • Limited warehousing capacity within port infrastructure • Limited in-house transportation and freight capability • New projects/mining and production capacities	• Build and operate own port terminals and transhipment capacity as well as storage facilities • Acquisition of rolling stock • Accurate planning of logistics within investment/project planning • Automation of routing/dispatch model
Operational risks	O3	Environmental	• Environmental/reputational damages due to the nature of production coupled with the age of certain assets	• Reduce the environmental impact of operations • Policy of openness to the public • Insurance program • Measure and monitor environmental footprint combined with rapid response program
Operational risks	O4	Compliance	• Failure to comply with requirements of the regulators due to tightening of the regulatory requirements in various jurisdictions • Expansion of geographical presence of the Group • Moving headquarters to Switzerland • Political conditions and sanctions	• Continuous monitoring of changes in the legislation • Timely warning about changes in the legislation • Development of the Group Compliance Function
Financial risks	F1	Cash flow/ debt capacity shortage	• EuroChem may not be able to cover all its planned investments from operating cash flows and new debt due to delays in the launch of projects and/or main products price reductions • The cost of funding may increase significantly	• Maintain maximum readiness to tap all possible sources of debt and/or equity finance; extend debt maturity profile; effective hedging strategy • Study of alternative funding options, review financial covenants, strategic partner, project financing and other non-covenant financing
Financial risks	F2	Foreign exchange risk	• Cash flow structure is exposed to currency exchange rate volatility	• Monitoring of fluctuations in currency hedging positions • Match borrowing and cash inflow currencies

Assessment of main risks and trends



The arrows illustrate changes to risk perception over the next six-month period. The absence of an arrow implies a stable risk perception. The table below summarizes the key factors behind the highlighted changes in the risk assessments shown.

	Preceding six months		Next six months	
Code	Direction	Event/causes	Direction	Event/causes
E1 **Off-market price regulations**	↑	• The Russian Government considering limiting exports of mineral fertilizers and introducing other pricing regulations • Tougher economic sanctions against Russia-exposed businesses	↑	• Possible further sanctions due to foreign political situation and internal export duties • Further deterioration of economic situation in Russia. Authorities could look to absorb profits from exporting industries
E3 **Decline in nitrogen prices**	↑	• Increasing supply from low-cost gas regions (MENA) • Reduction in urea export duty in China • An easing in the shortage of gas in Trinidad • Decline in global market prices for gas resulting from lower oil prices and shale gas developments	↑	• Negative trends in the commodities market and decline in world prices for gas as a result of falling oil prices • Decline in urea price if supply continues to outstrip demand • Supplies at low prices from low-cost natural gas regions (MENA)
E4 **Decline in phosphate prices**	=	• Steadily increasing supply from China due to a revision of export tariffs • Sales volumes will be influenced by lower demand from India due to a decrease in farming subsidies • Growing demand from European, North American and South American markets • Record lows in stock levels point to stronger demand in the first half of 2015	↑	• Declining demand for DAP/MAP amid downbeat macroeconomic sentiments • Competition grows on regional markets, which upsets the regional supply/demand balance from 'non-traditional' suppliers
I1 **Potash projects**	=	• Controlled and manageable water inflow at VolgaKaliy	↑	• Water inflow at VolgaKaliy cage shaft could have a negative impact on project schedule and, to a lesser extent, costs
O4 **Compliance**	↑	• Expansion of the Group's geographical presence • Moving headquarters to Switzerland • Political conditions and sanctions	↑	• Continuing geographical expansion • Rising tension in international political and economic environment

Maintaining strong governance

Alexander Landia
Chairman of the Board
Member of the Strategy Committee
Non-executive Director

Background and experience
Mr Landia has extensive senior management experience, leading and advising various organizations throughout his career. Between 1993 and 2001 he worked at Dresdner Bank in Frankfurt as First Vice President, Oil & Gas Global Debt.

Until 2004, he was General Director of Accenture Russia and was subsequently appointed as Global Gas Lead Partner.

Between 2006 and 2010, he chaired the Board of Directors of OAO SUEK. Mr Landia currently serves as Chairman of the Nomination and Compensation Committee and is a member of the Strategy Committee of SUEK PLC. He is a member of the Board of Directors of Lambert Energy Advisory (UK) and Barloworld (South Africa). Mr Landia is a co-founder and Director of MFEP (UK) and a co-founder and managing director of Bernotat & Cie (Germany). He is also a member of the Supervisory Board of The Mobility House AG (Switzerland).

Qualifications
Alexander graduated from the Tbilisi State University (Hons) and has a PhD in Mathematics from the Minsk Institute of Mathematics of the National Academy of Science.

Does not hold Company shares.

Andrey Melnichenko
Chairman of the Strategy Committee
Non-executive Director

Background and experience
Over the past 20 years, Mr Melnichenko co-founded a number of successful Russian companies including MDM-Bank, EuroChem, SUEK, SGC (Siberian Generating Company) and TMK.

He is the main beneficiary of EuroChem, SUEK and SGC. Mr Melnichenko chairs the Boards of Directors of SUEK PLC and SGK. He sits on the board of the Russian Union of Industrialists and Entrepreneurs.

Qualifications
Andrey studied physics at the Lomonosov Moscow State University and graduated from Plekhanov Russian Academy of Economics majoring in finance and credit.

As at the date of this report, a company that holds business interests beneficially for Mr Melnichenko owns 100% of Linea Ltd (Bermuda), which in turn owns 100% of EuroChem Group S.E, and which in turn owns 90% of EuroChem.

Dmitry Strezhnev
CEO of EuroChem Group AG

Background and experience
Dmitry has extensive experience in business administration, particularly in large industrial corporations.

During his career, Dmitry has served as the Head of Agrodortekhsnab LLP and Tekhsnab-2000 LLC – trading companies that sell road and construction machinery and provide maintenance work. He was also deputy director of Dorstroykomplekt CJSC, before becoming Director General of JSC Likino Bus Plant.

Prior to EuroChem, Dmitry held executive positions in the automobile industry at RusPromAvto LLC, and GAZ OJSC.

Qualifications
Dmitry graduated with honours from Lomonosov Moscow State University with a degree in Physics and has an MBA from the Academy of National Economy under the Government of the Russian Federation.

As at the date of this report, a company that holds the business interests beneficially for Mr Strezhnev owns 10% interest in EuroChem.

Manfred Wennemer
Chairman of the Nomination and Remuneration Committee
Independent Director

Background and experience
Manfred started his career at Procter & Gamble, Germany. After a short period at Arthur D. Little Wiesbaden, Mr Wennemer took up several management positions in companies and business units belonging to the Freudenberg Group in Germany, South Africa and North America, where from 1992-1994 he bore responsibility for the worldwide spunbond business.

In 1994 he moved to the Continental Group where he started as Executive Board Chairman at Benecke-Kaliko AG, a company belonging to the Continental Corporation's ContiTech division. In 1998 Mr Wennemer was appointed chairman of the management board of ContiTech Holding GmbH and, at the same time, was assigned a seat on the Continental AG Executive Board. In 2001 he was nominated by the Supervisory Board to chair the Executive Board and held this position until August 2008.

Mr Wennemer has 30 years of experience in the manufacturing industry. He holds several advisory and supervisory board positions for German and international companies. He is a member of the supervisory boards at Allianz Deutschland AG and Knorr-Bremse AG, the Chairman of the board at SAG AG and the Chairman of the Shareholder Committee at Hella KGaA Hueck & Co. He serves as an Independent Director and Member of the Strategic Committee in NV Bekaert SA.

Qualifications
Manfred holds a Master's degree in Mathematics from the University of Münster, Germany and an MBA from INSEAD Fontainebleau, France.

Does not hold Company shares.

Kent Potter
Chairman of the Audit Committee
Independent Director

Background and experience
A former US Army officer, Kent joined Chevron in 1974 and in a 27-year career with the company has held financial management positions, including CFO of Chevron's North Sea operations, CFO of Tengizchevroil in Kazakhstan and CFO of Chevron Overseas Petroleum. He was appointed senior vice president and CFO of Chevron Phillips Chemical Company (CPChem) and whilst serving as a member of CPChem's board, he helped direct the merger and integration of Chevron and Phillips' worldwide chemical operations.

In 2003, Kent was appointed CFO of TNK-BP. Most recently, he served as executive vice president and CFO of LyondellBasell.

He has previously held directorships at Black Beauty Coal Company and Texas Petrochemical Company.

Kent was appointed to the Board in September 2013.

Qualifications
Kent holds a BA in engineering and an MBA from the University of California, Berkeley.

Does not hold Company shares.

Garth Moore
Member of the Strategy Committee
Independent Director

Background and experience
Following 42 years in the mining industry, Mr Moore retired in July 2012 from his position as President, PCS Potash, a division of Potash Corporation of Saskatchewan Inc. Prior to his appointment in 1997, he was Senior Vice President of Technical Services for the Corporation.

Joining PCS in 1982, Garth held senior mine operating positions including General Manager at both the Rocanville and Lanigan Operations. Prior to this, he held various positions with Noranda Inc., Central Canada Potash and International Minerals and Chemicals Corporation.

He is a past director of Arab Potash Company, the Canadian Environmental Technology Advancement Corporation, past Chairman and director of the Saskatchewan Potash Producers Association, and past President and director of the Saskatchewan Mining Association.

He is currently a member of the Association of Professional Engineers and Geoscientists of Saskatchewan and the Canadian Institute of Mining, Metallurgy and Petroleum.

Qualifications
Garth graduated from the University of Saskatchewan with a Bachelor of Science degree in Mining Engineering and completed the Senior Executive Program at Columbia Business School.

Does not hold Company shares.

Vladimir Stolin
Member of the Nomination and Remuneration Committee
Independent Director

Background and experience
In 1989 Vladimir founded and was CEO of ECOPSY Consulting company, specializing in human resource management, motivation and development. He also served as chairman of its board. He had previously worked as a consultant at RHR International (Chicago, US).

From 2006-2007, Mr Stolin was a member of the Pharmacy Chain 36.6 Board of Directors. During this time he also served as chairman of the MDM Bank Board of Directors.

Since 2011, Mr Stolin has been a member of the Board of Directors of the Siberian Generating Company LLC, where he chairs the Personnel Committee.

Vladimir is a member of the American Society of Training and Development and he is the author of numerous scientific publications in the fields of management and psychology, including three monographs.

Qualifications
Vladimir graduated from Lomonosov Moscow State University with a degree in Psychology. He went on to earn a Doctorate in Psychology and a Professorship.

Does not hold Company shares.

Nikolay Pilipenko
Member of the Audit Committee
Member of the Nomination and Remuneration Committee
Non-executive Director

Background and experience
From 2006 to 2008 Nikolay was the CFO of EuroChem, a position that has provided him with an in-depth knowledge of the Company's operations and financial management.

Before joining EuroChem, he worked for ABB Group, holding various managerial positions in Russia, Spain and Switzerland.

Nikolay is a member of the Board of Directors of the Siberian Generating Company LLC (since 2012).

Qualifications
Nikolay graduated from Moscow State University and holds a PhD in economics.

Does not hold Company shares.

Jürg Seiler
Member of the Audit Committee
Independent Director

Background and experience
Mr Seiler served as a Chief Financial Officer (CFO) at Ventyx, the Enterprise Software business of ABB from 2012 until 2014. Prior to taking up this role, he was global CFO at ABB Power Systems Division and earlier CFO at ABB Lummus Global. Mr Seiler has over 30 years of international experience including assignments in South Africa, Hong Kong, USA and Switzerland. He previously held several key financial positions across countries and businesses.

Qualifications
Jürg holds a Master's degree in Economics from the University of St. Gallen, Switzerland.

Does not hold Company shares.

Nicholas Page
Member of the Audit Committee
Non-executive Director

Background and experience
Mr Page's career includes nearly 25 years working for PricewaterhouseCoopers (PwC) in the UK and Russia. He was a partner in the UK firm from 2003 to 2014, and from 2013 to 2014 was a member of the PwC Central and Eastern European (CEE) Management Board and the CEE-UK Development Committee. At PwC, Nicholas specialized in advice to financial institutions, financial sponsors and multi-national companies in relation to domestic and cross-border M&As, IPOs and restructuring.

Nicholas is a member of the Board of Directors of SUEK PLC.

He is also a member of the Non-executive Strategic Advisory Board of the School of Business & Economics at Loughborough University in the UK.

Qualifications
Nicholas holds a Bachelor's degree in Engineering (Hons) from Loughborough University and has been awarded FCA status by the Institute of Chartered Accountants of England and Wales (ICAEW).

Does not hold Company shares.

After more than 8 years on the EuroChem Board of Directors, Mr Vladimir Stolin stepped down in February 2016. The Board wishes to expresses its most profound gratitude to Mr Stolin for having contributed to the Company's development, primarily as Chair of the Corporate Governance and Personnel Committee. Vladimir was a key driving force in our efforts to renew the Board structure and attract Directors with the competence and experience required to steer the Group as it enters a phase of active growth.

Maintaining strong governance
continued

The Board's strategic role
Our aim is to become a world leader in the agrochemical sector. Consequently, the Board's mission is to ensure that we have a solid and consistent strategy, achieve our business goals and deliver shareholder and stakeholder value in the long term.

The Board also ensures excellence in corporate governance. We adopt international standards and best practices throughout our business, including risk management processes, internal controls and other corporate compliance functions.

Each member of the Board has a sound understanding of the business and our industry. They develop relationships with – and access information from – the management team, in particular on strategy implementation, risk monitoring and assessment of key material issues.

We make full use of each Board member's skill set and experience and ensure that each individual has ample opportunity to express opinions and have their say.

Taking informed decisions
In addition to materials prepared for meetings, Board members are provided with periodic updates, including management accounts, flash reports, status updates on industrial health and safety, updates on the Group's legal proceedings, media overviews, information on corporate events and reviews of strategic projects. When a significant event occurs, Board members are the first to obtain up-to-date information from the management team. This communication process is defined in a policy and associated procedures.

To facilitate the understanding of our operations, Board members undertake yearly site visits to one of our facilities.

The agenda for Board activity is planned 12 months in advance, taking into account the optimal cycle for reviewing recurrent issues such as budgets, financial reporting and strategy. The timing, expectations and goals of these reviews are well understood by both the Board and management team and include detailed updates on core operational areas, investment projects and strategy.

Each Board member is assessed annually by their fellow Directors, at which time they also evaluate their own contribution. The latest assessment focused on strategy, HR and corporate governance.

Thorough induction
We provide every new Director with a clear picture of our business and operations as soon as they join the Board. This formal induction process also requires learning the regulations pertaining to Board procedures, standing items on the Board's forward agenda and a round of meetings with key managers. New Directors are also given the opportunity to visit one of our facilities during their induction.

Independent judgement
We have adopted the UK Corporate Governance Code definition of 'independent' Director. A key criterion is that the individual is free from any conflicts of interest. If such actual or potential conflicts arise, independent Directors are notified and are required to act appropriately.

New Directors are required to declare any conflicts of interest and adhere to the Company's Board Regulations. This requires them to refrain from taking action that could lead to a conflict of interest, with the responsibility to inform the Chairman as soon as possible should a potential conflict arise.

At the end of 2015, six of the Board's ten Directors were fully independent of the Company's executives, affiliates and major counterparties. Their independent status is confirmed by the Board of Directors after each election or re-election using a standard questionnaire relating to the declaration of interests. All Directors are required to inform the Company of any events which could lead to the loss of their independent status. As of February 2016, following Vladimir Stolin's departure and Alexander Landia's loss of independent status, 4 of the Board's nine Directors were confirmed as fully independent.

Leadership by example
The Chairman oversees and guides the Board and is responsible for ensuring its effectiveness by facilitating open communications, developing relations and creating a culture of mutual respect and constructive debate.

The Board sets Company strategy and monitors its progress. The strategy is implemented by the CEO and members of the Management Board, who are

An informed and engaged Board
To ensure EuroChem Directors have a first-hand understanding of the business and its operations, regular visits to Group sites are organized. In 2015, Head of Mining Clark Bailey and the local team hosted the Board at the Usolskiy potash project in Berezniki, the heart of Russia's traditional potash region. The site visit allowed each Director to see at first-hand the scale and progress of work at one of the Group's potash projects. With shaft sinking completed and operations set to begin in late 2017, the site is abuzz with activity as construction crews work on the site's surface buildings and infrastructure. Once fully commissioned, the Usolskiy potash operations are expected to create up to 3,000 new employment opportunities in the region.

responsible for Company performance. The Management Board is comprised of key managers with responsibility for finance, fertilizer production, mining, sales, logistics, marketing and administration.

The Board of Directors appoints the CEO and the members of the Management Board and determines the length of their terms.

There are three Committees chaired by Board members: the Strategy Committee, the Audit Committee, and the Nomination and Remuneration Committee.

The Strategy Committee reviews and approves divisional and departmental strategy, development projects, acquisitions and significant investment decisions. This requires environmental and social impact competence, as our investment activity can impact the local environment and create infrastructure and opportunities for local employment.

The Audit Committee's primary function is to oversee the quality of financial and sustainability reporting and the integrity of information disclosure. The Audit Committee also ensures the adequacy of the company's compliance activities, including risk management. The CFO and Head of Internal Audit attend all meetings with active participation from external auditors.

The Nomination and Remuneration Committee focuses on remuneration and incentives, staffing requirements at ongoing investment projects, the introduction of health and safety performance indicators within the management incentive program and reviewing and updating the Company's Codes of Conduct.

Improving diversity

We aim to attract the best people with the right talent to complement our skills, irrespective of gender or ethnicity.

Our Board of Directors demonstrates diversity of experience, opinion, and nationality. The gender imbalance across our Group companies remains an issue, as it is for many other businesses in the science, mining and engineering sectors. Nevertheless, we continue to look at ways of improving gender balance in senior roles, including our E-Generation program, which is identifying the bright and motivated young men and women who will lead the Company in the years ahead.

Corporate behavior

EuroChem operates a formal Code of Conduct.

EuroChem AG approach to governance

EuroChem's corporate governance system is based on the following principles:

- Equal treatment of our shareholders, and recognition and protection of their rights;
- Operating an effective system of internal control and audit;
- Ensuring access to Company information and financial transparency;
- Highest levels of business ethics; and
- Providing an excellent working environment, career progression and effective communication mechanisms.

Governance structure

The Company's highest-ranking corporate governance body is the General Meeting of Shareholders (GM). The Board of Directors reports directly to the GM. The primary focus of the Board itself is to steer and support the Company's strategic development, with an emphasis on oversight in the implementing of strategic initiatives.

Elected by the GM, the Board of Directors appoints the Chief Executive Officer and the Management Board and determines the length of their terms. The Chief Executive Officer and the Management Board report directly to the Board of Directors, which is represented by the Chairman.

The Board of Directors works to a forward agenda that is updated annually. The annual schedule includes six meetings covering any issue which requires substantive discussion. When necessary, additional meetings are held either by teleconference or, for procedural issues, by absentee vote.

The Board considers all issues that are referred to it by law and the Company's Articles of Association and Regulations on the Board of Directors. This includes key strategic decisions for the Group and exercising oversight down through the management structure.

Board priorities

The Board's primary activities include:

- Developing strategic long-term vision and corresponding goals;
- Maintaining sound and effective corporate governance, exercising oversight of control and risk management procedures;
- Reviewing management performance against these goals;
- Approval of target states and key functions of the Company;
- Consideration of opportunities proposed by management; and
- Guiding EuroChem's senior management and advising on key strategic decisions.

The legal department of the Company oversees all preparations for Board and Committee meetings. All documentation for the Board of Directors and Board Committees is prepared in English; if required, simultaneous interpretation into Russian is provided at meetings. These efforts allow each Director to express their own opinion in their preferred language without risk of misunderstanding.

The key Company documents defining our approach to corporate governance are:

- Articles of Association;
- Regulations on the Board of Directors;
- Organizational Regulations on the Management Board and the Chief Executive Officer;
- Audit Committee Regulations;
- Nomination and Remuneration Committee Regulations;
- Strategy Committee Regulations; and
- Code of Conduct.

These documents are available on the corporate website and are updated as and when necessary.

Maintaining strong governance
continued

The legal and regulatory environment
We strive to follow the principles recommended by the UK Corporate Governance Code and apply recognized international best practice, for example:

- The positions of Chairman of the Board of Directors and Chief Executive Officer are kept separate;
- Members of the Board of Directors are elected and the Board's performance is assessed annually;
- The independence of individual members is verified by the Board of Directors; and
- Individual Board members avoid potential conflicts of interest when making decisions.

Shareholder structure
At 31 December 2015, EuroChem Group SE owned 100% of the share capital of EuroChem Group AG. A company that holds business interests beneficially for Mr Andrey Melnichenko owns 100% of Linea Ltd registered in Bermuda, which in turn owns 92.2% of EuroChem Group SE, which in turn owns 100% of EuroChem Group AG.

EuroChem Group AG shareholders

	As at 31.12.2015		As at 31.12.2014	
	Shares No.	Share capital %	Shares No.	Share capital %
EuroChem Group SE	**100,000**	**100**	**100,000**	**100**

Mr Dmitry Strezhnev, CEO and Chairman of the Management Board of EuroChem Group AG, is the beneficiary of the remaining 7.8% of EuroChem Group SE. As at the date of this report, Linea Ltd wholly owns EuroChem Group SE which has a 90% holding in EuroChem Group AG, while Dmitry Strezhnev is the beneficiary of 10% of EuroChem Group AG.

Share capital
EuroChem Group AG share capital equals CHF 100,000 (one hundred thousand) and is divided into 1,000 (one thousand) registered shares with a par value of CHF 100 (one hundred) each.

Board composition
At the beginning of 2015, the Board consisted of two members: Dmitry Strezhnev and Andrey Ilyin.

At the Extraordinary General Meeting of Shareholders of 8 April 2015, ten Directors were elected to the Board, in alphabetical order: Alexander Landia, Andrey Melnichenko, Garth Moore, Nicholas Page, Nikolay Pilipenko, Kent Potter, Jürg Seiler, Vladimir Stolin, Dmitry Strezhnev and Manfred Wennemer.

At the Annual General Meeting of Shareholders on 26 June 2015, all members of the Board were re-elected until the next Annual General Meeting of Shareholders.

Board committees and attendance
In 2015, the Board held six meetings in person and 26 in absentia.

The average member participation at these meetings was 100%.

	Board attendance			Committee attendance (meetings and teleconferences)		
Director	Held/ attended in 2015	In person	In absentia	Audit	Nomination and Remuneration	Strategy
Executive Director						
Dmitry Strezhnev (Chairman of the Board until 10.04.2015)	32/32	6/6	26/26	–	–	–
Andrey Ilyin (until 10.04.2015)	8/8	1/1	7/7	–	–	–
Non-executive Directors						
Andrey Melnichenko	24/24	5/5	19/19	–	–	5/5
Nicholas Page	24/24	5/5	19/19	9/1*	–	–
Nikolay Pilipenko	24/24	5/5	19/19	9/9	5/5	–
Independent Directors						
Vladimir Stolin***	24/24	5/5	19/19	–	5/5	–
Garth Moore	24/24	5/5	19/19	–	–	5/5
Alexander Landia (Chairman of the Board from 10.04.2015)**	24/24	5/5	19/19	–	–	5/5
Kent Potter	24/24	5/5	19/19	9/9	–	–
Jürg Seiler	24/24	5/5	19/19	9/9	–	–
Manfred Wennemer	24/24	5/5	19/19	–	5/5	–

* While Nicholas Page attended all Audit Committee meetings in 2015, he joined the Audit Committee in December 2015 and only attended 1 meeting as a member of the Audit Committee.
** From 1 January 2016, Alexander Landia's status changed to Non-executive Director.
*** Vladimir Stolin stepped down from the Board in February 2016.

As at 31 December 2015, EuroChem's Board of Directors comprised the ten above-mentioned individuals. In February 2016, Vladimir Stolin resigned from the Board of Directors.

2015 Board agenda

Key agenda items discussed by the Board of Directors during the year included:

Strategic development

The Board assessed the Company's competitiveness and perspectives as an international player in the market. The Company focused on market penetration strategies.

The Company continued to strengthen its position in attractive international markets as well as developing cooperation with local partners. In October 2015, the Company acquired US fertilizer distributor Ben-Trei and its established warehouse infrastructure in key agricultural regions in the US.

Following the approval of the Board the Group concluded with Agrinos AS, a Norwegian company and global leader in biological crop nutrition products, an equity investment and two strategic collaboration agreements (marketing and distribution and R&D).

Regarding sales, the expansion priority of the Group to strengthen its presence in Latin American and Southeast Asian markets was noted and will be further developed in 2016. The Board stressed the importance of developing the premium segment within the Group's product portfolio, since it provides high value for the consumer and generates higher margins for the Group.

Reorganization of the Company's legal structure and management system (Quality Management Project)

At the beginning of the year the Board approved a new corporate governance structure of the Company, headquartered in Zug, Switzerland. Correctly defining the corporate functions and business processes to be transferred to the Swiss holding company was a key priority. As part of the reorganization, the Board formed the Management Board and appointed key personnel. Core competencies and KPIs were also redefined for managers at all levels of the Company.

Particular attention was paid to the implementation of the Quality Management Project. The Board reviewed the reorganization status of several business processes (including sales, logistics, procurement and financial control). The Board monitored the implementation of the Project on a regular basis during the year, i.e. project charter and project incentive programs were developed and management centers were defined.

Financial stability and investment control

The Board monitored the Group's 2015 financial planning and approved the consolidated budget for 2016. The Board reviewed the Company's performance regularly (management accounts and flash reports for the period). During 2015, the Board also approved several major fundraising transactions:

- Credit agreement in the amount of EUR 200,000,000 for EuroChem Antwerpen NV;
- Pre-export Loan Facility up to USD 800,000,000 for refinancing the existing financial indebtedness of the Group as well as financing of capital expenditures and general corporate purposes; and
- Project finance for the construction of the Eurochem Northwest ammonia project.

Various large-scale investment projects to upgrade outdated facilities, introduce new technology, develop mineral deposits and improve competitiveness were also approved during 2015.

Unfortunately, in 2015 the Group witnessed 37 accidents including three fatalities. Thirty of these involved direct employees and seven external contractors working at the Group's facilities.

Corrective and preventive measures are being taken in order to prevent accidents. These include pilot projects to monitor drivers and record all operational activity of heavy machinery and the implementation of a 'Doctor on Site' program. Further work was done to both enhance oversight and strengthen safety requirements for contractors.

The Board monitors measures being taken to avoid accidents and developments in environmental protection on a regular basis.

Risks and internal control

The Board ensured that risk management is fully integrated into ongoing decision-making. An updated risk map has been developed as a strategic management and planning tool.

The Company's risks/risk factors have been consolidated into 28 key risk groups that fall into four categories of both an external and internal nature. Most of these risks are ongoing and the relevance of identified risks is almost the same as that of 2014.

As part of the risk mitigation process, the Company introduced its Code of Conduct. This covers different areas of compliance, such as conflict of interest, insider information and trading, money laundering, corruption and bribery, competition, confidentiality, accounting, health and environmental protection and discrimination.

As part of the reorganization of our legal support and corporate governance, the Board approved the appointment of the Group's General Counsel as Chief Compliance Officer to ensure the Company's compliance function is fit for purpose and that adequate compliance procedures are developed.

Maintaining strong governance
continued

Appointments and incentives
One of the Board's main objectives is to ensure management continuity. During the reporting year, a number of key managers were appointed.

In 2015 a new organizational and management structure for the Group was approved. The Group's structure includes key positions that significantly influence its business. The Group's senior managers are each responsible for the organization and development of key functions, both at the corporate level and as managers of major strategic projects. Regulation of appointments to such positions is subject to rigorous control. In 2015, the Board approved the appointment of the Group's General Counsel as Chief Compliance Officer and oversaw appointments.

The Board paid particular attention to the development of remuneration and compensation principles for the Group's key personnel. The existing compensation system was established with due regard to best global remuneration practices and is aimed at achieving the Company's annual and long-term goals. Local legislative requirements and other benefits were also taken and international relocation packages were developed.

Particular attention was also paid to the process of determining and assessing annual targets.

Assessment of the Board
In recent years, assessment of the Board has taken the form of a questionnaire completed by Board members, followed by a discussion.

In 2015, the Directors were asked about the three Committees' areas of responsibility, their satisfaction with the Board's overall performance and which matters they deemed most essential.

Matters discussed included the Company's strategy, human resources, management tasks, corporate governance, the timely preparation of quality material, the nature of discussions at Board and Committee meetings and the Directors' satisfaction with the Board's performance and their own contribution.

Several priorities for the Board's attention were identified:

- Management structure/business process re-engineering;
- Financial monitoring;
- Potash projects;
- Reputation and communication management; and
- Further development of IT structure and automation of business processes.

Corporate governance
In 2015 the General Meeting of Shareholders approved new versions of the Articles of Association and Regulations on the Company's corporate governance bodies. To ensure comprehensive performance of the Board of Directors as the Company's strategic management body, Regulations on the Board's Committees, which establish the rules regarding formation, functions and authorities of the Committees, were updated.

Emphasis was made on new approaches to administer the Company's subsidiaries to enable effective management and control over the Company's assets. The Board updated the list of key Group companies and established procedures to prioritize and elaborate their material issues.

The following decisions were made in the reporting year:

- Formation of the Management Board;
- Appointment of the CEO;
- Formation of the Board of Directors' Committees; and
- Implementation of business projects and execution of transactions of essential value to the Company.

Remuneration of the Board members
Issues concerning Directors' remuneration are referred to the General Meeting of Shareholders. Remuneration is fixed and adjusted according to Committee memberships and Chairmanships; however, as set out in the Board Member Remuneration Regulations, only non-executive Directors are entitled to remuneration.

The total amount of remuneration paid to Board members for their contribution in 2015 (April to December) amounted to US$1.6 million, including US$272 thousand in compensation for work-related expenses.

	2015 US$k
Total remuneration paid to the members of the Board	1,373
Total compensation for work-related expenses	272

Directors and officers liability insurance (D&O) is provided by the Company.

The Group does not have a long-term incentive program (stock options plan).

Audit Committee

The Audit Committee's role, responsibilities, composition and membership requirements are documented in the Audit Committee Regulations approved by the Board. These is available in the Corporate governance section of the Group's website www.eurochemgroup.com.

The Audit Committee oversees accurate financial reporting and disclosure. It also helps to sustain regulatory compliance, strengthen internal control, and improve risk management.

2015 Audit Committee meetings and attendance

As at 31 December 2015, the Committee had four members: Committee Chairman Kent Potter (IND), Nikolay Pilipenko (NED), Jürg Seiler (IND) and Nicholas Page (NED). All members of the Audit Committee are financially literate and have a range of different backgrounds, skills and experience with regard to the operations, financial and strategic risk profile of the Group.

In 2015, the Committee held a total of nine meetings; five in person and four in the form of conference calls. The 2015 attendance table is on page 52. Senior representatives from PwC and Internal Audit attended every scheduled meeting of the Audit Committee throughout the period.

The Audit Committee reviewed its performance with respect to the requirements of the Committee's Regulations and recommended relevant amendments. The new Audit Committee Regulations were approved by the Board of Directors in December 2015.

Throughout the year the Audit Committee regularly reviewed and approved its forward agendas to ensure that required activities were incorporated and flexibility for additional topics was accommodated.

The Audit Committee members attended several meetings of the Strategy Committee to jointly review and discuss the Company's budget, IT strategy and other issues as delegated by the Board. They also attended the Nomination and Remuneration Committee to review issues relating to the Quality Management Project and business process re-engineering.

Overview of Audit Committee activity in 2015

External auditor	Review of the performance of PwC as the Group's external auditor together with the assurances that all applicable independence requirements were met. Review of the annual audit plans for 2015 of the external auditor, and oversight of the work performed by the auditors throughout the year including the assessment of their effectiveness. Evaluation of candidates for the position of Company auditor, and provision of recommendations to the Board on their appointment. Review and approval of the annual fee for audit services and review of compliance with the policy for non-audit services to be provided by the external auditor. Conducting separate meetings, without the presence of management, with the external auditor.
Financial reporting and budgeting	Reviewing and making recommendations to the Board for the adoption of the annual audited consolidated financial statements, review and approval of the interim unaudited consolidated financial statements. Review of management representation letters, auditor's management letters and management's responses thereto. Monitoring of the accounting standards evolution and expected relevant changes in the legislation. Oversight of statutory reporting at Group companies. Review of significant accounting, financial reporting and other issues raised by management, internal and external auditors. Review of the budgeting process, annual budget for 2016 and actual performance against budget.
Management information	Regular reviews of the management accounts and flash reports to ensure accuracy of performance reporting by management and of performance indicators incorporated thereto. Oversight of the development of new management reporting.
Risk management and internal control	Review of the updated Group risk map and risk management framework and strategy as developed by management. Review of the existing internal controls and their efficiency. Review of the Group's insurance policy and D&O insurance coverage. Oversight of compliance with applicable laws and regulations, including review of tax compliance (transfer pricing issues, BEPS). Review of the annual reports on material fraud cases and transactions with potential conflicts of interest. Oversight of the company's IT Strategy implementation, analyzing its effectiveness and risks with regards to financial reporting preparation. Review and pre-approval of the Group's internal documents including the Code of Conduct, Internal Audit Regulations and new edition of the Audit Committee Regulations.
Internal Audit	Review of the performance and effectiveness of Internal Audit. Review and approval of the annual Internal Audit plan and budget for 2015. Assessment of the Internal Audit function independence and the adequacy of its resources and funds. Consideration of the key findings of Internal Audit reviews and management's performance in response to them. Pre-approval of the appointment of the Group's Head of Internal Audit in 2015, establishment of his individual targets and preliminary assessment of the annual results against agreed targets. Conducting private meetings with the Head of Internal Audit.
Information disclosure	Reviewing the quality and integrity of financial and non-financial data contained in the 2014 Annual and CSR Reports as well as in press releases published for the period. Review and endorsement of the risk management, compliance and corporate governance sections of the 2014 Annual Report. Discussion and analysis of the Company's financial and operating results with management and external auditor prior to the filing of the 2014 Annual Report.
Business processes reengineering	As part of the Quality Management Project, including oversight of IT-related issues (transfer to Oracle 12) and review of relevant risks, particularly those with potential impact on financial statements. Oversight of the reorganization of Finance and Economic Management and Financial Control processes.

Strategy Committee

The Strategy Committee is a consultative and advisory body of the Board of Directors. The Committee's main role is to protect the interests of the shareholders by monitoring the strategic development of the Company and legal entities that are directly or indirectly controlled by the Company.

The Strategy Committee usually considers such issues as strategic plans of business segments, major investment projects, M&A transactions and project management. It prepares required recommendations that fall within the terms of reference of the Board of Directors and are delegated by the Board to the Committee.

The Committee's role, responsibilities, composition and membership requirements are documented in the Strategy Committee Regulations approved by the Board. These are available in the Corporate governance section of the Group's website www.eurochemgroup.com.

As at 31 December 2015, the Committee had three members: Committee Chairman Andrey Melnichenko (NED), Alexander Landia (NED), and Garth Moore (IND).

The CEO, CFO and Head of Strategy and Investment regularly attend meetings at the Committee's invitation.

Strategy Committee meetings and attendance

In 2015, the Committee held five meetings in person. The 2015 attendance table is on page 52.

Overview of Strategy Committee activity in 2015

Strategy and development	Valuing EuroChem's business and the Group's general development strategy for 2014-2018, including financial support for the Group's strategy and long-term cash flow forecast. Creation of divisional development strategies for 2016-2020 (Sales, Oil & Gas, Mining, Fertilizers, Logistics) and of the Novomoskovskiy Chlor LLC development strategy. Development of the Company's own ammonia and phosphate ore resource base; launch of new premium products.
Investment activity and strategic projects	Development of US distribution – Ben-Trei acquisition. Status of M&A initiatives. Entry into interrelated agreements aimed at the realization of the Agrinos investment project. Assessment of initiatives from management and recommendations from the Board of Directors approving significant investment projects relating to asset development and inventory management, including work at Lifosa AB, Kovdorskiy GOK JSC and NAK Azot JSC. Investment decision-making methodology process review.
Financing and budgeting	2015 consolidated budget and projected 2016 budget execution. Arranging project financing for ammonia production in Kingisepp. Financing of strategic projects.
Reorganization of the Company	Reorganization of Public Relations & Government Relations functions. Centralization of Treasury function review.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee

The Committee's main role is to protect shareholders' interests by monitoring the quality of corporate governance, HR strategy, policy and practice and the quality and efficiency of the appointments system. The Committee also oversees the Company's remuneration system as a whole and that of its senior executive management in particular.

The Committee focuses primarily on remuneration and incentives, staffing requirements at ongoing investment projects and the introduction of health and safety performance indicators within the management incentive program. The Committee has made considerable progress towards establishing international standards of governance – and an important part of its role is to ensure that these standards are maintained.

Nomination and Remuneration Committee meetings and attendance

As at 31 December 2015, the Committee had three members: Committee Chairman Manfred Wennemer (IND), Vladimir Stolin (IND) and Nikolay Pilipenko (NED).

In 2015, the Committee held five meetings in person. The 2015 attendance table is on page 52.

Overview of Nomination and Remuneration Committee activity in 2015

Corporate governance	Recommending approval of the Company's corporate structure. Recommending approval of the Organizational Regulations of the Management Board and the CEO. Reorganization of the legal support and corporate governance functions. Defining EuroChem Group AG target management structure. Consideration of the Company's 2014 Corporate Social Report. Assessment of the Board's performance.
Personnel strategy and policy	Approval of the HR budget for 2016. HR business process re-engineering. Recommending the approval of EuroChem key managers' objectives for 2015. Preliminary results of 2015 targets achievement by top management. 2016 individual targets for top management. Reviewing HSE reports from EuroChem companies as well as strengthening the HSE functions and processes. Ensuring regular cooperation of the Committee with the executive bodies and HR service via business meetings and joint sessions on the Committee's operational issues.
Appointments and incentives	Election of the members of the Management Board and the CEO. Recommending approval of the list of key personnel of the Company and Group Companies. Recommending appointment of key personnel of EuroChem Group. Recommending approval of terms of their employment and remuneration. Review and implementation of incentive programs for investment projects. Approving the incentive system for top management. Developing the motivational incentive system for top management for 2015-2019. Reviewing the total compensation system for key personnel. Developing the incentive system for key Company personnel and established target requirements.
Quality management project	Reorganization of sales, logistics and procurement processes. Reorganization of the financial management and economics process with regard to the Financial Controlling function. Development of approaches to the project incentive system.
Induction and professional development	Board education and introduction of new Directors to the Group's business. Evaluating the Board composition and required skills/diversity. Assessing succession planning with regards to requirements and development plans.

A responsible stewardship

Audit Committee

- Chairman – Kent Potter (IND)
- Nikolay Pilipenko (NED)
- Jürg Seiler (IND)
- Nicholas Page (NED)

Priorities for 2016

- Further elevate and strengthen the Group's compliance program globally
- Review of the Group's business processes re-engineering with a focus on automation to ensure integrity and consistency of data, and efficiency of financial processes
- Enhance and monitor management reporting on large-scale industrial projects
- Broaden the remit of the Global Internal Audit function

Strategy Committee

- Chairman – Andrey Melnichenko (NED)
- Alexander Landia (NED)
- Garth Moore (IND)

Priorities for 2016

- Strategic business development
- Supervising strategic investment projects
- Company responses to changes in the external environment
- Estimating changes in asset value

Kent Potter
Chairman – Audit Committee

"In 2016 we are strengthening our compliance program and broadening the remit of our Global Internal Audit function. Increased automation of key processes will help us ensure the integrity and accountability of data as well as improve the efficiency of our financial processes."

Andrey Melnichenko
Chairman – Strategy Committee

"Against a background of economic instability and unpredictable markets, we will continue to rigorously scrutinize the Company's plans and investment projects, ensuring that our strategic priorities remain aligned with the interests of all our stakeholders."

Nomination and Remuneration Committee

- Chairman – Manfred Wennemer (IND)
- Nikolay Pilipenko (NED)

Priorities for 2016

Remuneration and incentives

- Approve the incentive programs for key investment projects
- KPI-based incentive system for the sales, procurement, logistics and financial control functions
- Update the remuneration system and the terms and conditions of employment agreements with top management
- Review of achievements and approval of targets

Reorganization of the Company

- Reorganization of Quality Management Project processes, including the fertilizers production process, oil and gas production process, safety assurance process, HR process and HSE process
- Reorganization of mining and chemical feedstock production
- Review the results of:
  - Procurement process reorganization
  - Finance and economics management process reorganization
  - IT process reorganization
- Integration of new economic model requirements and rules for capital allocation across business processes

HR-related matters

- Review of HR budget for 2017

Planned improvements to corporate governance practices

- Succession planning
- Board's performance assessment
- The Group's Charitable and Social Contributions Policy
- Compliance monitoring and the Group's social policy and incentive system with regards to the situation in the labor market

Manfred Wennemer
Chairman – Nomination and Remuneration Committee

"The coming year will see us update our remuneration system and link incentives more closely to KPIs. A mix of stretching targets and attractive rewards will help us drive performance across the Group and help us retain our senior talent."

Independent Auditor's Report

Report of the statutory auditor to the General Meeting of EuroChem Group AG, Zug

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of EuroChem Group AG, which comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of cash flows, statement of changes in equity and notes (pages 61 to 119), for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

Joanne Burgener
Audit expert
Auditor in charge

Christopher Vohrer
Audit expert

Zug, 11 February 2016

Consolidated Statement of Financial Position

as at 31 December 2015

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

	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets:			
Property, plant and equipment	8	**3,365,865**	3,465,620
Mineral rights	9	**339,247**	298,371
Goodwill	10	**330,781**	339,728
Intangible assets	11	**132,804**	159,695
Investment in associates and joint ventures	12	**102,755**	112,665
Originated loans	15	**80,178**	40,170
Restricted cash	16	**12,403**	10,125
Deferred income tax assets	31	**185,257**	219,877
Other non-current assets		**24,527**	110,816
Total non-current assets		**4,573,817**	**4,757,067**
Current assets:			
Inventories	13	**674,755**	555,649
Trade receivables	14	**308,106**	339,856
Prepayments, other receivables and other current assets	14	**239,049**	259,936
Income tax receivable		**42,849**	2,400
Originated loans	15	**52,640**	29,402
Derivative financial assets	21	**1,028**	–
Restricted cash	16	**55,405**	–
Fixed-term deposits	16	**9,289**	13,440
Cash and cash equivalents	16	**329,669**	363,418
Total current assets		**1,712,790**	**1,564,101**
TOTAL ASSETS		**6,286,607**	**6,321,168**
LIABILITIES AND EQUITY			
Equity attributable to owners of the parent:			

Consolidated Statement of Financial Position

as at 31 December 2015

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

	Note	31 December 2015	31 December 2014
Share capital	17	**111**	111
Cumulative currency translation differences		**(2,404,581)**	(1,456,379)
Retained earnings and other reserves	17	**4,009,496**	3,652,153
		1,605,026	**2,195,885**
Non-controlling interests		**894**	1,490
Total equity		**1,605,920**	**2,197,375**
Non-current liabilities:			
Bank borrowings and other loans received	18	**1,651,019**	1,470,119
Project finance	19	**261,975**	–
Bonds issued	20	**817,821**	748,154
Derivative financial liabilities	21	**128,850**	180,445
Deferred income tax liabilities	31	**165,014**	142,176
Other non-current liabilities and deferred credits	22	**54,430**	89,838
Total non-current liabilities		**3,079,109**	**2,630,732**
Current liabilities:			
Bank borrowings and other loans received	18	**1,034,393**	662,029
Bonds issued	20	**–**	177,404
Derivative financial liabilities	21	**106,253**	203,513
Trade payables	24	**186,582**	199,011
Other accounts payable and accrued expenses	24	**229,472**	196,422
Income tax payable		**22,853**	26,346
Other taxes payable		**22,025**	28,336
Total current liabilities		**1,601,578**	**1,493,061**
Total liabilities		**4,680,687**	**4,123,793**
TOTAL LIABILITIES AND EQUITY		**6,286,607**	**6,321,168**

The accompanying notes on pages 67-119 are an integral part of these consolidated financial statements.

Approved on behalf of the Board of Directors.

11 February 2016

Alexander Landia
Chairman of the Board of Directors
EuroChem Group AG

Andrey Ilyin
Finance Director
EuroChem Group AG

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2015

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

	Note	2015	2014
Sales	25	**4,540,343**	5,087,500
Cost of sales	26	**(2,563,265)**	(3,073,665)
Gross profit		**1,977,078**	**2,013,835**
Distribution costs	27	**(566,302)**	(693,845)
General and administrative expenses	28	**(167,991)**	(215,868)
Other operating income/(expenses), net	29	**71,682**	156,132
Operating profit		**1,314,467**	**1,260,254**
Share of profit/(loss) from associates and joint ventures, net	12	**24,169**	18,211
Interest income		**17,331**	11,939
Interest expense		**(130,898)**	(152,345)
Financial foreign exchange gain/(loss), net		**(213,427)**	(1,067,225)
Other financial gain/(loss), net	30	**(48,783)**	(527,718)
Profit/(loss) before taxation		**962,859**	**(456,884)**
Income tax expense	31	**(206,771)**	(120,693)
Profit/(loss) for the year		**756,088**	**(577,577)**
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods			
Currency translation differences		**(948,888)**	(1,203,355)
Total other comprehensive loss for the year that may be reclassified to profit or loss in subsequent periods		**(948,888)**	**(1,203,355)**
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods			
Re-measurements of post-employment benefit obligations, net of tax		**1,218**	3,895
Total other comprehensive income for the period that will not be reclassified to profit or loss in subsequent periods		**1,218**	**3,895**
Total comprehensive loss for the year		**(191,582)**	**(1,777,037)**
Profit/(loss) for the year attributable to:			
Owners of the parent		**756,125**	(577,482)
Non-controlling interests		**(37)**	(95)
		756,088	(577,577)
Total comprehensive loss attributable to:			
Owners of the parent		**(190,859)**	(1,775,779)
Non-controlling interests		**(723)**	(1,258)
		(191,582)	(1,777,037)
Earnings/(loss) per share – basic and diluted	32	**756.13**	(577.48)

The accompanying notes on pages 67-119 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2015

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

	Note	2015	2014
Operating profit		1,314,467	1,260,254
Income tax paid		(225,097)	(170,889)
Operating profit less income tax paid		**1,089,370**	**1,089,365**
Depreciation and amortization	28	204,259	267,254
Net loss on disposals, impairment and write-off of property, plant and equipment		37,009	11,696
Change in provision for impairment of receivables and provision for obsolete and damaged inventories, net		13,836	9,157
Other non-cash (income)/expenses, net		(90,764)	131,183
Gross cash flow		**1,253,710**	**1,508,655**
Changes in operating assets and liabilities:			
Trade receivables		1,933	(195,308)
Advances to suppliers		(39,360)	(12,800)
Other receivables		20,188	(142,065)
Inventories		(196,521)	(225,469)
Trade payables		17,018	36,392
Advances from customers		39,826	(5,546)
Other payables		28,697	12,647
Restricted cash		(61,753)	(12,521)
Net cash – operating activities		**1,063,738**	**963,985**
Cash flows from investing activities			
Capital expenditure on property, plant and equipment and intangible assets		(972,146)	(1,063,985)
Purchase of mineral rights		–	(32,661)
Payment related to mineral rights acquisition		(3,442)	(5,489)
Investment in joint venture	12	(4,371)	(18,000)
Investment in associates	12	–	(37,500)
Prepayment for acquisition of subsidiary		–	(108,054)
Acquisition of subsidiaries, net of cash		(43,439)	–
Portion of deferred compensation related to business combination, paid	22	(37,786)	(44,276)
Proceeds from sale of property, plant and equipment		980	1,581
Cash proceeds/(payments) on derivatives, net		–	(1,805)
Refund of withholding tax on dividends received		–	440
Net change in fixed-term deposits		2,664	43,150
Originated loans	15	(230,398)	(28,627)
Repayment of originated loans	15	170,341	–
Interest received		14,130	11,138
Net cash – investing activities		**(1,103,467)**	**(1,284,088)**
Free cash outflow		(39,729)	(320,103)

The accompanying notes on pages 67-119 are an integral part of these consolidated financial statements.

	Note	2015	2014
Cash flows from financing activities			
Proceeds from bank borrowings and other loans received	18	**1,762,813**	1,776,089
Funds received under the Project Finance Facility	19	**278,456**	–
Repayment of bank borrowings and other loans	18	**(1,156,206)**	(1,639,012)
Repayment of bonds	20	**(76,805)**	–
Prepaid and additional transaction costs		**(26,033)**	(26,372)
Collateral paid to banks to secure derivative transactions		**(23,710)**	(1,771)
Interest paid		**(163,582)**	(160,998)
Cash proceeds/(payments) on derivatives, net	21	**(163,273)**	(19,904)
Acquisition of additional interest in subsidiaries		**–**	(2,536)
Purchase of ordinary shares of subsidiary	33	**(9,000)**	(126,000)
Proceeds from sale of ordinary shares of subsidiary	33	**–**	435,000
Share capital of the Company issued and paid in	17	**–**	111
Contribution to legal reserve of the Company		**–**	5,000
Dividends paid	17, 33	**(400,000)**	–
Net cash – financing activities		**22,660**	**239,607**
Effect of exchange rate changes on cash and cash equivalents		**(16,680)**	(61,824)
Net decrease in cash and cash equivalents		**(33,749)**	**(142,320)**
Cash and cash equivalents at the beginning of the year	**16**	**363,418**	**505,738**
Cash and cash equivalents at the end of the year	**16**	**329,669**	**363,418**

The accompanying notes on pages 67-119 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

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

	Attributable to owners of the parent						
	Share capital	Equity not owned directly by the Company	Cumulative currency translation differences	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
Balance at 1 January 2014	**–**	**3,716,670**	**–**	**–**	**3,716,670**	**5,167**	**3,721,837**
Comprehensive income/(loss)							
Profit for the year	–	303,649	–	–	303,649	–	303,649
Other comprehensive loss							
Currency translation differences	–	(57,503)	–	–	(57,503)	–	(57,503)
Total other comprehensive loss	**–**	**(57,503)**	**–**	**–**	**(57,503)**	**–**	**(57,503)**
Total comprehensive income	**–**	**246,146**	**–**	**–**	**246,146**	**–**	**246,146**
Transactions with owners							
Reclassification from capital contribution to bank borrowings and other loans received (Note 18)	–	(50,000)	–	–	(50,000)	–	(50,000)
Transactions with ordinary shares of subsidiary (Note 33)	–	300,000	–	–	300,000	–	300,000
Total transactions with owners	**–**	**250,000**	**–**	**–**	**250,000**	**–**	**250,000**
Balance before the restructuring	**–**	**4,212,816**	**–**	**–**	**4,212,816**	**5,167**	**4,217,983**
Reorganization under the parent company	**111**	**–**	**–**	**5,000**	**5,111**	**–**	**5,111**
Changes due to restructuring	**–**	**(4,212,816)**	**(311,690)**	**4,524,506**	**–**	**–**	**–**
Comprehensive loss							
Loss for the year	–	–	–	(881,131)	(881,131)	(95)	(881,226)
Other comprehensive income/(loss)							
Currency translation differences	–	–	(1,144,689)	–	(1,144,689)	(1,163)	(1,145,852)
Actuarial gain on post employment benefit obligations	–	–	–	3,895	3,895	–	3,895
Total other comprehensive income/(loss)	–	–	(1,144,689)	3,895	(1,140,794)	(1,163)	(1,141,957)
Total comprehensive loss	**–**	**–**	**(1,144,689)**	**(877,236)**	**(2,021,925)**	**(1,258)**	**(2,023,183)**
Transactions with owners							
Acquisition of additional interest in subsidiaries	–	–	–	(117)	(117)	(2,419)	(2,536)
Total transactions with owners	**–**	**–**	**–**	**(117)**	**(117)**	**(2,419)**	**(2,536)**
Balance at 31 December 2014	**111**	**–**	**(1,456,379)**	**3,652,153**	**2,195,885**	**1,490**	**2,197,375**
Balance at 1 January 2015	**111**	**–**	**(1,456,379)**	**3,652,153**	**2,195,885**	**1,490**	**2,197,375**
Comprehensive income/(loss)							
Profit for the year	–	–	–	756,125	756,125	(37)	756,088
Other comprehensive income/(loss)							
Currency translation differences	–	–	(948,202)		(948,202)	(686)	(948,888)
Actuarial gain on post employment benefit obligations	–	–	–	1,218	1,218	–	1,218
Total other comprehensive income/(loss)	**–**	**–**	**(948,202)**	**1,218**	**(946,984)**	**(686)**	**(947,670)**
Total comprehensive income/(loss)	**–**	**–**	**(948,202)**	**757,343**	**(190,859)**	**(723)**	**(191,582)**
Transactions with owners							
Acquisition of subsidiary (Note 34)	–	–	–	–	–	127	127
Dividends (Note 17)	–	–	–	(400,000)	(400,000)	–	(400,000)
Total transactions with owners	**–**	**–**	**–**	**(400,000)**	**(400,000)**	**127**	**(399,873)**
Balance at 31 December 2015	**111**	**–**	**(2,404,581)**	**4,009,496**	**1,605,026**	**894**	**1,605,920**

The accompanying notes on pages 67-119 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2015

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

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 as a part of corporate reorganization and has its registered office at: Alpenstrasse 9, 6300, Zug, Switzerland.

These consolidated financial statements were authorized for issue by the Board of Directors of the Company on 11 February 2016.

At 31 December 2015, EuroChem Group SE owned 100% (31 December 2014: 100%) of the share capital of EuroChem Group AG.

A company that holds business interests beneficially for Mr Andrey Melnichenko owns 100% of Linea Ltd. registered in Bermuda, which in turn owns 92.2% (31 December 2014: 92.2%) of EuroChem Group SE. The remaining 7.8% (31 December 2014: 7.8%) of EuroChem Group SE is held indirectly by Mr Dmitry Strezhnev, CEO of the Group.

The Group's principal activity is the production of mineral fertilizers (nitrogen and phosphate based) as well as mineral extraction (apatite, phosphate rock, iron ore, baddeleyite and hydrocarbons), and the operation of a distribution network. The Group is developing potassium salts deposits to start the production and marketing of potassium fertilizers. The Group's main production facilities are located in Russia, Lithuania, Belgium, Kazakhstan and China (the Group's joint venture's production facilities). The Group's distribution assets are located globally across Europe, Russia, the Commonwealth of Independent States ('CIS'), North, Central and South America, and 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, unless otherwise stated.

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

Effective 1 January 2015 the functional currency of certain subsidiaries was changed following a change in conditions and management structure as a result of corporate reorganization which had occurred in 2014.

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 recognized in profit and loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit and loss are recognized in profit and loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are recognized in other comprehensive income.

Foreign exchange gains and losses that relate to bank borrowings, third party loans, intragroup loans and deposits are presented in the consolidated statement of profit or loss and other comprehensive income 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 and other comprehensive income 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;

Notes to the Consolidated Financial Statements

for the year ended 31 December 2015 continued

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

2 Basis of preparation and significant accounting policies continued

(ii) income and expenses for each consolidated statement of profit or loss and other comprehensive income 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 recognized as currency translation differences in other comprehensive income.

At 31 December 2015, the official exchange rates were: US$ 1 = RUB 72.8827, US$ 1 = EUR 0.9145 (31 December 2014: US$ 1 = RUB 56.2584, US$ 1 = EUR 0.8232). Average rates for the year ended 31 December 2015 were: US$ 1 = RUB 60.9579, US$ 1 = EUR 0.8994 (2014: US$ 1 = RUB 38.4217, US$ 1 = EUR 0.7561).

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014 included income and expenses for nine months of 2014 translated at average exchange rates for the period. In the fourth quarter 2014 due to higher volatility of the RUB exchange rate monthly exchange rates were used to translate income and expenses of all subsidiaries with Russian rouble as a functional currency. Average rate for October 2014 was US$ 1 = RUB 40.7710, November 2014 was US$ 1 = RUB 45.9143 and for December 2014 was US$ 1 = RUB 55.5389.

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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The Group measures non-controlling interest on a transaction-by-transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ('negative goodwill' or 'bargain purchase') is recognized 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 excludes 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 interests 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 recognizes 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 re-measured to its fair value at the date when control or significant influence is lost, with the change in carrying amount recognized 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 recognized 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 capitalized 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 to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in the profit and loss. An impairment loss recognized 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 recognized in the profit and loss.

Capitalization 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 capitalized as part of the costs of those assets, if the commencement date for capitalization is on or after 1 January 2009. The commencement date for capitalization 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. Capitalization of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalizes borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalized 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 capitalized.

Depreciation

Land as well as assets under construction are not depreciated. Depreciation of other items of property, plant and equipment (other than oil and gas 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:

	Useful lives in years
Buildings and land improvements	15 to 80
Transfer devices	25 to 30
Machinery and equipment	2 to 30
Transport	5 to 25
Other items	1 to 8

Depreciation of oil and gas 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 capitalized 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.

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 where the rights of tenure of an area are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area of interest. Capitalized 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 amortization are not calculated for exploration assets because the economic benefits that the assets represent are not consumed until the production phase. Capitalized exploration and evaluation expenditure is written off where the above conditions are no longer satisfied.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2015 continued

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

2 Basis of preparation and significant accounting policies continued

All capitalized 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.

Operating leases

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 and 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 recognized 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 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 recognized 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.

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 licenses or agreements. Such assets are carried at cost, amortization 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 are capitalized 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 recognized as assets when acquired as part of a business combination and then depleted using the unit-of-production method for oil and gas assets based on total proved mineral reserves and straight line method for other assets. 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 update in future periods.

Intangible assets other than goodwill and mineral rights

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

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

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

	Useful lives in years
Land use rights	50
Know-how and production technology	5 – 18
Trademarks	15
Customer relationships	10
Distribution agreement	8
Software licenses	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 amortization 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

Depending on their classification financial instruments are carried at fair value or amortized cost as described below.

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.

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 analyzed 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).

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

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.

Amortized cost is the amount at which the financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortization 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 amortized 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 amortized 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 of financial assets

The Group classifies its financial assets into the following measurement categories: a) loans and receivables; b) available-for-sale financial assets; c) financial assets held to maturity and d) financial assets at fair value through profit and loss. Financial assets at fair value through profit and loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

As at 31 December 2015 and 31 December 2014, the Group did not have any financial assets other than loans and receivables and financial assets at fair value through profit and loss (derivative financial instruments).

Notes to the Consolidated Financial Statements

for the year ended 31 December 2015 continued

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

2 Basis of preparation and significant accounting policies continued

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. 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.

The Group may choose to reclassify a non-derivative trading financial asset out of the fair value through profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the fair value through profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Classification of financial liabilities

The Group's financial liabilities have the following measurement categories: (a) derivatives liabilities and (b) other financial liabilities. Derivatives liabilities are carried at fair value with changes in value recognized in profit or loss for the year (as finance or operating income or finance or operating costs) in the period in which they arise (Note 21). Other financial liabilities are carried at amortized cost. The Group's other financial liabilities comprise of 'trade and other payables' and 'borrowings and bonds' and 'project finance' in the consolidated statement of financial position.

Initial recognition of financial instruments

Trading investments and derivatives are initially recorded at their fair value. All other financial assets and liabilities are initially recorded at their fair value plus transaction costs. 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 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 recognized when the entity becomes a party to the contractual provisions of the instrument.

De-recognition of financial assets

The Group de-recognizes 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.

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 fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss.

The Group has no derivatives accounted for as hedges.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized 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 of set off (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 recognized at cost, and the carrying amount is increased or decreased to recognize 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. Other post-acquisition changes in the Group's share of net assets of an associate are recognized 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 recognized 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 recognized 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 recognize 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.

Joint arrangements

Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company 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 recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses, movements in other comprehensive income and other changes in net assets. 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 recognize 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 recognized in the profit and loss unless it relates to transactions that are recognized in other comprehensive income or directly in equity.

The Group companies are subject to tax rates depending on the country of domicile (Note 31).

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 utilized. 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 utilized. 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 liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse 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 is not recognized.

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

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 recognized 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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2015 continued

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

2 Basis of preparation and significant accounting policies continued

Inventories

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the weighted-average basis. The cost of finished goods and work in progress comprises raw material, direct labor, other direct costs and related production overheads (based on normal operating capacity) 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.

Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Impairment of financial assets carried at amortized cost

Impairment losses are recognized in profit or loss when incurred as a result of one or more events ('loss events') that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganization;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows, in a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortized cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then de-recognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognized through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralized 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the impairment loss account within the profit or loss for the year.

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 written off to 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 loss is recognized 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 amortized 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.

Bank overdrafts are included as a component of cash and cash equivalents for the purposes of consolidated statement of cash flows. As at 31 December 2015 and 31 December 2014, the Group did not have any bank overdrafts.

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 the profit and loss. The gross cash flow is available to finance movements in operating assets and liabilities, investing and financing activities.

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

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

Fixed-term deposits

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

Share capital

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

Capital contribution

The capital contribution received from shareholder which does not require repayment, or for which the Group will be able to avoid any payments is classified as a component of equity and recorded as a separate reserve in the consolidated statement of changes in equity.

Dividends

Dividends are recognized 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 authorized for issue.

Value added tax ('VAT')

Output value added tax 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 recognized 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 recognized at fair value, net of transaction costs incurred, and are subsequently stated at amortized 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 recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2015 continued

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

2 Basis of preparation and significant accounting policies continued

Investment grants

Investment grants are recognized 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 the profit and 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 recognized 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 obligation. The increase in the provision due to the passage of time is recognized as an interest expense.

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

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognized 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 recognized 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, and decommissioning of underground and surfacing operating facilities.

The present value of a liability for asset retirement obligation is recognized 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 capitalized 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 recognized in profit and loss as part of other financial gain/loss. Actual restoration costs are recognized as expenses against the provision when incurred.

Changes to estimated future costs are recognized 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

Revenues from sales of goods are recognized at the point of transfer of risks and rewards of ownership of the goods. If the Group agrees to transport goods to a specified location, revenue is recognized when the goods are passed to the customer at the destination point. Revenues from sales of services are recognized in the period the services are provided, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Sales are shown net of VAT and other sales taxes.

Revenues are measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates allowed.

Interest income is recognized 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 (such as health services, etc.) 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 operate 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. Re-measurements of post-employment benefit obligations are recognized 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.

Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services (operating segment). Segments whose sales or results are ten percent or more of all the segments are reported separately. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

Changes in presentation

Starting from 1 January 2015, the presentation of results of the 'Complex fertilizers' product group was reallocated from Nitrogen to the Phosphate and complex fertilizer product group (Notes 7, 25). The comparative figures are presented and reallocated respectively to reflect these changes.

3 Critical accounting estimates and judgments in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments 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 judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Taxation

Judgments are required in determining tax liabilities (Note 35). The Group recognizes 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 recognized 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 utilized. 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 31).

Related party transactions

The Group enters into transactions with related parties in the normal course of business (Note 33). These transactions are priced predominantly 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.

4 Adoption of new or revised standards and interpretations

The following amendments and improvements to standards became effective from 1 January 2015:

- Amendments to IAS 19 – Defined benefit plans: Employee contribution (issued in November 2013, effective for annual periods beginning on or after 1 July 2014);
- Annual Improvements to International Financial Reporting Standards 2012 and 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

These amendments and improvements to standards did not have any impact or did not have a material impact on the Group's consolidated financial statements.

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2015, and have not been early adopted by the Group:

- FRS 9, Financial Instruments: Classification and Measurement (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). The Group is currently assessing the impact of the standard on its consolidated financial statements;
- IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 11 – Accounting for Acquisitions of interests in Joint Operations (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016);
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016);

Notes to the Consolidated Financial Statements

for the year ended 31 December 2015 continued

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4 Adoption of new or revised standards and interpretations continued

- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The Group is currently assessing the impact of the standard on its consolidated financial statements;
- Amendments to IAS 16 and IAS 41, Agriculture: Bearer plants (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016);
- Amendments to IAS 27, Equity Method in Separate Financial Statements (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016);
- Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016);
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016);
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016);
- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016);
- IFRS 16 'Leases' (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The Group is currently assessing the impact of the standard on its consolidated financial statements.

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.

5 Principal subsidiaries, associates and joint ventures

The Group had the following principal subsidiaries, associates and joint ventures as at 31 December 2015:

Name	Nature of business	Percentage of voting rights	Percentage of ownership	Country of registration
EuroChem Group AG	Holding company	–	–	Switzerland
Subsidiaries				
Industrial Group Phosphorite, LLC	Manufacturing	100%	100%	Russia
Novomoskovsky Azot, JSC	Manufacturing	100%	100%	Russia
Novomoskovsky Chlor, LLC	Manufacturing	100%	100%	Russia
Nevinnomyssky Azot, JSC	Manufacturing	100%	100%	Russia
EuroChem-Belorechenskie Minudobrenia, LLC	Manufacturing	100%	100%	Russia
Kovdorsky GOK, JSC	Mining	100%	100%	Russia
Lifosa AB	Manufacturing	100%	100%	Lithuania
Severneft-Urengoy, LLC	Gas extraction	100%	100%	Russia
EuroChem Antwerpen NV	Manufacturing	100%	100%	Belgium
EuroChem-VolgaKaliy, LLC	Potash project under development	100%	100%	Russia
EuroChem-Usolsky potash complex, LLC	Potash project under development	100%	100%	Russia
EuroChem-ONGK, LLC	Gas project under development	100%	100%	Russia
EuroChem-NorhtWest, JSC	Ammonia project under development	100%	100%	Russia
EuroChem-Fertilizers, LLP	Phosphate project under development	100%	100%	Kazakhstan
Astrakhan Oil and Gas Company, JSC	Gas project under development	100%	100%	Russia
Sary-Tas Fertilizers, LLP	Other service	85.79%	85.79%	Kazakhstan
EuroChem Karatau, LLP	Manufacturing	100%	100%	Kazakhstan
EuroChem Trading GmbH	Trading	100%	100%	Switzerland
EuroChem Trading USA Corp	Trading	100%	100%	USA
Ben-Trei Ltd.	Distribution	100%	100%	USA

Name	Nature of business	Percentage of voting rights	Percentage of ownership	Country of registration
EuroChem Agro SAS	Distribution	100%	100%	France
EuroChem Agro Asia Pte. Ltd.	Distribution	100%	100%	Singapore
EuroChem Agro Iberia SL	Distribution	100%	100%	Spain
EuroChem Agricultural Trading Hellas SA	Distribution	100%	100%	Greece
EuroChem Agro Spa	Distribution	100%	100%	Italy
EuroChem Agro GmbH	Distribution	100%	100%	Germany
EuroChem Agro México SA de CV	Distribution	100%	100%	Mexico
EuroChem Agro Turkey Tarım Sanayi ve Ticaret Limited Sirketi	Distribution	100%	100%	Turkey
EuroChem Comercio de Produtos Quimicos Ltda.	Distribution	100%	100%	Brazil
EuroChem Agro Trading (Shenzhen) Co., Ltd.	Distribution	100%	100%	China
AgroCenter EuroChem-Volgograd, LLC	Distribution	100%	100%	Russia
AgroCenter EuroChem-Krasnodar, LLC	Distribution	100%	100%	Russia
AgroCenter EuroChem-Lipetsk, LLC	Distribution	100%	100%	Russia
AgroCenter EuroChem-Orel, LLC	Distribution	100%	100%	Russia
AgroCenter EuroChem-Novomoskovsk, LLC	Distribution	100%	100%	Russia
AgroCenter EuroChem-Nevinnomyssk, LLC	Distribution	100%	100%	Russia
AgroCenter EuroChem-Ukraine, LLC	Distribution	100%	100%	Ukraine
Ural-RemStroiService, LLC	Repair and constructions	100%	100%	Russia
Kingisepp RemStroiService, LLC	Repair and constructions	100%	100%	Russia
Kovdor RemStroiService, LLC	Repair and constructions	100%	100%	Russia
Novomoskovsk RemStroiService, LLC	Repair and constructions	100%	100%	Russia
Nevinnomyssk RemStroiService, LLC	Repair and constructions	100%	100%	Russia
Volgograd RemStroiService, LLC	Repair and constructions	100%	100%	Russia
Berezniki Mechanical Works, JSC	Repair and constructions	100%	100%	Russia
Tulagiprochim, JSC	Design engineering	100%	100%	Russia
TOMS-project, LLC	Design engineering	51%	51%	Russia
Harvester Shipmanagement Ltd.	Logistics	100%	100%	Cyprus
EuroChem Logistics International, UAB	Logistics	100%	100%	Lithuania
EuroChem Terminal Sillamäe Aktsiaselts	Logistics	100%	100%	Estonia
EuroChem Terminal Ust-Luga, LLC	Logistics	100%	100%	Russia
Tuapse Bulk Terminal, LLC	Logistics	100%	100%	Russia
Murmansk Bulkcargo Terminal, LLC	Logistics	100%	100%	Russia
Depo-EuroChem, LLC	Logistics	100%	100%	Russia
EuroChem-Energo, LLC	Other service	100%	100%	Russia
EuroChem Usolskiy Mining S.à r.l.	Holding company	100%	100%	Luxembourg
EuroChem International Holding B.V.	Holding company	100%	100%	Netherlands
MCC EuroChem JSC	Holding company	100%	100%	Russia
Associates				
Murmansk Sea Commercial Port, PJSC	Logistics	36.20%	48.26%	Russia
Joint ventures				
EuroChem – Migao Ltd.	Holding company	50.0%	50.0%	Hong Kong*
Thyssen Schachtbau EuroChem Drilling, LLC	Drilling	45.0%	45.0%	Russia

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

Notes to the Consolidated Financial Statements

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5 Principal subsidiaries, associates and joint ventures continued

During the year ended 31 December 2015, the main changes in Group's structure were as follows:

Name	Nature of business	Main changes in 2015	Percentage of ownership as at 31.12.2015
Subsidiaries			
Astrakhan Oil and Gas Company, JSC	Gas project under construction	Step-acquisiton of additional 79.9% equity interest (Note 34)	100%
TOMS-project, LLC	Design engineering	Acquisition of 51% equity interest (Note 34)	51%
Berezniki Mechanical Works, JSC	Repair and constructions	Acquisition of 100% equity interest (Note 34)	100%
Ben-Trei Ltd.	Distribution	Acquisition of 100% equity interest (Note 34)	100%
EuroChem A.M. Ltd	Finance	Disposal of 100% equity interest to the company which is under common control with the Group	–
Joint venture			
Thyssen Schachtbau EuroChem Drilling, LLC	Drilling	Contribution of 45% of the registered capital (Note 12)	45%

6 Fair value of financial instruments

Management applies judgment in categorizing 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 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 2015	31 December 2014
Financial liabilities		
Current financial liabilities		
Non-deliverable foreign exchange forward contracts	104,538	117,527
Deliverable foreign exchange forward contracts	1,715	–
Cross-currency interest swaps	–	85,986
Total current financial liabilities	**106,253**	**203,513**
Non-current financial liabilities		
Non-deliverable foreign exchange forward contracts	7,548	93,146
Deliverable foreign exchange forward contracts	4,827	–
Cross-currency interest swaps	116,475	87,299
Total non-current financial liabilities	**128,850**	**180,445**
Total liabilities recurring fair value measurements	**235,103**	**383,958**

	31 December 2015	31 December 2014
Financial assets		
Current financial assets		
Non-deliverable foreign exchange forward contracts	389	–
Deliverable foreign exchange forward contracts	454	–
Commodity swaps	185	–
Total current financial assets	1,028	–
Total assets recurring fair value measurements	1,028	–

For derivative financial instruments at fair value through profit or loss, which typically include non-deliverable forward contracts, cross currency interest 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 amortized cost

Loans received and bank borrowings are carried at amortized 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.

The carrying amounts of trade and other receivables, trade and other payables and originated loans approximate their fair values and are included into level 3 of the fair value hierarchy. Cash and cash equivalents and fixed-terms deposits are carried at amortized 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.

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

	31 December 2015			
	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value	Carrying value
Financial liabilities				
– RUB-denominated bonds payable	70,385	–	–	68,755
– US$-denominated bonds payable	752,250	–	–	749,066
– Long-term RUB-denominated fixed interest loans	–	–	102,338	102,692
Total financial liabilities	822,635	–	102,338	920,513

	31 December 2014			
	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value	Carrying value
Financial liabilities				
– RUB-denominated bonds payable	168,499	–	–	177,404
– US$-denominated bonds payable	666,923	–	–	748,154
– Long-term RUB-denominated fixed interest loans	–	–	482,259	523,869
– Long-term US$-denominated loan from shareholder	–	–	30,000	30,000
Total financial liabilities	835,422	–	512,259	1,479,427

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

- For US$ and RUB-denominated bonds traded on organized financial markets, quotations obtained from the Irish stock exchange and Moscow Exchange are used as the key inputs to fair value determination. These instruments are included in level 1 of 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.

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6 Fair value of financial instruments continued

During the year ended 31 December 2015 there were no transfers between levels 1, 2 and 3 in the fair value hierarchy.

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

	31 December 2015	31 December 2014
Financial assets		
Non-current financial assets		
Restricted cash	12,403	10,125
Originated loans	80,178	40,170
Other non-current assets including:		
Long-term trade receivables	–	5,230
Total non-current financial assets	**92,581**	**55,525**
Current financial assets		
Restricted cash	55,405	–
Trade receivables	308,106	339,856
Originated loans	52,640	29,402
Derivative financial assets	1,028	–
Other receivables and other current assets including:		
Other receivables	6,156	30,513
Collateral held by banks to secure derivative transactions	26,218	1,470
Interest receivable	2,829	5,136
Fixed-term deposits	9,289	13,440
Cash and cash equivalents	329,669	363,418
Total current financial assets	**791,340**	**783,235**
Total financial assets	**883,921**	**838,760**
Financial liabilities		
Non-current financial liabilities		
Bank borrowings and other loans received	1,651,019	1,470,119
Bonds issued	817,821	748,154
Project finance	261,975	–
Derivative financial liabilities	128,850	180,445
Other non-current liabilities and deferred credits:		
Long-term portion of deferred payable related to business combination	7,605	40,832
Long-term portion of deferred payable related to mineral rights acquisition	12,800	15,600
Total non-current financial liabilities	**2,880,070**	**2,455,150**
Current financial liabilities		
Bank borrowings and other loans received	1,034,393	662,029
Bonds issued	–	177,404
Derivative financial liabilities	106,253	203,513
Trade payables	186,582	199,011
Other accounts payable and accrued expenses:		
Interest payable	7,379	6,237
Short-term portion of deferred payable related to business combination	37,864	42,042
Short-term portion of deferred payable related to mineral rights acquisition	2,197	3,328
Other payable relating to transactions with ordinary shares of a subsidiary	–	9,000
Total current financial liabilities	**1,374,668**	**1,302,564**
Total financial liabilities	**4,254,738**	**3,757,714**

7 Segment information

The Group continues optimization of its management and organizational structure by developing a new economic model, the implementation of which started in 2014. According to this economic model the grouping into segments is based on business divisions. This represents a change from the earlier practice of reporting operating results just by products.

Starting 1 January 2015, the Group's business is conducted by five operating divisions, which are Mining, Oil & Gas, Fertilizers, Logistics and Sales. With the implementation of the division-based economic model, the Group realigned the development and approval of strategies, market and risk analysis, investment focus, technological process changes, as well as the setting of goals and priorities mostly in accordance with the new model which resulted in the following segment classification:

- Mining division encompasses the extraction of ores to obtain apatite, baddeleyite and iron ore concentrates, phosphorite; as well as the development of potassium salts deposits (potash);
- Oil & Gas division represents the exploration and production of natural gas and gas condensate;
- Fertilizers division includes the production of mineral fertilizers (nitrogen, phosphate and complex) and organic synthesis products;
- Logistics division covers all supply chain operations including transportation services, the purchase and delivery of raw materials and finished goods, as well as freight forwarding and other logistics services;
- Sales division is responsible for the sale of the complete range of products produced by the Group as well as third-party products through the Group's global distribution network spanning across Europe, Russia, the CIS, North, Central and South America, and Central and South East Asia.

Activities not assigned to a particular division are reported in 'Other'. These include certain service activities, central management and other items.

The Management Board (considered to be the chief operating decision maker in the Group) reviews the financial reports of the Group, evaluates the operating results and allocates resources between the operating divisions described above. 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 profit before taxation adjusted by interest expense, depreciation and amortization, financial foreign exchange gain or loss, other non-cash and one-off items, excluding net profit for the period attributed to non-controlling interests (EBITDA). EBITDA of each division is analytically adjusted according to internal rules based on the Divisional economic model and responsibility areas. Since this 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 2015 were:

	External sales	Internal sales	Total sales	EBITDA
Mining	113,447	499,917	613,364	305,894
Oil & Gas	31,248	57,568	88,816	21,945
Fertilizers	593,140	2,843,795	3,436,935	1,101,307
Logistics	26,578	121,445	148,023	56,957
Sales	3,737,654	9,519	3,747,173	95,609
Other	38,276	60,979	99,255	73,177
Elimination	–	(3,593,223)	(3,593,223)	(78,178)
Total	**4,540,343**	**–**	**4,540,343**	**1,576,711**

The division results for the year ended 31 December 2014 were:

	External sales	Internal sales	Total sales	EBITDA
Mining	162,758	578,756	741,514	251,430
Oil & Gas	54,645	89,817	144,462	40,209
Fertilizers	710,259	3,087,448	3,797,707	1,003,846
Logistics	17,933	166,494	184,427	52,773
Sales	4,036,240	253,808	4,290,048	101,583
Other	105,665	76,963	182,628	136,574
Elimination	–	(4,253,286)	(4,253,286)	(73,423)
Total	**5,087,500**	**–**	**5,087,500**	**1,512,992**

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7 Segment information continued

The divisional capital expenditure on property, plant and equipment, intangible assets and mineral rights for the years ended 31 December 2015 and 31 December 2014 were:

	2015	2014
Mining	**559,660**	611,297
Oil & Gas	**22,326**	80,624
Fertilizers	**347,760**	391,873
Logistics	**11,542**	9,900
Sales	**6,590**	4,709
Other	**27,710**	3,732
Total capital expenditure	**975,588**	**1,102,135**

Additionally, the Group presents operating results based on product groups as the management believes that this information provides a better understanding and comparability of the Group's results to those of the global fertilizer industry peers.

The results for the year ended 31 December 2015 by product group were:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	1,055,055	863,628	1,918,683	867,138
Phosphates and complex fertilizers	943,324	993,877	1,937,201	539,608
Potash	–	–	–	(16,487)
Distribution	2,373,102	11,082	2,384,184	96,627
Other	168,862	467,816	636,678	130,824
Elimination	–	(2,336,403)	(2,336,403)	(40,999)
Total	**4,540,343**	**–**	**4,540,343**	**1,576,711**

The results for the year ended 31 December 2014 by product group were:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	1,440,438	881,509	2,321,947	865,105
Phosphates and complex fertilizers	1,225,659	959,457	2,185,116	477,082
Potash	–	–	–	(31,835)
Distribution	2,301,075	14,351	2,315,426	90,411
Other	120,328	819,461	939,789	144,026
Elimination	–	(2,674,778)	(2,674,778)	(31,797)
Total	**5,087,500**	**–**	**5,087,500**	**1,512,992**

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

	Note	2015	2014
EBITDA		**1,576,711**	1,512,992
Depreciation and amortization	28	**(204,259)**	(267,254)
Provision for impairment and write-off of idle property, plant and equipment	8, 26, 29	**(28,701)**	(5,639)
Non-recurring income from settlement agreements and related expenses, net	29	**12,253**	50,400
Interest expense		**(130,898)**	(152,345)
Financial foreign exchange gain/(loss), net		**(213,427)**	(1,067,225)
Other financial gain/(loss), net	30	**(48,783)**	(527,718)
Non-controlling interests		**(37)**	(95)
Profit/(loss) before taxation		**962,859**	**(456,884)**

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

	31 December 2015	31 December 2014
Russia	**3,361,109**	3,374,460
Europe	**752,173**	855,107
Kazakhstan	**116,553**	141,520
Other countries	**45,754**	4,992
Total	**4,275,589**	**4,376,079**

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

The analysis of Group sales by region was:

	2015	2014
Europe	**1,736,688**	1,916,536
Russia	**894,075**	1,023,853
Asia Pacific	**554,619**	712,061
North America	**536,682**	503,861
Latin America	**370,484**	494,384
CIS	**354,842**	313,148
Africa	**92,953**	123,657
Total sales	**4,540,343**	**5,087,500**

The sales are allocated to regions based on the destination country. During the year ended 31 December 2015, the Group had sales in excess of 10% to Russia and the United States of America, representing 19.7% and 10.1% of total Group revenues, respectively (2014: sales to Russia represented 20.1% of total Group revenues).

During the year ended 31 December 2015 and 31 December 2014, there were no sales in excess of 10% to one customer.

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 2015	405,467	442,045	267,911	1,474,205	217,204	87,735	1,649,104	4,543,671
Additions through business combinations	6,218	948	4	1,289	40	595	1,935	11,029
Additions and transfers from assets under construction	91,620	68,968	35,071	198,291	25,383	29,344	579,730	1,028,407
Disposals	(1,160)	(2,939)	(791)	(8,283)	(11,116)	(1,669)	–	(25,958)
Changes in estimates of asset retirement obligations (Note 23)	–	5,786	–	–	–	–	–	5,786
Provision for impairment/ write-off of idle property, plant and equipment	(1,926)	(4,509)	(198)	(2,202)	(450)	417	(22,915)	(31,783)
Currency translation difference	(96,683)	(107,009)	(61,499)	(319,100)	(50,574)	(23,063)	(489,147)	(1,147,075)
Balance at 31 December 2015	**403,536**	**403,290**	**240,498**	**1,344,200**	**180,487**	**93,359**	**1,718,707**	**4,384,077**

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8 Property, plant and equipment continued

	Buildings	Land and land improvements	Transfer devices	Machinery and equipment	Transport	Other	Assets under construction	Total
Accumulated depreciation								
Balance at 1 January 2015	(112,604)	(89,512)	(97,170)	(633,601)	(102,033)	(43,131)	–	(1,078,051)
Charge for the year	(17,436)	(19,678)	(18,002)	(114,583)	(16,133)	(12,993)	–	(198,825)
Disposals	1,115	682	567	4,295	8,725	1,286	–	16,670
Provision for impairment/ write-off of idle property, plant and equipment	514	437	194	1,459	378	100	–	3,082
Currency translation difference	23,108	20,561	22,038	138,889	23,698	10,618	–	238,912
Balance at 31 December 2015	**(105,303)**	**(87,510)**	**(92,373)**	**(603,541)**	**(85,365)**	**(44,120)**	**–**	**(1,018,212)**
Net carrying value								
Balance at 1 January 2015	292,863	352,533	170,741	840,604	115,171	44,604	1,649,104	3,465,620
Balance at 31 December 2015	**298,233**	**315,780**	**148,125**	**740,659**	**95,122**	**49,239**	**1,718,707**	**3,365,865**
Cost								
Balance at 1 January 2014	559,902	614,634	381,999	1,955,009	382,787	109,447	2,118,086	6,121,864
Additions and transfers from assets under construction	71,100	95,674	47,955	310,151	20,630	33,020	579,144	1,157,674
Disposals	(551)	(1,906)	(1,278)	(14,230)	(9,304)	(1,815)	(4,497)	(33,581)
Changes in estimates of asset retirement obligations (Note 23)	–	1,692	–	–	–	–	–	1,692
Disposal of property, plant and equipment related to sale of subsidiaries	–	–	–	–	(28,171)	–	–	(28,171)
Write-off of idle property, plant and equipment	(371)	(852)	(1,059)	(897)	(1,546)	(1,053)	(3,921)	(9,699)
Currency translation difference	(224,613)	(267,197)	(159,706)	(775,828)	(147,192)	(51,864)	(1,039,708)	(2,666,108)
Balance at 31 December 2014	**405,467**	**442,045**	**267,911**	**1,474,205**	**217,204**	**87,735**	**1,649,104**	**4,543,671**
Accumulated depreciation								
Balance at 1 January 2014	(153,164)	(114,394)	(131,647)	(833,727)	(159,984)	(58,167)	–	(1,451,083)
Charge for the year	(21,050)	(26,313)	(23,681)	(155,245)	(23,681)	(13,157)	–	(263,127)
Disposals	401	1,422	1,151	13,034	8,445	1,490	–	25,943
Disposal of property, plant and equipment related to sale of subsidiaries	–	–	–	–	4,544	–	–	4,544
Write-off of idle property, plant and equipment	481	228	647	1,142	1,342	220	–	4,060
Currency translation difference	60,728	49,545	56,360	341,195	67,301	26,483	–	601,612
Balance at 31 December 2014	**(112,604)**	**(89,512)**	**(97,170)**	**(633,601)**	**(102,033)**	**(43,131)**	**–**	**(1,078,051)**
Net carrying value								
Balance at 1 January 2014	406,738	500,240	250,352	1,121,282	222,803	51,280	2,118,086	4,670,781
Balance at 31 December 2014	**292,863**	**352,533**	**170,741**	**840,604**	**115,171**	**44,604**	**1,649,104**	**3,465,620**

Provision for impairment and write-off of idle property, plant and equipment

During the year ended 31 December 2015, the Group recognized a provision of US$ 26,843 thousand for the impairment of gas wells with cost and accumulated depreciation of US$ 27,379 thousand and US$ 536 thousand, respectively, until the time at which a proper technical solution for the recovery of the wells is implemented.

In addition, the Group decided to write off certain production equipment with the cost and accumulated depreciation of US$ 4,940 thousand and US$ 3,082 thousand, respectively (2014: cost and accumulated depreciation of US$ 9,699 thousand and US$ 4,060 thousand, respectively).

As a result, a loss from the impairment and write-off, totalling US$ 28,701 thousand, was recognized in these consolidated financial statements (2014: a loss from write-off of US$ 5,639 thousand) (Notes 26, 29).

Evaluation expenditures at the Darganovsky and Ravninny potash fields

At 31 December 2015, the Group has capitalized expenses relating to the evaluation stage of the Darganovsky and Ravninny potash fields of US$ 7,509 thousand, including borrowing costs capitalized of US$ 1,377 thousand (31 December 2014: US$ 7,567 thousand, including borrowing costs capitalized of US$ 760 thousand). These expenses were recognized in property, plant and equipment.

Borrowing costs capitalized

During the year ended 31 December 2015, borrowing costs totalling US$ 43,745 thousand (2014: US$ 34,152 thousand) were capitalized in property, plant and equipment at an average interest rate of 4.95% p.a. (2014: 4.73% p.a.).

Operating leases

As at 31 December 2015, the land plots under the main production facilities were owned by the Group. Also, several Group subsidiaries occupied the land under non-cancellable operating lease agreements, for which the future minimum payments are as follows:

	31 December 2015	31 December 2014
Shorter than 1 year	2,808	3,553
Between 1 and 5 years	9,818	13,342
Longer than 5 years	76,148	104,462
Total payments	**88,774**	**121,357**

9 Mineral rights

	31 December 2015	31 December 2014
Rights for exploration and production:		
Verkhnekamskoe potash deposit	56,079	72,650
Gremyachinskoe potash deposit	41,406	53,641
Kok-Jon and Gimmelfarbskoe phosphate deposits	15,265	29,213
Kovdorsky apatite deposits	2,223	2,960
Rights for exploration, evaluation and extraction:		
Belopashninskiy potash deposit	12,144	15,733
Ozinsky hydrocarbon deposit	3,383	4,383
Zapadno-Perelyubskiy potash deposit	412	534
Perelyubsko-Rubezhinskiy hydrocarbon deposit	303	392
Vostochno-Perelyubskiy potash deposit	321	416
Rights for proven and unproven mineral resources:		
Zapadno-Yaroyakhinsky hydrocarbon deposit	90,185	118,449
Astrakhan hydrocarbon deposit (Note 34)	117,526	–
Total mineral rights	**339,247**	**298,371**

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9 Mineral rights continued

Verkhnekamskoe and Gremyachinskoe potash deposits

In accordance with the conditions of license agreements and related license amendments for developing the potash deposits, the Group has major commitments.

The license terms in respect of the timing of Verkhnekamskoe potash deposit were renegotiated in 2014 allowing the Group some flexibility as to the timing of first extraction as the amended terms state it is subject to 'Project Documentation'. The Group is in compliance with the new terms and will continue on this basis without requiring further license revision.

The license terms in respect of the timing of the Gremyachinskoe potash deposit were renegotiated in 2014 requiring potash extraction (first ore) no later than the end of November 2017.

The Group has started construction of the mining and surface facilities at both sites.

Management believes that each stage under the current license terms for both of the Verkhnekamskoe and the Gremyachinskoe potash deposits development will be completed according to the revised and approved schedules.

As at 31 December 2015, both of the Verkhnekamskoe and Gremyachinskoe potash deposits were in the development phase with the shaft sinking completed for the first two shafts at Verkhnekamskoe and two of the shafts are progressing with shaft sinking at Gremyachinskoe while the third shaft has been delayed due to a water inflow which is being managed. Management has prepared plans to continue with two shafts such that this delay with the third shaft will not breach any of the terms of the license agreement for Gremyanchinskoe deposit.

As of 31 December 2015, all deposits under licenses for the exploration, evaluation and extraction were in the exploration phase.

Under the terms of valid licenses 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 license agreements there are circumstances whereby the licenses 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 licenses.

10 Goodwill

Movements in goodwill arising from the acquisition of subsidiaries are:

	2015	2014
Carrying amount at 1 January	339,728	387,335
Acquisition of subsidiaries (Note 34)	26,148	–
Currency translation difference	(35,095)	(47,607)
Carrying amount at 31 December	**330,781**	**339,728**

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 2015	31 December 2014
EuroChem Antwerpen NV	282,075	313,365
EuroChem Agro	19,006	21,115
Ben-Trei Ltd. (Note 34)	20,803	–
Other	8,897	5,248
Total carrying amount of goodwill	**330,781**	**339,728**

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 2015	31 December 2014
Adjusted US$ WACC rates, % p.a.	**8.83%**	9.0%
Long-term EUR annual inflation rate, % p.a.	**1.1%-2.0%**	0.9%-1.4%
Estimated nominal growth rate beyond the five-year period, % p.a.	**2.0%**	2.0%

The Group did not recognize any goodwill impairment at 31 December 2015 and 31 December 2014.

11 Intangible assets

Movements in the carrying amount of intangible assets were:

	Know-how and production technology	Customer relationships	Acquired software and licenses	Other	Total
Cost at 1 January 2014	116,382	87,158	41,348	43,050	287,938
Accumulated amortization	(23,731)	(8,529)	(28,479)	(13,333)	(74,072)
Carrying amount at 1 January 2014	92,651	78,629	12,869	29,717	213,866
Additions	–	–	1,473	817	2,290
Disposals:					
Cost	–	–	–	(8)	(8)
Accumulated amortization	–	–	–	5	5
Amortization charge	(13,763)	(5,468)	(9,087)	(2,345)	(30,663)
Currency translation difference:					
Cost	(13,336)	(9,530)	(8,935)	(12,133)	(43,934)
Accumulated amortization	3,724	948	7,863	5,604	18,139
Cost at 31 December 2014	**103,046**	**77,628**	**33,886**	**31,726**	**246,286**
Accumulated amortization	**(33,770)**	**(13,049)**	**(29,703)**	**(10,069)**	**(86,591)**
Carrying amount at 31 December 2014	69,276	64,579	4,183	21,657	159,695
Additions	–	–	691	75	766
Additions through business combinations (Note 34)	–	9,673	–	3,110	12,783
Amortization charge	(11,243)	(9,714)	(951)	(1,780)	(23,688)
Currency translation difference:					
Cost	(10,289)	(10,000)	(4,947)	(4,751)	(29,987)
Accumulated amortization	3,558	3,460	4,512	1,705	13,235
Cost at 31 December 2015	**92,757**	**77,301**	**29,630**	**30,160**	**229,848**
Accumulated amortization	**(41,455)**	**(19,303)**	**(26,142)**	**(10,144)**	**(97,044)**
Carrying amount at 31 December 2015	**51,302**	**57,998**	**3,488**	**20,016**	**132,804**

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12 Investment in associates and joint ventures

As at 31 December 2015 and 31 December 2014, the Group's investments in associates and joint ventures were as follows:

	31 December 2015	31 December 2014
Investment in associate PJSC 'Murmansk Commercial Seaport'	78,508	75,772
Investment in associate JSC 'Astrakhan Oil and Gas Company'	–	23,785
Investment in joint venture 'EuroChem-Migao Ltd.'	18,280	13,108
Investment in joint venture LLC 'Thyssen Schachtbau EuroChem Drilling'	5,967	–
Total investments in associates and joint ventures	**102,755**	**112,665**

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

	2015	2014
Carrying amount at 1 January	112,665	107,905
Acquisition of interest in associates	–	37,500
Disposal of interest held in JSC 'Astrakhan Oil and Gas Company' due to acquisition of controlling interest (Note 34)	(23,180)	–
Contribution of funds to joint ventures	6,652	18,000
Share of profit from associates	23,889	19,031
Share of profit from joint ventures	280	–
Currency translation difference	(17,551)	(69,771)
Carrying amount at 31 December	**102,755**	**112,665**

Reconciliation of the summarized financial information presented to the carrying amount of Group's interest in associates and joint ventures as at 31 December 2015 and 31 December 2014:

	PJSC 'Murmansk Commercial Seaport'	JSC 'Astrakhan Oil and Gas Company'	'EuroChem-Migao' Ltd.	LCC 'Thyssen Schachtbau EuroChem Drilling'
Opening net assets 1 January 2015	110,569	118,330	26,215	–
Net assets at acquisition date	–	–	–	14,590
Profit for the period	54,798	–	560	–
Disposal of net assets of JSC 'Astrakhan Oil and Gas Company' due to acquisition of controlling interest	–	(118,330)	–	–
Accrued dividends on preference shares for the period*	(5,203)	–	–	–
Currency translation difference arising on consolidation	(33,335)	–	9,785	(1,330)
Closing net assets at 31 December 2015	**126,829**	**n/a**	**36,560**	**13,260**
Interest, %	48.26%		50.00%	45.00%
Interest in associates and joint ventures	61,208		18,280	5,967
Goodwill	17,300		–	–
Carrying value at 31 December 2015	**78,508**	**–**	**18,280**	**5,967**

* Represents theoretical dividends on preference shares, determined as 10% of net statutory profit for the reporting period.

	PJSC 'Murmansk Commercial Seaport'	JSC 'Astrakhan Oil and Gas Company'	EuroChem-Migao Ltd.
Opening net assets 1 January 2014	107,905	–	–
Net assets at acquisition date	–	186,562	36,000
Profit for the period	43,394	–	–
Accrued dividends on preference shares for the period*	(3,960)	–	–
Currency translation difference arising on consolidation	(36,770)	(68,232)	(9,785)
Closing net assets at 31 December 2014	**110,569**	**118,330**	**26,215**

	PJSC 'Murmansk Commercial Seaport'	JSC 'Astrakhan Oil and Gas Company'	EuroChem-Migao Ltd.
Interest, %	48.26%	20.10%	50.00%
Interest in associates and joint ventures	53,360	23,785	13,108
Goodwill	22,412	–	–
Carrying value at 31 December 2014	**75,772**	**23,785**	**13,108**

* Represents theoretical dividends on preference shares, determined as 10% of net statutory profit for the reporting period.

Investment in associate PJSC 'Murmansk Commercial Seaport'

The aggregated assets and liabilities of the associate as at 31 December 2015 and 31 December 2014 were as follows:

	31 December 2015	31 December 2014
Current assets	**105,802**	79,497
Non-current assets	**58,642**	73,294
Current liabilities	**(6,712)**	(9,152)
Non-current liabilities	**(30,903)**	(33,070)
Net assets	**126,829**	**110,569**

The associate's revenues and results for the years ended 31 December 2015 and 31 December 2014 were as follows:

	2015	2014
Sales	**125,545**	135,765
Net profit	**54,798**	43,394

Investment in joint venture 'EuroChem-Migao Ltd.'

The aggregated assets and liabilities of the joint venture as at 31 December 2015 and 31 December 2014 were as follows:

	31 December 2015	31 December 2014
Current assets	**26,401**	28,358
Non-current assets	**29,570**	19,257
Current liabilities	**(19,133)**	(11,615)
Non-current liabilities	**(278)**	–
Net assets	**36,560**	**36,000**

The joint venture's revenues and results for the years ended 31 December 2015 and 31 December 2014 were as follows:

	2015	2014
Sales	**12,502**	–
Net profit	**560**	–

Investment in joint venture LLC 'Thyssen Schachtbau EuroChem Drilling'

In March 2015 the Group signed a joint venture agreement with Thyssen Schachtbau GmbH to set up a joint venture named LLC 'Thyssen Schachtbau EuroChem Drilling'. The Group has a 45% interest in the joint venture. The company, incorporated in June 2015 and located in Russia, performs drilling and geophysical logging operations.

The Group's contribution to share capital of LLC 'Thyssen Schachtbau EuroChem Drilling' totaled US$ 6,652 thousand.

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

12 Investment in associates and joint ventures continued

The aggregated assets and liabilities as at 31 December 2015 were as follows:

	31 December 2015	31 December 2014
Current assets	4,626	–
Non-current assets	8,700	–
Current liabilities	(57)	–
Non-current liabilities	(9)	–
Net assets	**13,260**	**–**

The joint venture's revenue and results for the year ended 31 December 2015 were as follows:

	2015	2014
Sales	515	–
Net profit	1	–

13 Inventories

	31 December 2015	31 December 2014
Finished goods	380,198	260,585
Materials	184,794	181,155
Catalysts	62,696	73,076
Work in progress	52,961	48,107
Less: provision for obsolete and damaged inventories	(5,894)	(7,274)
Total inventories	**674,755**	**555,649**

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

	31 December 2015	31 December 2014
Trade receivables		
Trade receivables denominated in US$	118,618	130,054
Trade receivables denominated in EUR	169,620	184,947
Trade receivables denominated in RUB	28,468	23,838
Trade receivables denominated in other currencies	2,909	5,159
Less: impairment provision	(11,509)	(4,142)
Total trade receivables	**308,106**	**339,856**
Prepayments, other receivables and other current assets		
Advances to suppliers	84,114	61,173
VAT recoverable and receivable	113,202	154,591
Other taxes receivable	3,962	1,891
Other receivables and other current assets	13,157	41,527
Collateral held by banks to secure derivative transactions (Note 21)	26,218	1,470
Interest receivable	2,829	5,136
Less: impairment provision	(4,433)	(5,852)
Total prepayments, other receivables and other current assets	**239,049**	**259,936**
Total trade receivables, prepayments, other receivables and other current assets	**547,155**	**599,792**

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

As at 31 December 2015, trade receivables, prepayments, other receivables and other current assets of US$ 15,942 thousand (31 December 2014: US$ 9,994 thousand) were individually impaired and an impairment provision was recognized. The individually impaired receivables mainly relate to counterparties which are facing significant financial difficulties. The ageing of these receivables is as follows:

	31 December 2015	31 December 2014
Less than 3 months	162	23
From 3 to 12 months	3,482	2,960
Over 12 months	12,298	7,011
Total gross amount of impaired trade receivables, prepayments and other receivables	15,942	9,994

As at 31 December 2015, trade receivables of US$ 40,125 thousand (31 December 2014: US$ 32,644 thousand) were past due but not impaired. Of this amount US$ 32,415 thousand (31 December 2014: US$ 27,802 thousand) were covered either by credit insurance, bank guarantees or backed by solid ratings from independent rating agencies. The ageing analysis of these trade receivables from past due date is:

	31 December 2015	31 December 2014
Less than 3 months	36,290	29,770
From 3 to 12 months	3,421	2,874
Over 12 months	414	–
Trade accounts receivable past due not impaired	40,125	32,644

Analysis of credit quality of trade receivables is presented in Note 36.

The movements in the provision for impairment of accounts receivable are:

	2015		2014	
	Trade receivables	Other receivables	Trade receivables	Other receivables
As at 1 January	4,142	5,852	7,695	6,588
Provision charged	10,147	1,727	10,762	5,068
Provision used	(469)	(1,561)	(3,122)	(1,032)
Provision reversed	(1,483)	(314)	(8,777)	(467)
Foreign exchange (gain)/loss, net	–	–	647	246
Currency translation difference	(828)	(1,271)	(3,063)	(4,551)
Total provision for impairment of accounts receivable as at 31 December	11,509	4,433	4,142	5,852

15 Originated loans

	Note	31 December 2015	31 December 2014
Non-current originated loans			
Unsecured US$-denominated loan to related party which is an entity under common control with the Group, interest rates ranging from 1.54% to 4.8% p.a.	33	53,178	13,170
Secured US$-denominated loans to related parties which are entities under common control with the Group, interest rates ranging from 6.7% to 8.8% p.a.*	33	27,000	27,000
Total non-current originated loans		80,178	40,170
Current originated loans			
Unsecured US$-denominated loan to the partner of the Hong Kong joint venture, fixed interest rate 6.5% p.a.		–	3,000
Unsecured US$-denominated loan to parent company, interest rates ranging from 6.28% p.a. to 6.72% p.a.	33	44,000	21,800
Unsecured US$-denominated loan to other related party, fixed interest rate 7% p.a.	33	8,640	–
Unsecured RUB-denominated loans to associate, interest rate ranging from 8.0% to 19.2% p.a.	33	–	4,602
Total current originated loans		52,640	29,402
Total originated loans		132,818	69,572

* The loans are secured with two vessels owned by the related parties.

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

15 Originated loans continued

Movements in the Group's originated loans during year ended 31 December 2015 and 31 December 2014 were as follows:

	Note	2015	2014
Balance as at 1 January		69,572	15,700
Originated loans to parent company	33	189,148	21,800
Originated loans to associate	33	195	6,357
Originated loans to other related party	33	38,900	470
Originated loans to other party		420	–
Loan issued to other related party under the novation agreement	33	8,640	–
Loan issued to other related party under loans restructuring agreement	33	1,108	–
Loan provided to the acquired subsidiary before acquisition	33	1,735	–
Repayment of originated loan by parent company	33	(166,948)	–
Repayment of originated loans by JV Partner		(3,000)	–
Repayment of originated loan by other party		(393)	–
Intragroup elimination of loans provided to acquired subsidiaries before acquisition		(6,383)	–
Reclassification of intragroup loans provided to subsidiaries before disposal	33	–	27,000
Foreign exchange gain/(loss), net		16,026	19,915
Currency translation differences		(16,202)	(21,670)
Balance as at 31 December		**132,818**	**69,572**

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

	31 December 2015	31 December 2014
Cash on hand*	34	43
Bank balances denominated in US$	166,520	147,553
Bank balances denominated in RUB	35,046	22,464
Bank balances denominated in EUR	47,561	93,668
Bank balances denominated in other currencies	10,185	19,107
Term deposits denominated in US$	36,662	24,388
Term deposits denominated in RUB	25,725	36,676
Term deposits denominated in EUR	–	18,884
Term deposits denominated in other currencies	7,936	635
Total cash and cash equivalents	**329,669**	**363,418**
Fixed-term deposits in US$	–	4,378
Fixed-term deposits in RUB	803	6,028
Fixed-term deposits in other currencies	8,486	3,034
Total fixed-term deposits	**9,289**	**13,440**
Current restricted cash	55,405	–
Non-current restricted cash	12,403	10,125
Total restricted cash	**67,808**	**10,125**

* Includes cash on hand denominated in different currencies.

Term deposits at 31 December 2015 and 31 December 2014 are held to meet short-term cash needs and have various original maturities but can be withdrawn on request without any restrictions.

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

No bank balances, term and fixed-term deposits are 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 is as follows*:

	31 December 2015	31 December 2014
A to AAA rated	177,124	250,753
BB- to BBB+ rated	178,711	109,523
B- to B+ rated	5,119	6,873
C to CCC rated	20,516	19,741
Unrated	25,262	50
Total**	406,732	386,940

* Credit ratings as at 15 January 2016 and 15 January 2015, respectively.

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

At 31 December 2015, non-current restricted cash consisted of US$ 10,352 thousand held in a debt service reserve account as required by the Project Finance Facility Agreement (Note 19) and US$ 2,051 thousand held in bank accounts as security deposits for third parties (31 December 2014: US$ 7,627 thousand held in a debt service reserve account and US$ 2,498 thousand held in bank accounts as security deposits for third parties).

At 31 December 2015, current restricted cash consisted of US$ 31,345 thousand held at bank as required by pre-export finance club facility (Note 18) and US$ 24,060 thousand held at banks as a guarantee for import transactions to comply with Ukrainian legislation. As at 31 December 2014 there was no current restricted cash.

17 Equity

Share capital

As at 31 December 2015 and 31 December 2014, the nominal registered amount of the Company's issued share capital in Swiss francs ('CHF') was CHF 100 thousand (US$ 111 thousand). The total authorized number of ordinary shares is 1,000 shares with a par value of CHF 100 (US$ 111) per share. All authorized shares have been issued and fully paid in 2014.

Dividends

In September 2015, the shareholders approved distribution of dividends of CHF 399,144 thousand (US$ 400,000 thousand), CHF 399 thousand per share (US$ 400 thousand per share), from capital contribution which were paid in 2015 (2014: nil).

Other reserves

At 31 December 2015 and 31 December 2014, other reserves of the Company included a cash contribution of US$ 5,000 thousand from EuroChem Group SE, the parent company. For the comparative period the category 'Equity not owned directly by the Company' included all components of equity related to MCC EuroChem, the former parent company. This category was subsequently reallocated to the appropriate categories within the consolidated statement of changes in equity in line with the capital structure of the Group.

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

18 Bank borrowings and other loans received

	Currency	Fixed or floating rate	Interest rate 2015*	Interest rate 2014*	**31 December 2015**	31 December 2014
Current loans and borrowings						
Short-term unsecured bank loans	US$	Floating	2.54%-3.02%	2.49%-3.14%	**350,000**	286,996
Short-term unsecured loan from other related party	US$	Fixed	3.0%	–	**9,000**	–
Short-term unsecured bank loans	US$	Fixed	2.81%-2.95%	–	**175,000**	–
Current portion of unsecured long-term loan	US$	Floating	2.28%	2.04%	**400,000**	200,000
Current portion of unsecured long-term loan	RUB	Fixed	10.20%	8.20%	**102,905**	177,751
Less: short-term portion of transaction costs loans and borrowings					**(2,512)**	(2,718)
Total current loans and borrowings					**1,034,393**	**662,029**

	Currency	Fixed or floating rate	Interest rate 2015*	Interest rate 2014*	**31 December 2015**	31 December 2014
Non-current loans and borrowings						
Long-term loan from shareholder	US$	Fixed	–	5.00%-5.50%	**–**	30,000
Long-term portion of unsecured bank loan	US$	Floating	2.28%	2.04%	**700,000**	1,100,000
Long-term secured bank loan	US$	Floating	3.34%	–	**750,000**	–
Long-term unsecured bank loan	EUR	Floating	2.50%	–	**218,700**	–
Long-term portion of unsecured bank loans	RUB	Fixed	–	8.20%-12.25%	**–**	346,615
Less: long-term portion of transaction costs loans and borrowings					**(17,681)**	(6,496)
Total non-current loans and borrowings					**1,651,019**	**1,470,119**
Total loans and borrowings					**2,685,412**	**2,132,148**

* Contractual interest rate on the 31 December 2015 and 31 December 2014, respectively.

Movements in the Group's bank borrowings and other loans received during year ended 31 December 2015 and 31 December 2014 were as follows:

	Currency	**2015**	2014
Balance as at 1 January		**2,132,148**	2,261,665
Reclassification from capital contribution	US$	**–**	50,000
Bank loans received	US$	**1,383,700**	937,996
Bank loans received	RUB	**165,039**	770,754
Bank loans received	EUR	**213,940**	–
Bank loans received	UAH*	**134**	4,339
Loan received from shareholder (Note 33)	US$	**–**	63,000
Bank loans acquired in a business combination (Note 34)	RUB	**4,870**	–
Bank loan acquired in a business combination (Note 34)	US$	**15,300**	–
Reclassification of intragroup loan provided to subsidiary before disposal	US$	**9,000**	–
Bank loans repaid	US$	**(610,996)**	(999,207)
Bank loans repaid	RUB	**(515,076)**	(507,345)
Bank loans repaid	EUR	**–**	(45,152)
Bank loans repaid	UAH*	**(134)**	(4,308)
Loan repaid to shareholder (Note 33)	US$	**(30,000)**	(83,000)
Capitalization and amortization of transaction costs, net		**(10,979)**	24,413
Foreign exchange (gain)/loss, net		**(61,932)**	1,119,535
Currency translation differences, net		**(9,602)**	(1,460,542)
Balance as at 31 December		**2,685,412**	**2,132,148**

* Ukraine Hryvnia ('UAH')

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

	31 December 2015	31 December 2014
– within 1 year	**1,034,393**	662,029
– between 1 and 2 years	**526,106**	530,736
– between 2 and 5 years	**1,124,913**	939,383
Total bank borrowings and other loans received	**2,685,412**	**2,132,148**

At 31 December 2015 and 31 December 2014, the fair value of short-term bank borrowings and borrowings bearing floating interest rates was not materially different from their carrying amounts.

The fair value of the long-term borrowings bearing fixed interest rate is estimated based on expected cash flows discounted at a prevailing market interest rate. At 31 December 2015, the fair value of the borrowings was less than their carrying amount by US$ 567 thousand on the net basis (31 December 2014: fair value was less than their carrying amount by US$ 42,107 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 at 31 December 2015 and 31 December 2014.

Interest rates and outstanding amounts of major loans and borrowings

In November 2015, the Group signed a 5-year loan facility of EUR 200 million bearing a floating interest rate and maturing in November 2020. As at 31 December 2015, the outstanding amount was EUR 200 million (31 December 2014: nil).

In September 2015, the Group signed a pre-export finance club facility of US$ 750 million bearing interest at 1-month Libor +3% and maturing in September 2019. As at 31 December 2015, the outstanding amount was US$ 750 million (31 December 2014: nil).

In 2014, the Group signed a US$ 100 million uncommitted credit facility bearing a floating interest rate and maturing in December 2018. In July 2015, the credit limit was increased to US$ 150 million. As at 31 December 2015 the outstanding amount was US$ 150 million (31 December 2014: US$ 100 million).

In 2014, the Group signed an uncommitted credit facility with a Russian bank. The funds through this facility may be obtained in multiple currencies. During the year ended 31 December 2015 the facility was utilized and repaid several times. As at 31 December 2015, the outstanding amount was US$175 million (31 December 2014: RUB 12 billion).

In 2013, the Group signed a US$ 250 million 2-year loan agreement bearing a floating interest rate. In September 2015 the loan was fully repaid (31 December 2014: the outstanding amount was US$ 111,996 thousand).

In 2013, the Group obtained a credit facility of US$ 1.3 billion bearing interest at 3-month Libor +1.8% and maturing in September 2018. As at 31 December 2015, the outstanding amount was US$ 1.1 billion (31 December 2014: US$ 1.3 billion).

In 2011, the Group signed a RUB 20 billion 5-year non-revolving fixed-interest rate loan facility with a leading Russian bank. As at 31 December 2015, the outstanding amount was RUB 7.5 billion (31 December 2014: RUB 17.5 billion).

Undrawn facilities

In 2012, the Group signed a US$ 100 million framework agreement for a 2-year revolving facility bearing a floating interest rate based on Libor which was converted to a 4-year facility in 2014.

In 2014, the Group signed a RUB 9.5 billion committed credit agreement for a 3-year revolving facility.

The above credit facilities had no outstanding balances at 31 December 2015 and 31 December 2014, and are available to the Group.

Collaterals and pledges

The pre-export finance club facility of US$ 750 million was collateralized by future export proceeds of the Group under sales contracts with certain customers and additionally cash balances of US$ 31,345 thousand were held by the bank at 31 December 2015 (Note 16).

At 31 December 2015 and 31 December 2014, all other bank borrowings and other loans received listed in Note 18 were not secured.

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19 Project finance

Usolsky potash project

In 2014, the Group signed a US$ 750 million Non-recourse Project Finance Facility Agreement ('Project Financing' or the 'facility') maturing at the end of 2022 with a floating interest rate based on 3-month Libor for financing of the Usolsky potash project located at the Palashersky and Balakhontsevsky blocks of the Verkhnekamskoe field of potassium and magnesium salt in the Perm region of the Russia.

Due to its non-recourse nature, the facility is presented in the 'Project finance' line of the consolidated statement of financial position and is excluded from financial covenant calculations in accordance with the Group's various debt, project, finance, legal and other documents.

During the year ended 31 December 2015, the Group received funds under the Project Finance Facility totaling US$ 278,456 thousand. As at 31 December 2015, the outstanding balance of the facility was US$ 261,975 thousand shown net of amortized transaction costs of US$ 16,481 thousand. The actual interest rate as at 31 December 2015 was 4.09% p.a. The fair value of this facility was not materially different from its carrying amount.

The part of the facility totalling US$ 129,946 thousand matures within a 5 year period, and the remaining part of the facility matures in more than 5 years.

A debt service reserve account of US$ 10,352 thousand was held at banks in compliance with terms of the Project Finance Facility Agreement at 31 December 2015 (31 December 2014: US$ 7,627 thousand) (Note 16).

As at 31 December 2015, under the terms of the Project Finance Facility Agreement 100% of the shares in EuroChem Usolsky Mining S.à r.l., the project owner and wholly-owned subsidiary of the Group, were pledged as collateral. The carrying value of the assets pledged under the Facility related to the project described above amounted to US$ 635,562 thousand (31 December 2014: US$ 503,500 thousand).

Ammonia project in Kingisepp

On 22 December 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 first drawdown is expected in the first quarter 2016 after all Conditions precedent to initial utilization are satisfied.

Due to its non-recourse nature, the facility will be presented in the 'Project finance' line of the consolidated statement of financial position and will be excluded from financial covenant calculations in accordance with the Group's various debt, project, finance, legal and other documents.

20 Bonds issued

					31 December 2015		31 December 2014	
	Currency	Rate	Coupon rate, p.a.	Maturity	Fair value	Carrying amount	Fair value	Carrying amount
Current bonds								
Unsecured bonds payable	RUB	Fixed	8.25%	2015	–	–	81,321	88,876
Unsecured bonds payable	RUB	Fixed	8.90%	2015	–	–	87,178	88,876
Less: transaction costs					–	–	–	(348)
Total current bonds					–	–	168,499	177,404
Non-current bonds								
Long-term unsecured bonds payable	US$	Fixed	5.125%	2017	752,250	750,000	666,923	750,000
Long-term unsecured bonds payable	RUB	Fixed	12.40%	2018	70,140	68,603	–	–
Long-term unsecured bonds payable	RUB	Fixed	8.25%	2018	245	245	–	–
Less: transaction costs						(1,027)	–	(1,846)
Total non-current bonds					822,635	817,821	666,923	748,154
Total bonds issued					822,635	817,821	835,422	925,558

The RUB-denominated bonds mature in 2018 but were callable by investors in 2015.

The right of the investors to exercise the put option in respect of the 8.9% p.a. RUB-denominated bonds came into effect on 3 July 2015. Due to the fact that the Group offered to its bondholders a new higher annual coupon rate of 12.4% p.a. the bonds remain outstanding until 2018.

The right of the investors to exercise the put option in respect of the 8.25% RUB-denominated bonds came into effect on 23 November 2015.

Such put option was exercised in respect of bonds of US$ 76,805 thousand or RUB 4,982 million; bonds of US$ 245 thousand or RUB 18 million remain outstanding until 2018.

The fair value of the outstanding US$-denominated bonds and RUB-denominated bonds was determined with reference to their quotations on the Irish Stock Exchange and the Moscow Exchange, respectively.

21 Derivative financial assets and liabilities

At 31 December 2015, net derivative financial assets and liabilities were:

	Assets		Liabilities	
	Non-current	Current	Non-current	Current
Commodity swaps	–	185	–	–
RUB/US$ non-deliverable forward contracts with a nominal amount of US$ 136 million	–	389	227	–
RUB/US$ deliverable forward contracts with a nominal amount of RUB 4,897 million	–	–	4,827	1,715
RUB/US$ non-deliverable forward contracts with a nominal amount of RUB 29,695 million	–	–	7,321	104,538
UAH/US$ deliverable forward contracts with a nominal amount of US$17 million	–	454	–	–
Cross currency interest rate swaps	–	–	116,475	–
Total	**–**	**1,028**	**128,850**	**106,253**

At 31 December 2014, net derivative financial liabilities were:

	Liabilities	
	Non-current	Current
RUB/US$ non-deliverable forward contracts with a nominal amount of RUB 7,500 million	93,146	–
RUB/US$ non-deliverable forward contracts with a nominal amount of RUB 11,500 million	–	117,527
Cross currency interest rate swaps	87,299	85,986
Total	**180,445**	**203,513**

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

	1 January 2015	Gain/(loss) from changes of fair value, net	Cash (proceeds)/ payments on derivatives, net	Currency translation difference	31 December 2015
Operating activities	–	690	–	(51)	639
Commodity swaps	–	185	–	–	185
Foreign exchange deliverable forward contracts, net	–	505	–	(51)	454
Financing activities	(383,958)	(44,497)	163,273	30,468	(234,714)
Cross currency interest rate swaps, net	(173,285)	(37,010)	74,531	19,289	(116,475)
Foreign exchange deliverable and non-deliverable forward contracts, net	(210,673)	(7,487)	88,742	11,179	(118,239)
Total derivative financial assets and liabilities, net	**(383,958)**	**(43,807)**	**163,273**	**30,417**	**(234,075)**

Cross currency interest rate swaps

In March 2015, the Group signed two EUR/US$ cross currency interest rate swap agreements with a notional amount of US$ 125,000 thousand each. These swap agreements mature in December 2017.

In November 2015, the Group signed a EUR/US$ cross currency interest rate swap agreement with a notional amount of EUR 200,000 thousand. This swap agreement matures in November 2020.

A RUB/US$ cross currency interest rate swap agreement with a notional amount of RUB 5,000 million matured in November 2015.

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21 Derivative financial assets and liabilities continued

Foreign exchange non-deliverable forward contracts

A non-deliverable forward contract with a notional amount of RUB 2,500 million matured in March 2015.

Non-deliverable forward contracts with a total notional amount of RUB 9,000 million have been terminated in April 2015.

In August 2015, the Group signed RUB/US$ non-deliverable forward contracts with the parent company with a notional amount totalling US$ 136 million. The contractual settlement dates vary from June 2016 to May 2019.

In October 2015, the Group signed a RUB/US$ non-deliverable forward contract with a notional amount totalling RUB 7,195 million, maturing in May 2019.

In December 2015, the Group signed RUB/US$ non-deliverable forward contracts with a notional amount totalling RUB 15,000 million. The contractual settlement dates vary from August to December 2016.

Foreign exchange deliverable forward contracts

In third quarter 2015 the Group signed UAH/US$ deliverable forward contracts with a notional amount totalling US$ 32 million. The contracts with a total notional amount of US$ 15 million matured in 2015. The contractual settlement dates of outstanding contracts vary from January to June 2016.

In November 2015, the Group signed RUB/US$ deliverable forward contracts with a notional amount totalling RUB 4,897 million. The contractual settlement dates vary from June 2016 to March 2019.

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, amounting to US$ 690 thousand were recognized as a gain within 'Other operating income and expenses'.

Changes in the fair value of derivatives related to investing and financing activities, which are entered into for the purpose of hedging the investing and financing cash flows, totalling US$ 44,497 thousand were recognized as a loss within 'Other financial gain and loss' (Note 30).

Some financial institutions may require the Group to pay collateral to secure its obligations when the amount of liability arising on a derivative contract reaches a certain threshold. During the year ended 31 December 2015, the Group transferred funds in and out of its margin accounts to satisfy margin call requirements. As at 31 December 2015, the outstanding balance in the margin accounts was US$ 26,218 thousand (31 December 2014: US$ 1,470 thousand), which was accounted within 'Prepayments, other receivables and other current assets' in the consolidated statement of financial position (Note 14).

22 Other non-current liabilities and deferred income

	Note	31 December 2015	31 December 2014
Deferred payable related to business combination		**7,605**	40,832
Deferred payable related to mineral rights acquisition		**12,800**	15,600
Provisions for age premium, retirement benefits, pensions and similar obligations		**18,982**	22,064
Provision for land restoration	23	**12,837**	8,423
Deferred income – Investment grant received		**2,206**	2,919
Total other non-current liabilities and deferred income		**54,430**	**89,838**

The carrying value of other non-current liabilities approximates their fair values.

In November 2015, the Group paid a portion of deferred compensation of US$ 37,786 thousand (2014: US$ 44,276 thousand) related to a business combination which occurred in 2012.

23 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	2015	2014
As at 1 January		8,423	11,616
Change in estimates	8	5,786	1,692
Unwinding of the present value discount	30	995	761
Currency translation difference		(2,367)	(5,646)
Total provision for land restoration as at 31 December		12,837	8,423

During the years ended 31 December 2015 and 31 December 2014, 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 2015	31 December 2014
Discount rates	8.2%-9.7%	8.2%-13.6%
Expected inflation rates in Russia	4.3%-8.3%	5.0%-10.0%
Expected timing for land restoration	2023-2073	2015-2073

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

	31 December 2015	31 December 2014
Between 1 and 5 years	–	2,215
Between 6 and 10 years	1,094	243
Between 11 and 20 years	3,719	3,133
More than 20 years	8,024	2,832
Total provision for land restoration	12,837	8,423

24 Trade payables, other accounts payable and accrued expenses

	31 December 2015	31 December 2014
Trade payables		
Trade payables denominated in US$	32,180	13,025
Trade payables denominated in EUR	108,203	108,056
Trade payables denominated in RUB	43,182	65,199
Trade payables denominated in other currencies	3,017	12,731
Total trade payables	186,582	199,011
Other accounts payable and accrued expenses		
Advances received	73,286	39,134
Payroll and social tax	4,254	5,868
Accrued liabilities and other creditors	104,492	90,813
Interest payable	7,379	6,237
Other payable relating to transactions with ordinary shares of a subsidiary	–	9,000
Short-term part of deferred payable related to mineral rights acquisition	2,197	3,328
Short-term part of deferred payable related to business combination	37,864	42,042
Total other payables	229,472	196,422
Total trade payables, other accounts payable and accrued expenses	416,054	395,433

As at 31 December 2015, trade payables included payables to suppliers of property, plant and equipment amounting to US$ 26,515 thousand (31 December 2014: US$ 47,176 thousand).

Notes to the Consolidated Financial Statements

for the year ended 31 December 2015 continued

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

25 Sales

The external sales by product group for the years ended 31 December 2015 and 31 December 2014 were:

	2015		2014	
	Sales volume (thousand metric tonnes)	Sales (thousand US$)	Sales volume (thousand metric tonnes)	Sales (thousand US$)
Nitrogen products	7,854	2,013,654	7,435	2,199,713
Nitrogen fertilizers	7,834	2,010,812	7,419	2,197,067
Other products	20	2,842	16	2,646
Phosphate and complex fertilizers	3,870	1,748,969	3,917	1,790,359
Phosphate fertilizers	1,711	830,288	2,052	958,463
Complex fertilizers	1,832	761,089	1,571	685,566
Feed phosphates	327	157,592	294	146,330
Other fertilizers	71	23,666	45	16,776
Iron ore concentrate	5,545	241,198	5,508	438,621
Apatite and baddeleyite concentrates	–	30,336	–	33,473
Apatite concentrate	–	–	4	736
Baddeleyite concentrate	8	30,336	9	32,737
Industrial products	–	348,059	–	443,793
Organic synthesis products	565	275,712	598	344,262
Other products	–	72,347	–	99,531
Hydrocarbons	111	30,847	126	55,421
Other sales	–	103,614	–	109,344
Logistic services	–	26,377	–	15,912
Other products	–	22,890	–	30,133
Other services	–	54,347	–	63,299
Total sales	–	4,540,343	–	5,087,500

26 Cost of sales

The components of cost of sales were:

	2015	2014
Raw materials	1,205,117	1,414,390
Goods for resale	566,146	387,328
Other materials	150,358	208,641
Energy	145,001	221,851
Utilities and fuel	74,819	122,977
Labour, including contributions to social funds	232,125	308,516
Depreciation and amortization	174,553	218,928
Repairs and maintenance	63,220	87,497
Production overheads	64,263	83,417
Property tax, rent payments for land and related taxes	32,302	55,461
Provision for impairment and write-off of idle property, plant and equipment (Note 8)	28,663	5,003
Provision/(reversal of provision) for obsolete and damaged inventories, net	3,538	2,571
Changes in work in progress and finished goods	(174,610)	(50,341)
Other costs/(compensations)	(2,230)	7,426
Total cost of sales	2,563,265	3,073,665

27 Distribution costs

Distribution costs were:

	2015	2014
Transportation	**435,562**	521,438
Export duties, other fees and commissions	**2,476**	2,125
Labour, including contributions to social funds	**56,700**	69,682
Depreciation and amortization	**22,177**	30,268
Repairs and maintenance	**7,932**	12,404
Provision/(reversal of provision) for impairment of receivables, net	**8,517**	1,399
Other costs	**32,938**	56,529
Total distribution costs	**566,302**	**693,845**

28 General and administrative expenses

General and administrative expenses were:

	2015	2014
Labour, including contributions to social funds	**86,221**	108,492
Depreciation and amortization	**7,529**	18,058
Audit, consulting and legal services	**25,000**	24,935
Rent	**5,720**	7,087
Bank charges	**5,205**	5,842
Social expenditure	**2,963**	4,191
Repairs and maintenance	**2,316**	2,255
Provision/(reversal of provision) for impairment of receivables, net	**1,781**	7,285
Other expenses	**31,256**	37,723
Total general and administrative expenses	**167,991**	**215,868**

The total depreciation and amortization expenses included in all captions of the consolidated statement of profit or loss and other comprehensive income amounted to US$ 204,259 thousand (2014: US$ 267,254 thousand).

The total staff costs (including social expenses) included in all captions of the consolidated statement of profit or loss and other comprehensive income amounted to US$ 375,046 thousand (2014: US$ 486,690 thousand).

The total statutory pension contributions included in all captions of the consolidated statement of profit or loss and other comprehensive income amounted to US$ 47,936 thousand (2014: US$ 75,211 thousand).

The fees for the audit of the consolidated and statutory financial statements for the year ended 31 December 2015 amounted to US$ 4,089 thousand (2014: US$ 3,062 thousand). The auditors also provided the Group with consulting and other services amounting to US$ 298 thousand (2014: US$ 1,009 thousand).

29 Other operating income and expenses

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

	2015	2014
Sponsorship	**12,020**	17,528
(Gain)/loss on disposal of property, plant and equipment and intangible assets, net	**7,110**	11,286
Foreign exchange (gain)/loss from operating activities, net	**(53,124)**	(120,377)
Provision/(reversal of provision) for impairment and write off of idle property plant and equipment, net	**38**	636
(Gain)/loss on sales and purchases of foreign currencies, net	**(13,872)**	(6,820)
Non-recurring income from settlement agreements and related expenses, net*	**(12,253)**	(50,400)
Other operating (income)/expenses, net	**(11,601)**	(7,985)
Total other operating (income)/expenses, net	**(71,682)**	**(156,132)**

* This amount represents income of US$ 19,200 thousand from settlement agreements with counterparties concerning trading activities of the Group net of expenses of US$6,947 thousand relating to its recovery (2014: income of US$ 50,400 thousand).

Notes to the Consolidated Financial Statements

for the year ended 31 December 2015 continued

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

30 Other financial gain and loss

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

	Note	2015	2014
Changes in fair value of foreign exchange deliverable and non-deliverable forward contracts	21	7,487	327,127
Changes in fair value of cross currency interest rate swaps	21	37,010	196,467
Gain on disposal of subsidiaries		–	(1,611)
Unwinding of discount on deferred payables		3,291	4,974
Unwinding of discount on land restoration obligation	23	995	761
Total other financial (gain)/loss, net		**48,783**	**527,718**

31 Income tax

	2015	2014
Income tax expense – current	198,144	202,826
Deferred income tax – origination and reversal of temporary differences, net	(4,845)	(81,852)
Write-off of previously recognized deferred tax assets	35,182	–
Prior periods adjustments for income tax	(21,710)	(281)
Income tax expense	**206,771**	**120,693**

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 calculated as follows:

	2015	2014
Profit/(loss) before taxation	**962,859**	**(456,884)**
Theoretical tax charge at statutory rate of subsidiaries	(167,285)	(52,205)
Tax effect of items which are not deductible or assessable for taxation purposes:		
– Non-deductible expenses	(10,544)	(5,769)
– Foreign exchange gain/(loss) of the subsidiaries with tax reporting currency different from functional currency	3,166	(69,104)
– Write-off of previously recognized deferred tax assets	(35,182)	–
– Unrecognized tax loss carry forward for the year	(14,264)	–
– Utilisation of previously non-recognized tax-losses carry forward	9,418	6,531
– Adjustment on deferred tax assets/liabilities on prior periods	(13,790)	(831)
– Withholding tax refund on dividends paid in prior periods	–	404
Prior periods adjustments recognized in the current period for income tax	21,710	281
Income tax expense	**(206,771)**	**(120,693)**

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

Subsidiaries located in Russia apply a tax rate of 20.0% on taxable profits during the year ended 31 December 2015 (2014: 20.0%), except for several subsidiaries which applied reduced income tax rates within a range from 15.5% to 19.8% according to regional tax law and agreements with regional authorities (2014: within a range from 15.5% to 19.3%).

Two major manufacturing entities located in the European Union, Lifosa AB in Lithuania and EuroChem Antwerpen NV in Belgium, apply tax rates of 15.0% and 33.99% on taxable profits, respectively (2014: 15.0% and 33.99%).

The rest of the subsidiaries are subject to tax rates on taxable profit ranging from 7.8% to 39.3% (2014: 7.8% to 37.7%).

In June 2015, the Group wrote off deferred tax assets of US$ 35,182 thousand as it was no longer probable that future taxable profit will be available against which the Group can utilize such benefits.

At 31 December 2015, the Group had US$ 112,625 thousand (31 December 2014: US$ 121,300 thousand) of accumulated tax losses carried forward in respect of which a deferred tax asset of US$ 22,529 thousand (31 December 2014: US$ 24,260 thousand) had not been recognized because it is not probable that future taxable profit will be available against which the Group can utilize such benefits. These tax losses carried forward expire as follows:

	31 December 2015	31 December 2014
Tax losses carry forwards expiring by:		
– 31 December 2018	4,080	–
– 31 December 2019	–	18,060
– 31 December 2020	–	23,050
– 31 December 2021	35,490	41,470
– 31 December 2022	38,720	38,720
– 31 December 2025	34,335	–
Tax loss carry forwards	**112,625**	**121,300**

The Group did not recognize a deferred tax asset in respect of temporary differences associated with investments in subsidiaries of US$ 891,425 thousand (31 December 2014: US$ 291,345 thousand). The Group controls the timing of the reversal of these temporary differences and does not expect to reverse them in the foreseeable future. The Group recognized a deferred tax liability in respect of temporary differences related to the investments in associates of US$ 3,935 thousand (2014: US$ 1,726 thousand).

The movement in deferred tax (assets) and liabilities during 2015 and 2014 was as follows:

	1 January 2015	Differences recognition and reversals	Business combinations	Write-off of deferred tax assets	Utilisation of previously non-recognized tax-losses carry forward	Currency translation difference	31 December 2015
Tax effects of (deductible)/ taxable temporary differences							
Property, plant and equipment and intangible assets	178,679	40,046	34,864	–	–	(50,106)	203,483
Accounts receivable	(3,263)	3,800	–	–	–	309	846
Accounts payable	(2,799)	(2,933)	–	–	–	2,250	(3,482)
Inventories	(22,980)	(19,207)	–	–	–	(365)	(42,552)
Other	(47,651)	(3,368)	–	26,074	–	2,593	(22,352)
Tax losses carried-forward	(203,947)	(37,447)	–	15,124	9,418	38,137	(178,715)
Less: Unrecognized deferred tax assets	24,260	14,264	–	(6,016)	(9,418)	(561)	22,529
Net deferred tax (asset)/ liability	**(77,701)**	**(4,845)**	**34,864**	**35,182**	**–**	**(7,743)**	**(20,243)**
Recognized deferred tax assets	(219,877)	(33,312)	–	35,182	–	32,750	(185,257)
Recognized deferred tax liabilities	142,176	28,467	34,864	–	–	(40,493)	165,014
Net deferred tax (asset)/liability	**(77,701)**	**(4,845)**	**34,864**	**35,182**	**–**	**(7,743)**	**(20,243)**

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

31 Income tax continued

	1 January 2014	Differences recognition and reversals	Utilisation of previously non-recognized tax-losses carry forward	Currency translation difference	31 December 2014
Tax effects of (deductible)/taxable temporary differences					
Property, plant and equipment and intangible assets	216,966	66,922	–	(105,209)	178,679
Accounts receivable	(5,613)	228	–	2,122	(3,263)
Accounts payable	(9,987)	5,043	–	2,145	(2,799)
Inventories	(1,578)	(29,932)	–	8,530	(22,980)
Other	2,995	(60,421)	–	9,775	(47,651)
Tax losses carried-forward	(218,108)	(63,692)	6,531	71,322	(203,947)
Less: Unrecognized deferred tax assets	30,791	–	(6,531)	–	24,260
Net deferred tax (asset)/liability	**15,466**	**(81,852)**	**–**	**(11,315)**	**(77,701)**
Recognized deferred tax assets	(182,393)	(116,404)	–	78,920	(219,877)
Recognized deferred tax liabilities	197,859	34,552	–	(90,235)	142,176
Net deferred tax (asset)/liability	**15,466**	**(81,852)**	**–**	**(11,315)**	**(77,701)**

The amounts shown in the consolidated statement of financial position include the following:

	31 December 2015	31 December 2014
Deferred tax assets expected to be recovered after more than 12 months	**(104,227)**	(165,491)
Deferred tax liabilities expected to be settled after more than 12 months	**152,523**	137,644

For the year ended 31 December 2015 and 31 December 2014, the total amount of the deferred tax charge was recognized in profit and loss.

32 Earnings/(loss) per share

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

The comparative information about earnings per share has been recalculated using the weighted average number of ordinary shares issued by the Company as a result of corporate reorganization completed in 2014.

	2015	2014
Net profit/(loss) for the period attributable to owners of the parent	**756,125**	(577,482)
Weighted average number of ordinary shares outstanding	**1,000**	1,000
Earnings/(loss) per share – basic and diluted	**756.13**	**(577.48)**

33 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. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The relationships with those related parties with whom the Group entered into significant transactions or had significant balances outstanding are detailed opposite.

Financial statements caption	Nature of relationship	31 December 2015	31 December 2014
Statement of financial position			
Non-current originated loans (Note 15)	Other related parties	80,178	40,170
Other non-current assets including:			
Interest receivable	Other related parties	784	1,518
Other non-current assets	Other related parties	1,691	–
Current originated loans (Note 15)	Parent company	44,000	21,800
Current originated loans (Note 15)	Associates	–	4,602
Current originated loans (Note 15)	Other related parties	8,640	–
Prepayments, other receivables and other current assets:			
Interest receivables	Associates	–	3,260
Interest receivables	Other related parties	2,205	–
Other receivables	Other related parties	–	3,577
Bonds issued	Other related parties	–	2,500
Loan received from shareholder (Note 18)	Other related parties	–	30,000
Current loan received	Other related parties	9,000	–
Other accounts payable and accrued expenses:			
Payable relating to transactions with ordinary shares of a subsidiary	Other related parties	–	9,000

Financial statements caption	Nature of relationship	2015	2014
Statement of profit or loss and other comprehensive income			
Sales	Associates	5,862	–
Sales	Other related parties	1,906	1,307
Distribution costs	Associates	(1,405)	(2,157)
Distribution costs	Other related parties	(2,597)	(4,201)
Interest income	Parent company	1,407	98
Interest income	Other related parties	3,573	1,267
Interest expense	Other related parties	(969)	(2,653)

Financial statements caption	Nature of relationship	2015	2014
Statement of cash flows			
(Increase)/decrease in other receivables	Other related parties	3,321	(4,387)
Increase/(decrease) in trade payables	Other related parties	–	(1,969)
Capital expenditure on property, plant and equipment and other intangible assets	Other related parties	(553)	(3,133)
Investments in joint venture	Other related parties	(4,371)	(18,000)
Non-current originated loans (Note 15)	Other related parties	(38,900)	(470)
Current originated loans (Note 15)	Parent company	(189,148)	(21,800)
Current originated loans (Note 15)	Associates	(195)	(6,357)
Interest received	Parent company	1,107	–
Loan received from shareholder (Note 18)	Other related parties	–	63,000
Loan repaid to shareholder (Note 18)	Other related parties	(30,000)	(83,000)
Interest paid	Other related parties	(1,262)	(2,360)
Loan provided to the acquired subsidiary before acquisition (Note 15)	Other related parties	(1,735)	–
Repayment of originated loans (Note 15)	Parent company	166,948	–
Dividends paid (Note 17)	Parent company	400,000	–
Payments relating to transactions with ordinary shares of subsidiary	Parent company	–	115,000
Payments relating to transactions with ordinary shares of subsidiary	Other related parties	(9,000)	194,000
Payment received from parent for contribution into Company	Parent company	–	5,000

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33 Balances and transactions with related parties continued

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

As at 31 December 2015, 74.87% of the shares of JSC 'Astrakhan Oil and Gas Company' (31 December 2014: 20.1%) were pledged as collateral to secure a bank loan of the parent company.

Management compensation

The total key management personnel compensation included in the profit or loss was US$ 9,268 thousand and US$ 10,081 thousand for the year ended 31 December 2015 and 31 December 2014, respectively. This compensation is paid to seven individuals who are members of the Management Board, for their services in full time positions. Compensation is made up of an annual fixed remuneration plus a performance bonus accrual.

34 Business combinations

Acquisition of JSC 'Astrakhan Oil and Gas Company'

In March 2015 the Group completed the acquisition of a 100% interest in JSC 'Astrakhan Oil and Gas Company' (JSC 'AOGC'). This company is registered in Russia and holds a license for the development and extraction of hydrocarbons on the right bank section of the Astrakhan gas condensate field. The main purpose of this acquisition is to provide the business with deeper vertical integration by securing additional raw material reserves, such as natural gas and sulphur, and to hedge natural gas price risk.

The acquisition of JSC 'Astrakhan Oil and Gas Company' was completed in stages: in February 2014, the Group purchased a 20.1% interest in JSC 'AOGC' recognized as 'Investments in associates' and in March 2015 the Group acquired the remaining 79.9% interest in the company. The transaction was accounted for as a step acquisition. At the date of obtaining control over the company the Group de-recognized the investments in associates and recorded the acquisition of a 100% interest in the subsidiary.

The total consideration amounted to US$ 110,628 thousand, out of which US$ 23,180 thousand represented the fair value of the 20.1% interest held by the Group in JSC 'AOGC'. Management believes that the value of the Group's investment in associate prior to the business combination is not materially different from its fair value at the acquisition date.

The details of the purchase price consideration for the acquisition are:

Cash consideration paid	87,448
Investment in associate prior to business combination (Note 12)	23,180
Total purchase consideration	**110,628**

The Group has performed a valuation of the fair value of all assets and liabilities recognized on the acquisition.

The acquired assets comprised proved hydrocarbon reserves on the right bank section of the Astrakhan gas condensate field of US$ 148,379 thousand, which was recognized in the 'Mineral rights' line in the consolidated statement of financial position.

The provisional purchase price allocation for the acquisition was:

	Attributed fair value, in thousands of RUB	Attributed fair value, in presentation currency in thousands of US$
Cash and cash equivalents	4,998	87
Mineral rights	8,565,601	148,379
Loan and interest payable to the Group	(468,423)	(8,114)
Other accounts payable	(2,761)	(48)
Deferred income tax asset/(liability) – net	(1,713,120)	(29,676)
Fair value of net assets of subsidiary	**6,386,295**	**110,628**

If the control over JSC 'AOGC' had been obtained on 1 January 2015, the Group's consolidated revenue and profit for the year ended 31 December 2015 would not have changed significantly.

Acquisition of CJSC 'Berezniki mechanical works'

In June 2015, the Group completed the acquisition of a 100% interest in CJSC 'Berezniki Mechanical Works' (CJSC 'BMP'), a company registered in Russia. The main purpose of this acquisition is to provide the Group's underground mining operations with certain types of auxiliary mining equipment such as conveyors, shaft support and components as well as related installation and repair services.

The total consideration (denominated in RUB) of US$ 507 thousand was paid in cash.

The Group has performed a valuation of the fair value of all the assets and liabilities recognized on acquisition.

The provisional purchase price allocation for the acquisition was:

	Attributed fair value, in thousands of RUB	Attributed fair value, in presentation currency in thousands of US$
Cash and cash equivalents	43,233	816
Accounts receivable and other assets	11,706	221
Inventories	80,160	1,513
Inventories for Group investment projects (Note 8)	101,329	1,913
Property, plant and equipment (Note 8)	455,721	8,603
Trade and other accounts payable	(323,023)	(6,099)
Loan payable to the Group	(89,000)	(1,680)
Bank borrowings	(250,000)	(4,719)
Deferred income tax asset/(liability) – net	(3,266)	(61)
Fair value of net assets of subsidiary	**26,860**	**507**

If the control over CJSC 'BMP' had been obtained on 1 January 2015, the Group's consolidated revenue and profit for the year ended 31 December 2015 would not have changed significantly.

Acquisition of Ben-Trei Ltd

In October 2015, the Group completed the acquisition of the 100% interest in Ben-Trei Fertilizer Company, a fertilizer distributor located in the United States. The company distributes a variety of dry fertilizer and feed products, primarily via truck and rail transport. The main purpose of the acquisition is to expand the Group's presence in the US through established relationships with local customers.

The total consideration of US$ 34,796 thousand comprised US$ 27,332 thousand paid in cash and the fair value of the deferred contingent consideration of US$ 7,464 thousand which is payable in a two year period ending 30 June 2017 depending on the company's EBITDA in 2016 and 2017. The Group is performing the valuation of the fair value of the identifiable assets and liabilities of the subsidiary and intends to finalize the fair value measurement within 12 months of the acquisition date.

The provisional purchase price allocation for the acquisition was:

	Attributed fair value, in presentation currency in thousands of US$
Cash and cash equivalents	1,712
Trade receivable	12,763
Other receivables and other current assets	628
Inventories	21,419
Property, plant and equipment (Note 8)	484
Intangible assets (Note 11)	12,783
Trade payables	(13,686)
Other accounts payables and accrued expenses	(221)
Tax payable	133
Bank borrowing	(15,300)
Advances received	(1,595)
Deferred tax assets/(liability) – net	(5,127)
Fair value of net assets of subsidiary	**13,993**

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34 Business combinations continued

The Group is performing the valuation of the fair value of all the assets and liabilities recognized on acquisition and intends to finalize the purchase price allocation for property, plant and equipment and intangible assets within 12 months of the acquisition date. Based on the valuation the following intangible assets with definite useful lives were recognized:

	Fair value in thousands US$
Customer relationships	9,673
Favorable warehouse lease agreement	2,082
Other	1,028
Total intangible assets	**12,783**

The Group has recognized goodwill of US$ 20,803 thousand which is attributable to the strengthening of EuroChem positions in USA by promotion through the supply chain closer to the end customer and organization of a developed warehouse infrastructure in key agricultural regions of USA, an experienced work force and other factors which are expected to result in higher profitability of the acquired assets than was assumed in determining the fair values of assets and liabilities acquired.

If the acquisition of Ben-Trei Ltd. had occurred on 1 January 2015, the Group's consolidated revenue, EBITDA and net profit for the year ended 31 December 2015 would have increased by approximately US$ 279,476 thousand, US$ 1,774 thousand and US$ 476 thousand, respectively.

Acquisition of LLC 'TOMS project'

In October 2015, the Group completed the acquisition of a 51% interest in LLC 'TOMS-project' (LLC 'TOMS'), a company registered in Russia. The main purpose of this acquisition is to provide the Group's construction capacity with certain services relating to deposits developments, such as geological exploration, engineering of equipment and utility system and process plants.

The total consideration (denominated in RUB) was paid in cash and amounted to US$ 5,478 thousand.

The Group has performed a valuation of the fair value of all the assets and liabilities recognized on acquisition.

The preliminary purchase price allocation for the acquisition was:

	Attributed fair value, in thousands RUB	Attributed fair value, in presentation currency in thousands US$
Cash and cash equivalents	25	–
Accounts receivable and other assets	41,682	647
Work in progress	7,547	117
Work in progress for Group investment projects	84,674	1,315
Property, plant and equipment (Note 8)	1,874	29
Trade and other accounts payable	(40,210)	(624)
Advances received	(69,099)	(1,073)
Bank borrowing	(9,724)	(151)
Fair value of net assets of subsidiary	**16,769**	**260**
Less: non-controlling interest	(8,217)	(127)
Goodwill	344,068	5,345
Net assets acquired	**352,620**	**5,478**

The Group has recognized goodwill of US$ 5,345 thousand which is primarily attributable to the engineering procurement construction expertise, an experienced work force and other factors which are expected to result in higher profitability of the acquired assets than was assumed in determining the fair values of assets and liabilities acquired.

If the control over LLC 'TOMS' had been obtained on 1 January 2015, the Group's consolidated revenue and profit for the year ended 31 December 2015 would not have changed significantly.

35 Contingencies, commitments and operating risks

(i) Capital expenditure commitments
As at 31 December 2015, the Group had contractual commitments for capital expenditures of US$ 1,278,957 thousand (31 December 2014: US$ 534,323 thousand), including amounts denominated in different currencies, the majority of which are EUR (US$ 825,677 thousand of the total commitments) and US$ (US$ 237,016 thousand of the total commitments). Of these commitments, management estimates that approximately US$ 915 million will represent cash outflows in 2016.

US$ 88,283 thousand and US$ 445,952 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 license areas, respectively (31 December 2014: US$ 114,580 thousand and US$ 236,978 thousand, respectively). US$ 616,906 thousand of the total amount relate to the construction of the ammonia plant at Kingisepp, Russia (31 December 2014: nil).

(ii) Tax legislation
The management of the Group believes that its interpretation of the tax legislation is appropriate and the Group's tax, currency and customs positions will be sustained.

Given the scale and international nature of the Group's business, intra-group transfer pricing and issues such as controlled foreign corporations' legislation, beneficial ownership, permanent establishment and tax residence issues, are inherent tax risks 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 Group's subsidiaries are located in Russia and are required to comply with Russian tax, currency and customs legislation which is subject to varying interpretations. The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments than the Management of the Group, and it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review with possible extension of this period under certain circumstances.

Where management believes that it is probable that certain tax positions taken by the Group may not be sustained if challenged by the tax authorities, the Group recognizes provisions for related taxes, interest and penalties. There were no such provisions recorded by the Group at 31 December 2015 and 31 December 2014.

(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 liability, physical property and business interruption insurance at nitrogen and phosphate production plants, as well as insurance policies related to trade operations, including export shipments, and credit insurance of trade debtors.

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

Additionally, as part of the Verkhnekamskoe potash project the Group has voluntarily insured construction risks of all mining and surface facilities related to this project including third party liability insurance during construction works. The insurance covers the risks of destruction and damage related to all facilities including those previously constructed starting from November 2014 to July 2020, including a two year guarantee period. As a part of the ammonia project at Kingisepp, the Group has voluntarily insured construction risks of all facilities related to this project.

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35 Contingencies, commitments and operating risks continued

(iv) Environmental matters

The Group is subject to federal, state and local environmental regulations in the regions in which it operates. Management believes that its mining and production technologies are in compliance with all existing environmental legislation in the countries in which it operates. However, environmental laws and regulation continue to evolve. The Group is unable to predict the timing or extent to which those laws and regulations may change.

The Group periodically evaluates its obligations under environmental regulations and an immediate response is formulated as required. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. The Group's management believes that it is in compliance with all current existing health, safety and environmental laws and regulations in the regions in which it operates and that there are no significant liabilities for environmental damage.

(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, except for the following:

The disputes of the Group regarding EuroChem's VolgaKaliy potash mining project in Russia were resolved in January 2016 and are described below. In October 2012, the Group filed a claim against Shaft Sinkers (Pty) Ltd., and Rossal No. 126 Pty Ltd (formerly known as Shaft Sinkers (Pty) Ltd.), ('Shaft Sinkers'), the contractor involved in the construction of the mining shafts at the Gremyachinskoe potash deposit. In March 2013, the Group filed a claim against International Mineral Resources B.V. ('IMR') which, the Group believes, held a controlling interest in Shaft Sinkers, claiming IMR was responsible for its subsidiary's actions.

On 15 January 2016, all parties amicably resolved all matters relating to their disputes involved with this project by entering into a Confidential Settlement Agreement, Release and Covenant Not to Sue, and all litigation and arbitration associated therewith has been dismissed or withdrawn without any material income or expenses for 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, Central and Latin America, and 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 the amounts owed or fulfil the 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.

Political, economic and regional instability in Ukraine continues. The Group's assets in Ukraine are insignificant and sales to Ukraine accounted for 6.2% of total revenue for the year ended 31 December 2015 (2014: 4.7% of total revenue). Management is monitoring and assessing the situation and believes that it would be able to redirect sales to other markets at minimal costs should its ability to maintain profitable business in the Ukrainian market be impaired.

36 Financial and capital risk management

36.1 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 minimize 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 minimize the volatility of the Group's cash flows arising from fluctuations in foreign exchange rates. Management focuses on assessing the Group's future cash flows in foreign currencies and managing the gaps arising between inflows and outflows.

Foreign exchange differences arising from the revaluation of its monetary assets and liabilities are therefore not viewed as an indicator of the total impact of foreign exchange fluctuations on its future cash flows since such gains or losses do not capture the impact on cash flows of foreign exchange-denominated revenues, costs, future capital expenditure, investment and financing activities.

The Group includes a number of subsidiaries with Russian rouble functional currency which have a significant volume of US$-denominated transactions. At 31 December 2015, if the RUB had been down/up against the US$ by 10%, all other things being equal, after tax result for the year and equity would have been US$ 69,871 thousand lower/higher (2014: US$ 98,843 thousand lower/higher), purely as a result of foreign exchange gains/losses on translation of US$-denominated assets and liabilities 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 has significant positive foreign exchange exposure towards the RUB/US$ exchange rate given that the expected US$ denominated revenues exceed the planned outflows in US$, mostly related to servicing of debt and capital expenditure.

During 2015 and 2014, the Group entered into foreign exchange non-deliverable and deliverable forward contracts to reduce volatility of its future cash flows matching the currency of its borrowings with the currency in which a positive gap between proceeds and outgoings is expected by the time the borrowings mature.

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36 Financial and capital risk management continued

The table below summarizes the Group's financial assets and liabilities which are subject to foreign currency risk at the reporting date:

31 December 2015	US$	EUR	RUB	Other currencies
ASSETS				
Non-current financial assets:				
Restricted cash	10,352	45	–	317
Originated loans	53,178	–	–	–
US$/RUB cross currency swap (gross amount)	–	–	165,345	–
US$/EUR cross currency swap (gross amount)	–	233,589	–	–
RUB/US$ deliverable forward contracts	–	–	50,398	–
Total non-current financial assets	**63,530**	**233,634**	**215,743**	**317**
Current financial assets:				
Trade receivables	74,461	959	–	–
Interest receivable	784	–	–	–
US$/RUB cross currency swap (gross amount)	–	–	15,302	–
US$/EUR cross currency swap (gross amount)	–	5,578	–	–
RUB/US$ non-deliverable forward contracts	–	–	389	–
UAH/US$ deliverable forward contracts	17,000	–	–	–
RUB/US$ deliverable forward contracts	–	–	16,799	–
Restricted cash	24,060	–	–	–
Cash and cash equivalents	114,168	7,565	–	1,375
Total current financial assets	**230,473**	**14,102**	**32,490**	**1,375**
Total financial assets	**294,003**	**247,736**	**248,233**	**1,692**
LIABILITIES				
Non-current liabilities:				
Bonds issued	750,245	–	–	–
Project finance	261,975	–	–	–
US$/EUR cross currency swap (gross amount)	–	268,917	–	–
RUB/US$ non-deliverable forward contracts	–	–	7,548	–
Deferred payable related to mineral rights acquisition	11,531	–	–	–
Total non-current financial liabilities	**1,023,751**	**268,917**	**7,548**	**–**
Current liabilities:				
Bank borrowings	9,000	–	102,905	–
US$/EUR cross currency swap (gross amount)	–	10,821	–	–
RUB/US$ non-deliverable forward contracts	–	–	104,538	–
Trade payables	9,914	7,986	–	606
Interest payable	2,439	–	125	–
Deferred payable related to mineral rights acquisition	1,930	–	–	–
Total current financial liabilities	**23,283**	**18,807**	**207,568**	**606**
Total financial liabilities	**1,047,034**	**287,724**	**215,116**	**606**

31 December 2014	US$	EUR	RUB	Other currencies
ASSETS				
Non-current financial assets:				
Restricted cash	8,345	50	–	220
Originated loans	40,170	–	–	–
Other non-current assets	5,230	–	–	–
Total non-current financial assets	**53,745**	**50**	**–**	**220**
Current financial assets:				
Trade receivables	127,292	3,284	–	63
Interest receivable	1,814	–	–	–
Other receivables	27,200	–	–	–
Originated loans	24,800	–	–	–
Fixed-term deposits	4,378	–	–	–
Cash and cash equivalents	162,605	34,041	–	4,646
Total current financial assets	**348,089**	**37,325**	**–**	**4,709**
Total financial assets	**401,834**	**37,375**	**–**	**4,929**
LIABILITIES				
Non-current liabilities:				
Loan received from shareholder	30,000	–	–	–
Bank borrowings	–	–	346,615	–
Bonds issued	750,000	–	–	–
Cross currency interest rate swaps (gross amount)	235,000	–	–	–
RUB/US$ non-deliverable forwards	93,146	–	–	–
Deferred payable related to mineral rights acquisition	12,520	–	–	–
Total non-current financial liabilities	**1,120,666**	**–**	**346,615**	**–**
Current liabilities:				
Bank borrowings	111,996	–	177,751	–
Cross currency interest rate swaps (gross amount)	159,084	–	–	–
RUB/US$ non-deliverable forwards	117,527	–	–	–
Trade payables	4,418	11,987	–	417
Interest payable	2,534	–	299	–
Deferred payable related to mineral rights acquisition	2,842	–	–	–
Total current financial liabilities	**398,401**	**11,987**	**178,050**	**417**
Total financial liabilities	**1,519,067**	**11,987**	**524,665**	**417**

The Group's sales for the years ended 31 December 2015 and 31 December 2014 are presented in the table below:

	US$	EUR	RUB	Other currencies	Total
2015	**2,062,204**	**1,322,598**	**874,342**	**281,199**	**4,540,343**
	45%	**29%**	**19%**	**7%**	**100%**
2014	2,409,513	1,393,008	1,010,625	274,354	5,087,500
	47%	27%	20%	6%	100%

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36 Financial and capital risk management continued

(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 risk from floating interest rates due to the fact that it has US$ 2,200,000 thousand of US$ denominated loans outstanding at 31 December 2015 (31 December 2014: US$ 1,586,996 thousand) bearing floating interest rates varying from 1-month Libor +2.5% to 1-month Libor +3%, 3-month Libor +1.8%, from 6-month Libor +2% to 6-month Libor +2.9% (2014: from 1-month Libor +2.25% to 1-month Libor +2.5%, 3-month Libor +1.8% to 3-month Libor+2.9%). The Group has US$ 218,700 thousand of EUR-denominated loans outstanding at 31 December 2015 bearing floating interest rates of 1-month Euribor +2.5% (31 December 2014: no Euro denominated loans). The Group's profit after tax for the year ended 31 December 2015 and equity would have been US$ 1,532 thousand, or 0.2% lower/higher (2014: US$ 1,089 thousand, or 0.2% lower/higher) if the US$ Libor interest rate was 10 bps higher/lower than its actual level during the year. The Group's profit after tax for the year ended 31 December 2015 and equity would have been US$ 17 thousand, or 0.002% lower/higher (2014: US$ 23 thousand or 0.004% lower/higher) if the Euribor interest rate was 10 bps higher/lower than its actual level during the year. During 2015 and 2014, the Group did not hedge this exposure using financial instruments.

The Group does not have a formal policy of determining how much exposure the Group should have to fixed or variable rates for as long as the impact of changes in interest rates on the Group's cash flows remains immaterial. 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) Financial investments risk

The Group can be exposed to equity securities price risk because of investments that can be held by the Group. As at 31 December 2015 and 31 December 2014, the Group was not exposed to equity securities price risk.

The Group does not enter into any transactions with financial instruments whose value is exposed to the value of any commodities traded on a public market.

(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, 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 2015 amounted to US$ 883,921 thousand (31 December 2014: US$ 838,760 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 16.

Originated loans

Originated loans are issued to companies which are under common control with the Group. Additionally, certain loans are secured by vessels owned by a company which is under common control with 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 optimizing asset utilization whilst maintaining risk at an acceptable level. The Group holds voluntary credit insurance policies for some trade debtors relating to the distribution of fertilizers.

Trade receivables are to a large extent secured against a default risk by means of appropriate insurance coverage. Receivables management is geared towards collecting all outstanding accounts punctually and in full and to avoid the loss of receivables.

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 customers. The credit quality of each new customer is analyzed before the Group provides it with the standard terms of delivery and payment. The Group gives preference to customers with an independent credit rating. New customers without an independent credit rating are evaluated on a sample basis by an appointed rating agency or the score and credit limits for new customers are set by the appointed insurance company. The credit quality of other customers is assessed taking into account their financial position, past experience and other factors.

Customers that do not meet the credit quality requirements are supplied on a prepayment basis only.

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 is neither past due nor impaired 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 2015	31 December 2014
Wholesale customers	–	Credit insurance	**209,840**	211,676
Wholesale customers	–	Letter of credit	**6,857**	53,891
Wholesale customers	–	Bank guarantee	**20,142**	18,049
Wholesale customers and steel producers	Standard & Poor's	2015: A+ to BB- 2014: A+ to BBB	**12,987**	10,661
Wholesale customers	ICE	Good	**7,304**	–
Wholesale customers	ICE	Average risk of failure	**742**	–
Wholesale customers	Credit Reform*	Good	**1,635**	1,466
Wholesale customers	Dun & Bradstreet Credibility Corp.*	Minimum risk of failure	**2,728**	3,214
Wholesale customers	Dun & Bradstreet Credibility Corp.*	Lower than average risk	**6,078**	7,596
Wholesale customers	Dun & Bradstreet Credibility Corp.*	Average risk of failure	**3,251**	2,145
Wholesale customers	LINCE – cerved group	A 2.2.-C 1.1	**1,191**	681
Wholesale customers	CreditInfo	A-very good	**424**	687
Wholesale customers	CreditInfo	Average risk of failure	**947**	–
Wholesale customers	CreditInfo	Lower than average risk	**748**	–
Wholesale customers	Other local credit agencies	–	**–**	1,035
Total			**274,875**	**311,101**

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

The rest of trade receivables is analyzed 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.

In order to take advantage of financing opportunities in the international capital markets, the Group maintains credit ratings from Standard & Poor's and Fitch. As at 31 December 2015, both Standard & Poor's and Fitch had affirmed the Group's rating at BB with stable outlook (31 December 2014: BB with stable outlook). In January 2016, Fitch affirmed the Group's rating at BB and revised the outlook to negative.

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 18) 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.

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36 Financial and capital 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 2015					
Trade payables	190,719	–	–	–	190,719
Gross-settled swaps:**					
– inflows	(34,114)	(296,625)	(379,403)	–	(710,142)
– outflows	31,769	302,675	460,498	–	794,942
Deliverable forward contract					
– inflows	(16,799)	(22,399)	(27,999)	–	(67,197)
– outflows	17,342	21,671	25,353	–	64,366
Derivative financial liabilities	104,538	–	7,548	–	112,086
Bank borrowings*	1,494,739	586,543	1,183,549	–	3,264,831
Project finance*	19,312	15,414	169,447	157,495	361,668
Bonds issued*	49,016	796,963	72,991	–	918,970
Other current and non-current liabilities	41,158	10,046	3,812	16,772	71,788
Total	**1,897,680**	**1,414,288**	**1,515,796**	**174,267**	**5,002,031**
As at 31 December 2014					
Trade payables	199,011	–	–	–	199,011
Gross-settled swap:**					
– inflows	(116,608)	(20,422)	(214,204)	–	(351,234)
– outflows	177,104	11,829	255,762	–	444,695
Derivative financial liabilities	117,527	93,146	–	–	210,673
Bank borrowings*	664,050	708,702	1,044,988	–	2,417,740
Bonds issued*	227,680	38,437	788,437	–	1,054,554
Other current and non-current liabilities	46,694	45,695	4,492	18,853	115,734
Total	**1,315,458**	**877,387**	**1,879,475**	**18,853**	**4,091,173**

* The table above shows undiscounted cash outflows for financial liabilities (including interest together with the borrowings) based on conditions existing as at 31 December 2015 and 31 December 2014, respectively.

** Payments in respect of the gross settled swap will be accompanied by related cash inflows.

The Group controls the minimum required level of cash balances available for short-term payments in accordance with the financial policy of the Group. Such cash balances 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.

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

36.2 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.

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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. Net debt is determined in line with its definition for the purposes of the Group's covenants in its external borrowing agreements, where appropriate, and consists of the sum of short-term borrowings, long-term borrowings and bonds balance outstanding, less cash and cash equivalents.

The gearing ratio as at 31 December 2015 and 31 December 2014 is shown in the table below:

	31 December 2015	31 December 2014
Total debt	3,503,233	3,057,706
Less: cash and cash equivalents and fixed-term deposits	394,363	376,858
Net debt	**3,108,870**	**2,680,848**
Share capital	111	111
Retained earnings and other reserves	4,009,496	3,652,153
Net worth	**4,009,607**	**3,652,264**
Gearing ratio	**0.78**	**0.73**

Net debt/EBITDA

The Group has established a policy that the ratio of the Group's net debt to its 12 months' rolling EBITDA should not exceed two and a half times in normal market conditions. For this purpose net debt is determined in the same way as described in Gearing ratio section.

The ratio of net debt to EBITDA as at 31 December 2015 and 31 December 2014 is shown in the table below:

	Note	2015	2014
EBITDA	7	1,576,711	1,512,992
EBITDA of Ben-Trei Ltd. from 1 January 2015 to the date of acquisition	34	1,774	–
EBITDA including EBITDA in subsidiary before acquisition		**1,578,485**	**1,512,992**
Net debt		3,108,870	2,680,848
Net debt/EBITDA		**1.97**	**1.77**

For the purpose of this calculation EBITDA includes EBITDA of acquired subsidiaries for the period from 1 January to the date of acquisition.

37 Subsequent events

On 28 January 2016, the Group and Agrinos AS entered into distribution and sales, research and development and equity investment agreements. The Group expects the partnership with Agrinos AS, a global leader in biological crop nutrition products, to further enhance its product portfolio and leadership in the global market of mineral and biological fertilizers.

Key financial and non-financial data

US$, thousands	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Sales	**1,049,845**	**1,120,001**	**1,135,251**	**1,235,246**	**1,145,873**	**1,186,922**
Nitrogen products	507,167	443,045	504,500	558,942	491,099	506,672
– Nitrogen fertilizers	506,578	442,116	503,643	558,475	490,480	505,945
– Other products	589	929	857	467	619	727
Phosphate and complex fertilizers	354,836	479,574	438,873	475,686	415,892	411,652
– Phosphate fertilizers	146,472	216,755	240,989	226,072	201,545	222,034
– Complex fertilizers	169,775	227,716	151,204	212,394	171,651	158,237
– Feed phosphates	38,589	35,103	46,680	37,220	42,696	31,381
Other fertilizers	7,384	11,440	2,449	2,393	3,666	8,607
Iron ore concentrate	49,578	64,592	64,539	62,489	74,243	103,171
Apatite and baddeleyite concentrates	7,683	7,542	6,209	8,902	7,597	7,675
– Apatite concentrate						
– Baddeleyite concentrate	7,683	7,542	6,209	8,902	7,597	7,675
Industrial products	84,602	86,655	90,122	86,680	109,216	114,963
– Organic synthesis products	65,760	71,523	70,079	68,350	85,122	91,377
– Other products	18,842	15,132	20,043	18,330	24,094	23,586
Hydrocarbons	6,531	7,548	8,606	8,162	11,152	14,240
Other sales	32,064	19,605	19,953	31,992	33,008	19,942
– Logistic services	9,517	5,903	5,675	5,282	2,940	5,084
– Other products	3,716	2,160	2,308	14,706	8,937	3,375
– Other services	18,831	11,542	11,970	12,004	21,131	11,483
Cost of sales	**(621,917)**	**(645,755)**	**(645,611)**	**(649,982)**	**(689,296)**	**(707,360)**
Including:						
– Raw materials	(301,465)	(294,503)	(296,955)	(312,194)	(331,983)	(350,498)
– Goods for resale	(218,860)	(118,420)	(100,522)	(128,344)	(103,945)	(92,572)
– Other materials	(30,082)	(43,212)	(41,443)	(35,621)	(45,518)	(58,913)
– Energy	(37,283)	(34,951)	(37,501)	(35,266)	(49,603)	(54,604)
– Utilities and fuel	(19,434)	(15,705)	(20,208)	(19,472)	(26,422)	(26,017)
– Labor	(54,685)	(55,962)	(64,370)	(57,108)	(63,245)	(75,419)
– Changes in work in progress and finished goods	126,962	18,620	5,713	23,315	34,736	66,294
– Other costs	(87,070)	(101,622)	(90,325)	(85,292)	(103,316)	(115,631)
Gross profit	**427,928**	**474,246**	**489,640**	**585,264**	**456,577**	**479,562**
– Gross profit margin (%)	41%	42%	43%	47%	40%	40%
Distribution costs	(137,779)	(140,905)	(157,029)	(130,589)	(140,332)	(184,790)
General and administrative expenses	(42,156)	(42,134)	(43,359)	(40,342)	(53,801)	(55,846)
Other operating income/(expenses), net	45,003	73,178	(38,325)	(8,174)	142,560	48,965
Operating profit	**292,996**	**364,385**	**250,927**	**406,159**	**405,004**	**287,891**
Operating profit margin (%)	28%	33%	22%	33%	35%	24%
Share of profit from associates	6,772	6,193	5,191	6,013	4,118	4,777
Dividend income						
Gain/(loss) on disposal of available-for-sale investments						
Interest income	4,300	5,452	4,161	3,418	4,404	3,005
Interest expense	(33,769)	(28,482)	(36,063)	(32,584)	(32,857)	(51,061)
Financial foreign exchange gain/(loss), net	(112,768)	(112,450)	(4,483)	16,274	(625,660)	(370,714)
Other financial gain/(loss), net	(18,139)	(99,095)	62,973	5,478	(400,972)	(96,486)
Profit/(Loss) before taxation	**139,392**	**136,003**	**282,706**	**404,758**	**(645,963)**	**(222,588)**
Income tax expense	(4,736)	(32,663)	(103,749)	(65,623)	5,293	(17,900)
Profit for the period	**134,656**	**103,340**	**178,957**	**339,135**	**(640,670)**	**(240,488)**

Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	2015	2014	2,013
1,341,173	1,413,531	1,346,769	1,241,819	1,433,202	1,533,868	4,540,343	5,087,500	5,555,658
592,903	609,039	537,367	453,304	664,422	662,147	**2,013,654**	2,199,713	2,317,240
592,226	608,416	536,429	452,290	663,466	661,293	**2,010,812**	2,197,067	2,313,478
677	623	938	1,013	957	854	**2,842**	2,646	3,762
456,152	506,663	422,074	444,500	455,518	558,519	**1,748,969**	1,790,359	1,880,611
238,223	222,970	182,335	204,156	213,616	267,304	**830,288**	859,360	867,411
181,029	248,340	196,539	202,040	211,366	249,876	**761,089**	784,669	859,821
36,900	35,353	43,200	38,304	30,536	41,339	**157,592**	146,330	153,379
2,080	2,423	5,188	5,461	1,864	2,074	**23,666**	16,776	14,587
121,881	139,326	181,470	169,718	169,918	140,028	**241,198**	438,621	661,134
8,366	9,834	13,009	12,959	11,934	21,045	**30,336**	33,473	58,947
	745	6,621	6,800	5,599	14,030		736	33,050
8,367	9,089	6,388	6,159	6,335	7,015	**30,336**	32,737	25,897
119,487	100,127	119,710	112,972	88,273	105,976	**348,059**	443,793	426,931
90,430	77,333	92,492	82,944	62,751	82,020	**275,712**	344,262	320,207
29,057	22,794	27,219	30,029	25,521	23,956	**72,347**	99,531	106,725
13,428	16,601	19,544	15,632	14,831	13,880	**30,847**	55,421	63,887
26,876	29,518	48,407	27,273	26,442	30,199	**103,614**	109,344	132,321
4,018	3,870	5,506	5,430	3,633	1,783	**26,377**	15,912	16,352
7,295	10,526	12,733	4,338	6,290	11,480	**22,890**	30,133	34,841
15,564	15,122	30,168	17,506	16,517	16,937	**54,347**	63,299	81,128
(829,066)	(847,943)	(884,320)	(793,989)	(897,312)	(966,109)	(2,563,265)	(3,073,665)	(3,541,730)
(363,727)	(368,182)	(357,621)	(390,712)	(365,930)	(433,971)	**(1,205,117)**	(1,414,390)	(1,548,234)
(66,289)	(124,522)	(46,550)	(113,530)	(145,919)	(125,544)	**(566,146)**	(387,328)	(431,543)
(55,149)	(49,061)	(59,664)	(56,283)	(55,203)	(50,547)	**(150,358)**	(208,641)	(221,697)
(56,205)	(61,439)	(66,535)	(63,422)	(55,285)	(65,799)	**(145,001)**	(221,851)	(251,041)
(31,790)	(38,748)	(40,231)	(28,906)	(34,897)	(41,190)	**(74,819)**	(122,977)	(145,224)
(81,886)	(87,966)	(85,747)	(78,029)	(89,344)	(90,110)	**(232,125)**	(308,516)	(343,230)
(55,364)	4,675	(55,886)	72,188	(24,180)	(42,926)	**174,610**	50,341	(50,804)
(118,656)	(122,700)	(172,086)	(135,295)	(126,554)	(116,022)	**(364,309)**	(460,303)	(549,957)
512,108	565,588	462,449	447,830	535,889	567,760	1,977,078	2,013,835	2,013,928
38%	40%	34%	36%	37%	37%	**44%**	40%	36%
(178,859)	(189,863)	(213,044)	(193,483)	(192,497)	(194,164)	**(566,302)**	(693,845)	(793,188)
(55,139)	(51,082)	(59,541)	(51,427)	(51,493)	(48,209)	**(167,991)**	(215,868)	(210,670)
(32,705)	(2,689)	(4,277)	(26,676)	19,393	(1,796)	**71,682**	156,132	(13,356)
245,405	321,954	185,587	176,244	311,292	323,591	1,314,467	1,260,254	996,714
18%	23%	14%	14%	22%	21%	**29%**	25%	18%
4,170	5,146	(919)	7,392	5,431		**24,169**	18,211	11,904
				3,651				3,651
			(46,970)					(46,970)
2,372	2,158	1,910	2,407	1,824	1,766	**17,331**	11,939	7,907
(34,050)	(34,377)	(38,061)	(43,982)	(39,448)	(40,318)	**(130,898)**	(152,345)	(161,809)
139,449	(210,300)	(34,559)	31,645	(126,986)	(55,097)	**(213,427)**	(1,067,225)	(184,997)
37,865	(68,125)	(443)	21,771	(40,746)	(10,245)	**(48,783)**	(527,718)	(29,663)
395,211	16,456	113,515	148,507	115,018	219,697	962,859	(456,884)	596,737
(64,001)	(44,085)	(33,999)	(55,896)	(59,045)	(61,240)	**(206,771)**	(120,693)	(210,180)
331,210	(27,629)	79,516	92,611	55,973	158,457	756,088	(577,577)	386,557

Key financial and non-financial data continued

US$, thousands	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
EBITDA by product groups	360,098	437,540	318,436	460,637	422,024	364,573
EBITDA margin (%)	34%	39%	28%	37%	37%	31%
– Nitrogen	201,662	235,932	174,169	255,375	206,857	212,885
– Phosphates	87,709	164,419	121,895	165,585	150,368	112,737
– Potash	(9,759)	3,094	(1,863)	(7,959)	(14,587)	(6,428)
– Distribution	23,740	16,888	5,442	50,557	26,070	24,373
– Others	61,131	43,147	34,492	(7,946)	56,195	41,913
– Elimination	(4,385)	(25,940)	(15,699)	5,025	(2,879)	(20,907)
Net debt	3,108,870	2,605,611	2,438,605	2,463,820	2,680,848	2,599,492
Net debt/EBITDA (x)	1.97	1.59	1.56	1.57	1.77	1.89
Net working capital	777,609	565,171	673,887	702,227	705,955	675,849
Gross cash flow	201,773	337,617	321,382	392,938	515,543	372,568
Net cash – operating activities	35,548	343,772	340,460	343,958	176,463	320,832
Net cash – investing activities	(403,062)	(327,881)	(241,674)	(130,850)	(231,383)	(594,550)
Free cash inflow/(outflow)	(367,514)	15,891	98,786	213,108	(54,920)	(273,718)
Net cash – financing activities	91,429	(103,605)	13,853	20,983	(130,463)	319,150
Effect of exchange rate changes on cash and cash equivalents	37,617	(15,247)	(17,601)	(21,449)	871	(57,324)
Net increase/(decrease) in cash and cash equivalents	(238,468)	(102,961)	95,038	212,642	(184,512)	(11,892)
Capital expenditure on PP&E and other intangible assets	(302,257)	(312,176)	(215,497)	(142,216)	(329,937)	(310,860)
Sales by region	1,049,845	1,120,001	1,135,251	1,235,246	1,145,873	1,186,922
Europe	434,699	338,479	365,752	597,758	499,802	393,132
Russia	215,184	213,023	226,472	239,396	236,941	255,037
Asia Pacific	110,067	179,546	158,917	106,089	149,885	157,013
North America	136,753	149,580	127,789	122,560	87,053	87,449
Latin America	58,933	67,300	166,379	77,872	67,540	174,685
CIS	71,997	144,333	62,391	76,121	74,380	90,336
Africa	22,212	27,740	27,551	15,450	30,272	29,270
Sales volumes (metric tonnes)						
Nitrogen products	2,137,748	1,824,322	1,890,574	2,001,392	1,767,267	1,781,496
– Nitrogen fertilizers	2,132,955	1,818,483	1,885,467	1,997,572	1,778,372	1,777,464
– Other products	4,793	5,839	5,107	3,820	4,646	4,032
Phosphate and complex fertilizers	799,187	1,060,701	964,907	1,045,569	904,357	906,867
– Phosphate fertilizers	309,215	441,801	506,714	453,675	409,101	401,709
– Complex fertilizers	412,207	546,335	361,706	511,351	406,332	442,647
– Feed phosphates	77,765	72,565	96,487	80,543	88,924	62,511
Other fertilizers	21,489	36,595	7,011	5,681	10,095	25,005
Iron ore concentrate	1,339,523	1,441,764	1,383,415	1,380,378	1,348,186	1,431,342
Apatite and baddeleyite concentrates						
– Apatite concentrate						
– Baddeleyite concentrate	2,115	2,001	1,670	2,394	2,162	2,079
Industrial products						
– Organic synthesis products	147,407	140,066	130,743	146,545	161,345	149,840
– Other products						
Hydrocarbons	24,957	28,610	28,335	29,549	30,722	31,210

Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	2015	2014	2,013
321,130	405,265	282,679	258,677	401,514	406,124	1,576,711	1,512,992	1,348,994
24%	29%	21%	21%	28%	26%	**35%**	30%	24%
210,966	223,894	157,279	154,716	232,851	263,612	**867,138**	865,105	808,458
100,492	123,988	89,954	114,999	118,216	112,292	**539,608**	477,082	435,461
(3,444)	(7,376)	(8,939)	(8,845)	(6,575)	35	**(16,487)**	(31,835)	(24,324)
7,206	32,762	37,447	(3,851)	18,807	34,438	**96,627**	90,411	86,841
9,997	35,989	7,668	9,347	33,408	(2,724)	**130,824**	144,026	47,699
(4,087)	(3,992)	(730)	(7,689)	4,807	(1,529)	**(40,999)**	(31,797)	(5,141)
2,568,201	2,846,555	2,731,865	2,995,222	2,857,970	2,829,241	**3,108,870**	2,680,848	2,731,865
2.03	2.11	2.02	2.13	1.89	1.73	**1.97**	1.77	2.02
814,842	854,542	706,594	748,227	791,998	800,347	**777,609**	705,955	706,594
231,156	389,279	249,555	229,639	321,098	319,500	**1,253,710**	1,508,546	1,119,792
332,419	134,162	305,110	239,049	303,111	289,423	**1,063,738**	963,876	1,136,693
(262,910)	(195,136)	(325,141)	(281,618)	(248,628)	(151,782)	**(1,103,467)**	(1,283,979)	(1,007,169)
69,509	(60,974)	(20,031)	(42,569)	54,483	137,641	**(39,729)**	(320,103)	129,524
68,781	(17,861)	69,164	(37,499)	(39,842)	(122,187)	**22,660**	239,607	(130,364)
14,026	(19,399)	2,357	8,296	(3,383)	(9,180)	**(16,680)**	(61,824)	(1,910)
152,318	(98,234)	51,490	(71,772)	11,258	6,274	**(33,749)**	(142,320)	(2,750)
(244,502)	(178,686)	(294,594)	(253,585)	(228,388)	(241,788)	**(972,146)**	(1,063,985)	(1,018,355)
1,341,174	1,413,531	1,346,769	1,241,819	1,433,201	1,533,869	4,540,343	5,087,500	5,555,658
430,784	592,818	475,076	328,403	391,749	602,278	**1,736,688**	1,916,536	1,797,506
243,076	288,799	258,416	243,433	226,265	318,774	**894,075**	1,023,853	1,046,888
241,131	164,032	277,501	267,260	291,808	208,567	**554,619**	712,061	1,045,136
185,156	144,203	137,729	101,173	133,364	178,762	**536,682**	503,861	551,028
163,271	88,888	77,088	146,842	208,435	78,219	**370,484**	494,384	510,584
38,722	109,710	93,309	118,991	123,500	111,334	**354,842**	313,148	447,134
39,034	25,081	27,650	35,717	58,080	35,935	**92,953**	123,657	157,382
1,940,287	1,945,244	1,968,546	1,589,448	2,022,630	1,894,504	**7,854,036**	7,434,294	7,475,128
1,936,782	1,941,676	1,962,877	1,583,825	2,017,632	1,889,275	**7,834,477**	7,418,543	7,453,609
3,505	3,568	5,669	5,623	4,998	5,229	**19,559**	15,751	21,519
982,968	1,122,526	999,274	941,140	915,865	1,102,819	**3,870,364**	3,916,718	3,959,098
499,694	499,351	463,057	427,153	426,763	522,456	**1,711,405**	1,809,855	1,839,429
411,477	552,793	446,965	438,979	428,548	497,925	**1,831,599**	1,813,249	1,812,417
71,797	70,382	89,252	75,008	60,554	82,438	**327,360**	293,614	307,252
5,870	4,248	12,450	16,010	4,420	3,874	**70,776**	45,218	36,754
1,404,890	1,323,470	1,586,407	1,569,568	1,482,307	1,213,115	**5,545,080**	5,507,888	5,851,397
	3,888	30,969	31,002	23,197	54,357		3,888	139,525
2,194	2,466	1,709	1,629	1,630	1,709	**8,180**	8,901	6,677
150,003	136,398	165,874	158,872	108,951	148,417	**564,761**	597,586	582,114
28,226	36,017	39,457	34,972	36,345	30,501	**111,451**	126,175	141,275

Strategic Report

Corporate Governance

Financial Statements

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This annual report has been prepared by EuroChem Group AG ('EuroChem' or the 'Company') for informational purposes, and may include forward-looking statements or projections. These forward-looking statements or projections include matters that are not historical facts or statements and reflect the Company's intentions, beliefs or current expectations concerning, among other things, the Company's results of operations, financial condition, liquidity, performance, prospects, growth, strategies, and the industry in which the Company operates. By their nature, forwarding-looking statements and projections involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Company cautions you that forward-looking statements and projections are not guarantees of future performance and that the actual results of operations, financial condition and liquidity of the Company and the development of the industry in which the Company operates may differ materially from those made in or suggested by the forward-looking statements or projections contained in this publication. Factors that could cause the actual results to differ materially from those contained in forward-looking statements or projections in this publication may include, among other things, general economic conditions in the markets in which the Company operates, the competitive environment in, and risks associated with operating in, such markets, market change in the fertilizer and related industries, as well as many other risks affecting the Company and its operations. In addition, even if the Company's results of operations, financial condition and liquidity and the development of the industry in which the Company operates are consistent with the forward-looking statements or projections contained in this publication, those results or developments may not be indicative of results or developments in future periods. The Company does not undertake any obligation to review or confirm expectations or estimates or to update any forward-looking statements or projections to reflect events that occur or circumstances that arise after the date of this publication.

Statements regarding competitive position

Statements referring to EuroChem's competitive position are based on the Company's belief and, in some cases, rely on a range of sources, including investment analysts' reports, independent market studies and EuroChem's internal assessments of market share based on publicly available information about the financial results and performance of market participants.

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