Joint-Stock Company “Avangard-Agro”

Consolidated Interim Condensed Financial Statements
for the six months ended
30 June 2020
and Independent Auditors’ Report on Review

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Independent Auditors' Report on Review of Consolidated Interim Condensed Financial Statements

To the Shareholders and Board of Directors of Avangard-Agro JSC

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of Avangard-Agro JSC (the "Company") and its subsidiaries (the "Group") as at 30 June 2020, and the related consolidated interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the consolidated interim condensed financial statements (the "consolidated interim condensed financial statements"). Management of the Group is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review.

Scope of Review

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

Reviewed entity: Avangard-Agro Joint-Stock Company

Registration No. in the Unified State Register of Legal Entities 1045736000089.

Urban-type settlement Zmiyevka, Russia

Audit firm: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registration No. in the Unified State Register of Legal Entities 1027700125628.

Member of the Self-Regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). Principal Registration No. of the Entry in the Register of Auditors and Audit Organizations 12006020351

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial statements as at 30 June 2020 and for the six months then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Samoylova N.S.

KPMG JSC
Moscow, Russia

14 September 2020

million RUB	Note	30 June 2020	31 December 2019
ASSETS			
Property, plant and equipment	7	29,458	29,712
Biological assets	10	264	170
Other non-current assets		16	21
Deferred tax assets		12	11
Non-current assets		**29,750**	**29,914**
Inventories	9	4,034	11,021
Biological assets	10	12,462	2,472
Trade and other receivables	11	1,932	1,740
Financial assets	8	11,448	7,186
Cash and cash equivalents		21	326
Current assets		**29,897**	**22,745**
Total assets		**59,647**	**52,659**
EQUITY AND RESERVES			
Share capital	12	7	7
Property, plant and equipment revaluation surplus		8,999	8,999
Retained earnings		24,820	20,126
Equity attributable to owners of the Company		**33,826**	**29,132**
Total equity and reserves		**33,826**	**29,132**
LIABILITIES			
Loans and borrowings	13	8,253	8,131
Product supply liabilities under land leases		338	336
Other long-term liabilities		1	-
Non-current liabilities		**8,592**	**8,467**
Loans and borrowings	13	10,876	9,806
Bonds	13	5,217	4,064
Trade and other payables	14	1,118	952
Other current liabilities		18	238
Current liabilities		**17,229**	**15,060**
Total liabilities		**25,821**	**23,527**
Total equity and liabilities		**59,647**	**52,659**

The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 22.

million RUB	Note	Six months ended 30 June 2020	Six months ended 30 June 2019
Revenue	5	8,670	10,056
Cost of sales		(7,726)	(9,061)
Revaluation of biological assets	10	4,285	3,009
Gross profit		**5,229**	**4,004**
Distribution expenses		(100)	(95)
Administrative expenses		(453)	(422)
Other income/(expenses), net		(77)	(75)
Results from operating activities		**4,599**	**3,412**
Finance income		1,163	604
Finance costs		(917)	(1,674)
Net finance income/(costs)		**246**	**(1,070)**
Profit before tax		**4,845**	**2,342**
Income tax expense	6	(3)	(14)
Profit for the reporting period		**4,842**	**2,328**
Disposal of property, plant and equipment revaluation		-	(32)
Total comprehensive income for the reporting period		**4,842**	**2,296**
Profit attributable to:			
Owners of the Company		4,842	2,328
Profit for the reporting period		**4,842**	**2,328**
Total comprehensive income attributable to:			
Owners of the Company		4,842	2,296
Total comprehensive income for the reporting period		**4,842**	**2,296**

These Consolidated Interim Condensed Financial Statements were approved by management on 14 September 2020 and were signed on its behalf by:

General Director of Avangard-Agro JSC — Financial Director of Avangard-Agro JSC

A.N. Kirkin — T.A. Korolyova

The consolidated interim condensed statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 22.

million RUB	Note	Share capital	Property, plant and equipment revaluation surplus	Retained earnings	Total equity and reserve
Balance at 1 January 2019*		**7**	**9,031**	**16,392**	**25,430**
Profit for the reporting period		-	-	2,328	2,328
Decrease in value upon disposal of assets		-	(32)	-	(32)
Total comprehensive income for the reporting period		**-**	**(32)**	**2,328**	**2,296**
Transactions with shareholders of the Company					
Distributions to shareholders		-	-	**(130)**	**(130)**
Total transactions with shareholders of the Company		**-**	**-**	**(130)**	**(130)**
Balance as at 30 June 2019		**7**	**8,999**	**18,590**	**27,596**
Balance as at 1 January 2020		**7**	**8,999**	**20,126**	**29,132**
Profit for the reporting period		-	-	4,842	4,842
Total comprehensive income for the reporting period		**-**	**-**	**4,842**	**4,842**
Transactions with shareholders of the Company					
Distributions to shareholders	12	-	-	**(148)**	**(148)**
Total transactions with shareholders of the Company		-	-	**(148)**	**(148)**
Balance as at 30 June 2020		**7**	**8,999**	**24,820**	**33,826**

* The Group has initially applied IFRS 16 as at 1 January 2019, using the modified retrospective approach. Under this approach the cumulative effect of the initial application of IFRS 16 is recognized in retained earnings at the date of initial application. See Note 4.

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 22.

million RUB	Note	Six months ended 30 June 2020	Six months ended 30 June 2019
Cash flows from operating activities			
Profit for the reporting period		4,842	2,328
Adjustments			
Depreciation	7	795	845
Government grants		(237)	(441)
Foreign exchange differences		(60)	(66)
Interest income and income on forward contracts		(888)	(313)
Allowance for financial assets impairment	8	7	(65)
Interest expense on loans and borrowings and forward contracts		903	1,739
Change in fair value of agricultural products and biological assets		(1,150)	(1,305)
Reversal of allowance for the reduction of inventories net realizable value		(721)	(110)
Write-off of accounts receivable		90	37
Loss of crop, product deterioration, shortages identified during stock-takes		1	5
(Profit)/loss on disposal of other assets		(11)	3
Other non-cash transactions		15	31
Income tax expense	6	(3)	14
Cash flows from operating activities without changes in working capital		**3,583**	**2,702**
Change in inventories		4,551	6,115
Change in biological assets		(5,799)	(5,741)
Change in trade and other receivables		(262)	(337)
Change in trade and other payables		164	323
Cash flows from operating activities before income tax		**2,237**	**3,062**
Income tax paid		-	-
Net cash flow from operating activities		**2,237**	**3,062**

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 22 .

million RUB	Note	Six months ended 30 June 2020	Six months ended 30 June 2019
Cash flows from investing activities			
Acquisition of property, plant and equipment		(554)	(608)
Cash proceeds/(payments) on currency forward contracts		223	(171)
Promissory notes received		(3,716)	1,334)
Proceeds from sale of property, plant and equipment		24	3
Net cash flows used in investing activities		**(4,023)**	**(2,110)**
Cash flows from financing activities			
Government grants compensating interest expense		237	291
Interest paid		(892)	(905)
Bond issue		1,137	11
Proceeds from borrowings		10,256	10,848
Repayment of borrowings		(9,149)	(10,898)
Reacquisition of shares		-	-
Lease payments		-	(100)
Distributions to shareholders		(148)	(130)
Net cash from/(used in) financing activities		**1,441**	**(883)**
Net (decrease)/increase in cash and cash equivalents		**(345)**	**69**
Cash and cash equivalents at the beginning of the period		326	83
Effect of movements in exchange rates on cash and cash equivalents		40	-
Cash and cash equivalents at the end of the period		**21**	**152**

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The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 22
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1 Reporting entity

(a) Organization and operations

Joint-Stock Company Avangard-Agro (the "Company") and its subsidiaries (the "Group") comprise Russian open joint stock companies and limited liability companies as defined in the Civil Code of the Russian Federation and companies located abroad.

The Company is registered at: 18, Ulitsa 8 Marta, Urban-Type Settlement of Zmievka, Orel Region, 303320, the Russian Federation.

The ultimate beneficiary of the Group is K.V. Minovalov.

The Group's principal activities are production and sale of agricultural produce. The Group carries out its activities in Voronezh, Kursk, Orel, Belgorod, Lipetsk and Tula regions. The Group's products are sold in the Russian Federation and abroad.

Following the results of 2019, Avangard Agro JSC was rated at BBB-(RU) by the Analytical Credit Rating Agency (ACRA (JSC)).

The subsidiaries of the Group are:

		Ownership and voting rights	
Subsidiary	**Country of registration**	**30 June 2020**	**31 December 2019**
Avangard-Agro-Voronezh LLC	Russia	100%	100%
Avangard-Agro-Orel LLC	Russia	100%	100%
Avangard-Agro-Kursk LLC	Russia	100%	100%
Avangard-Agro-Belgorod LLC	Russia	100%	100%
Avangard-Agro-Lipetsk LLC	Russia	100%	100%
Avangard-Agro-Trade LLC	Russia	100%	100%
Avangard-Agro-Tula LLC	Russia	100%	100%
Avangard Agro Trade AG	Switzerland	100%	100%

(b) Business environment

The rapid outbreak of a new coronavirus (COVID-19) in early 2020 resulted in the World Health Organization (WHO) declaring a pandemic in March 2020. Measures implemented by many countries to curb the spread of COVID-19 have led to significant operational difficulties for many companies and considerably affected the global financial markets. Since the situation is developing quickly, COVID-19 can have a significant impact on the operations of many companies in different economy sectors, including, but not limited to, disruption of business activities due to suspension or shutdown of production, supply chain failures, staff quarantine, decline in demand and difficulties in securing financing.

The Group's entities continued to operate during the pandemic, while the management carried out a number of steps to ensure uninterrupted operations and safety of employees and goods. These steps include, among others, enhanced hygiene and disinfection control, restriction of access to production sites to minimize the risk of possible production stoppages. These precautions, as well as other measures implemented by the management, allowed the Group to avoid serious disruptions in its operations. Going forward, the extent of COVID-19 impact on the Group's operations will largely depend on the duration and spread of the virus's impact on the global and Russian economies.

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation, which display the characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which contribute, together with other legal

and fiscal impediments, to the challenges faced by entities operating in the Russian Federation. The condensed consolidated interim financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

These consolidated interim condensed financial statements reflect seasonal effect of the biological transformation factor (see Note 10) and have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual reporting period ended 31 December 2019. These consolidated interim condensed financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 Use of estimates and judgments

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair value measurements relate to different levels of the fair value hierarchy, depending on the inputs used in the relevant valuation methods:

- Level 1: quoted (unadjusted) prices of identical assets and liabilities in active markets.
- Level 2: inputs other than quoted prices used for Level 1 estimates that are observable either directly (i.e., prices) or indirectly (i.e., determined on the basis of prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information on the assumptions made in the fair value measurement is provided in Notes 7(a) and 10.

4 Significant accounting policies

In preparing these consolidated interim condensed financial statements, the Group applied the same accounting policies as for the preparation of the consolidated financial statements for the year ended 31 December 2019, including amendments related to the application of IFRS 16 Leases, which entered into force on 1 January 2019.

5 Revenue

million RUB	Russia		Exports		Total	
	Six months ended 30 June 2020	Six months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019
Agricultural produce	**3,908**	**3,476**	**980**	**3,120**	**4,888**	**6,596**
Wheat	1,627	798	355	2,759	1,982	3,557
Sunflower	1,420	1,980	445	-	1,865	1,980
Corn	579	462	180	361	759	823
Barley	129	154	-	-	129	154
Lupine	-	4	-	-	-	4
Sugar beet	-	-	-	-	-	-
Other	153	78	-	-	153	78
Processed agricultural produce	**3,544**	**3,196**	**238**	**263**	**3,782**	**3,460**
Malt	3,474	3,006	238	263	3,712	3,269
Sugar	-	118	-	-	-	118
Milk	70	72	-	-	70	72
Grand total	**7,452**	**6,673**	**1,218**	**3,383**	**8,670**	**10,056**

The Group identifies two operating segments:

Agricultural production includes production and sale of agricultural produce, as well as sale of other processed agricultural products, such as sugar and milk, in the Russian Federation and abroad.

Malting production. Includes production and sale of barley and wheat malt in the Russian Federation and abroad. Detailed information is provided in Note 18.

6 Income tax

The applicable tax rate for the Group is 0%, which is the income tax rate of Russian agricultural producers. Other companies of the Group are subject to income tax at the rate of 20%.

7 Property, plant and equipment

(a) Land plots

At the end of 2015, the Group changed its accounting policy for land plots and started recording land plots at fair value based on regular revaluations by external independent appraisers. For this reason, the management engages an independent appraiser on a regular basis to determine the fair value of land plots. The most recent revaluation was carried out as at 31 December 2018. The fair value of land plots was determined as RUB 16,780 million and reflected the market prices of recent similar transactions adjusted for bargaining and location discounts. The estimated fair value of land plots refers to Level 3 of the fair value hierarchy: input data for assets and liabilities that are not based on observable market data (unobservable inputs).

After reviewing the current economic environment, the Group' management concluded that the value of the land plots as at 30 June 2020 did not differ significantly from their fair value. As at 30 June 2020 the fair value of land plots was RUB 16,944 million based on assumptions used at 31 December 2018.

During the six months ended 30 June 2020, the Group acquired land plots for RUB 81 million (during the six months ended 30 June 2019: RUB 58 million).

(b) Acquisition of property and equipment

During the six months ended 30 June 2020, the Group acquired property and equipment for RUB 443 million (during the six months ended 30 June 2019: RUB 564 million).

(c) Depreciation charges

During the six months ended 30 June 2020, depreciation charges were included in the cost of sales in the amount of RUB 761 million (during the six months ended 30 June 2019: RUB 770 million) and in administrative expenses in the amount of RUB 33 million (during the six months ended 30 June 2019: RUB 35 million).

(d) Security

As at 30 June 2020, property, plant and equipment with the carrying value of RUB 8,808 million (31 December 2019 – RUB 9,223 million), were pledged as collateral for the bank loans issued to the Group, see Note 13.

8 Financial assets

million RUB	30 June 2020	31 December 2019
Current		
Promissory notes acquired from related parties	11,077	7,160
Currency forward contracts	371	26
	11,448	**7,186**

Return on promissory notes is 0-8.75%.

As at 30 June 2020, the estimated allowance for impairment losses on promissory notes received amounted to RUB 62 million (as at 31 December 2019: RUB 55 million).

During the six months of 2020, the Group entered into several currency forward contracts with a related party. As at 30 June 2020, the Group has opened forward contracts for the purchase of USD 52,230 thousand at the average exchange rate of RUB/USD 69.03 and EUR 26,200 thousand at the average exchange rate of RUB/EUR 78.19 (as at 31 December 2019 forward contracts for purchase of USD 57,930 thousand at the average exchange rate of RUB/USD 67.17 and EUR 39,100 thousand at the average exchange rate of RUB/EUR 76.87). The fair value of currency forward contracts was recognized in other financial assets and other short-term liabilities and amounted to RUB 371 million and RUB 16 million respectively (2019: RUB 26 million and RUB 238 million, respectively).

9 Inventories

million RUB	30 June 2020	31 December 2019
Agricultural produce	559	7,060
Processed agricultural produce	1,911	1,530
Fallow land and spring crop costs	164	1,616
Raw materials and consumables	1,400	815
	4,034	**11,021**

Inventories with the carrying amount of RUB 1,223 million as at 30 June 2020 (at 31 December 2019: RUB 6,712 million) were pledged to secure bank loans (refer to Note 13).

As at 30 June 2020 fallow land plots amounted to 68,754 ha (at 31 December 2019: 259,732 ha).

At the reporting dates the agricultural produce comprised the following:

	30 June 2020		31 December 2019	
	million RUB	**Tonnes**	**million RUB**	**Tonnes**
Wheat	197	17,433	1,718	171,453
Barley	310	24,640	3,182	252,696
Sunflower	2	93	1,328	82,180
Corn	48	4,294	746	83,119
Buckwheat	1	24	85	3,292
Other	1	858	1	882
	559	**47,344**	**7,060**	**593,622**

As at the both reporting dates the processed agricultural produce comprised the following:

	30 June 2020		31 December 2019	
	million RUB	**Tonnes**	**million RUB**	**Tonnes**
Malt	1,345	74,052	1,075	55,406
Sugar	566	24,840	455	18,842
	1,911	**98,892**	**1,530**	**74,248**

10 Biological assets

At 30 June 2020, biological assets classified as non-current assets comprised oxen and milk cows of 2,831 heads and had a fair value of RUB 264 million (31 December 2019: 3,018 heads, fair value of RUB 170 million).

At 30 June 2020, biological assets classified as current assets comprised winter wheat, spring barley, sunflower, beet, corn, buckwheat, lupine and had a fair value of RUB 12,462 million; the land area was 317,473 ha (31 December 2019 only winter wheat: RUB 2,472 million, area of 129,817 ha).

(a) Movements in biological assets classified as non-current assets

	Heads	**Fair value million RUB**
Fair value less costs of sale as at 1 January 2019	**3,085**	**159**
Natural increase	826	34
Decrease due to disposal of assets	(591)	(24)
Decrease due to distemper	(155)	(2)
Net change in fair value	-	(58)
Fair value less costs of sale as at 30 June 2019	**3,165**	**109**
Fair value less costs of sale as at 1 January 2020	**3,018**	**170**
Natural increase	790	16
Decrease due to disposal of assets	(843)	(37)
Decrease due to distemper	(134)	(4)
Net change in fair value	-	119
Fair value less costs of sale as at 30 June 2020	**2,831**	**264**

(b) Movements in biological assets classified as current assets

The following represents the movements in current value of biological assets classified as current assets during the periods ended 30 June 2020 and 30 June 2019:

million RUB	**30 June 2020**	**30 June 2019**
Opening balance	**2,472**	**2,767**
Increase due to costs	5,824	5,791
Net change in fair value less estimated costs of sale	4,166	3,067
Closing balance	**12,462**	**11,625**

As at 30 June 2020, unrealized portion of revaluation of biological assets and finished goods amounted to RUB 5,164 million (31 December 2019: RUB 4,133 million).

(c) Fair value

Biological assets classified as non-current assets

Fair value of oxen and milk cows was calculated on the basis of simplified DCF model. Calculation of expected milk yield, milk and meat prices was based on actual data of companies for 2020. Calculated income and costs were discounted to the date of determining fair value depending on the period that they are originated. Discount rate as at 30 June 2020 was 4.5%. These rates are based on market assessments of the risks inherent in the Group's activities as at that date.

Biological assets classified as current assets

The fair value of biological assets as at 30 June 2020 and 31 December 2019 was determined using a DCF method.

When determining the fair value, the following main assumptions were used:

- revenue is forecasted based on the estimated crops' yield, which is determined based on factors such as location of farmland, natural environment and climate conditions, as well as price growth rates on the valuation date. Average crop yield in gross weight for the areas was determined as follows:

dt/ha	**30 June 2020**	**31 December 2019**
Winter wheat	52	47
Barley	46	n/a
Sunflower	22	n/a
Corn	77	n/a
Sugar beet	478	n/a

- data on grain harvest prices are obtained from the state statistical reporting or other public sources as at the end of the reporting period or from existing sale-and-purchase agreements as of the dates of their execution (if applicable). Planned selling price per ton of crop was determined as follows:

RUB thousand/tonnes	**30 June 2020**	**31 December 2019**
Winter wheat	10.9	9.8
Barley	11.0	n/a
Sunflower	18.5	n/a
Corn	9.0	n/a
Sugar beet	2.3	n/a

- cost of production and sales costs were forecast based on actual operating expenses;

- to determine the fair value of biological assets at the reporting date a discount rate of 4.5% was applied (as at 31 December 2019 - 7.5%). The above rate was calculated based on the market rate which reflects the current market assessment of risks inherent in the activities of the Group;
- risks related to a biological transformation subsequent to the reporting period end were considered.

The above-mentioned key assumptions represent management's assessment of future trends in agriculture and are based on data from both external and internal sources.

(d) Risk management in agribusiness

The Group is exposed to a number of risks related to agricultural assets:

Raw materials price risk

The Group's operating results are particularly sensitive to fluctuations in prices on core raw materials, including seeds, fertilizers and agrochemicals. In order to manage this risk, the Group takes measures aimed at optimizing its consumption of fertilizers and agrochemicals, and in order to guarantee the best bid price the Group runs purchases on a tender basis.

Soil and climatic risks

Biological assets are exposed to a risk of deterioration caused by climatic conditions and changes to soil fertility of territories where the Group is having its business. The Group regularly monitors its exposure to these risks; measures taken include diversification of land masses in regions with varying soil and climatic characteristics, cultivation of spring and winter crops within the framework of a crop rotation link, and farming rotation of crops with varying sensitivity to soil fertility.

11 Trade and other receivables

million RUB	30 June 2020	31 December 2019
Trade receivables	1,657	1,177
Other receivables	52	91
VAT receivable	59	59
Prepayments	148	366
Prepayment of other taxes and duties	16	47
	1,932	**1,740**

(a) Overdue trade and other receivables

As at 30 June 2020, an allowance was created in respect of the expected credit losses on accounts receivable in the amount of RUB 107 million (as at 31 December 2019: RUB 17 million). The write-off of accounts receivable during the 6 months ended 30 June 2020 amounted to RUB 1 million (for the 6 months ended 30 June 2019: RUB 6 million).

12 Equity and reserves

(a) Share capital and additional paid-in capital

Number of shares unless otherwise stated	30 June 2020	31 December 2019
Authorized shares	7,290	7,290
Par value	1,000 RUB	1,000 RUB
Outstanding at the beginning of period	7,290	7,290
Redemption of shares	-	-
Outstanding at the end of period, fully paid	**7,290**	**7,290**

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Company. In respect of the Company's shares that are held by the Group companies, all rights are suspended until those shares are reissued.

(b) Redemption of shares

In 2019, and during the six months ended 30 June 2020, the Group did not repurchase the treasury shares.

(c) Dividends and other distributions to shareholders

In accordance with the Russian legislation, the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's financial statements prepared in accordance with Russian Accounting and Reporting Principles.

During the six months of 2020, the shareholders of the Company decided to pay dividends in the amount of RUB 100 million and RUB 48 million other payments.

During the six months of 2019 and at 2018 year-end, the Company's shareholders decided not to pay dividends. During the six months of 2019, other payments in the amount of RUB 130 million were made in favor of the shareholders.

13 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortized cost.

million RUB	30 June 2020	31 December 2019
Long-term		
Long-term bank loans from related parties	8,253	8,131
	8,253	**8,131**
Short-term		
Short-term bank loans from related parties	2,020	1,496
Short-term bank loans from third parties	8,148	8,151
Bonds	5,217	4,064
Short-term promissory notes issued to third parties	173	159
Short-term borrowings from non-banking companies	535	-
	16,093	**13,870**
	24,346	**22,001**

Financing of the Group is provided, among other, by loans issued by a bank, which is a related party and has a B2 rating according to Moody's Rating Agency.

The terms of the issue do not provide for the possibility of early redemption of bonds. However, since at the time of issue the Group announced the rates only for the first four coupons, the bondholders have the right to claim the bonds for redemption within 5 business days of the last in series bond coupon, the amount of which was determined by the Group. As a result, as at 30 June 2020 and 30 June 2019 the Group has classified bond payables as short-term liability.

During the six months of 2020, the Group entered into contracts for the sale of previously repurchased bonds in the amount of RUB 1,152 million, including coupon income of RUB 15 million. As at 30 June 2020, bonds redeemed by the Group at the end of the period made up RUB 855 million in total of 852,039 pieces, without coupon income of RUB 19 million.

At the end of June 2020, the Group entered into contracts for the sale of 556,772 bonds for the amount of RUB 536 million with an obligation to repurchase them in early July 2020. Outstanding amount under such contracts is recognized as short-term borrowings from non-bank companies.

(a) Securities

Bank loans are secured by the following assets:

- property, plant and equipment with the carrying amount of RUB 8,808 million (as at 31 December 2019: RUB 9,223 million) – see Note 7;
- inventories with the carrying amount of RUB 1,223 million (as at 31 December 2019: RUB 6,712 million) – see Note 9.

14 Trade and other payables

million RUB	Note	30 June 2020	31 December 2019
Trade payables		502	167
Short-term obligations to deliver the products for lease of land plots		30	26
Other payables		172	147
Other taxes payable		371	208
Advances received		43	404
		1,118	**952**

As at 30 June 2020 trade and other payables to related parties amounted to RUB 27 million (as at 31 December 2019: RUB 5 million) – see Note 17.

15 Capital commitments

As at 30 June 2020, the Group entered into contacts for acquisition of agricultural machinery in the amount of RUB 103 million (as at 31 December 2019: RUB 32 million).

16 Contingencies

(a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have

full coverage for its plant facilities, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Litigation

During the year, the Group was involved in various claims and legal proceedings arising in the normal course of business, both as a plaintiff and a defendant. Management does not believe that the Group has claims which could have a material adverse impact on its operating results, financial condition of cash flows and which are not recognized in these IFRS consolidated interim condensed financial statements or in notes thereto.

(c) Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

Taxes are subject to review and investigation by a number of regulatory bodies, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

All these circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated interim condensed financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Starting from 1 January 2012, new transfer pricing rules came into force in Russia. These provide the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions if their prices deviate from the market range or profitability range. According to the provisions of transfer pricing rules, the taxpayer should sequentially apply 5 market price determination methods stipulated by the Tax Code. Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of transfer pricing rules in the Russian Federation and changes in the approach of Russian tax authorities, that such transfer prices could be challenged. Given the fact that the current Russian transfer pricing rules became effective relatively recently, the impact of such challenge cannot be reliably estimated. At the same time, it may be significant to the financial position and/or the overall operations of the Group.

17 Related party transactions

(a) Beneficiaries of the Group

The controlling shareholder of Avangard-Agro JSC is K.V. Minovalov.

(b) Transactions with key management personnel

(i) Key management remuneration

Key management personnel received the following remuneration during the reporting period, recognised in personnel expenses:

million RUB	Six months ended 30 June 2020	Six months ended 30 June 2019
Salaries and bonuses	8	7
Salaries and bonuses contributions	1	1
	9	**8**

Key management personnel of the Group holds positions in other entities being related parties to the Group, and part of such remuneration is paid by respective entities.

(c) Other related party transactions

(i) Balance of settlements with related parties

million RUB	30 June 2020	31 December 2019
Promissory notes	11,077	7,160
Other financial assets	371	26
Settlement accounts balances	11	324
Trade and other receivables	4	3
Trade and other payables	(27)	(5)
Other short-term liabilities	(17)	(238)
Loans received	(10,273)	(9,627)
	1,146	**(2,357)**

During the period ended 30 June 2020, insurance indemnities were received from a related party in the amount of RUB 1 million (in 2019: RUB 10 million), loans in the amount of RUB 4,671 million and RUB 3,975 million were received and repaid respectively (in 2019: RUB 13,136 million and RUB 14,513 million respectively). During the 6 months of 2020, the Group repaid debts on its own promissory notes issued to third parties, using related party promissory notes in the amount of RUB 15 million (2019: RUB 16 million). During the period ended 30 June 2020, promissory notes in the amount of RUB 3,784 million were purchased for cash (in 2019: RUB 1,214 million) and purchases from related parties in the amount of RUB 261 million were performed (in 2019: RUB 784 million).

18 Operating segments

Operating segments are determined based on the internal component reports which are reviewed by the Board of Directors on a regular basis. For each of the strategic business units, internal management reports are reviewed on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Agricultural production.* Comprises production and sale of agricultural produce in the Russian Federation and abroad.
- *Malting production.* Comprises production and sale of barley and wheat malt in the Russian Federation and abroad.

There are varying levels of integration between reportable segments. In particular, integration includes transfers of raw materials and shared distribution services, respectively. Inter-segment pricing is determined on the same terms as for transactions between independent parties.

Information regarding the results of each reportable segment is set out below. Performance is measured on the basis of segment revenue and cost of sales. Gross segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

(i) Information about reportable segments

	Agricultural production		Malt production		Total	
million RUB	**Six months ended 30 June 2020**	**Six months ended 30 June 2019**	**Six months ended 30 June 2020**	**Six months ended 30 June 2019**	**Six months ended 30 June 2020**	**Six months ended 30 June 2019**
External revenue	4,958	6,787	3,712	3,269	8,670	10,056
Inter-segment revenue	2,753	2,149	-	-	2,753	2,149
Segment revenue	**7,711**	**8,936**	**3,712**	**3,269**	**11,423**	**12,205**
Gross segment profit	**4,496**	**3,357**	**733**	**647**	**5,229**	**4,004**
Finance income	1,163	604	-	-	1,163	604
Finance costs	(917)	(1,674)	-	-	(917)	(1,674)
Depreciation	634	611	161	234	795	845
Segment assets	**53,030**	**46,830**	**6,617**	**5,785**	**59,647**	**52,616**
Property, plant and equipment	25,720	25,274	3,738	4,029	29,458	29,303

(ii) Revenue reconciliation of reportable segments

million RUB	**Six months ended 30 June 2020**	**Six months ended 30 June 2019**
Revenue		
Total revenue of reportable segments	11,423	12,205
Elimination of inter-segment revenue	(2,753)	(2,149)
Consolidated revenue	**8,670**	**10,056**

19 Subsequent events

In July-August 2020, the Group companies repaid loans issued by a third-party bank of RUB 2,000 million and signed new loan agreements with this bank in the amount of RUB 3,300 million.