

**Avangard-Agro Joint-Stock Company**

**Consolidated Interim Condensed Financial  
Statements**

**for the six months ended  
30 June 2021,**

**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 JSC "Avangard-Agro"

### ***Introduction***

We have reviewed the accompanying consolidated interim condensed statement of financial position of Avangard-Agro JSC and its subsidiaries (the "Group") as at 30 June 2021, 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 consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial statements as at 30 June 2021 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.  
JSC "KPMG"  
Moscow, Russia  
27 August 2021

*Avangard-Agro Joint-Stock Company*  
*Consolidated Interim Condensed Statement of Financial Position*  
*as at 30 June 2021*

RUB mln	Note	30 June 2021	31 December 2020
<b>ASSETS</b>			
Property, plant and equipment	7	43,340	41,286
Biological assets	10	188	126
Other non-current assets		19	12
Deferred tax assets		24	15
<b>Non-current assets</b>		<b>43,571</b>	<b>41,439</b>
Inventories	9	5,307	13,261
Biological assets	10	13,795	3,168
Trade and other accounts receivable	11	4,558	3,132
Financial assets	8	17,811	17,748
Cash and cash equivalents		427	896
<b>Current assets</b>		<b>41,898</b>	<b>38,205</b>
<b>Total assets</b>		<b>85,469</b>	<b>79,644</b>
<b>EQUITY AND RESERVES</b>			
Share capital	12	7	7
Property, plant and equipment revaluation surplus		22,335	20,748
Retained earnings		34,309	31,750
<b>Equity attributable to owners of the Company</b>		<b>56,651</b>	<b>52,505</b>
<b>Total equity and reserves</b>		<b>56,651</b>	<b>52,505</b>
<b>LIABILITIES</b>			
Loans and borrowings	13	7,323	8,398
Product supply liabilities under land leases		343	356
Other non-current liabilities			
<b>Non-current liabilities</b>		<b>7,666</b>	<b>8,754</b>
Loans and borrowings	13	14,963	13,436
Bonds	13	4,492	4,133
Trade and other accounts payable	14	1,612	753
Other current liabilities		85	63
<b>Current liabilities</b>		<b>21,152</b>	<b>18,385</b>
<b>Total liabilities</b>		<b>28,818</b>	<b>27,139</b>
<b>Total equity and liabilities</b>		<b>85,469</b>	<b>79,644</b>

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 9 to 20.

*Avangard-Agro Joint-Stock Company*  
*Consolidated Interim Condensed Statement of Profit or*  
*Loss and Other Comprehensive Income for the six-months period ended 30 June 2021*

RUB mln	Note	Six months ended 30 June 2021	Six months ended 30 June 2020
Revenue	5	13,632	8,670
Cost of sales		(9,946)	(7,726)
Revaluation of biological assets	10	4,366	4,285
<b>Gross profit</b>		<b>8,052</b>	<b>5,229</b>
Selling expenses		(134)	(100)
Administrative expenses		(478)	(453)
Other income/(expenses), net		(2)	(77)
<b>Operating results</b>		<b>7,438</b>	<b>4,599</b>
Finance income		172	1,163
Finance expenses		(988)	(917)
<b>Net finance income/(expenses)</b>		<b>(816)</b>	<b>246</b>
<b>Profit before tax</b>		<b>6,622</b>	<b>4,845</b>
Income tax expense	6	1	(3)
<b>Profit for the reporting period</b>		<b>6,623</b>	<b>4,842</b>
Revaluation of property, plant and equipment		1,587	-
<b>Total comprehensive income for the reporting period</b>		<b>8,210</b>	<b>4,842</b>
<b>Profit attributable to:</b>			
Owners of the Company		6,623	4,842
<b>Profit for the reporting period</b>		<b>6,623</b>	<b>4,842</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		8,210	4,842
<b>Total comprehensive income for the reporting period</b>		<b>8,210</b>	<b>4,842</b>

These Consolidated Interim Condensed Financial Statements were approved by management on 27 August 2021 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

*Avangard-Agro Joint-Stock Company*  
*Consolidated Interim Condensed Statement of Changes in Equity*  
*for the 6 months ended 30 June 2021*

RUB mln	Note	Share capital	Property, plant and equipment revaluation surplus	Retained earnings	Total equity and reserve
<b>Balance at 1 January 2020*</b>		7	8,999	20,126	29,132
Profit for the reporting period		-	-	4,842	4,842
Decrease in value upon disposal of assets		-	-	-	-
<b>Total comprehensive income for the reporting period</b>		-	-	4,842	4,842
<b>Transactions with shareholders of the Company</b>					
Dividends to shareholders		-	-	(148)	(148)
<b>Total transactions with shareholders of the Company</b>		-	-	(148)	(148)
<b>Balance as at 30 June 2020</b>		7	8,999	24,820	33,826
<b>Balance as at 1 January 2021</b>		7	20,748	31,750	52,505
Profit for the reporting period		-	-	6,623	6,623
<b>Other comprehensive income</b>					
Revaluation surplus		-	1,590	-	1,590
Decrease in value upon disposal of assets		-	(3)	-	(3)
<b>Total other comprehensive income</b>		-	1,587	-	1,587
<b>Total comprehensive income for the reporting period</b>		-	1,587	6,623	8,210
<b>Transactions with shareholders of the Company</b>					
Dividends to shareholders	12	-	-	(4,064)	(4,064)
<b>Total transactions with shareholders of the Company</b>		-	-	(4,064)	(4,064)
<b>Balance as at 30 June 2021</b>		7	22,335	34,309	56,651

*Avangard-Agro Joint-Stock Company*  
*Consolidated Interim Condensed Statement of Cash Flows*  
*for the 6 months ended 30 June 2021*

RUB mln	Note	Six months ended 30 June 2021	Six months ended 30 June 2020
<b>Cash flows from operating activities</b>			
Profit for the reporting period		6,623	4,842
<i>Adjustments</i>			
Depreciation and amortisation	7	791	795
Government grants		(73)	(237)
Foreign exchange differences		27	(60)
Interest income and income on forward contracts		139	(888)
Allowance for financial assets impairment	8	47	7
Interest expense on loans and borrowings and forward contracts		677	903
Change in fair value of agricultural products and biological assets		(1,416)	(1,150)
Reversal of allowance for the reduction of inventories net realisable value		(73)	(721)
Write-off of accounts receivable		7	90
Loss of crop, product deterioration, shortages identified during stock-takes		-	1
Profit/(loss) on disposal of other assets		(61)	(11)
Other non-cash transactions		(19)	15
Income tax expense	6	1	(3)
<b>Cash flows from operating activities without changes in working capital</b>		<b>6,670</b>	<b>3,583</b>
Change in inventories	9	5,077	4,551
Change in biological assets	10	(6,323)	(5,799)
Change in trade and other receivables	11	(1,556)	(262)
Change in trade and other payables	14	386	164
<b>Cash flows from operating activities before income tax</b>		<b>4,254</b>	2,237
Income tax paid		-	-
<b>Net cash flow from operating activities</b>		<b>4,254</b>	<b>2,237</b>
		-	-

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 9 to 20.

*Avangard-Agro Joint-Stock Company*  
*Consolidated Interim Condensed Statement of Cash Flows*  
*for the 6 months ended 30 June 2021*

RUB mln	Note	Six months ended 30 June 2021	Six months ended 30 June 2020
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(956)	(554)
Cash proceeds/(payments) on currency forward contracts		(104)	223
Promissory notes received		(187)	(3,716)
Proceeds from sale of property, plant and equipment		138	24
<b>Net cash flow used in investing activities</b>		<b>(1,109)</b>	<b>(4,023)</b>
<b>Cash flows from financing activities</b>			
Government grants compensating interest expense		73	237
Interest paid		(497)	(892)
Issue of bonds		318	1,137
Loans and borrowings received		8,377	10,256
Repayment of borrowings		(7,957)	(9,149)
Lease payments		(38)	-
Distributions to shareholders		(3,864)	(148)
<b>Net cash from/(used in) financing activities</b>		<b>(3,588)</b>	<b>1,441</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(443)</b>	<b>(345)</b>
Cash and cash equivalents at the beginning of the reporting period		896	326
Effect of movements in exchange rates on cash and cash equivalents		(26)	40
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>427</b>	<b>21</b>

## 1 Reporting entity

### (a) Organisation and operations

Avangard-Agro Joint-Stock Company (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's registered office is at: 18, Ulitsa 8 Marta, Urban-Type Settlement of Zmievkva, 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 2020, Avangard Agro JSC was rated at BBB(RU) by the Analytical Credit Rating Agency (ACRA (JSC)).

The subsidiaries of the Group are:

<u>Subsidiary</u>	<u>Country of registration</u>	<u>Ownership and voting rights</u>	
		<u>30 June 2021</u>	<u>31 December 2020</u>
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 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 COVID-19 coronavirus pandemic has further increased uncertainty in the business environment.

The consolidated interim condensed 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 2020. 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 values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- 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 categorised in different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input significant to the entire measurement.

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

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

Management of the Group believes that the carrying amounts of such financial instruments as cash, short-term receivables (refer to Note 11), payables (refer to Note 14) and short-term promissory notes received approximate their fair values.

As at 30 June 2021 and 30 December 2020, fair values of short-term and long-term bank loans, borrowings and promissory notes issued and bonds determined on the basis of the current value of future cash flows using discount rates which represent the best management assessment does not differ significantly from their carrying amounts.

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 has applied the same accounting policies as those used in the consolidated financial statements for the year ended 31 December 2020.

### 5 Revenue

RUB mln	Russia		Export		Total	
	Six months ended 30	Six months ended 30	Six months ended 30	Six months ended 30	Six months ended 30	Six months ended 30
	June 2021	June 2020	June 2021	June 2020	June 2021	June 2020
<i>Agricultural produce</i>	<b>3,038</b>	<b>3,908</b>	<b>3,006</b>	<b>980</b>	<b>6,044</b>	<b>4,888</b>
Wheat	426	1,627	2,483	355	2,909	1,982
Sunflower	1,993	1,420	-	445	1,993	1,865
Corn	428	579	523	180	951	759
Barley	59	129	-	-	59	129

Lupine	-	-	-	-	-	-
Sugar beet	-	-	-	-	-	-
Other	132	153	-	-	132	153
<b>Processed</b>						
<b>agricultural produce</b>	<b>3,438</b>	<b>3,544</b>	<b>4,150</b>	<b>238</b>	<b>7,588</b>	<b>3,782</b>
Malt	2,786	3,474	4,150	238	6,936	3,712
Sugar	579	-	-	-	579	-
Milk	73	70	-	-	73	70
<b>Total</b>	<b>6,475</b>	<b>7,452</b>	<b>7,154</b>	<b>1,218</b>	<b>13,632</b>	<b>8,670</b>

The Group identifies two operating segments:

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

*Malting production.* Comprises 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

As at 30 June 2021, the Group's Management analysed the fair value of land plots in the regions of its operations based on the market prices of recent transactions with peer companies from open sources considering the following criteria: intended use of the land plot, location, area. As a result, the Management concluded that the value of land plots in one of the regions of operations significantly increased during the 6 months of 2021, the amount of revaluation was RUB 1,590 thousand. 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).

During the six months ended 30 June 2021, the Group acquired land plots for RUB 317 million (during the six months ended 30 June 2020: RUB 81 million).

### (b) Purchase of property, plant and equipment

During the six months ended 30 June 2021, the Group acquired property, plant and equipment for RUB 1,287 million (during the six months ended 30 June 2020: RUB 443 million).

### (c) Depreciation charges

During the six months ended 30 June 2021, depreciation charges were included in the cost of sales in the amount of RUB 756 million (during the six months ended 30 June 2020: RUB 761 thousand) and in administrative expenses in the amount of RUB 31 thousand (during the six months ended 30 June 2020: RUB 33 million).

### (d) Security

As at 30 June 2020, property, plant and equipment with the carrying amount of RUB 7,690 million (31 December 2020 – RUB 8,414 million), were pledged as collateral for the bank loans issued to the Group, see Note 13.

## 8 Financial assets

RUB mln	30 June 2021	31 December 2020
<i>Current</i>		
Promissory notes acquired from related parties	17,670	17,467
Currency forward contracts	141	281
	<b>17,811</b>	<b>17,748</b>

Return on promissory notes is 0-8.75%.

As at 30 June 2021, the estimated allowance for impairment losses on promissory notes received amounted to RUB 122 million (as at 31 December 2020: RUB 75 thousand).

During the six months of 2021, the Group entered into several currency forward contracts with a related party. As at 30 June 2021, the Group has opened forward contracts for the purchase of USD 113,230 thousand at the average exchange rate of RUB/USD 78.12 and EUR 28,950 thousand at the average exchange rate of RUB/EUR 93.86 (as at 31 December 2020, forward contracts for purchase of USD 89,130 thousand at the average exchange rate of RUB/USD 77.95 and EUR 26,950 thousand at the average exchange rate of RUB/EUR 87.91). The fair value of currency forward contracts was recognised in other financial assets and other current liabilities and amounted to RUB 141 million and RUB 78 million respectively (2020: RUB 281 million and RUB 63 million, respectively).

## 9 Inventories

RUB mln	30 June 2021	31 December 2020
Agricultural produce	2,261	9,003
Processed agricultural produce	974	1,723
Fallow land and spring crop costs	197	1,614
Raw materials and supplies	1,875	921
	<b>5,307</b>	<b>13,261</b>

Inventories with the carrying amount of RUB 1,850 million as at 30 June 2021 (at 31 December 2020: RUB 7,405 million) were pledged to secure bank loans (refer to Note 13).

As at 30 June 2021 fallow land and spring crop land plots amounted to 70,599 ha (at 31 December 2020: 266,247 ha).

At the reporting dates the agricultural produce comprised the following:

	30 June 2021		31 December 2020	
	RUB mln	Tonnes	RUB mln	Tonnes
Wheat	1,377	112,895	3,470	273,616
Barley	533	44,204	3,539	293,461
Sunflower	1	48	1,015	41,086
Corn	349	23,075	978	85,585
Buckwheat	-	-	-	-
Other	1	429	1	1,396
	<b>2,261</b>	<b>180,651</b>	<b>9,003</b>	<b>695,144</b>

At the reporting dates the processed agricultural produce comprised the following:

	30 June 2021		31 December 2020	
	RUB mln	Tonnes	RUB mln	Tonnes
Malt	788	35,696	533	22,384
Sugar	187	7,610	1,190	62,771
	<b>974</b>	<b>43,306</b>	<b>1,723</b>	<b>85,155</b>

## 10 Biological assets

At 30 June 2021, biological assets classified as non-current assets comprised oxen and milk cows of 2,817 heads and had a fair value of RUB 188 million (31 December 2020: 2,651 heads, fair value of RUB 126 million).

At 30 June 2021, biological assets classified as current assets comprised winter wheat, spring barley, sunflower, beet, corn and had a fair value of RUB 13,795 million; the land area was 311,697 ha (31 December 2020 only winter wheat: RUB 3,168 million, area of 133,225 ha).

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

	Fair value	
	Heads	RUB mln
<b>Fair value less costs of sale as at 1 January 2020</b>	<b>3,018</b>	<b>170</b>
Natural increase	790	16
Decrease due to disposal of assets	(843)	(37)
Decrease due to distemper	(134)	(4)
Net change in fair value	-	119
<b>Fair value less costs of sale as at 30 June 2020</b>	<b>2,831</b>	<b>264</b>
<b>Fair value less costs of sale as at 1 January 2021</b>	<b>2,651</b>	<b>126</b>
Natural increase	761	23
Decrease due to disposal of assets	(484)	(4)
Decrease due to distemper	(111)	(20)
Net change in fair value	-	63
<b>Fair value less costs of sale as at 30 June 2021</b>	<b>2,817</b>	<b>188</b>

### (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 2021 and 30 June 2020:

RUB mln	30 June 2021	30 June 2020
<b>Opening balance</b>	<b>3,168</b>	<b>2,472</b>
Increase due to procurement and expenditures	6,326	5,824
Net change in fair value less estimated costs to sell	4,301	4,166
<b>Closing balance</b>	<b>13,795</b>	<b>12,462</b>

As at 30 June 2021, unrealised portion of revaluation of biological assets and finished goods amounted to RUB 6,733 million (31 December 2020: RUB 5,265 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 2021. 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 2021 was 7.0%. 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 2021 and 31 December 2020 was determined using a DCF method.

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

- revenue is projected based on the estimated crop 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 following:

<b>dt/ha</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
Winter wheat	44	48
Barley	41	n/a
Sunflower	25	n/a
Corn	70	n/a
Sugar beet	350	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 following:

<b>RUB thousand/tonnes</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
Winter wheat	13	14.2
Barley	15	n/a
Sunflower	31	n/a
Corn	14.3	n/a
Sugar beet	3.2	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 7.0% was applied (as at 31 December 2020 - 7.0%). 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 main 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, fertilisers and agrochemicals. In order to manage this risk, the Group takes measures

aimed at optimising its consumption of fertilisers 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 accounts receivable

RUB mln	30 June 2021	31 December 2020
Trade accounts receivable	3,180	1,644
Other accounts receivable	37	32
VAT recoverable	223	32
Advances given	1,102	1,406
Prepayment of other taxes and duties	16	18
	<b>4,558</b>	<b>3,132</b>

### (a) Overdue trade and other receivables

As at 30 June 2021, an allowance was created in respect of the expected credit losses on accounts receivable in the amount of RUB 14 million (as at 31 December 2020: RUB 9 million). The write-off of accounts receivable during the 6 months ended 30 June 2021 amounted to RUB 5 million (for the 6 months ended 30 June 2020 RUB 1 million).

## 12 Equity and reserves

### (a) Share capital and additional paid-in capital

Number of shares unless otherwise stated	30 June 2021	31 December 2020
Authorised shares	7,290	7,290
Nominal value	RUB 1,000	RUB 1,000
Outstanding at the beginning of period	7,290	7,290
Treasury shares acquired	-	-
<b>Outstanding at the end of period, fully paid</b>	<b>7,290</b>	<b>7,290</b>

#### 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) Treasury shares acquired

In 2020, and during the six months ended 30 June 2021, 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 6 months of 2021, dividends of RUB 4,000 million were accrued to shareholders and dividend payments of RUB 3,800 million and other payments of RUB 64 million were made.

During the six months of 2020 and at 2019 year-end, the Company's shareholders decided not to pay dividends in the amount of RUB 100 million. During the six months of 2020, other payments in the amount of RUB 48 million were made in favour 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 amortised cost.

<b>RUB mln</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
<i>Long-term</i>		
Long-term bank loans from related parties	7,323	8,398
	<b>7,323</b>	<b>8,398</b>
<i>Short-term</i>		
Short-term bank loans from related parties	3,487	3,799
Short-term bank loans from third parties	10,060	8,554
Bonds	4,492	4,133
Short-term promissory notes issued to third parties	66	133
Short-term borrowings from non-banking companies	1,350	950
	<b>19,455</b>	<b>17,569</b>
	<b>26,778</b>	<b>25,967</b>

Financing of the Group, among other things, is provided 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 2021 and 30 June 2020 the Group has classified bond payables as short-term accounts payable.

During the 6 months of 2021, the Group entered into contracts for the sale of previously repurchased bonds in the amount of RUB 360 million, including coupon income of RUB 48 million. As at 30 December 2021, the amount of bonds repurchased by the Group at the end of the period was RUB 1,552 million (as at 31 December 2020: RUB 1,870 million), comprising of 1,550,204 bonds (as at 31 December 2020: 1,866,281 bonds), excluding coupon income of RUB 18 million (as at 31 December 2020: RUB 31 million).

At the end of June 2021, the Group entered into contracts for the sale of 1,408,787 bonds for the amount of RUB 1,352 million with an obligation to repurchase them in early July. Outstanding amount under such contracts is recognised as current borrowings from non-bank companies.

**(a) Security**

Bank loans are secured by the following assets:

- property, plant and equipment with the carrying amount of RUB 7,690 million (at 31 December 2020: RUB 8,414 million) – refer to Note 7;
- inventories with the carrying amount of RUB 1,850 million (at 31 December 2020: RUB 7,405 million) – see Note 9.

**14 Trade and other accounts payable**

RUB mln	Note	30 June 2021	31 December 2020
Trade accounts payable		715	138
Short-term liabilities to deliver the products for lease of land plots		38	58
Other accounts payable		541	132
Other taxes payable		90	257
Advances received		228	168
		<b>1,612</b>	<b>753</b>

As at 30 June 2021 trade and other payables from related parties amounted to RUB 223 million (As at 31 December 2020: RUB 19 million). – see Note 17.

**15 Capital commitments**

As at 30 June 2021, the Group entered into contacts for acquisition of agricultural machinery in the amount of RUB 298 million (as at 31 December 2020: RUB 881 million).

**16 Contingent assets and liabilities**

**(a) Insurance**

The insurance market in the Russian Federation is in its early stages, and many forms of insurance available in other parts of the world are not yet accessible in Russia. 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) Litigations**

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 recognised in these IFRS interim condensed consolidated financial statements or in notes thereto.

**(c) Tax risks**

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

The tax authorities have the power to impose fines and penalties for tax arrears. A tax year is generally open for review by the tax authorities during three subsequent calendar years. Currently the tax authorities are taking a more assertive and substance-based approach to their interpretation and enforcement of tax legislation.

Current Russian transfer pricing legislation requires transfer pricing analysis for the majority of cross-border intercompany and major domestic intercompany transactions. Starting from 2019, transfer pricing control, as a general rule, is applied to domestic transactions only if both criteria are met: the parties apply different tax rates, and the annual turnover of transactions between them exceeds RUB 1 billion.

The Russian transfer pricing rules are close to OECD guidelines, but have certain differences that create uncertainty in practical application of tax legislation in specific circumstances. A very limited number of publicly available transfer pricing court cases in Russia does not provide enough certainty as to the approach to applying transfer pricing rules in Russia. The impact of any transfer pricing assessment may be material to financial statements of the Group; however, the probability of such impact cannot be reliably assessed.

Russian tax authorities may review prices used in intra-group transactions, in addition to transfer pricing audits. They may assess additional taxes if they conclude that taxpayers have received unjustified tax benefits as a result of those transactions.

Russian tax authorities continue to exchange transfer pricing as well as other tax related information with tax authorities of other countries. This information may be used by the tax authorities to identify transactions for additional in-depth analysis.

In addition, changes aimed at regulating tax consequences of transactions with foreign companies have been introduced, such as concept of beneficial ownership of income, taxation of controlled foreign companies, tax residency rules, etc. These changes may potentially impact the Group's tax position and create additional tax risks.

All these circumstances may create tax risks in the Russian Federation that are substantially higher than in other countries. The Group's 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 tax authorities and courts could differ and the effect on these consolidated financial statements, if the tax authorities are successful in enforcing their interpretations, could be significant. The Group's management believes that the amount of possible contingent liabilities will not exceed 3% of the Group's revenue for the 6 months ended 30 June 2021.

## **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:

<b>RUB mln</b>	<b>Six months ended 30 June 2021</b>	<b>Six months ended 30 June 2020</b>
Salaries and bonuses	9	8
Salaries and bonuses contributions	2	1
	<b>11</b>	<b>9</b>

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) Related party balances**

<b>RUB mln</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
Promissory notes	17,670	17,467
Other financial assets	141	281
Balances on settlement accounts	424	894
Trade and other accounts receivable	2	1
Trade and other accounts payable	(223)	(19)
Other current liabilities	(85)	(63)
Loans received	(10,810)	(12,197)
	<b>7,119</b>	<b>6,364</b>

During the period ended 30 June 2021, insurance indemnities were received from a related party in the amount of RUB 96 million (in 2020: RUB 123 million), loans in the amount of RUB 1,407 million and RUB 2,865 million were received and repaid, respectively (in 2020: RUB 7,479 million and RUB 4,988 million, respectively). During the 6 months of 2021, the Group repaid debts on its own promissory notes issued to third parties, using related party promissory notes in the amount of RUB 66 million (in 2020, the Group increased debts on its own promissory notes issued to third parties by RUB 5 million). During the period ended 30 June 2021, promissory notes in the amount of RUB 139 million were purchased for cash (in 2020: RUB 9,638 million) and purchases from related parties in the amount of RUB 357 million were performed (in 2020: RUB 401 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 based on 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**

RUB mln	Agricultural production		Malt production		Total	
	Six months ended 30 June 2021	Six months ended 30 June 2020	Six months ended 30 June 2021	Six months ended 30 June 2020	Six months ended 30 June 2021	Six months ended 30 June 2020
	External revenue	6,696	4,958	6,935	3,712	13,632
Inter-segment revenue	3,014	2,753	-	-	3,014	2,753
<b>Segment revenue</b>	<b>9,710</b>	<b>7,711</b>	<b>6,935</b>	<b>3,712</b>	<b>16,645</b>	<b>11,423</b>
<b>Segment gross profit</b>	<b>6,068</b>	<b>4,496</b>	<b>1,984</b>	<b>733</b>	<b>8,052</b>	<b>5,229</b>
Finance income	172	1,163	-	-	172	1,163
Finance expenses	(988)	(917)	-	-	(988)	(917)
Depreciation and amortisation	601	634	190	161	791	795
<b>Segment assets</b>	<b>79,512</b>	<b>53,030</b>	<b>5,957</b>	<b>6,617</b>	<b>85,469</b>	<b>59,647</b>
Property, plant and equipment	39,978	25,720	3,362	3,738	43,340	29,458

**(ii) Revenue reconciliation of reportable segments**

RUB mln	Six months ended 30 June 2021	Six months ended 30 June 2020
<b>Revenue</b>		
Total revenue for reportable segments	16,645	11,423
Elimination of inter-segment revenue	(3,014)	(2,753)
<b>Consolidated revenue</b>	<b>13,632</b>	<b>8,670</b>

## 19 Subsequent events

In July-August 2021, the Group companies repaid loans issued by a third party bank of RUB 2,300 million and signed new loan agreements with this bank in the amount of RUB 2,070 million. The Group entered into contracts for the sale of wheat totalling more than RUB 700 million, for the sale of malt totalling more than RUB 400 million. The Group entered into contracts for the purchase of fertilisers, PPA, fuel and lubricants, and mineral fertilisers amounting to more than RUB 435 million.