

“Avangard-Agro” JSC

**Consolidated Interim Condensed Financial
Statements for the six months ended June 30, 2023
and Independent Auditors’ report on the review**

Contents

Independent auditors' report on the review of the consolidated interim condensed financial statements	3
Consolidated Interim Condensed Statement of Financial Position	6
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income	7
Consolidated Interim Condensed Statement of Changes in Equity	8
Consolidated Interim Condensed Statement of Cash Flows	9
Notes to the Consolidated Interim Condensed Financial Statements	11



Independent auditors' report

**on the review of the consolidated interim condensed financial
statements of the**

**“Avangard-Agro” JSC
and its subsidiaries**

**as of June 30, 2023 and for the six months ended on the specified date
prepared in accordance with International Financial Reporting
Standards**

Independent Auditor's Report on the review of the consolidated interim condensed financial statements

TO THE SHAREHOLDERS AND THE BOARD OF DIRECTORS OF "AVANGARD-AGRO" JOINT STOCK COMPANY

Introduction

We have audited the accompanying annual consolidated financial statements of "Avangard-Agro" Joint Stock Company (hereinafter referred to as "Avangard-Agro" JSC) and its subsidiaries (hereinafter referred to as the Group), as of June 30, 2023 and the respective consolidated interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months ended on that date, as well as notes to the consolidated interim condensed financial statements, including a summary accounting policies (hereinafter referred to as the consolidated interim condensed financial statements).

The Group's management is responsible for the preparation and fair presentation of these Interim Condensed Financial Statements in accordance with International Financial Reporting Standards (IAS) 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these Interim Condensed Financial Statements based on our review.

SCOPE OF THE REVIEW

We conducted our review in accordance with International Standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the interim condensed financial statements includes interviews with the persons primarily responsible for financial and accounting matters, as well as analytical and other review procedures. A review is substantially less in scope than an audit that is conducted in accordance with International Standards on Auditing (ISAs), therefore, a review does not enable us to obtain assurance that we are aware of all significant matters that might be identified in an audit. Therefore, we do not express an audit opinion.

CONCLUSION

Based on our review, we have not identified any facts that could lead us to believe that the accompanying consolidated interim condensed financial statements as at June 30, 2023 and for the six months ended on the specified date, is not prepared in all material respects in accordance with International Financial Reporting Standards (IAS) 34 "Interim Financial Reporting".

Person acting on behalf of
"CTC" LLC,
(PRNE 10206018011)

By Virtue of Power of
Attorney № 4/22 dated
01.06.2022

Bolshakova Olga Vladimirovna
(sq. at. auditor No. 06-000266, issued on
the basis of the decision of NP AAS dated
January 11, 2013, Minutes № 108 for an
unlimited period),
PRNE 20606013101

The head of the review, on the
basis of which the review's
report is drawn up

Bolshakova Olga Vladimirovna
(sq. at. auditor No. 06-000266, issued on
the basis of the decision of NP AAS dated
January 11, 2013, Minutes № 108 for an
unlimited period),
PRNE 20606013101



Auditing organization:

Limited liability company “Collegium of Tax Consultants”

PSRN: 1025005242140

ITN: 5041021111

123007, Moscow, st. Polina Osipenko, 18, bldg. 2, apt. 354

member of the Self-Regulatory Organization of Auditors Association “Sodruzhestvo”

Number in the register of auditors and audit organizations SRO 10206018011

August 29,2023

“Avangard-Agro” JSC
Consolidated interim condensed statement of financial position for the six months ended June 30, 2023

RUB mln	Notes	June 30, 2023	December 31, 2022
ASSETS			
Fixed assets	7	67,641	68,183
Financial assets	8	10,604	1,432
Biological assets	10	212	212
Other non-current assets		1,222	1,146
Deferred tax assets		19	12
Non-current assets		79,698	70,985
Inventories	9	11,959	20,542
Biological assets	10	15,042	1,437
Trade and other receivables	11	6,130	4,726
Financial assets	8	17,165	13,328
Cash and cash equivalents		3,390	4,212
Current assets		53,686	44,245
Total assets		133,384	115,230
EQUITY AND RESERVES			
Share capital	12	7	7
Increase in a value from the revaluation of fixed assets		46,575	46,586
Retained earnings		42,284	35,271
Equity attributable to owners of the Company		88,866	81,864
Total equity and reserves		88,866	81,864
LIABILITIES			
Loans and borrowings	13	4,996	4,813
Product supply liabilities under land leases		397	409
Deferred tax assets		22	-
Long-term liabilities		5,415	5,222
Loans and borrowings	13	32,645	22,000
Bonds	13	4,247	4,028
Trade and other receivables	14	2,211	2,116
Other short-term liabilities		-	-
Short-term liabilities		39,103	28,144
Total liabilities		44,518	33,366
Total equity and liabilities		133,384	115,230

The consolidated interim condensed financial statements were approved by management on August 29, 2023 and signed on its behalf by

General Director of “Avangard-Agro” JSC

Signature

Kirkin A.N.



Financial Director of “Avangard-Agro” JSC

Signature

Korolyova T.A.

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 11 to 23.

RUB mln	Notes	Six months ended June 30, 2023	Six months ended June 30, 2022
Revenue	5	13,655	13,117
Cost of sales		(9,852)	(9,851)
Revaluation of biological assets	10	4,288	3,829
Gross profit		8,091	7,095
Selling expenses		(392)	(338)
Administrative expenses		(501)	(503)
Other income/(expenses), net		(244)	(291)
Results from operating activities		6,954	5,963
Financial income		2,080	2,996
Financial expenses		(1,881)	(941)
Net financial (expenses)/income		199	2,055
Profit before taxation		7,153	8,018
Income tax expense	6	(36)	1
Profit for the reporting period		7,117	8,019
Revaluation of fixed assets		(11)	(33)
Total comprehensive income for the reporting period		7,106	7,986
Profit attributable to:			
Owners of the Company		7,117	8,019
Profit for the reporting period		7,117	8,019
Total comprehensive income attributable to:			
Owners of the Company		7,106	7,986
Total comprehensive income for the reporting period		7,106	7,986

The consolidated interim condensed financial statements were approved by management on August 29, 2023 and signed on its behalf by:

General Director of “Avangard-Agro” JSC

Signature

Kirkin A.N.



Financial Director of “Avangard-Agro” JSC

Signature

Korolyova T.A.

RUB mln	Notes	Share capital	Property, plant and equipment revaluation surplus	Retained earnings	Total equity and reserves
Balance at January 1, 2022*		7	22,284	37,302	59,593
Profit for the reporting period		-	-	8,019	8,019
Other comprehensive income					
Decrease in value upon disposal of assets		-	(33)	-	(33)
Total other comprehensive income		-	(33)	-	(33)
Total comprehensive income for the reporting period		-	(33)	8,019	7,986
Transactions with shareholders of the Company					
Dividends to shareholders		-	-	(6,000)	(6,000)
Total transactions with shareholders of the Company		-	-	(6,000)	(6,000)
Balance at June 30, 2022		7	22,251	39,321	61,579
Balance at January 1, 2023		7	46,586	35,271	81,864
Profit for the reporting period		-	-	7,117	7,117
Other comprehensive income					
Decrease in value upon disposal of assets		-	(11)	-	(11)
Total other comprehensive income		-	(11)	-	(11)
Total comprehensive income for the reporting period		-	(11)	7,117	7,106
Transferring surplus from revaluation to retained earnings		-	-	11	11
Contributions and payouts					
Dividends to shareholders	12	-	-	(115)	(115)
Total transactions with shareholders of the Company		-	-	(115)	(115)
Balance at June 30, 2023		7	46,575	42,284	88,866

The consolidated interim condensed financial statements were approved by management on August 29, 2023 and signed on its behalf by:

General Director of “Avangard-Agro” JSC

Signature

Kirkin A.N.



Financial Director of “Avangard-Agro” JSC

Signature

Korolyova T.A.

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 11 to 23.

RUB mln	Notes	<u>Six months ended June 30, 2023</u>	<u>Six months ended June 30, 2022</u>
Cash flows from operating activities			
Profit for the reporting period		7,117	8,019
<i>Adjustments</i>			
Depreciation	7	1,245	769
Government grants		(111)	(262)
Exchange differences		(1,646)	(1,095)
Interest income and income on forward contracts		(323)	(1,482)
Provision for impairment of financial assets	8	912	45
Interest expense on loans , borrowings and forward contracts		969	755
Change in the fair value of agricultural products and biological assets		(1,660)	(186)
Recovery accrual of provision for impairment of net realizable value of inventories		(355)	(16)
Write-offs of receipts		6	(5)
Profit/(loss) on disposal of other assets		31	(42)
Other non-cash transactions		(61)	199
Income tax expense	6	36	(1)
Cash flows from operating activities excluding changes in working capital		6,160	6,698
Change in inventories		6,310	4,489
Change in biological assets		(9,317)	(7,722)
Change in trade and other receivables		(510)	643
Change in trade and other payables		58	473
Change in short-term debt as part of Credit Debt		1	94
Cash flows from operating activities changes before income taxes		2,702	4,675
Income tax paid		-	-
Net cash flow from operating activities		2,702	4,675

1 Reporting entity

(a) Organisations 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 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, processing 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.

Based on the results of 2022 Avangard-Agro Joint-Stock Company has been rated BBB(RU) by the Analytical Credit Rating Agency (ACRA (JSC)) .

The subsidiaries of the Group are:

Subsidiary	Country of registration	Ownership and voting rights	
		June 30, 2023	December 31, 2022
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 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.

Starting from 2014, the United States of America, the European Union and some other countries have imposed and gradually expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects of the imposed and possible additional sanctions are difficult to determine.

At present, the international community is faced with an aggravation of global world problems, including those related to the conduct of a Special Military Operation by the Russian Federation. As a

result, there are serious changes in global markets due to geopolitical factors, which result in sanctions that have and may have in the future a significant negative impact on both the financial system of the Russian Federation and the economy as a whole.

The financial condition of organizations in the Russian Federation, their ability to fulfill their obligations in full, maintaining the volume of activities, will largely depend on the future macroeconomic situation, including the state of the stock markets, business activity and solvency of counterparties. At the same time, at the time of preparation of the annual accounting (financial) statements, there is no information on further developments in the foreign policy arena, as a result of which it is not possible to predict the consequences for the Group in the medium and long term.

Based on the information available at the date of signing the financial statements, the Group's management does not plan to reduce or terminate operations under the current conditions. The Group's activities are expected to be continuous.

These consolidated financial statements reflect management's view of the impact that business conditions in the Russian Federation have on the Group's operations and financial position. The actual impact of future business conditions may differ from management's estimates.

2 Basis of preparation

These consolidated interim condensed financial statements reflect the seasonal impact of biological transformation (see Note 10) and have been prepared in accordance with IAS 34 “Interim Financial Reporting”. These financial statements have included selected notes that explain significant events and transactions that are necessary to understand the changes in the Group's financial position and results of operations that have occurred since the annual reporting period ended December 31, 2022.

These consolidated interim condensed financial statements do not contain the complete disclosures required for annual financial statements prepared in accordance with IFRS.

3 Use of estimates and professional 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 prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (that is - as prices) or indirectly (that is - derived from 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, then the fair value measurement is categorised 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 takes place.

Further information about the assumptions made in measuring fair values is included in the notes 7(a) and 10.

4 Key accounting policies

When preparing these consolidated interim condensed financial statements, the Group has applied the same accounting policies as for the preparation of the consolidated financial statements for the year ended December 31, 2022.

5 Revenue

RUB mln	Russia		Export		Total	
	Six months ended June 30, 2023	Six months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
	Agricultural produce	2,865	3,599	2,941	2,087	5,806
Wheat	261	833	2,456	1,753	2,717	2,586
Sunflower	1,570	2,228	-	-	1,570	2,228
Corn	97	338	485	334	582	672
Barley	420	-	-	-	420	-
Other	517	200	-	-	517	200
Processed agricultural produce	3,759	4,839	4,090	2,593	7,849	7,432
Malt	3,759	4,839	4,090	2,593	7,849	7,432
Total	6,624	8,438	7,031	4,680	13,655	13,117

The Group identifies two operating segments:

Agricultural production includes production and sale of agricultural produce in the Russian Federation and abroad.

Malt 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 companies producing agricultural products. Other companies of the Group are subject to income tax at the rate of 20%.

7 Fixed assets

(a) Land plots

At the end of 2015 the Group changed its accounting policy for land plots and decided to record land plots at fair value. The last revaluation was carried out as of December 31, 2022 using an independent appraiser. The fair value of the land plots was determined at RUB 40 417 million. The fair value measurement of land belongs to Level 3 of the fair value hierarchy: inputs for assets and liabilities that are not based on observable market data (unobservable inputs).

The management of the Group, having analyzed the current economic situation, came to the conclusion that the value of land plots as at June 30, 2023 does not differ significantly from their fair value. As of June 30, 2023, the fair value of the land plots was RUB 40,452 million and was based on the assumptions used as of December 31, 2022. During the six months ended June 30, 2023 the Group acquired land plots for RUB 35 million (during the six months ended June 30, 2022: RUB 163 million).

(b) Acquisition of property, plant and equipment

During the six months ended June 30, 2023 the Group acquired property, plant and equipment for RUB 752 million (during the six months ended June 30, 2022: RUB 638 million).

(c) Depreciation charges

During the six months ended June 30, 2023, depreciation charges were included in cost of sales in the amount of RUB 1,248 million (during the six months ended June 30, 2022: RUB 738 million), as well

as administrative expenses in the amount of RUB 28 million (during the six months ended June 30, 2022: RUB 30 million).

(d) Collateral

As of June 30, 2023, fixed assets with a carrying value of RUB 11,710 million (December 31, 2022 – RUB 12,252 million) served as collateral for bank loans issued to the Group, see Note 13.

8 Financial assets

RUB mln	<u>June 30, 2023</u>	<u>December 31, 2022</u>
<i>Non-current</i>		
Third-party bonds	10,604	1,432
	<u>10,604</u>	<u>1,432</u>
<i>Current</i>		
Promissory notes acquired from related parties	4,613	11,879
Promissory notes acquired from third-parties	10,538	-
Bank deposits	939	1,449
Third-party bonds	1,075	-
	<u>17,165</u>	<u>13,328</u>
	<u>27,769</u>	<u>14,760</u>

Third-party bonds are measured at fair value through profit or loss. Fair value is determined based on quoted market prices.

Promissory notes received and bank deposits are measured at amortized cost. Promissory notes received from related parties are rouble-denominated, with a rate of 0-17% . The allowance for impairment losses on promissory notes received and bank deposits as of June 30, 2023 amounted to RUB 890 million (as of December 31, 2022 – RUB 58 million).

9 Inventories

RUB mln	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Agricultural produce	8,488	15,739
Processed agricultural produce	1,708	1,064
Fallow land and spring crop costs	180	2,478
Raw materials and consumables	1,583	1,261
	<u>11,959</u>	<u>20,542</u>

Inventories with the carrying amount of RUB 6,748 million as of June 30, 2023 (as of December 31, 2022: RUB 11,606 million) were pledged to secure bank loans (refer to Note 13).

As of June 30, 2023, fallow land amounted to 74,730 ha (as of December 31, 2022: 333,534 ha).

At the reporting dates the agricultural produce comprised the following:

	June 30, 2023		December 31, 2022	
	RUB mln	Tonnes	RUB mln	Tonnes
Wheat	4,363	452,464	6,701	595,957
Barley	569	42,024	4,590	306,018
Sunflower	2,868	124,026	3,894	175,841
Corn	648	53,165	411	37,238
Sugar beet	-		1	320
Buckwheat	2	132	36	1,587
Other	38	3,842	106	5,189
	8,488	675,653	15,739	1,122,150

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

	June 30, 2023		December 31, 2022	
	RUB mln	Tonnes	RUB mln	Tonnes
Malt	1,708	77,520	1,064	47,850
	1,708	77,520	1,064	47,850

10 Biological assets

As of June 30, 2023, biological assets classified as non-current assets comprised oxen and milk cows of 3,575 heads and had a fair value of RUB 212 million (December 31, 2022: 3,505 heads, fair value of RUB 212 million).

As of June 30, 2023, biological assets classified as current assets comprised winter wheat, spring barley, sunflower, beets, corn and other crops and had a fair value of RUB 15,042 million and occupied an area of land in the amount of 322,871 ha (December 31, 2022 only winter wheat: RUB 1,437 million, an area of 63,672 ha).

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

	Livestock	Fair value
	Farm animals	RUB mln
Fair value less costs of sale as of January 1, 2022	2,939	112
Natural increase	674	25
Decrease due to sale of assets	(201)	(9)
Decrease due to loss of livestock	(69)	(3)
Net change in fair value	-	73
Fair value less costs of sale as of June 30, 2022	3,343	198
Fair value less costs of sale as of January 1, 2023	3,505	212
Acquired under contracts	3	
Natural increase	660	40
Decrease due to sale of assets	(466)	(36)

	Livestock	Fair value
	Farm animals	RUB mln
Decrease due to loss of livestock	(127)	(4)
Net change in fair value	-	-
Fair value less costs of sale as of June 30, 2023	3,575	212

(b) Movements in biological assets classified as current assets

The following represents the changes in current value of biological assets classified as current assets during the periods, ended June 30, 2023 and June 30, 2022.

RUB mln	June 30, 2023	June 30, 2022
At the beginning of the period	1,437	2,968
Increase through purchases and costs	9,317	7,707
Net change in fair value less estimated costs to sell	4,288	3,758
At the end of the period	15,042	14,433

As at June 30, 2023, an unrealised part of revaluation of current biological assets and finished goods amounted to RUB 10,371 million (December 31, 2022: RUB 8,711 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 the six months of 2023. 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 December 31, 2022 was 11,9%. These rates are calculated based on the market assessment of the risks inherent in the Group's activities as at the indicated date.

Biological assets classified as current assets

The fair value of biological assets as of June 30, 2023 and December 31, 2022 was determined using a DCF method.

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

- revenue forecast was prepared on the basis of the data on the expected yield of grain crops, which is determined based on factors such as location of farmland, natural-climatic conditions and other conditions as well as price growth rates on the valuation date. The average yield of the gross harvest by regions was determined at the following level:

c/ha	June 30, 2023	December 31, 2022
Winter wheat	53,6	48,1
Barley	40,1	н.п.
Sunflower	26,7	н.п.
Corn	69,4	н.п.
Sugar beet	412	н.п.

- data on prices for the grain harvest were obtained from state statistical reporting or other open sources as of the end of the reporting period or from actually concluded sales contracts as of the

date of their execution (if applicable). The planned selling price per ton of crop was determined at the following level:

RUB thousand/tonnes	June 30, 2023	December 31, 2022
Winter wheat	16,5	13,3
Barley	13,5	н.п.
Sunflower	26,5	н.п.
Corn	18,1	н.п.
Sugar beet	3,6	н.п.

- cost of production and sales costs were forecast based on actual operating expenses.
- for the purpose of determining the fair value of biological assets at the reporting dates a discount rate of 11,9% was applied. This rate is calculated based on the market rate, which reflects the current market assessment of the 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 agricultural business

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 receivables

RUB mln	June 30, 2023	December 31, 2022
Trade receivables	5,433	3,665
Other receivables	51	176
VAT receivable	26	49
Advances issued	620	819
Prepayment of other taxes and duties	-	17
	6,130	4,276

(a) Overdue trade and other receivables

As at June 30, 2023 an allowance was accrued in respect of the expected credit losses on accounts receivable in the amount of RUB 43 million (as of December 31, 2022: RUB 10 million). The write-off

of accounts receivable during the six months ended June 30, 2023 amounted to RUB 5 million (during the six months ended June 30, 2022: RUB 3 million).

12 Capital and reserves

(a) Share capital and additional paid-in capital

Number of shares unless otherwise stated	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Authorised shares	7,290	7,290
Nominal value	1,000 pyб.	1,000 pyб.
Outstanding at the beginning of period	7,290	7,290
Redemption of own shares	-	-
Outstanding at the end of period, fully paid	<u>7,290</u>	<u>7,290</u>

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 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) Revaluation of land

In 2022, the Group revalued land plots in accordance with the accounting policy. The increase in value amounted to RUB 9,334 million and was recognised as other comprehensive income. For more detail, please see Note 7(a).

(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 (accounting) statements prepared in accordance with Russian Accounting and Reporting Principles.

During six months of 2023, payments in the amount of RUB 115 million were made to 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.

RUB mln	<u>June 30, 2023</u>	<u>December 31, 2022</u>
<i>Long-term</i>		
Long-term borrowings from related parties	2,472	2,773
Long-term bank loans from related parties	2,524	2,040
	<u>4,996</u>	<u>4,813</u>
<i>Short-term</i>		
Long-term bank loans from related parties	6,534	6,682
Long-term bank loans from third parties	18,884	8,868
Bonds	4,247	4,028
Short-term promissory notes issued to third parties	1,259	1,558
Short-term borrowings from related parties	2,700	2,142

RUB mln	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Short-term borrowings from non-banking companies	3,268	2,750
	<u>36,892</u>	<u>26,028</u>
	<u>41,888</u>	<u>30,841</u>

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

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 4 future coupon payments, 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 of June 30, 2023 and as of December 31, 2022 the Group has classified bond payables as short-term.

During six months of 2023, the Group entered into agreements for the sale of previously purchased bonds in the amount of RUB 218 million, including coupon income of RUB – 2 million. As at June 30, 2023, bonds repurchased by the Group at the end of the period amounted to RUB 4,784 million in the amount of 4 774 031 pieces, excluding coupon income of RUB 54 million.

The Group entered into contract providing for transfer of bonds of “Avangard-Agro” JSC. Outstanding amount of RUB 3,268 million under that contract is recognized as fund raising indebtedness.

(a) Collateral

Bank loans are secured by the following assets:

- fixed assets with the carrying amount of RUB 11,710 million (December 31, 2022: RUB 12,252 million) – see Note 7;
- inventories with the carrying amount of RUB 6,748 million (December 31, 2022: RUB 11,606 million) – see Note 9.

14 Trade and other payables

RUB mln	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Trade payables	594	1,041
Short-term liabilities to deliver the products for lease of land plots	30	29
Other payables	676	196
Other taxes payable	452	697
Advances received	459	153
	<u>2,211</u>	<u>2,116</u>

As of June 30, 2023, trade and other payables from related parties amounted to RUB 397 million (December 31, 2022: RUB 12 million), refer to Note 17.

15 Capital commitments

As of June 30, 2023, the Group entered into agreements for acquisition of agricultural machinery in the amount of RUB 24 million (as of December 31, 2022: RUB 74 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 reporting period, 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 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 severe 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 charge additional taxes payable 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. 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.

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

Key management personnel received the following remuneration during the reporting period, which is included in personnel costs:

RUB mln	Six months ended June 30, 2023	Six months ended June 30, 2022
Salaries and bonuses	11	10
Salaries and bonuses contributions	2	2
	13	12

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

RUB mln	June 30, 2023	December 31, 2022
Bills received	4,613	11,879
Short-term bank deposits in cash	576	41
Short-term bank deposits in financial assets	939	1,449
Balances on settlement accounts	1,735	101
Trade and other receivables	2	130
Trade and other payables	(397)	(12)
Borrowings received	(5,224)	(4,181)
Loans received	(9,006)	(9,456)
	(6,762)	(49)

During the period ended June 30, 2023 insurance claims were received from a related party in the amount of RUB 1 million (2022: RUB 1,262 million), loans received and repaid in the amount of RUB 1,483 million and RUB 1,891 million respectively (in 2022: RUB 17,468 million and RUB 11,761 million, respectively), loans received and repaid in the amount of RUB 193 million (in 2022: 0 million rubles). During six months of 2023, interest expenses in the amount of RUB 200 million were accrued under agreements with related parties (during six months of 2022: RUB 337 million). During the period ended June 30, 2023, promissory notes in the amount of RUB 4,550 million were purchased for cash (purchased for cash in 2022: RUB 4,021 million), and purchases were made from related parties in the amount of RUB 818 million (in 2022: RUB 783 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. 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	
	For the six months ended June 30, 2023	For the six months ended June 30, 2022	For the six months ended June 30, 2023	For the six months ended June 30, 2022	For the six months ended June 30, 2023	For the six months ended June 30, 2022
External revenue	5,805	5,686	7,849	7,432	13,655	13,117
Inter-segment revenue	3,634	4,730	-	-	3,634	4,730
Segment revenue	9,439	10,415	7,849	7,432	17,289	17,847
Segment gross profit	4,504	5,551	3,587	1,544	8,091	7,095
Finance income	2,080	2,996	-	-	2,080	2,996
Finance costs	(1,881)	(941)	-	-	(1,881)	(941)
Depreciation	607	599	638	170	1,245	769
Segment assets	107,787	82,254	25,597	8,057	133,384	90,311
Fixed assets	49,016	40,270	18,625	3,367	67,641	43,637

(ii) Revenue reconciliation of reportable segments

RUB mln	Six months ended June 30, 2023	Six months ended June 30, 2022
Revenue		
Total revenue for reportable segments	17,289	17,847
Elimination of inter-segment revenue	(3,634)	(4,730)
Consolidated revenue	13,655	13,117

19 Events after the reporting date

In July-August 2023, the Group companies received a loan from a third-party bank in the amount of RUB 1,900 million and a loan from a related bank in the amount of RUB 550 million was repaid. The Group entered into contracts for the sale of sunflower seeds in the amount of more than RUB 462 million, for the sale of malt for more than RUB 895 million.