

Joint-Stock Company “Avangard-Agro”

**Consolidated Interim Condensed Financial
Statements for the six months ended 30 June 2017**

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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 JSC "Avangard-Agro" (the "Company") and its subsidiaries (the "Group") as at 30 June 2017, 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 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 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 statements 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.

Audited entity: Joint-Stock Company "Avangard-Agro"
Registration No. in the Unified State Register of Legal Entities
1045736000089.

Urban-Type Settlement of Zmievka, Russia

Independent auditor: 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-regulated organization of auditors "Russian Union of auditors" (Association). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 11603053203.



JSC "Avangard-Agro"

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial statements as at 30 June 2017 and for the six-month period then ended are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Sheremet V.G.

Director

JSC "KPMG"

Moscow, Russia

29 August 2017

Joint-Stock Company “Avangard-Agro”
Consolidated Interim Condensed Statement of Financial Position as at 30 June 2017

million RUB	Note	30 June 2017	31 December 2016
ASSETS			
Property, plant and equipment	6	24,081	24,061
Biological assets	9	206	231
Other non-current assets		240	251
Non-current assets		24,527	24,543
Inventories	8	4,050	9,845
Biological assets	9	10,201	1,818
Trade and other receivables	10	885	779
Financial assets	7	6,627	5,633
Cash and cash equivalents	11	267	22
Current assets		22,030	18,097
Total assets		46,557	42,640
EQUITY AND RESERVES			
Share capital	12	8	9
Property, plant and equipment revaluation surplus		6,170	6,170
Retained earnings		16,825	18,192
Equity attributable to owners of the Company		23,003	24,371
Total equity and reserves		23,003	24,371
LIABILITIES			
Loans and borrowings	13	7,043	6,584
Non-current liabilities		7,043	6,584
Bonds	13	2,334	2,966
Loans and borrowings	13	11,822	6,763
Trade and other payables	14	2,057	1,511
Other current liabilities		298	445
Current liabilities		16,511	11,685
Total liabilities		23,554	18,269
Total equity and liabilities		46,557	42,640

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 21.

Joint-Stock Company “Avangard-Agro”
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2017

million RUB	Note	Six months ended 30 June 2017	Six months ended 30 June 2016
Revenue	4	6,095	9,735
Cost of sales		(6,060)	(7,914)
Revaluation of biological assets	9	3,006	3,224
Gross profit		3,041	5,045
Distribution expenses		(74)	(105)
Administrative expenses		(259)	(319)
Other income, net		87	72
Results from operating activities		2,795	4,693
Finance income		400	565
Finance costs		(1,166)	(1,023)
Net finance costs		(766)	(458)
Profit before income tax		2,029	4,235
Income tax benefit/ (expense)	5	1	(2)
Profit for the period		2,030	4,233
Total comprehensive income for the reporting period		2,030	4,233
Profit attributable to:			
Owners of the Company		2,030	4,233
Profit for the reporting period		2,030	4,233
Total comprehensive income attributable to:			
Owners of the Company		2,030	4,233
Total comprehensive income for the reporting period		2,030	4,233

These consolidated interim condensed financial statements were approved by management on 29 August 2017 and were signed on its behalf by:

General Director of JSC “Avangard-Agro”

Financial Director of JSC “Avangard-Agro”

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 21.

Joint-Stock Company "Avangard-Agro"
Consolidated Interim Condensed Statement of Changes in Equity for the six months ended 30 June 2017

million RUB	Note	Share capital	Property, plant and equipment revaluation surplus	Retained earnings	Total equity and reserves
Balance at 1 January 2016		10	6,170	16,624	22,804
Profit for the period		-	-	4,233	4,233
Total comprehensive income for the reporting period		-	-	4,233	4,233
Transactions with shareholders of the Company					
Reacquisition of shares	12	(1)	-	(2,999)	(3,000)
Distributions to shareholders	12	-	-	(67)	(67)
Total transactions with shareholders of the Company		(1)	-	(3,066)	(3,067)
Balance at 30 June 2016		9	6,170	17,791	23,970
Balance at 1 January 2017					
		9	6,170	18,192	24,371
Profit for the period		-	-	2,030	2,030
Total comprehensive income for the reporting period		-	-	2,030	2,030
Transactions with shareholders of the Company					
Reacquisition of shares	12	(1)	-	(3,284)	(3,285)
Distributions to shareholders	12	-	-	(113)	(113)
Transactions with shareholders of the Company		(1)	-	(3,397)	(3,398)
Balance at 30 June 2017		8	6,170	16,825	23,003

Joint-Stock Company “Avangard-Agro”
Consolidated Interim Condensed Statement of Cash Flows for the six months ended 30 June 2017

million RUB	Note	Six months ended 30 June 2017	Six months ended 30 June 2016
Cash flows from operating activities			
Profit for the reporting period		2,030	4,233
Adjustments for:			
Depreciation	6	753	753
Government grants		(277)	(458)
Exchange differences		6	(125)
Other finance income		(246)	(41)
Interest expense		1,160	950
Realised portion of revaluation of agricultural products		2,030	2,065
Unrealised portion of revaluation of biological assets	9	(3,006)	(3,224)
Use of allowance for the write-down of agricultural produce to net realisable value	8	(514)	-
Write-off/(reversal of write-off) of accounts receivable	10	7	(104)
Loss/(gain) of crop, product deterioration, shortfalls identified during the stocktake		1	(11)
Loss of disposal of other assets		22	-
Other non-cash transactions		18	26
Income tax (benefit)/expense	5	(1)	2
Cash flows from operating activities before changes in working capital		1,983	4,066
Changes in inventories		4,403	5,166
Changes in biological assets		(5,352)	(4,711)
Changes in trade and other receivables		(83)	(559)
Changes in trade and other payables		543	2,453
Cash flows from operations before income taxes and interest paid		1,494	6,415
Income tax paid		(3)	(2)
Net cash from operating activities		1,491	6,413

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 21. 8

Joint-Stock Company “Avangard-Agro”
Consolidated Interim Condensed Statement of Cash Flows for the six months ended 30 June 2017

million RUB	Note	Six months ended 30 June 2017	Six months ended 30 June 2016
Cash flows from investing activities			
Acquisition of property, plant and equipment		(904)	(1,521)
Payments under forward contracts		(468)	-
Promissory notes redeemed		242	753
Proceeds from sale of property, plant and equipment		11	7
Placement of bank deposit		-	(142)
Net cash used in investing activities		(1,119)	(903)
Cash flows from financing activities			
Government grants compensating interest expense		153	325
Interest paid		(893)	(895)
Reacquisition of bonds		(615)	-
Proceeds from borrowings		13,009	5,290
Repayment of borrowings		(8,482)	(7,171)
Reacquisition of shares	12	(3,285)	(3,000)
Distributions to shareholders	12	(13)	(67)
Net cash used in financing activities		(126)	(5,518)
Effect of movements in exchange rates on cash and cash equivalents		(1)	-
Net increase/(decrease) in cash and cash equivalents		245	(8)
Cash and cash equivalents at the beginning of the reporting period	11	22	21
Cash and cash equivalents at the end of the reporting period	11	267	13
Non-cash transactions:			
Issue of own promissory notes to related parties and third parties		4,014	1,071
Redemption of own promissory notes previously issued to related parties and third parties		3,034	152

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 21. 9

1 Reporting entity

(a) Organisation 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 the address: Russian Federation, 18, Ulitsa 8 Marta, Urban-Type Settlement of Zmievka, Orel Oblast 303320.

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.

The Group’s funding is partly provided by loans from a related party bank with a B2 credit rating assigned by Moody’s in 2016. Further information about related party transactions is disclosed in note 17.

Joint-Stock Company “Avangard-Agro” has been rated BBB-(RU) by the Analytical Credit Rating Agency (ACRA (JSC)) based on the results of 2016.

The subsidiaries of the Group are:

Subsidiary	Country of registration	Ownership and voting rights	
		30 June 2017	31 December 2016
LLC “Avangard-Agro-Voronezh”	Russia	100%	100%
LLC “Avangard-Agro-Orel”	Russia	100%	100%
LLC “Avangard-Agro-Kursk”	Russia	100%	100%
LLC “Avangard-Agro-Belgorod”	Russia	100%	100%
LLC “Avangard-Agro-Lipetsk”	Russia	100%	100%
LLC “Avangard-Agro-Trade”	Russia	100%	100%
LLC “Avangard-Agro-Tula”	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 together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

The conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in 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. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance

their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

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 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 consolidated financial statements as at and for the year ended 31 December 2016. 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 Significant accounting policies

The accounting policies applied for preparation of these consolidated interim condensed financial statements completely correspond to the accounting principles applied for the preparation of the financial statements for the year ended 31 December 2016.

4 Revenue

million RUB	Six months ended 30 June 2017	Six months ended 30 June 2016
Revenue from sales of agricultural produce	6,065	9,734
Revenue from services provided	30	1
	6,095	9,735

5 Income taxes

The Group's applicable tax rate is the corporate income tax rate of 0% for Russian companies involved in the production of agricultural produce.

6 Property, plant and equipment

(a) Land

In the end of 2015, the Group changed its accounting policy relating to land plots to start accounting for them at fair value on the basis of regular revaluation conducted by external independent appraisers. As a result, the management engaged an independent appraiser for the fair value measurement of land as at 31 December 2015. The fair value of land plots was determined as RUB 12,412 million and reflected the market prices of recent similar transactions adjusted for bargaining and location discounts.

During the 6 months ended 30 June 2017 the Group has acquired lands plots amounted to RUB 115 million (during the 6 months ended 30 June 2016 – RUB 736 million).

As at 30 June 2017, the fair value of land plots amounted to RUB 13,404 million and was based on the assumptions used as at 31 December 2016.

(b) Other property, plant and equipment

During the 6 months ended 30 June 2017 the Group has acquired Property, plant and equipment amounted to RUB 691 million (during the 6 months ended 30 June 2016 – RUB 635 million).

(c) Depreciation

During the 6 months ended 30 June 2017 depreciation expense, included into the cost of sales and administrative expenses, amounted to RUB 753 million (during the 6 months ended 30 June 2016 – RUB 753 million).

(d) Security

At 30 June 2017 items of property, plant and equipment with the carrying amount of RUB 8,899 million (31 December 2016: RUB 5,095 million) and long-term lease rights for land plots of 4 thousand ha (31 December 2016: 4 thousand ha) were pledged to secure bank loans received by the Group (see note 13).

7 Financial assets

million RUB	30 June 2017	31 December 2016
<i>Current</i>		
Promissory notes acquired from related parties	6,501	5,622
Other current financial assets	126	11
	6,627	5,633

As at 30 June 2017 investments with the carrying amount of RUB 569 million (31 December 2016: RUB 2,776 million) were pledged to secure bank loans (see note 13). Profitability of promissory notes is 9-12%.

8 Inventories

million RUB	30 June 2017	31 December 2016
Agricultural produce	1,970	6,094
Processed agricultural produce	1,223	1,773
Fallow land and spring crop costs	125	1,387
Raw materials and consumables	732	591
	4,050	9,845

Inventories with the carrying amount of RUB 1,526 million at 30 June 2017 (31 December 2016: RUB 5,770 million) were pledged to secure bank loans (see note 13).

As at 30 June 2017 fallow land plots amounted to 70,145 ha (31 December 2016 fallow land and spring crop land plots: 277,671 ha).

The allowance for the write-down of agricultural produce to net realisable value as at 30 June 2017 amounted to RUB 228 million (31 December 2016: RUB 742 million). During the 6 months ended 30 June 2017 the allowance decreased as the result of agricultural produce realisation, for the impairment of which the allowance had been accrued in 2016 in the amount of RUB 514 million.

At the reporting dates the agricultural produce comprised the following:

	30 June 2017		31 December 2016	
	million RUB	Tonnes	million RUB	Tonnes
Wheat	1,182	121,972	2,541	291,161
Barley	626	63,925	2,114	220,438
Sunflower	52	3,156	942	51,753
Corn	100	15,428	412	54,953
Buckwheat	-	1	19	688
Other	10	6,142	66	13,984
	1,970	210,624	6,094	632,977

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

	30 June 2017		31 December 2016	
	million RUB	Tonnes	million RUB	Tonnes
Malt	747	43,066	722	50,172
Sugar	471	13,309	1,047	30,608
Other	5	371	4	-
	1,223	56,746	1,773	80,780

9 Biological assets

At 30 June 2017 biological assets classified as non-current assets comprised oxen and milk cows (3,138 heads) and have a fair value of RUB 206 million (31 December 2016: 3,339 heads, fair value of RUB 231 million).

At 30 June 2017 biological assets classified as current assets comprised winter wheat, spring barley, sunflower, beet, corn, buckwheat, lupine and have a fair value of RUB 10,201 million; the planting acreage was 314,232 ha (31 December 2016 only winter wheat: RUB 1,818 million and 107,760 ha respectively).

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

	Heads	Fair value, million RUB
Fair value less costs to sell as at 1 January 2016	3,444	216
Natural increase	733	20
Decrease due to distemper	(66)	(1)
Decrease due to disposal of assets	(811)	(34)
Fair value less costs to sell as at 30 June 2016	3,300	201
Fair value less costs to sell as at 1 January 2017	3,339	231
Natural increase	742	10
Decrease due to distemper	(162)	(3)
Decrease due to disposal of assets	(781)	(32)
Fair value less costs to sell as at 30 June 2017	3,138	206

(b) **Movements in biological assets classified as current assets**

The following represents the changes during the six months, ended 30 June 2017 and 30 June 2016, in the carrying amounts of crops:

	30 June 2017	30 June 2016
Opening balance	1,818	1,807
Increase due to expenditures	5,377	4,726
Net change in fair value less estimated costs to sell	3,006	3,224
Closing balance	10,201	9,757

As at 30 June 2017 unrealised portion of revaluation of biological assets amounted to RUB 4,358 million (31 December 2016: RUB 3,382 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 6 months ended 30 June 2017. Calculated income and costs were discounted to the date of determining fair value depending on the period they occur. Discount rate as at 30 June 2017 was 15%. The rate was calculated on the ground of the market-based valuation of risks inherent in the activity of the Group at that date.

Biological assets classified as current assets

The fair value of biological assets as at 30 June 2017 and 31 December 2016 was determined using a DCF model.

When determining the fair value, the following key 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 following:

q/ha	30 June 2017	31 December 2016
Winter wheat	51	45
Barley	39	n/a
Sunflower	25	n/a
Corn	64	n/a
Sugar beet	484	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:

RUB thousand/tonnes	30 June 2017	31 December 2016
Winter wheat	9.7	9.6
Barley	9.1	n/a
Sunflower	17.6	n/a
Corn	8.3	n/a
Sugar beet	3.0	n/a

- cost of production and cost to sell were forecasted based on actual operating expenditures;
- to determine the fair value of biological assets at the reporting date a discount rate of 15% was applied. 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 end of the reporting period were taken into account.

The above-mentioned key assumptions represent management’s assessment of future trends in agriculture and are based on historical 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 areas where the Group operates. 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.

10 Trade and other receivables

million RUB	30 June 2017	31 December 2016
Trade receivables	443	386
Advances given	157	102
Other receivables	146	127
VAT receivable	124	127
Prepayments for other taxes and duties	15	37
	885	779

(a) Overdue trade and other receivables

No provision for the impairment of receivables was accrued at 30 June 2017 and 31 December 2016. The write-off of the receivables for the 6 months ended 30 June 2017 amounted to RUB 7 million. During the 6 months ended 30 June 2016 reversal of previous write-off of the receivables amounted to RUB 104 million.

11 Cash and cash equivalents

million RUB	currency	30 June 2017	31 December 2016
Bank current accounts	RUB	234	16
Bank current accounts	USD	-	1
Bank current accounts	EUR	30	3
Petty cash		3	2
		267	22

As at 30 June 2017 cash balances at a related party bank with a B2 credit rating assigned by Moody's amounted to RUB 264 million (31 December 2016: RUB 19 million) – see note 17.

12 Equity

(a) Share capital and additional paid-in capital

Number of shares unless otherwise stated	30 June 2017	31 December 2016
Authorised shares	9,000	10,000
Par value	RUB 1,000	RUB 1,000
Outstanding at the beginning of the period	9,000	10,000
Redemption of shares	(900)	(1,000)
Outstanding at the end of the period, fully paid	8,100	9,000

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 the 1st quarter of 2017 the Group redeemed 900 shares from shareholders for RUB 3,285 million. As the result of the transaction total quantity of outstanding shares decreased to 8,100 shares.

(c) Dividends and other distribution 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 statutory financial statements prepared in accordance with Russian Accounting Principles.

The Company's shareholders decided to pay dividends in the amount of RUB 100 million for 2016 (for 2015 – not to pay dividends). Besides, during the 6 months 2017 the shareholders received other payments in the amount of RUB 13 million (during the 6 months 2016: RUB 67 million). As at 30 June 2017 the dividends were not paid.

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.

million RUB	30 June 2017	31 December 2016
<i>Long-term</i>		
Long-term bank loans from related parties	848	389
Long-term borrowings from other organisations	6,195	6,195
	7,043	6,584
<i>Short-term</i>		
Short-term bank loans from third parties	5,995	-
Short-term bank loans from related parties	3,512	5,504
Bonds	2,334	2,966
Short-term borrowings from other organisations	1,387	1,093
Short-term promissory notes issued to third parties	928	166
	14,156	9,729
	21,199	16,313

(a) Securities

Bank loans are secured by the following assets:

- property, plant and equipment with the carrying amount of RUB 8,899 million (31 December 2016: RUB 5,095 million) – see note 6;
- long-term lease rights for land plots of 4 thousand ha (31 December 2016: 4 thousand ha) – see note 6;
- inventories with the carrying amount of RUB 1,526 million (31 December 2016: RUB 5,770 million) – see note 8;
- investments with the carrying amount of RUB 569 million (31 December 2016: RUB 2,776 million) – see note 7. The above investments can be settled by offsetting against claim on bank loan if it is due or is payable on demand.

(b) Breach of loan covenant

A number of loans, received after 31 December 2016 and not paid off as at 30 June 2017 stipulated the implementation of covenants. As at 30 June 2017 the Group has not breached loan covenants.

As at 31 December 2016 the Group had no restrictive loan covenants.

14 Trade and other payables

million RUB	30 June 2017	31 December 2016
Trade payables	873	555
Other payables	809	788
Other tax payables	70	43
Advances received	305	125
	2,057	1,511

As at 30 June 2017 trade and other payables to related parties amounted to RUB 938 million (31 December 2016: RUB 115 million) – see note 17.

15 Capital commitments

As at 30 June 2017 the Group entered into contracts to purchase agricultural equipment for RUB 184 million (31 December 2016: RUB 80 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

The Group is 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 is involved into litigations which could have a material adverse impact on its operating results, financial condition of cash flows and which are not recognised in these 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 authorities, 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.

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 financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

17 Related party transactions

(a) Beneficiaries of the Group

The controlling shareholder of JSC “Avangard-Agro” 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, which is included in personnel costs:

million RUB	Six months ended 30 June 2017	Six months ended 30 June 2016
Salaries and bonuses	5	5
Contributions to the RF State Pension Fund	1	1
	6	6

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

Information on the Group’s transactions with other related parties is presented in the table below:

million RUB	Transaction value		Outstanding balance	
	Six months ended 30 June 2017	Six months ended 30 June 2016	30 June 2017	31 December 2016
Revenue from sale of agricultural produce and related receivables	1	-	-	-
Purchases and related payables (except prepayments)	(648)	(819)	(535)	(17)
Other liabilities	(1,266)	-	(273)	-
Insurance compensations	136	-	-	-
Loans received, promissory notes issued and related balances	4,181	(5,290)	(11,942)	(13,181)

million RUB	Transaction value		Outstanding balance	
	Six months ended	Six months ended	30 June 2017	31 December 2016
	30 June 2017	30 June 2016		
Loans given, promissory notes acquired and related balances	23,979	10,397	6,501	5,622
Derivative financial instruments	-	-	126	-
Other short-term liabilities	-	-	(298)	(445)
Bank current accounts	-	-	264	19

During the period ended 30 June 2017 Group exchanged related party promissory notes, without cash consideration paid, for RUB 19,514 million (during the 6 months ended 30 June 2016: RUB 4,750 million).

During the period ended 30 June 2017 Group issued related party promissory notes, with no cash consideration received, for the total amount RUB 1,843 million (during the 6 months ended 30 June 2016: there were no transactions).

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.
- *Malt 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. Integration includes transfers of raw materials and shared distribution services, respectively. Inter-segment pricing is determined on an arm's length basis.

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

mln RUB	Agricultural production		Malt production		Total	
	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
External revenue	3,535	6,508	2,560	3,227	6,095	9,735
Inter-segment revenue	1,015	712	-	-	1,015	712
Segment revenue	4,550	7,220	2,560	3,227	7,110	10,447
Segment gross profit	2,590	3,365	451	1,680	3,041	5,045

mln RUB	Agricultural production		Malt production		Total	
	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Finance income	400	565	-	-	400	565
Finance costs	(1,166)	(1,023)	-	-	(1,166)	(1,023)
Depreciation	592	604	161	149	753	753

mln RUB	31 December		31 December		31 December	
	30 June 2017	2016	30 June 2017	2016	30 June 2017	2016
Segment assets	41,646	37,682	4,911	4,958	46,557	42,640
Property, plant and equipment	20,173	19,998	3,908	4,063	24,081	24,061

(ii) *Revenue reconciliation of reportable segments*

mln RUB	Six months ended 30 June 2017	Six months ended 30 June 2016
Revenue		
Total revenue of reportable segments	7,110	10,447
Elimination of inter-segment revenue	(1,015)	(712)
Consolidated revenue	6,095	9,735

(iii) *Geographic information*

During the 6 months ended 30 June 2017 revenue from the sale of agricultural produce to customers in Russia and abroad amounted to RUB 5,250 million and RUB 845 million respectively (during the 6 months ended 30 June 2016: RUB 5,550 million and RUB 4,185 million respectively).

At 30 June 2017 and 31 December 2016 all non-current assets of the Group were located in the Russian Federation.

(iv) *Major customer*

During the 6 months ended 30 June 2017, revenue from one customer of the Group’s “Malt production” segment represented approximately 9% (RUB 527 million) of the Group’s total revenue (during the 6 months ended 30 June 2016, revenue from one customer of the Group’s “Agricultural production” segment represented approximately 23% (RUB 2,231 million) of the Group’s total revenue)

19 Events after the reporting date

In July-August 2017 the companies of the Group signed credit contracts with a third-party bank for RUB 3,500 million.