

Independent auditor's report  
on the consolidated financial statements of  
**Joint Stock Company "United Grain Company"**  
**and its subsidiaries**  
for 2021

*April 2022*

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## Independent auditor's report

To the Shareholders and the Board of Directors of  
Joint Stock Company "United Grain Company"

### **Opinion**

We have audited the consolidated financial statements of Joint Stock Company "United Grain Company" (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for 2021 in accordance with International Financial Reporting Standards (IFRS).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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**Key audit matter**

**How our audit addressed the matter**

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***Recognition of revenue***

Given the volume of the Group's operations and different types of its activities, revenue recognition is a complicated process. It was a key audit matter because revenue recognition requires management to make judgments on the basis of interpreting contractual terms, market conditions of goods delivery and nature of services.

The amount of accrued revenue is disclosed in Note 22 to the consolidated financial statements.

We examined the internal control over the recognition of revenue under contracts with customers, examined the terms of concluded contracts for the sale of grain, transshipment services and other activities of the Group. We also examined the assumptions applied by management to make conclusions in respect of determining performance obligations under contracts with customers, timing of the satisfaction of performance obligations, approaches to accounting for and recognition of revenue and expenses in the statement of profit or loss and other comprehensive income.

In the course of our audit procedures, we, among other things, analyzed fluctuations in selling and purchase prices on a monthly basis and as compared to official statistical data. We examined the results of reconciliations with significant customers, selectively compared revenue recognized under contracts with customers with primary documents' data, used special analyzing tools to review revenue allocation by month, compared it with similar data for the previous year and assessed the effect of three-way correlation among revenue, accounts receivable and cash turnover.

We analyzed the revenue recognition disclosures in the consolidated financial statements.

***Grain availability at elevators***

The Group has significant closing inventory balances. In accordance with the requirements of the Russian legislation, the Group must perform annual stock-taking to confirm that assets recorded in the balance sheet actually exist.

As the inventories are significant and it is necessary to verify that assets recorded in the Group's balance sheet actually exist, this was one of our key audit matters.

The inventory balances are disclosed in Note 12 to the financial statements.

We examined the internal control over stock-taking procedures for actual existence of grain kept both at the Group's elevators and in safe custody of third parties. We observed the Group's stock-taking of grain kept at its own elevators and in safe custody of third parties.

We examined the documentation prepared as a result of the Group's stock-taking, conditions of inventory storage, observed the inventory counting and counted a sample of stock items. We compared the results of stock-taking recorded in the respective documents with the accounting records.

## ***Responsibilities of management and the Board of Directors for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

## ***Auditor's responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and related disclosures.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



Совершенство бизнес,  
улучшаем мир

- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Group. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A.A. Mankov,  
acting on behalf of Ernst & Young LLC  
on the basis of power of attorney dated 1 March 2022  
as the partner in charge of the audit resulting in this independent auditor's report (main  
registration number 21906108292)

1 April 2022

**Details of the auditor**

Name: Ernst & Young LLC  
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.  
Address: Russia 115035, Moscow, Sadovnicheskaya nab., 77, bld. 1.  
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo".  
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations,  
main registration number 12006020327.

**Details of the audited entity**

Name: Joint Stock Company "United Grain Company"  
Record made in the State Register of Legal Entities on 21 March 2007, State Registration Number 5077746345540.  
Address: Russia 107140, Moscow, Orlikov per., 3, bld. 1.

**JSC "United Grain Company"**  
**Notes to the consolidated financial statements**  
**for the year ended 31 December 2021**

<i>In thousands of Russian rubles</i>	Note	31 December 2021	31 December 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	14,349,293	13,761,197
Advances paid for property, plant and equipment	9	27,323	79,781
Right-of-use assets	10	72,962	259,129
Investments in associates	11	588,513	673,155
Deferred tax assets	30	193,566	367,053
Other non-current assets		90,650	34,085
<b>Total non-current assets</b>		<b>15,322,307</b>	<b>15,174,400</b>
<b>Current assets</b>			
Inventories	12	5,929,686	7,370,064
Trade and other receivables	13	19,774,410	11,254,344
Prepayments	14	3,061,533	3,619,004
Current income tax prepayments		176,461	459,207
Short-term investments	15	36,252	74,000
Cash and cash equivalents	16	10,662,767	7,877,039
Other current assets		8,209	7,907
<b>Total current assets</b>		<b>39,649,318</b>	<b>30,661,565</b>
<b>TOTAL ASSETS</b>		<b>54,971,625</b>	<b>45,835,965</b>
<b>EQUITY</b>			
Share capital	17	7,029,879	7,029,879
Share premium	17	4,464,394	4,464,394
Retained earnings		6,475,424	3,420,809
<b>Equity attributable to the Company's owners</b>		<b>17,969,697</b>	<b>14,915,082</b>
Non-controlling interest	34	4,520,016	3,843,228
<b>TOTAL EQUITY</b>		<b>22,489,713</b>	<b>18,758,310</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	30	347,054	344,670
Long-term loans and borrowings	18	338,042	1,221,046
Lease liabilities	10	66,976	83,942
Post-employment defined benefit obligations		53,456	67,231
<b>Total non-current liabilities</b>		<b>805,528</b>	<b>1,716,889</b>
<b>Current liabilities</b>			
Short-term loans and borrowings	18	19,087,620	21,719,174
Lease liabilities	10	11,945	5,347
Trade and other payables	19	9,081,796	2,176,475
Finance liabilities under reverse factoring	20	1,622,464	-
Current income tax liabilities		2,166	15,745
Other taxes payable	21	246,646	329,533
Provisions for liabilities and charges	32	1,623,747	1,114,492
<b>Total current liabilities</b>		<b>31,676,384</b>	<b>25,360,766</b>
<b>TOTAL LIABILITIES</b>		<b>32,481,912</b>	<b>27,077,655</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>54,971,625</b>	<b>45,835,965</b>

Approved for issue and signed on 1 April 2022

Sergeev D.G.  
General Director

Kafizov R.T.  
Financial Director

**JSC “United Grain Company”**  
**Consolidated statement of comprehensive income**  
**for the year ended 31 December 2021**

<i>In thousands of Russian rubles</i>	<b>Note</b>	<b>2021</b>	<b>2020</b>
Revenue	22	104,307,524	64,521,258
Cost of sales (less trading)	23	(4,332,345)	(4,545,082)
Cost of trading	24	(91,066,309)	(54,421,525)
<b>Gross profit</b>		<b>8,908,870</b>	<b>5,554,651</b>
Distribution costs	25	(346,539)	(429,158)
Administrative expenses	26	(2,002,810)	(1,752,907)
Other operating expenses	27	(694,712)	(1,173,650)
Other operating income	28	1,263,235	1,293,796
<b>Operating profit</b>		<b>7,128,044</b>	<b>3,492,732</b>
Finance income	29	345,682	414,532
Finance expense	29	(1,359,150)	(1,029,275)
Share of results of associates and impairment of investments in associates	11	(82,282)	40,892
<b>Profit before tax</b>		<b>6,032,294</b>	<b>2,918,881</b>
Income tax expense	30	(1,476,702)	(708,257)
<b>Profit for the year</b>		<b>4,555,592</b>	<b>2,210,624</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of post-employment defined benefit obligations		17,042	(11)
Income tax on remeasurement of post-employment defined benefit obligations	30	(3,408)	2
<b>Other comprehensive income/(loss) for the year</b>		<b>13,634</b>	<b>(9)</b>
<b>Total comprehensive income for the year</b>		<b>4,569,226</b>	<b>2,210,615</b>
<b>Profit attributable to:</b>			
- Owners of the Company	31	3,341,708	1,180,845
- Non-controlling interest	34	1,213,884	1,029,779
<b>Profit for the year</b>		<b>4,555,592</b>	<b>2,210,624</b>
<b>Total comprehensive income attributable to:</b>			
- Owners of the Company		3,348,661	1,180,840
- Non-controlling interest		1,220,565	1,029,775
<b>Total comprehensive income for the year</b>		<b>4,569,226</b>	<b>2,210,615</b>
Earnings per ordinary share for profit from operating activities attributable to the owners of the Company (in RUB per share)	31	475.36	167.98
	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>EBITDA (non-IFRS measure)</b>			
Operating profit		7,128,044	3,492,732
<i>Adjustments to operating profit</i>			
Depreciation and amortization	7	549,397	545,001
Share of results of associates and impairment of investments in associates	7, 11	(82,282)	40,892
<b>EBITDA</b>		<b>7,595,159</b>	<b>4,078,625</b>



**JSC “United Grain Company”**  
**Consolidated statement of changes in equity**  
**for the year ended 31 December 2021**

<i>In thousands of Russian rubles</i>	Attributable to shareholders of the Company				Non-controlling interest	Total equity
	Share capital	Share premium	Retained earnings	Total		
<b>Balance at 31 December 2019</b>	<b>7,029,879</b>	<b>4,464,394</b>	<b>2,633,031</b>	<b>14,127,304</b>	<b>3,222,338</b>	<b>17,349,642</b>
Profit for the year	–	–	1,180,845	<b>1,180,845</b>	1,029,779	<b>2,210,624</b>
Other comprehensive loss for the year	–	–	(5)	<b>(5)</b>	(4)	<b>(9)</b>
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>1,180,840</b>	<b>1,180,840</b>	<b>1,029,775</b>	<b>2,210,615</b>
Dividends declared to non-controlling interests	–	–	–	–	(408,885)	<b>(408,885)</b>
Dividends declared to owners of the Company (Note 17)	–	–	(393,062)	<b>(393,062)</b>	–	<b>(393,062)</b>
<b>Balance at 31 December 2020</b>	<b>7,029,879</b>	<b>4,464,394</b>	<b>3,420,809</b>	<b>14,915,082</b>	<b>3,843,228</b>	<b>18,758,310</b>
Profit for the year	–	–	3,341,708	<b>3,341,708</b>	1,213,884	<b>4,555,592</b>
Other comprehensive income for the year	–	–	6,953	<b>6,953</b>	6,681	<b>13,634</b>
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>3,348,661</b>	<b>3,348,661</b>	1,220,565	<b>4,569,226</b>
Dividends declared to non-controlling interests	–	–	–	–	(543,777)	<b>(543,777)</b>
Dividends declared to owners of the Company (Note 17)	–	–	(294,046)	<b>(294,046)</b>	–	<b>(294,046)</b>
<b>Balance at 31 December 2021</b>	<b>7,029,879</b>	<b>4,464,394</b>	<b>6,475,424</b>	<b>17,969,697</b>	<b>4,520,016</b>	<b>22,489,713</b>

**JSC “United Grain Company”**  
**Consolidated statement of cash flows**  
**for the year ended 31 December 2021**

<i>In thousands of Russian rubles</i>	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>			
Profit before tax		6,032,294	2,918,881
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	9	508,844	502,720
Depreciation of right-of-use assets	10	40,553	42,281
Share of results of associates and impairment of investments in associates	11	82,282	(40,892)
Change in allowance for expected credit losses	27, 28	218,724	(60,985)
Change in allowance for impairment of prepayments		(35)	91
Loss/(gain) on disposal of property, plant and equipment	27	51,534	(22,940)
Loss from writing off lease rights	27	148,462	–
Finance income	29	(345,682)	(414,532)
Finance expense	29	1,359,150	1,029,275
Change in allowance for net realizable value of inventories	28	(11,503)	(25,101)
Legal claims and other provisions	28	(103,410)	163,657
Net (gain)/loss from exchange differences related to investing and financing activities		(86,573)	218,196
Effect of disposal of subsidiaries		(4,848)	–
Accrual of provision for unused vacations		173,868	108,092
<b>Operating cash flows before changes in working capital</b>		<b>8,063,660</b>	<b>4,418,743</b>
Change in trade and other receivables		(7,994,910)	(6,423,498)
Change in inventories		1,451,881	(4,840,035)
Change in trade and other payables		7,587,760	(155,158)
Change in other current assets and liabilities		(56,867)	(14,384)
<b>Net cash from/(used in) operating activities before tax</b>		<b>9,051,524</b>	<b>(7,014,332)</b>
Income tax paid		(1,138,683)	(1,128,202)
<b>Net cash from/(used in) operating activities</b>		<b>7,912,841</b>	<b>(8,142,534)</b>
<b>Cash flows from investing activities</b>			
Purchase of property plant and equipment		(800,503)	(856,638)
Proceeds from sale of property, plant and equipment		–	14,017
Dividends received from associates	11	2,360	2,359
Sale of interest in subsidiary	11	10	–
Amounts withdrawn from deposit accounts		123,550	82,500
Amounts placed on deposit accounts with banks		(87,550)	(86,000)
Interest received		276,008	447,390
<b>Net cash used in investing activities</b>		<b>(486,125)</b>	<b>(396,372)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans and borrowings	18	51,221,585	59,131,374
Repayment of loans and borrowings	18	(54,769,869)	(48,381,515)
Financing under reverse factoring	20	1,622,464	–
Interest paid under reverse factoring	20	(69,752)	–
Interest paid	18	(1,298,421)	(999,152)
Payment of principal portion of lease liabilities	10	(10,368)	(22,229)
Payments of interest on lease liabilities	10	(4,452)	(8,736)
Dividends paid	17	(1,182,039)	(645,414)
<b>Net cash (used in)/from financing activities</b>		<b>(4,490,852)</b>	<b>9,074,328</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,935,864</b>	<b>535,422</b>
Effect of exchange rate changes on cash and cash equivalents		(150,136)	521,280
Cash and cash equivalents at the beginning of the period	16	7,877,039	6,820,337
<b>Cash and cash equivalents at the end of the period</b>	16	<b>10,662,767</b>	<b>7,877,039</b>

**JSC “United Grain Company”**  
**Notes to the consolidated financial statements**  
**for the year ended 31 December 2021**

**1 General information on the Group and its principal activities**

**Description of the business.** These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2021 for JSC “United Grain Company” (hereafter, the “Company”) and its subsidiaries (hereafter, the “Group” or “UGC Group”).

The Company was registered by the Federal Agency for State Property Management (Rosimushchestvo) as an open joint stock company on 21 March 2007 under the name Agency for Regulation of Food Market. On 8 May 2009, the Company was renamed OJSC “United Grain Company” in accordance with Decree No. 290 of the Russian President dated 20 March 2009. On 5 November 2015, the Company was renamed Joint Stock Company “United Grain Company” (JSC “UGC”) in accordance with decision of annual general shareholders’ meeting.

The Government of the Russian Federation through Rosimushchestvo is the ultimate controlling party of the Group. As at 31 December 2021 and 31 December 2020, Rosimushchestvo owns 50% plus 1 share of the total issued shares in the Company.

Principal subsidiaries included into these consolidated financial statements are listed below.

Entity	Principal activity by segment	Group’s share in the share capital, %	
		31 December 2021	31 December 2020
PJSC “NKHP”	Port transshipment, trading, production and freight forwarding services	51%	51%
LLC “DVZT”	Port transshipment	100%	100%
LLC “Torgovyi Dom UGC”	Trading	100%	100%
LLC “UGC Center”	Trading	100%	100%
LLC “UGC Tambov” <sup>1</sup>	Trading	100%	100%
LLC “UGC Trading” <sup>2</sup>	Trading	100%	100%
GRAINEXPORT SA	Trading	100%	100%
OJSC “Buturlinovskiy Melcombinat”	Flour production	51%	51%
OJSC “Ardatovskoe HPP”	Grain storage	100% – 1 share	100% – 1 share
OJSC “Atyashvskoe HPP”	Grain storage	100% – 1 share	100% – 1 share
OJSC “Obrochinskoe HPP”	Grain storage	100% – 1 share	100% – 1 share
OJSC “Reservhleb”	Grain storage	100%	100% – 1 share
OJSC “Orskiy Elevator”	Grain storage	99.58%	99.58%
LLC “Agrostandart”	Agriculture	–*	51%
JSC “Elevator”	Grain storage	82.49%	82.49%
OJSC “Grachevskiy Elevator”	Grain storage	51%	51%
OJSC “Pallasovskiy Elevator”	Grain storage	–***	51%
JSC “Portovyi Elevator”	Port transshipment	51%	51%
OJSC “Surovinskiy Elevator”	Grain storage	51%	51%
JSC “Elevatorspetsmontazh”	Repair of machinery and equipment	100%	100%

\* In March 2021, the Group sold its interest (51%) in LLC “Agrostandart” (a subsidiary) for RUB 10.

\*\* The Group recognized the disposal of OJSC “Pallasovskiy Elevator” as it was declared bankrupt on 10 June 2021.

<sup>1</sup> In 2021, LLC “UGC Sibir” was renamed LLC “UGC Tambov.”

<sup>2</sup> In 2021, LLC “UGC South” was renamed LLC “UGC Trading.”

**Principal activity.** Principal activities of the Group involve grain trading, port transshipment, transportation services, flour production, grain storage and acting as an agent in state interventions in the grain market (Note 38). The Group’s manufacturing and logistic facilities are based in Russia. In 2016, the Group acquired a grain trading company registered and operating under the laws of Switzerland.

**Registered address and place of business.** The Company’s registered address and place of business is Russian Federation 107140, Moscow, Orlikov per., 3, bld.1.

**Presentation currency.** All amounts in these consolidated financial statements are presented in thousands of Russian rubles (“RUB”), unless otherwise stated.