



URALSKIY SOYUZ

AUDIT

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Translation

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The main registration number of the record (ORNZ) in the state register of auditors and auditing organizations is 12006017820.

The General Director is Aleksandr Sergeevich Mironov, Auditor Qualification Certificate No.01-000578, issued on March 19, 2012 for an unlimited time. ORNZ – 21706017287 in SRO AAS.

Audit report

Audit Uralskiy Soyuz JSC

on the consolidated financial statements of

Joint Stock Company “United Grain Company” and its subsidiaries for the period from 01.01.2022 to 31.12.2022

№ 80 dated April 03, 2023

Moscow

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and 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" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for 2022, 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 2022 and its consolidated financial performance and its consolidated cash flows for 2022 in accordance with International Financial Reporting Standards (IFRSs).

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 the 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 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.

Key audit matter

How our audit addressed the matter

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 the 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.

Other matters

The consolidated financial statements of Joint Stock Company "United Grain Company" and its subsidiaries for 2021 were audited by another auditor Ernst & Young LLC, who expressed an unmodified opinion on those financial statements on 1 April 2022.

Responsibilities of management and 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 IFRSs, 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.

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 for 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;
- 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.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

A.S. Mironov

General Director

Audit Uralskiy Soyuz JSC (main registration number 21706017287)



M.V. Rizvanova

In charge of the audit resulting

in this independent auditor's report (main registration number 21706017298)

Auditor:

Audit Uralskiy Soyuz JSC

109004, Moscow, Bolshoy Fakelnyi lane, 3, of. 145

main registration number 12006017820

"03" of April 2023

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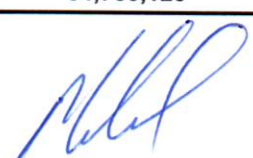
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JSC "United Grain Company"
Consolidated statement of financial position as at 31 December 2022

<i>In thousands of Russian rubles</i>	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	9	14,570,443	14,349,293
Advances paid for property, plant and equipment	9	3,310	27,323
Right-of-use assets	10	93,298	72,962
Long-term loans issued		22,451	6,500
Investments in associates	11	517,286	588,513
Deferred tax assets	30	628,106	193,566
Other non-current assets		41,883	84,150
Total non-current assets		15,876,777	15,322,307
Current assets			
Inventories	12	6,802,130	5,929,686
Trade and other receivables	13	25,864,541	19,774,410
Prepayments	14	2,556,264	3,061,533
Current income tax prepayments		64,862	176,461
Short-term investments	15	5,043,090	36,252
Cash and cash equivalents	16	8,537,461	10,662,767
Other current assets		10,001	8,209
Total current assets		48,878,349	39,649,318
TOTAL ASSETS		64,755,126	54,971,625
EQUITY			
Share capital	17	7,029,879	7,029,879
Share premium	17	4,464,394	4,464,394
Retained earnings		9,114,015	6,475,424
Equity attributable to the Company's owners		20,608,288	17,969,697
Non-controlling interest	34	5,437,436	4,520,016
TOTAL EQUITY		26,045,724	22,489,713
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	30	484,797	347,054
Long-term loans and borrowings	18	22,451	338,042
Lease liabilities	10	89,714	66,976
Post-employment defined benefit obligations		54,840	53,456
Long-term accounts payable		9,004	-
Total non-current liabilities		660,806	805,528
Current liabilities			
Short-term loans and borrowings	18	23,603,177	19,087,620
Lease liabilities	10	10,673	11,945
Trade and other payables	19	3,223,336	9,081,796
Finance liabilities under reverse factoring	20	10,327,893	1,622,464
Current income tax liabilities		272,061	2,166
Other taxes payable	21	322,492	246,646
Provisions for liabilities and charges	32	288,964	1,623,747
Total current liabilities		38,048,596	31,676,384
TOTAL LIABILITIES		38,709,402	32,481,912
TOTAL LIABILITIES AND EQUITY		64,755,126	54,971,625

Approved for issue and signed on 3 April 2023.


 Sergeev D.G.
 General Director



 Kafizov R.T.
 Director of Economics

JSC “United Grain Company”
Consolidated statement of comprehensive income for the year ended 31 December 2022

<i>In thousands of Russian rubles</i>	Note	2022	2021
Revenue	22	73,746,090	104,307,524
Cost of sales (less trading)	23	(5,454,990)	(4,332,345)
Cost of trading	24	(60,390,700)	(91,066,309)
Gross profit		7,900,400	8,908,870
Distribution costs	25	(362,906)	(346,539)
Administrative expenses	26	(1,947,446)	(2,002,810)
Other operating expenses	27	(3,948,138)	(694,712)
Other operating income	28	3,647,156	1,263,235
Operating profit		5,289,066	7,128,044
Finance income	29	878,648	345,682
Finance expense	29	(1,885,883)	(1,359,150)
Share of results of associates and impairment of investments in associates	11	98,621	(82,282)
Profit before tax		4,380,452	6,032,294
Income tax expense	30	(829,561)	(1,476,702)
Profit for the year		3,550,891	4,555,592
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of post-employment defined benefit obligations		1,981	17,042
Income tax on remeasurement of post-employment defined benefit obligations	30	(396)	(3,408)
Other comprehensive income/(loss) for the year		1,585	13,634
Total comprehensive income for the year		3,552,476	4,569,226
Profit attributable to:			
- Owners of the Company	31	2,637,783	3,341,708
- Non-controlling interest	34	913,108	1,213,884
Profit for the year		3,550,891	4,555,592
Total comprehensive income attributable to:			
- Owners of the Company		2,638,591	3,348,661
- Non-controlling interest		913,885	1,220,565
Total comprehensive income for the year		3,552,476	4,569,226
Earnings per ordinary share for profit from operating activities attributable to the owners of the Company (in RUB per share)	31	375.22	475.36
	Note	2022	2021
EBITDA (non-IFRS measure)			
Operating profit		5,289,066	7,128,044
<i>Adjustments to operating profit</i>			
Depreciation and amortization	7	544,526	549,397
Share of results of associates and impairment of investments in associates	7, 11	98,621	(82,282)
EBITDA		5,932,213	7,595,159

JSC “United Grain Company”
Consolidated statement of changes in equity for the year ended 31 December 2022

<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		
Balance at 31 December 2020	7,029,879	4,464,394	3,420,809	14,915,082	3,843,228	18,758,310
Profit for the year	–	–	3,341,708	3,341,708	1,213,884	4,555,592
Other comprehensive loss for the year	–	–	6,953	6,953	6,681	13,634
Total comprehensive income for the year	–	–	3,348,661	3,348,661	1,220,565	4,569,226
Dividends declared to non-controlling interests	–	–	–	–	(543,777)	(543,777)
Dividends declared to owners of the Company (Note 17)	–	–	(294,046)	(294,046)	–	(294,046)
Balance at 31 December 2021	7,029,879	4,464,394	6,475,424	17,969,697	4,520,016	22,489,713
Profit for the year	-	-	2,637,783	2,637,783	913,108	3,550,891
Other comprehensive income for the year	-	-	808	808	777	1,585
Total comprehensive income for the year	-	-	2,638,591	2,638,591	913,885	3,552,476
Dividends declared to non-controlling interests	-	-	-	-	12,413	12,413
Recovery of unclaimed dividends	-	-	-	-	(8,878)	(8,878)
Balance at 31 December 2022	7,029,879	4,464,394	9,114,015	20,608,288	5,437,436	26,045,724

JSC “United Grain Company”
Consolidated statement of cash flows for the year ended 31 December 2022

<i>In thousands of Russian rubles</i>	Note	2022	2021
Cash flows from operating activities			
Profit before tax		4,380,452	6,032,294
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	9	520,042	508,844
Depreciation of right-of-use assets	10	24,484	40,553
Share of results of associates and impairment of investments in associates	11	(98,621)	82,282
Change in allowance for expected credit losses	27, 28	2,183,358	218,724
Change in allowance for impairment of prepayments		-	(35)
Loss/(gain) on disposal of property, plant and equipment	27	(603,687)	51,534
Loss from writing off lease rights	27	-	148,462
Finance income	29	(878,648)	(345,682)
Finance expense	29	1,885,883	1,359,150
Change in allowance for net realizable value of inventories	28	(27,150)	(11,503)
Legal claims and other provisions	28	(443,972)	(103,410)
Net (gain)/loss from exchange differences related to investing and financing activities		(964,616)	(86,573)
Effect of disposal of subsidiaries		456,273	(4,848)
Accrual of provision for unused vacations		294,978	173,868
Loss on disposal of associate		10,078	-
Acquisition of receivables at a discount		(563,925)	-
Net loss from trading in derivative financial instruments		718,541	-
Operating cash flows before changes in working capital		6,893,470	8,063,660
Change in trade and other receivables		(6,090,131)	(7,994,910)
Change in inventories		(872,444)	1,451,881
Change in trade and other payables		(757,626)	7,587,760
Change in other current assets and liabilities		7,368,854	(56,867)
Net cash from/(used in) operating activities before tax		6,542,123	9,051,524
Income tax paid		(769,724)	(1,138,683)
Net cash from/(used in) operating activities		5,772,399	7,912,841
Cash flows from investing activities			
Purchase of property plant and equipment		(1,196,945)	(800,503)
Sale of fixed assets		1,026,230	-
Acquisition of an associate		(3,234)	-
Dividends received from associates	11	1,770	2,360
Sale of interest in associate	11	158,000	10
Amounts withdrawn from deposit accounts		93,000	123,550
Amounts placed on deposit accounts with banks		(117,800)	(87,550)
Issuance of loans		(11,196,046)	-
Return of loans issued		6,187,256	-
Interest received		759,614	276,008
Net cash used in investing activities		(4,288,155)	(486,125)
Cash flows from financing activities			
Proceeds from loans and borrowings	18	38,270,598	51,221,585
Repayment of loans and borrowings	18	(35,261,053)	(54,769,869)
Financing under reverse factoring	20	(4,839,788)	1,622,464
Interest paid under reverse factoring	20	(266,749)	(69,752)
Interest paid	18	(1,821,608)	(1,298,421)
Payment of principal portion of lease liabilities	10	-	(10,368)
Payments of interest on lease liabilities	10	(10,659)	(4,452)
Dividends paid	17	(11,980)	(1,182,039)
Net cash (used in)/from financing activities		(3,941,239)	(4,490,852)
Net increase in cash and cash equivalents		(2,456,995)	2,935,864
Effect of exchange rate changes on cash and cash equivalents		331,689	(150,136)
Cash and cash equivalents at the beginning of the period	16	10,662,767	7,877,039
Cash and cash equivalents at the end of the period	16	8,537,461	10,662,767

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 2022 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 2022 and 31 December 2021, 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 2022	31 December 2021
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”	Trading	100%	100%
LLC “UGC Trading”	Trading	100%	100%
GRAINEXPORT SA	Trading	-%*	100%
OJSC “Buturlinovskiy Melcombinat”	Flour production	51%	51%
OJSC “Ardatovskoe HPP”	Grain storage	100% – 1 share	100% – 1 share
OJSC “Atyashevskoe 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%
OJSC “Orskiy Elevator”	Grain storage	99.58%	99.58%
JSC “Elevator”	Grain storage	82.49%	82.49%
OJSC “Grachevskiy Elevator”	Grain storage	51%	51%
JSC “Portovyi Elevator”	Port transshipment	51%	51%
OJSC “Surovinskiy Elevator”	Grain storage	51%	51%
JSC “Elevatorspetsmontazh”	Repair of machinery and equipment	100%	100%

*September 30, 2022 the Company ceased to exercise control over GRAINEXPORT SA, in connection with which GRAINEXPORT SA was excluded from the perimeter of the OZK Group. In these consolidated financial statements, the turnover of GRAINEXPORT SA for the first 9 months of 2022 is recognized.

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).

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.