CHERKIZOVO
SINCE 1974

№ 2020
ANNUAL REPORT

The Art of eating

5 BEST RECIPES FROM THE CHEFS

The art of eating

COOKING REALLY IS AN ART.

And, as behind every great work of art, there stands two things – quality materials and meticulous craftsmanship. Here at Cherkizovo Group we are perfectly aware of that. Starting from feed production, we always make sure to painstakingly source the highest quality ingredients. We take special care of our animals, treating them kindly and providing them with a wholesome diet. This ensures that Cherkizovo products are always top-quality. We delicately deliver these products to the shelves where consumers can get their hands on them and start working wonders in the kitchen.

Russian style roast pork

Sergey Starkov
New family recipes

A treat for your taste buds

About the Company

Cherkizovo Group is Russia's largest producer and a major processor of meat ranking first in chicken production, second in turkey production, and fourth in pork production. We are a consumer-oriented company committed to quality and product excellence.

Cherkizovo Group has come a long way to build a highly successful and efficient business. We started with a single facility – Cherkizovsky Meat Processing Plant – to grow into the country's largest meat manufacturer controlling the entire production chain from growing and producing crops to delivering the end-product.

The Company's success rests firmly on our ability to cater to consumer preferences. We carefully monitor market trends as we seek to meet and anticipate our customers' needs. For several years, our focus has been on developing the Company's key brands such as Petelinka, Kurinoe Tsarstvo, Cherkizovo, and Pava-Pava.

About the report

The annual report contains information on the activities of Public Joint Stock Company "Cherkizovo Group" ("Cherkizovo Group", "Cherkizovo", the "Group", the "Company") for the period from 1 January to 31 December of 2020.

The report discloses financial and non-financial performance, details on the the Group's strategy, and information on the corporate governance framework. It also covers the key results of the Company's corporate social responsibility performance.

The report has been prepared with reference to GRI Sustainability Reporting Standards.

For further details see page 238

№1 Top-ranking Russian meat producer[1]

№1 Leading chicken producer in 2020[2][5]

№4 Among the largest pork producers in Russia in 2020[3]

№2 In the ranking of turkey producers[4]

MOODY'S RATING

B1

EXPERT RA RATING

ruA

ACRA RATING

A+Ru

The Group's shares are quoted on the Moscow Exchange (MOEX)

MOEX:

GCHE

The Group is a member of the National Union of Poultry Farmers, National Union of Swine Breeders, National Meat Association, Association of Bona Fide Agricultural Producers, Russian Union of Industrialists and Entrepreneurs, National Union of Transport and Logistics Experts, and Russian Corporate Counsel Association.

Our values

Producing delicious and safe meat products is our priority

We are responsible for the results of our work to the consumers, employees, and partners. Our focus rests precisely on consumer needs and the highest meat quality for our products.

By developing our business, we contribute to the agricultural potential of the nation

We apply state-of-the-art technologies in agriculture, engage highly qualified experts, and develop both our existing employees and young talent.

We are open to innovation

We are committed to developing new ideas, solutions, technologies and recipes, and adopting best global practices, innovations and scientific findings.

We are passionate about what we do

We seek to maintain our success by building on our strengths, achieve excellence in what we do, and deliver quality meat products to our consumers.

We are a team of experts in meat processing

We employ specialists with a high level of professionalism and expertise in their fields.

Content

1 According to Agroinvestor ranking.

2 According to the Russian Union of Poultry Producers.

3 According to the ranking by the National Union of Swine Breeders.

4 According to the ranking by Agrifoods Strategies.

5 Data provided includes amounts of JV "Tambov Turkey".

Year in numbers

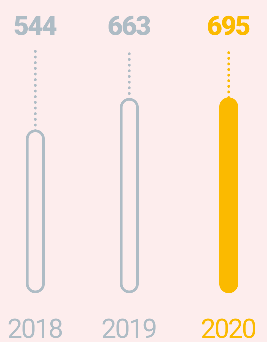
Financial highlights

RUB million	2019	2020	Year-on-year, (%)
Revenue	120,109	128,803	7.2%
Gross profit	26,384	35,064	32.9%
Operating expenses	(16,072)	(16,539)	2.9%
Adjusted EBITDA	20,617	26,556	28.8%
Adjusted EBITDA margin	17%	21%	4 p.p.
Adjusted net profit	8,428	13,897	64.9%
Net operating cash flow	16,056	16,770	4.4%
Net debt	61,206	63,990	4.5%

Sales

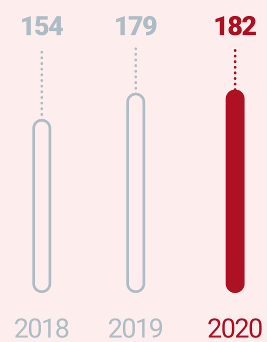
Chicken +4.8%

695 '000 tonnes



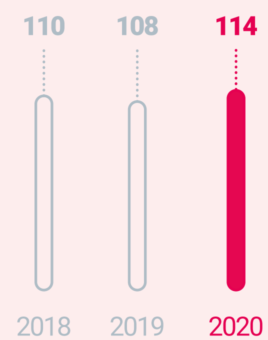
Pork +1.7%

182 '000 tonnes



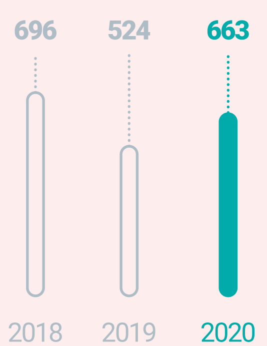
Meat processing +5.5%

114 '000 tonnes



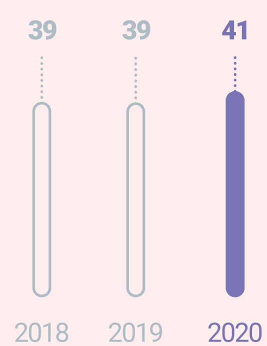
Grain +26.5%

663 '000 tonnes



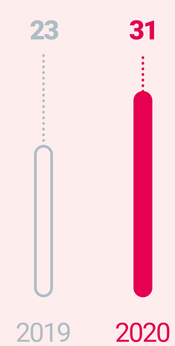
Turkey[1] +5.1%

41 '000 tonnes



Samson – Food Products +34.8%

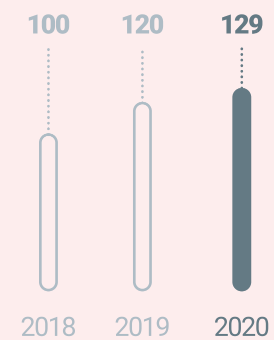
31 '000 tonnes



[1] Turkey data represents sales of turkey meat produced by Tambov Turkey JV through the Group's distribution network.

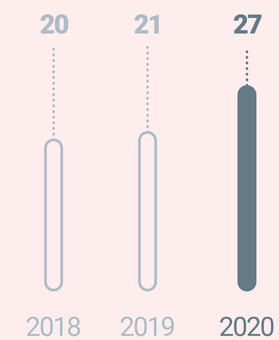
Revenue +7.2%

129 billion RUB



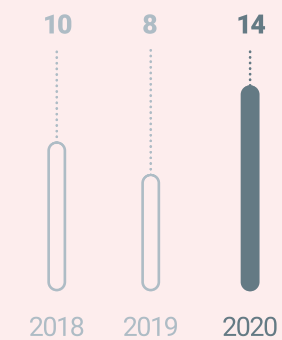
Adjusted EBITDA +28.8%

27 billion RUB



Adjusted net profit +64.9%

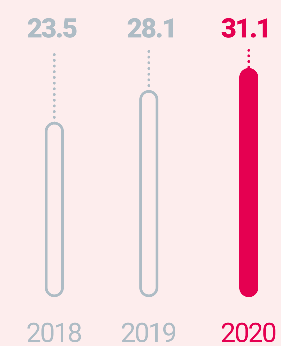
14 billion RUB



Non-financial highlights

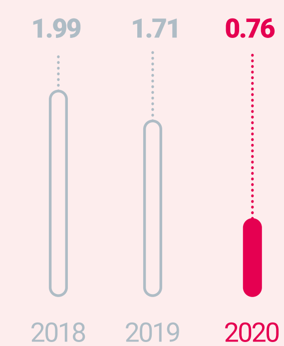
Headcount +11%

31.1 '000 employees



LTIFR -44%

0.76

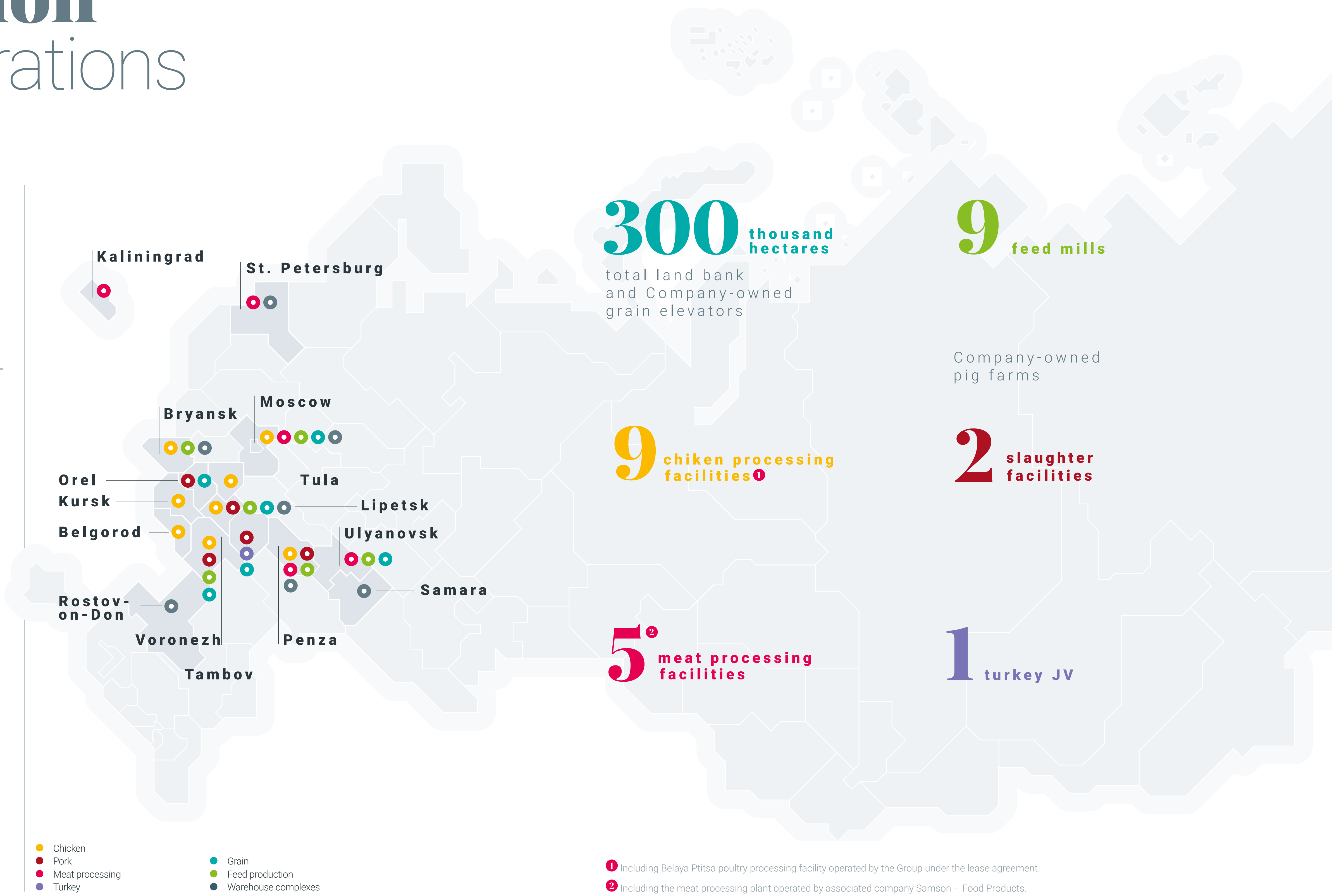


Location of operations

Cherkizovo Group's production assets are located in the most densely populated part of Russia – the Central Federal District, which is also characterized by **the highest purchasing power in the country**. The Company has also expanded into the Siberian Federal District. The geography of our production sites **enables us to cater to over**

>80%

of Russia's population.



300 thousand hectares total land bank and Company-owned grain elevators

9 feed mills

Company-owned pig farms

9 chiken processing facilities[1]

2 slaughter facilities

5[2] meat processing facilities

1 turkey JV

[1] Including Belaya Ptitsa poultry processing facility operated by the Group under the lease agreement.

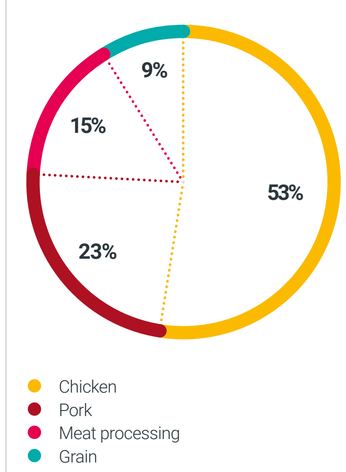
[2] Including the meat processing plant operated by associated company Samson – Food Products.

Segment overview

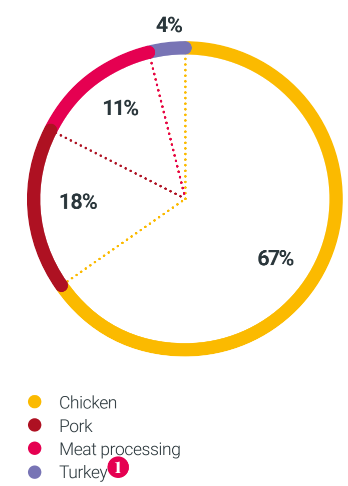
The Group is structured into the product segments of **Chicken**, **Pork**, **Meat Processing** and **Grain**. We also make **turkey meat** products as part of our joint venture with Grupo Fuertes.

The vertically integrated business model covers the entire production chain from **growing grain and feed production** to finished meat products, which guarantees **the highest quality standards**.

Revenue by segment, %



Meat and poultry sales by segment, %



The bulk of the products are sold through federal retail chains, to HoReCa customers, and also exported. The Group's centralized logistics infrastructure guarantees prompt delivery of products.

At Cherkizovo, we keep a close watch on consumer preferences by conducting marketing surveys, reviewing feedback, and testing our key and new products. This fuels market demand for Cherkizovo products.

Business Model see page 60

Turkey represents operations related to purchase and subsequent resale of turkey meat produced by Tambov Turkey JV through the Group's distribution network. Turkey is not an operating segment of the Group.

Chicken

The Chicken segment focuses on chicken products and by-products, as well as an extended mix of branded products. We also have a separate HoReCa product line.

Cherkizovo's flagship brands in the Chicken segment:

ПЕТЕЛИНКА
Куриное Царство
Алтайский бройлер

Other Cherkizovo's brands in the Chicken segment:

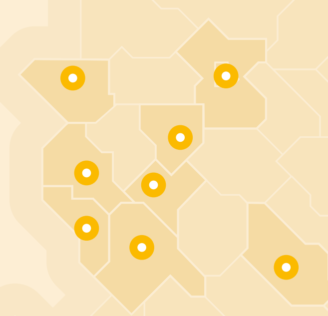
Латифа Халяль
Домашняя Курочка

Core product categories:

chicken products: whole chickens and cuts, chilled and frozen meat, ready-to-cook products, and by-products.

Key facilities:

- **Mosselprom**, Moscow region,
- **Petelinskaya poultry farm**, Moscow region,
- **Vasilyevskaya poultry farm**, Penza region,
- **Lisko Broiler**, Voronezh region,
- **Kurinoe Tsarstvo**, Bryansk and Lipetsk regions,
- **Altaisky Broiler**, Altai Territory,
- **Belaya Ptitsa**[!], Belgorod and Kursk regions
- **Rovensky Broiler** Belgorod region
- **Chicken processing facility in Efremovo**, Tula region



Year's highlights:

- acquisition of Cargill's chicken processing facility for the HoReCa segment,
- growth in poultry exports to Southeast Asia.

What sets us apart:

1. HACCP system
2. FSSC 22000 quality standard
3. 24 hours from farm to fork

[!] Assets are used by the Group pursuant to the lease agreement.

2020 performance

Sales

695 thousand tonnes

+5 % y-o-y

Revenue

74.5 billion RUB

+6 % y-o-y

For further details see page 72

Pork

The Pork segment embraces breeding of market hogs and producing pork products such as half-carcasses and ready-to-cook products that are sold both to the Group companies and third parties. In 2020, the Company produced 302 thousand tonnes of pork (up 6% year-on-year) and sold 182 thousand tonnes of finished products to third parties.

Leading brands:

Черкизово

Core product categories:

- market hogs,
- half-carcasses,
- meat cuts and ready-to-cook products.

Year's highlights:

- completion of a large-scale investment program.

Key geographies:

- slaughter facilities:
  - Dankov,
  - Penza;
- pig farms:
  - Penza region,
  - Lipetsk region,
  - Voronezh region,
  - Tambov region,
  - Orel region.

What sets us apart:

1. HACCP system
2. Highest biosafety status of pig farms
3. Best Animal Welfare practices

2020 performance

Production

302 thousand tonnes

+6% y-o-y

Revenue

33.0 billion RUB

+8% y-o-y

For further details see page 76

Meat processing

The Meat Processing segment manufactures sausages and other products from pork, chicken, turkey, and other meats. Our products are sold under several brands across different price categories.

Leading brands:

Черкизово
МЯСНАЯ ГУБЕРНИЯ
Империя Вкуса
Самсон

Core product categories:

higher value-added products: a variety of sausages, smoked meat, deli meats, and cold cuts.

Year's highlights:

- full capacity reached at the fully automated Kashira-based plant.

Key facilities:

- **meat processing plants:** Cherkizovsky Meat Processing Plant in Moscow and its facilities in Penza, Ulyanovsk, Kaliningrad region and Kashira (Moscow region).

What sets us apart:

1. Large mix of high-quality sausages, deli meats, and ready-to-cook products
2. Certified to GOST R ISO 9001 – 2008 (ISO 9001)
3. Lean manufacturing system
4. FSSC 22000 quality standard

2020 performance

Sales

114 thousand tonnes

+6 % y-o-y

Revenue

21.8 billion RUB

+9 % y-o-y

For further details see page 80

Grain

The Grain segment grows crops that the Group uses to produce feed at in-house mills or sells them to third parties.

Core product categories:

- crops (wheat, soy, sunflower, corn).

Year's highlights:

- starting construction of an oil extraction plant.

Key geographies:

- Voronezh region,
- Lipetsk region,
- Moscow region,
- Orel region,
- Penza region,
- Bryansk region,
- Tambov region.

What sets us apart:

1. Most fertile Central Black Earth regions
2. Standard operating procedures (SOP)
3. Amelioration program

2020 performance

Harvest	Revenue
797 thousand tonnes	12.5 billion RUB
+34 % y-o-y	+117 % y-o-y

For further details see page 86

Turkey

Cherkizovo makes turkey products at Tambov Turkey, its joint venture with Grupo Fuertes. The full-cycle process covers the entire production chain – feed production, breeding, slaughtering, and processing.

Brand

Core product categories:

- turkey meat (fillet, diced meat, steaks, thighs, and wings);
- ready-to-cook products;
- by-products.

Year's highlights:

- completing construction of the second phase of Tambov Turkey.

Key facility:

- JV Tambov turkey

What sets us apart:

1. One of Russia's most pristine areas
2. Certified to ISO 22000:2005
3. FSSC 22000 quality standard

2020 performance

Sales

41 thousand tonnes

+5% y-o-y

Revenue

7.1 billion RUB

+6% y-o-y

For further details see page 90

The Art of eating

CHERKIZOVO GROUP MANUFACTURES A WIDE RANGE OF PRODUCTS:
sausages, hams, ready-to-cook chicken, turkey and pork – in total several hundred products.

There is something there for everyone. However, most importantly, no matter which product is your favourite, you can be sure that every single one is top-notch, containing only premium quality meat and other natural ingredients.

Our consumers

CHERKIZOVO GROUP MAKES PRODUCTS TO SUIT EVERY TASTE.

No matter if you are a healthy eater or a fast food junkie, young or old, stay-at-home mum or dad, you will find your favourite in the Cherkizovo assortment. Our consumers are at the heart of everything we do. After all, it is thanks to them that our products are transformed into true works of culinary art.

Marina Petrova
loves juicy pork steaks

Stasik Izmaylov
is growing up under Granny's care

Vladislav Tretyak
believes chicken burgers are the best food

Irina Chesnokova
prefers nuggets

Ivan Popov
Makes chorizo pizza

Denis Maksimov
is conscious of his diet

Maria Isayeva
sous-chef at Myaso

Anton Matveyev
experiments with cooking

Ilona Bestuzheva
counts calories

Igor Olegovich
is a big fan of grilled turkey

Yegor Vetrov
enjoys spicy food

Alisa Smirnova
is crazy about spicy tacos

The Art
of eating

Bacon

«BRITISH STYLE»

Maria Isayeva
sous-chef at Myaso

Nothing is better for breakfast than toast with delicious crispy bacon and poached egg for a delicate, enveloping flavour.

Grilled toast with asparagus, poached egg and delicious crispy bacon

QUICK & EASY

More Bacon Recipes:
cherkizovo.ru/retsepty/khot-dogi-sosiska-v-bekone-s-pertsem-khalapeno/

The Art
of eating

Steak

CHALAGACH BONE-IN PORK CHOP

Marina Petrova
Loves juicy pork steaks

A pork steak can be healthy and even diet food (if cooked properly, of course). It is rich in protein.

A juicy steak with grilled vegetables and rosemary

CHILL & GRILL

More Pork Recipes:
cherkizovo.ru/retsepty/khot-dogi-sosiska-v-bekone-s-pertsem-khalapeno/

The Art
of eating

Chicken

BUFFALO WINGS

Yegor Vetrov
enjoys spicy food

With the right spices, chicken offers a great variety of dishes easy to cook and amazing in flavour.

JUICY & TASTY

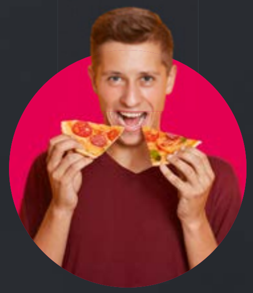
Hot Buffalo wings
with spicy vinegar sauce, Cayenne pepper and melted butter

More Chicken Recipes:
petelinka.ru/recipe/

The Art
of eating

Chorizo

SPICY PIZZA



Ivan Popov
Makes chorizo pizza

Chorizo, a piquant pork sausage with origins in sunny Spain, will add fresh taste to your daily diet.

Spicy pizza with Chorizo sausage

SPICY & NICY

More recipes with meat delicacies:
cherkizovo.ru/retsepty/khot-dogi-sosiska-v-bekone-s-pertsem-khalapeno/

The Art
of eating

Turkey

WHOLE BAKED

Igor Olegovich
is a big fan of grilled turkey

A whole-baked turkey is a great choice for family gatherings – it's very lean and full of healthy nutrients.

LIGHT
&
FLIGHT

Turkey
baked on orange slices
with cranberry sauce

More turkey recipes:
pava-pava.com/recipes/

Investment highlights

No. 1 meat producer

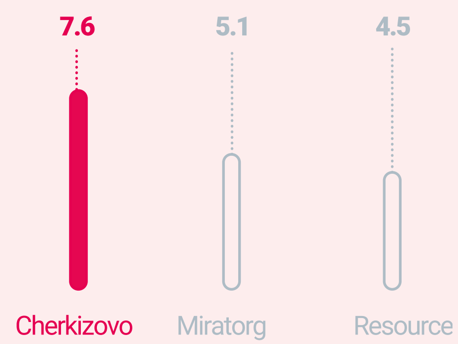
Cherkizovo Group is the leading meat producer in Russia[1], the world's fifth largest meat consumer. Pork and chicken enjoy the strongest demand, with a trend for consumer preferences shifting even further towards these meat categories.

For further details see page 50

[1] According to Agroinvestor largest meat producer 2019 ranking

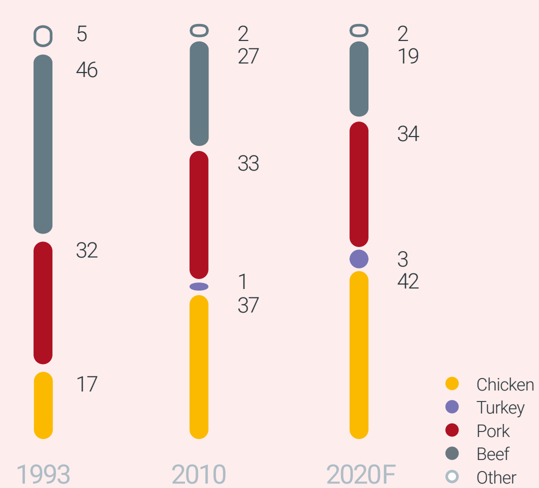
Cherkizovo is the largest meat producer in Russia with a market share of 50% more than its closest competitor

7.6%



80% of meat consumed in Russia is poultry and pork

Meat consumption in Russia by type, %



Vertically integrated business model

Cherkizovo Group boasts a strong vertically integrated business model. Vertical integration mitigates the risks associated with fluctuations in grain and meat prices as well as with disruptions in feedstock supply, while also enhancing control over product quality and safety across the value chain.

We keep working to achieve greater operational efficiency primarily in the following areas:

- capacity utilization improvement;
- optimization of existing production capacities;
- facility upgrades;
- achieving KPIs on par with those of global majors;
- improved crop yield and investment in precision farming in the Grain segment;
- well-balanced feeds (in terms of energy value and protein, micronutrient, and vitamin content).

For further details see page 60

Marketing strategy

Cherkizovo Group's marketing strategy is aimed at increasing sales of value-added products and shoring up the Company's positions in fast growing sales channels.

The Company is actively expanding in new sales channels, namely: HoReCa and exports.

Share of value-added products

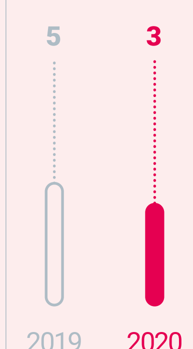
64%

Target share 80%

Focus on new fast-growing sales channels.

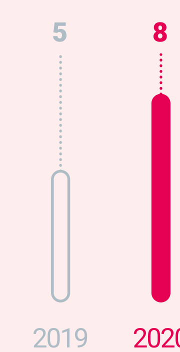
HoReCa's share in the Company's revenue

3%



Exports' share in the Company's revenue

8%

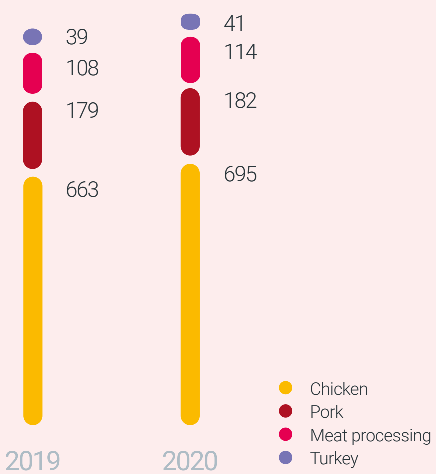


For further details see page 54

Robust growth

Cherkizovo Group has enjoyed many years of robust growth driven both organically and through acquisition.

Sales, '000 tonnes



For further details see page 94

Strong brands

The Company's portfolio comprises 16 brands, including sausage and poultry brands that dominate the market: Cherkizovo, Petelinka, Kurinoe Tsarstvo, Pava-Pava.

The Company continues to expand its value-added product offering. In 2020, value-added products accounted for 64% of its revenue.

The Company introduces new products as it adjusts to the changes in consumer preferences.

We create products based on customer preferences

Brand awareness

51% 24% 39% 62%

Market position

№1 in the chicken product market

№2 in the turkey market

№2 in the sausage and pork product market

Natural products ★★★★

- Control over the entire production chain from growing feed grain to slaughtering and processing
- **Petelinka** is the Company's key brand

Convenience ★★★☆

- A wide range of meat products featuring ready-to-cook (RTC) and ready-to-heat (RTH) products
- Healthy recipes

Healthy eating ★★★☆

- Meeting customer needs for healthy and natural products
- Turkey meat products of the **Pava-Pava** brand

Delicate taste ★★☆☆

- Highest-quality deli meats offered under the **Cherkizovo Premium** brand
- A special production line for high-quality sausages at Kashira-1 meat processing plant

Brand price category

High

Medium

Low

For further details see page 58

★ Consumer preferences

Board of Directors with industry experience in the global companies

Cherkizovo Group adheres to the highest standards of corporate governance and follows global best practices. Its key executives are renowned experts with many years of experience in the industry.

Evgeny Mikhailov

Executive director,
Chairman of the Board of Directors

- Chairman of the Board of Directors of Cherkizovo Group since 2016, Business Development Director
- Before his current appointment in 2016, Evgeny Mikhailov was Head of Investment Projects
- He joined the Group in 2004 as First Deputy CEO of AIC Mikhailovsky
- Prior to that he worked at Morgan Stanley

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Sergey Mikhailov

Executive director,
CEO

- CEO of Cherkizovo Group since 2006
- Marketing Director, Deputy CEO, CEO of Cherkizovsky Meat Processing Plant (from 2001 to 2006)
- Prior to that he worked at Goldman Sachs and Morgan Stanely

20+

Richard Sobel

Non-executive director, Deputy Chairman of the Board of Directors

- Senior Fund Manager at Baring Asset Management (from 1994 to 1997) and Alfa Capital Partners (from 2003 to 2011)
- He is the founder and manager of Altai Advisors
- Previously, he was an adviser at Bain & Company and an investment manager at various firms

25+

Rafael Fuertes

Non-executive director

- Rafael Fuertes is Chairman of the Board of Directors of Grupo Fuertes, a leading Spanish agricultural holding company

25+

Industry experience (years)

Michael Balay

Independent non-executive director

- Michael Balay worked at McKinsey and later became one of the early fellows at the McKinsey Institute
- He held management positions at Cargill and was in charge of grains and oilseeds marketing and global strategy development
- He has been an independent consultant and director since 2016

30+

Filip Kegels

Independent non-executive director

- For more than 30 years, Filip Kegels headed international operations of Danone Group
- He is Vice-President and Non-Executive Chairman of Group Danone China and Japan (Asia-Pacific, India and Middle East)

30+

Christopher Warmoth

Independent non-executive director

- Christopher Warmoth has worked extensively in Western and Eastern Europe, the Middle East, Asia and North America – with P&G, Coca Cola, Heinz and Carlsberg
- He has held a number of regional positions His most recent experience includes the positions of Executive Vice President, Asia Pacific, Africa and Middle East at Heinz, and Executive Vice President, Asia and Africa at Carlsberg
- He currently holds the position of Executive Vice President for Strategy at Carlsberg

40+

Industry experience (years)

For further details see page 134

Company's history

1974

Cherkizovsky Meat Processing Plant opens in Moscow

5 meat processing plants

114 thousand tonnes of sales

1995

Cherkizovo Group taps into the pork market by acquiring the Kuznetsovsky pig farm

Cherkizovo owns full-cycle pork production complexes

302 thousand tonnes produced

№4 in Russia

1998

The Group enters the poultry market after acquiring the Petelinskaya poultry farm

9 poultry farms

695 thousand tonnes of poultry sales

№1 in Russia

2012

Cherkizovo taps into the crop farming market

300 thousand hectares of land

663 thousand tonnes of sales

2016

Cherkizovo Group launches export operations

Today, the Group exports its products to markets across the CIS and South-East Asia

2017

Tambov Turkey reaches full production capacity

2020

41 thousand tonnes of turkey

№2 in Russia

Key events

The second stage of Tambov Turkey came on stream in July

A value-added poultry processing facility in the town of Yefremov in the Tula region was acquired in October.

The Group launched construction of an oil extraction plant in the Lipetsk region.

Events after the reporting date

Board of Directors recommended to the AGM to distribute profits of 2020 financial year and to pay dividends of RUB 134.00 per share, in addition to interim dividends of RUB 48.79 announced in August, 2020.

Message From the Chairman

In 2020, Cherkizovo Group achieved outstanding financial results. We are particularly proud of our performance given the challenging macroeconomic environment the Company faced. Our revenue hit RUB 128.8 billion, while our net profit more than doubled to RUB 15.2 billion.

Evgeny Mikhailov
Chairman of the Board of directors

Governments all around the world spent most of 2020 grappling with COVID-19 and its fallout. The pandemic exacted a serious toll on the global economy and brought about changes in established business processes and consumer behaviour patterns. Russia was no exception, as it witnessed a sharp macroeconomic deterioration on the back of the pandemic. In 2020, Russia's GDP fell by 2.8%, real disposable income declined by 3.5% and consumer inflation rose by 4.9%. As a result, household consumption expenditure shrank by 8.6% over the year.

Food prices in 2020 went up by 6.7%. Meat production costs rose considerably on the back of progressive increases in the price of feed components partly driven by ruble depreciation. Cherkizovo Group managed to mitigate most of the negative external economic factors mentioned above: the Company not only kept its margins from falling but improved them by cutting costs and streamlining production processes. The Company's resilience was further supported by its vertically integrated business model, operating flexibility, biosafety investments and constant fine-tuning of production and processing mechanism in order to diversify revenue sources.

COVID-19

As the country's largest meat producer, Cherkizovo Group paid great attention to ensuring workplace safety and continuity of production processes amid the pandemic. We implemented our first measures as early as February 2020, i.e. before the introduction of the strict nationwide lockdown. We started giving employees free masks and gloves and measuring their temperature as they entered offices and production sites. Regular disinfection of office, warehousing and production facilities became a new reality. Furthermore, meetings with business partners were restricted. The Company's employees were temporarily prohibited from taking part in face-to-face discussions, conferences and other mass events.

These measures helped prevent disruptions at the Company's production sites and ensure steady supplies to retailers across our regions of operation. Due to lockdown, food service providers ground to a nearly complete halt for many months, with consumers instead turning to food retailers. As a result, the Company took quick steps to increase the volume of products manufactured for the retail segment and reduce shipments in the food service channel.

Strategy delivery

Cherkizovo's strategy remained unchanged during 2020. Our core business still primarily relies on retail sales of fresh and processed meat products. The Company continues to focus on expanding the share of value-added goods in its product range. These products are becoming increasingly popular as consumers seek to reduce the time they spend cooking. Growing sales in our key brand categories (Petelinka, Kurinoe Tsarstvo and Pava-Pava) are a clear proof of that trend. We strive to quickly respond to the evolving preferences of Russian consumers by constantly improving our product assortment and recipes as well as investing heavily in promotion.

Food service is still viewed as an important source of revenue growth for the Company. Even though it suffered a major blow during the pandemic, this industry is now firmly on the road to recovery. We believe that eating out will gain momentum in the coming years. Hence, we plan to further expand our presence in the HoReCa segment by promoting closer cooperation with fast food chains and cementing our role as their key supplier. In 2020, Cherkizovo Group acquired a chicken processing facility in the Tula Region, which helped us scale up our partnership with McDonald's, the key consumer of the facility's products.

The dividends paid by Cherkizovo Group to its shareholders for 2020 will amount to

RUB 182.79

per ordinary share

The Company will also continue to pursue organic growth by investing in new production sites and expanding existing facilities. In 2020, we launched the second stage of Tambov Turkey, the Group's joint venture with Spain's Grupo Fuertes. In 2020, we also started building an oil extraction plant in the Lipetsk Region designed to produce soybean oil, meal, lecithin and hulls. Its launch in 2022 will make us more self-sufficient in raw materials for the feed segment.

Further growth of the Company's business may also come on the back of M&As as long as they meet Cherkizovo Group's strategic requirements in terms of profitability, synergies with existing assets and higher share of value-added products.

One such promising acquisition is the purchase of Pit-Product announced in February 2021: this deal will give Cherkizovo a chance to further strengthen its positions in the sausage market in the North-Western Federal District.

Sustainable development

Cherkizovo Group continuously works to upgrade the Company's internal processes and to fine-tune its interactions with external stakeholders. High quality customer service is an absolute priority for the Company. Moreover, Cherkizovo seeks to implement global best practices across the board, while also promoting sustainable development and increasing its work on social projects throughout all regions of operation.

The Company puts a heavy emphasis on occupational safety and strives to reduce the number of workplace injuries. All our employees are provided with the necessary personal protection items and given regular occupational safety briefings. Our production sites have adopted the international Vision Zero concept designed to reduce the number of workplace injuries to zero by continuously improving approaches to safe production management.

We take steps to guarantee security at animal farms. Among other things, we have introduced strict access control, limits on visits, and clinical examinations, as well as prohibited employees from entering different production facilities, ensured smooth operation of all veterinary and sanitary facilities and provided veterinary care for all stock.

Cherkizovo takes environmental protection very seriously and has launched a number of projects to reduce water and power consumption and improve waste recycling. One of our key tasks going forward is to challenge the widespread stereotype that agricultural facilities inherently serve as a source of disturbing odours. We want to prove that modern farms can be clean and safe. That is why we are committed to reducing the environmental impact of our production facilities.

In 2020, Cherkizovo Group maintained a close focus on social projects designed to prevent the spread of COVID-19. The Group provided support to the regions where it operates by supplying personal protective equipment and allocating financial aid to local hospitals. What's more, the Company joined the #WeAreTogether campaign, a Russia-wide charity initiative, to donate over 10,000 sausages to doctors and provide financial assistance to the movement's volunteers. Among the recipients of food donations were not only doctors, but also disadvantaged families and other categories of people in need.

To celebrate the 75th anniversary of the end of WW2, the Company presented its products as a gift to hundreds of war veterans, while also providing financing for the reconstruction of dozens of war memorials throughout the regions where we operate.

The Company remains in constant touch with consumers and uses their feedback as the key tool for shaping its product mix. To that end, we rely on a wide variety of feedback channels, including surveys, hotlines and social media accounts run by the Company and its brands. We are keen to respond to every submitted review.

Cherkizovo also demonstrates commitment to the principles of transparency and fair business conduct in dialogue with its business partners, including suppliers, retail chains, and food service providers. We strive to provide quick responses to incoming messages, give timely updates on changes to the product range and cooperation terms, and always offer thoroughly considered arguments to substantiate our position.

Corporate governance development

2020 saw further improvements to the make-up of Cherkizovo Group's Board of Directors, as new professionals with an extensive track-record of working in international FMCG companies in different markets joined the Board. These changes have already proved their efficiency and helped bring the Company's corporate governance system closer in line with best global practices.

Dividends

The dividends paid by Cherkizovo Group to its shareholders for 2020 will amount to RUB 182.79 per ordinary share, up 67% compared to the 2019 payout.

The principles of the Company's dividend policy remain unchanged, with Cherkizovo planning to pay its shareholders 50% of net profit going forward. Cherkizovo intends to further enhance the Group's shareholder value by improving its margins.

I would like to take this opportunity to express profound gratitude to the management team and all employees of Cherkizovo Group for their outstanding achievements in 2020, a year that presented us with unprecedented external challenges and changed our usual way of life. Your knack for quickly adapting to new circumstances, as well as your sturdy sense of responsibility and hard work, have helped the Company not only to maintain strong performance, but also to make its business even more resilient and profitable. I am convinced that 2021 will give us new opportunities for strengthening our leadership in the industry and successfully completing our current and new projects.

Evgeny Mikhailov
Chairman of the Board of directors

Message From the CEO

In 2020, Cherkizovo Group continued to consolidate its lead in Russia's meat market. This is despite challenges posed by COVID-19, as the pandemic had a critical impact on a wide variety of industries. Even though damages suffered by the agricultural sector were somewhat milder compared to other industries, the negative macroeconomic trends affected food producers all the same. It was against this background that Cherkizovo did not only ensure production stability at its sites throughout the year, but also continued to invest in business development by building and launching new facilities.

Sergey Mikhailov
CEO

Sales of our meat products in 2020 exceeded 1 million tonnes. All the categories in which the Group is present recorded sales growth, including 5% in the chicken segment, 6% in the pork segment, 4% in the turkey segment, and 6% in the meat processing segment. Over the year, the Group maintained firm leadership in Russia's broiler meat market, whereas in the pork segment Cherkizovo ranked among the top five producers, with the closest rivals recording only a minor lead over the Group in terms of volume. The Company also ranked third in the sausage market.

Sales were driven not only by robust domestic demand, but also by growing exports directed primarily to South East Asia and the CIS: foreign shipments of our products increased by 74% year-on-year, while their share in the Company's revenue rose to 8%. Stronger exports helped us partly offset the negative impact of FX fluctuations on production costs.

Cherkizovo Group traditionally champions social responsibility projects focusing on environmental protection, sustainable management of natural resources, and charity. In 2020, we started drafting our long-term sustainable development strategy. I believe that its adoption will help us step up and streamline efforts in this direction as we enhance the benefits the Company offers to society.

Nurturing closer partnerships with non-governmental, industrial, and scientific organizations was another important aspect of Cherkizovo Group's operations in 2020. For example, the Company joined the Memorandum on Combating the Violations of Weight and Dimension Standards in Freight Transportation developed by the Association of Bona Fide Agricultural Producers.

We also reached an agreement with Innopraktika to forge a partnership focusing on education and joint R&D projects. Recognition of the Company as a UN vendor was yet another milestone in our history, as it enabled Cherkizovo to supply its products to a number of UN projects, including the World Food Program.

Our performance

Despite the numerous social and economic challenges, the Group's revenue in 2020 hit a historic high of RUB 128.8 billion (up 7% year-on-year). The growth was driven by the higher share of value-added products and exports in the sales mix and cost cutting across the production chain. Fuelled by changes in the revenue mix, adjusted EBITDA rose by 29% to RUB 26.6 billion. Adjusted EBITDA margin increased by 350 basis points to 21%. The Group's net profit more than doubled amounting to RUB 15.2 billion. This gave the Company an opportunity to significantly increase the 2020 dividends and bring them to RUB 182.79 per share.

Chicken segment

For the third year running, Cherkizovo Group maintains leadership in the broiler market with 794 thousand tonnes of live-weight meat produced in 2020 (a 12% lead over the closest competitor). Production increased by 28 thousand tonnes or 4%. Chicken meat shipments to third-party customers went up by 5% to 695 thousand tonnes, while the average sales price rose by 2% to RUB 108 per kg. As a result, the segment's revenue came in at RUB 73.0 billion, up 6% year-on-year.

Stronger operating results came on the back of a capacity ramp-up at our factories in Kursk and Altai, as well as volume increase delivered by all Group facilities. Russian retailers account for the largest part of our chicken product supplies, with the Group promoting a number of product brands in this channel, including most notably Petelinka and Kurinoe Tsarstvo. The sales of these two brands over the year increased by 6% and 4%, respectively. In 2020, Petelinka products once again won the Product of the Year and Quality Guarantee awards.

Food service is another important sales channel for the segment, with key customers including major fast food chains such as McDonald's, Burger King and KFC. As part of an effort to boost this section of our business, in 2020 we invested RUB 2.8 billion in the acquisition of Kompas Foods, a poultry processing facility based in Efremov, Tula Region. Its current processing capacity stands at 20 thousand tonnes per year, but we plan to double it going forward.

In 2020, we continued to grow our chicken meat exports. Reaching consistently high shipment volumes to China (with chicken by-products and feet as the key exports) stands out as a particular highlight in this line of the business. The key buyers in China are major distributors and meat processors serving the country's retail chains and food service providers. The COVID-19 pandemic could not hamper the growth of shipments to China despite the disruptions witnessed in the first quarter due to bottlenecks at Chinese port infrastructure. In 2020, Cherkizovo Group also increased chicken supplies to the CIS and tapped into the promising Middle East market, making the first chicken shipments for food service providers in the UAE and Saudi Arabia. This region is one of the strategic focus areas for Cherkizovo's export expansion program given the gradual recovery in HoReCa sales after the lifting of the lockdown restrictions.

Pork segment

Over the year, the Group's pork production increased by 7% to 302 thousand tonnes of live-weight meat. The Company continues to boost output volumes by expanding capacity and streamlining production processes. According to the National Union of Swine Breeders, Cherkizovo Group's share in total industrial pork production in 2020 reached 6.3%.

In 2020, the segment's sales rose by 6% to 182 thousand tonnes, while the sales of live pigs declined by 14% on the back of increased in-house meat processing. This drove pork carcass sales up by 7%, with the sales of carcass cuts remaining flat year-on-year. The segment's revenue from third-party customers over the year increased by 2% to RUB 24 billion.

During the year, the Company increased pork exports by 32% to 14.5 thousand tonnes stimulated by higher shipments to the CIS and expansion into new markets in South East Asia.

The Company plans to continue growing pork output in the future by launching new modern pork farms and processing facilities in the central regions of Russia.

Meat Processing segment

The segment's third-party sales in 2020 rose by 6% to 114 thousand tonnes driven by stronger performance of sausages and ham marketed under the flagship brands – Cherkizovo and Cherkizovo Premium. The premium range of products delivered particularly impressive growth of 41%. These spectacular results were achieved thanks to the rebranding exercise completed in late 2019. Not only did it help change the look of our sausages, but also brought about significant product mix and recipe improvements.

These changes were hailed by the consumers, with the segment's revenue rising by 9% to RUB 21.8 billion.

The progressive increase in sales of meat processing products witnessed throughout the year is largely attributable to the fact that amid lockdown restrictions and shrinking incomes sausages became an affordable alternative to restaurant food.

For the first time in recent years, the sales of our meat processing products demonstrated significant growth in the export channel, with shipments reaching 5.2 thousand tonnes (up 25% year-on-year). The nations of the former Soviet Union account for the largest part of the Group's foreign supplies, as our products have won the trust of local consumers over the years.

Grain segment

In 2020, the segment delivered impressive results and made a significant contribution to the Group's profit growth, with its total sales rising by 27% to 663 thousand tonnes and harvest increasing by 34% to 797 thousand tonnes. This record-breaking result came on the back of an increasing share of wheat, corn and soy in crop rotation and higher yields driven by the Company's investments in new agronomic production techniques.

One of 2020's milestones was the start of works on the construction of an oil extraction plant in the Lipetsk Region. We managed to begin construction despite facing considerable uncertainty over the supply of required materials amid the pandemic. The commissioning is scheduled for the first half of 2022, with the facility's launch expected to contribute to the further vertical integration of the Group by reducing the Company's bird feed costs.

Turkey

In response to the growing demand for lean meat (including turkey), in summer 2020 we commissioned the second stage of Tambov Turkey, our joint venture with Spain's Grupo Fuertes. With the full launch of all second stage facilities in 2021, the production site's capacity will increase by 50% to 85 thousand tonnes of live-weight meat per year. Going forward, we plan to continue expanding production by building new facilities as part of our joint venture, which now ranks as the second largest turkey producer in Russia.

For the second year running, Tambov Turkey's Pava-Pava brand won the Product of the Year award as the best Healthy Food product in the Turkey Meat category. The launch of a new line of sausage products in 2020 came as an important milestone in the brand's history. These turkey products enjoy increasing consumer demand, with sales demonstrating double-digit growth year after year.

Capacity ramp-up at Tambov Turkey does not only reflect the growing demand for turkey products in the domestic market, but also the continuous rise in export volumes. In 2020, exports increased by more than 50% to 2.4 thousand tonnes driven primarily by the start of shipments to China.

Outlook

With the COVID-19 shocks gradually fading away, we are witnessing a general improvement in Russia's economic performance and consumer sentiment. That said, the 2020 rise in meat production costs forces us to seek a careful balance where we can maintain margins while also offering acceptable prices to our customers.

As a socially responsible company and the market leader, we are keen to make sure that meat products making up a significant part of the consumer basket remain affordable to general population, especially in the times when Russian household incomes keep declining. With that in mind, the Company welcomes the resumption of federal level talks to expand the existing food aid programs destined for socially vulnerable groups of population. We are convinced that such programs can not only help to diffuse social tensions, but also to boost production and increase budget revenues by broadening the tax base.

The Company expects to continue increasing sales across all segments in 2021 despite the serious challenges faced by the industry. We will rely on our key brands Cherkizovo, Petelinka, Kurinoe Tsarstvo and Pava-Pava to grow sales in the retail channel. To that end, we will further improve the product range and tap into new categories of value-added products whose share in the Group's portfolio is set to rise from 60% to 80%.

We also see opportunities for further growth in the food service segment, as restaurants and other food service providers are beginning to recover from the protracted lockdown.

In that line of business the Company has ample room for development by nurturing closer cooperation with existing partners and acquiring new customers. We view the food service channel as our key source of revenue growth in the coming years.

Higher export sales are also among the Company's priorities. For us, this is yet another avenue for revenue growth in the long run. Our production sites have international certificates of compliance enabling them to work in international markets, with South East Asia and the Middle East currently viewed as the Group's key priorities.

I would like to take this opportunity to thank all employees of Cherkizovo Group for the outstanding performance delivered throughout 2020. For the Company and all of us, this was a gruelling test of endurance that we passed with flying colours. This is thanks not only to outstanding teamwork, but also to the solid foundation of a vertically integrated business built by the Group over the 15 years of its history serving us as a hedge against the most improbable external challenges and economic upheavals.

Sergey Mikhailov
CEO

Market environment

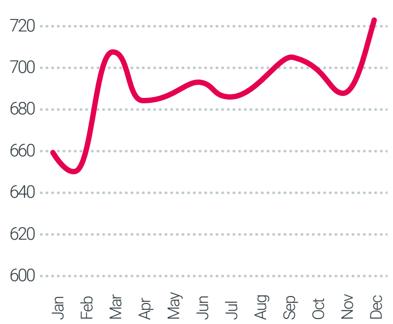
Supply trends

Every month Cherkizovo Group prepares its Industrial Meat Supply (IMS) Index, based on statistics from Russia's Federal State Statistic Service (Rosstat) and Federal Customs Service and the Eurasian Economic Commission.

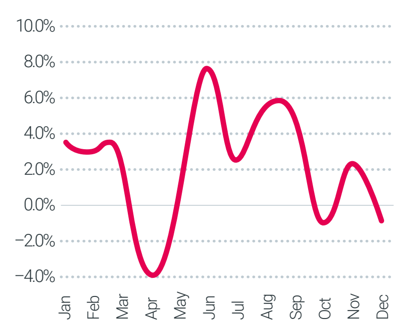
The IMS Index describes the dynamics of supply trends and meat consumption in Russia. The composite measure includes individual poultry, pork and beef supply indices. It provides an operational summary on the industry and is a leading indicator for predicting future market developments.

During 2020, the IMS Index increased by 1%. Pork supply grew, while for poultry and beef it declined.

Composite Industrial Meat Supply Index



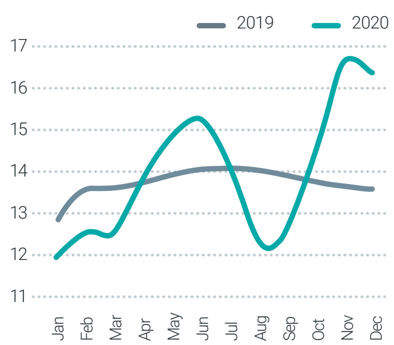
Changes in the Composite Industrial Meat Supply Index in 2020 vs. 2019



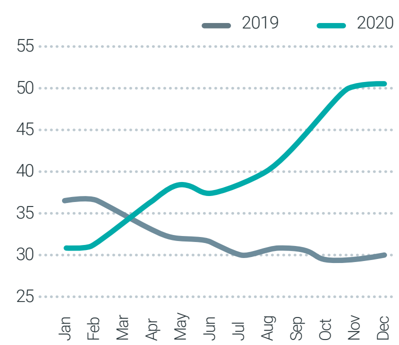
Source: Company data.

Prices for grain and soybean meal, RUB/thous. tonnes

Grain



Soybean meal



Source: Institute for Agricultural Market Studies (IKAR)

The main drivers were:

1. Growth in production costs.
Meat production costs rose primarily due to higher prices for feed wheat and soybean meal.

2. Growth in pork production.
As pork producers continued to launch new capacities, production expanded by 11%.

3. Changes in the structure of meat imports and exports.
In 2020, poultry imports were flat. Exports increased by 38%, with Asia, the Middle East and Africa as the growth leaders.

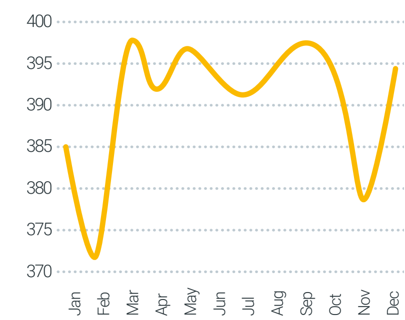
Pork imports dropped by 93% due to the cancellation of duty-free import quotas and introduction of a new 25% duty effective from 1 January 2020.

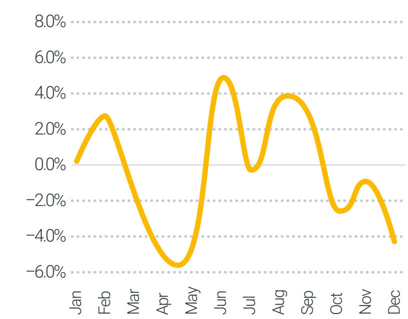
In the meantime, pork exports grew more than twofold, mainly driven by demand from Russia's neighboring countries and Southeast Asia.

Industrial Supply Index / Changes in the Industrial Supply Index in 2020 vs. 2019

Poultry

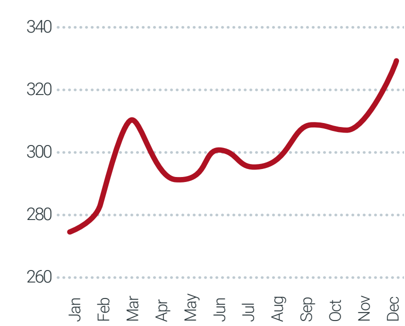
In 2020, the Industrial Poultry Supply Index (includes both turkey and chicken) was down by 1% mainly due to a 38% increase in exports amid relatively unchanged production and imports.

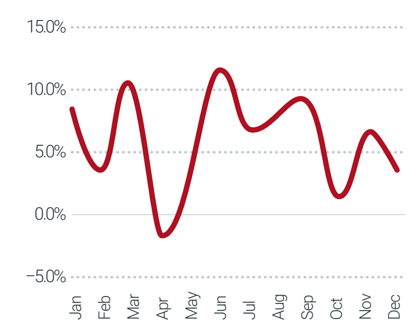




Pork

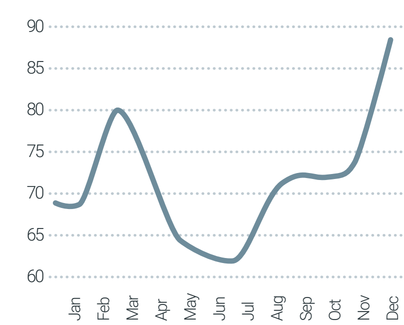
In 2020, the Industrial Pork Supply Index grew by 6%, driven by the cancellation of duty-free pork imports and introduction of a new 25% import duty effective from 1 January 2020. These measures saw imports drop by 93% and exports surge by 147%. Pork production in Russia increased by 11%.

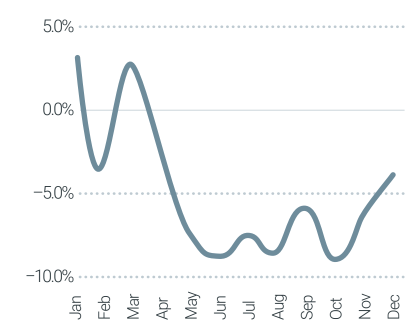




Beef

In 2020, the Industrial Beef Supply Index lost 5%. Despite the fact that beef production increased by 3% over the year, supply shrank due to a 13% fall in imports and a 191% jump in exports caused by the opening of the Chinese market.





Source: Rosstat, FCS, EEC.

Demand trends

In 2020, the economic crisis caused by COVID-19 prompted reductions in household income and people's purchasing power. The industry faced higher production costs due to higher prices for feed components (feed grain and additives, soybeans, and veterinary drugs). Domestic consumption was somewhat supported by government payments to households, a halt in international tourism and an increase in sausage production and sales.

According to Rosstat, real disposable income and GDP shrank by 3.5% and 2.8% y-o-y, respectively. Retail prices for pork and chicken fell by 3%.

The lockdown and closure of restaurants led to a significant drop in the industry's HoReCa sales.

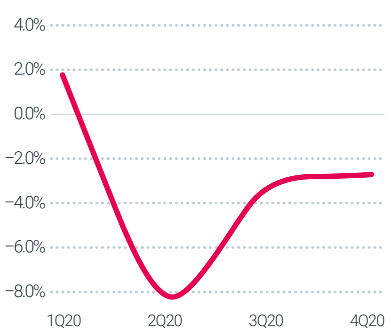
Amid weaker effective demand and changes in consumption patterns, sausage production and sales added 3.8%, driven by better affordability compared to chilled meat.

Short- to mid-term outlook

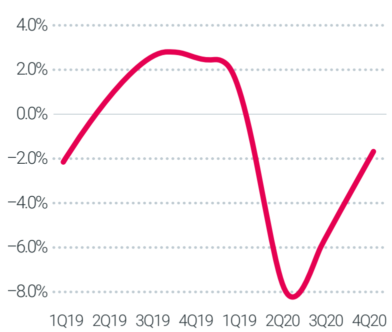
In early 2021, the poultry and pork markets continued to face a challenging epizootic environment, with a livestock reduction causing a rise in wholesale prices. This had a negative impact on demand from meat processors and may lead to a fall in total sausage production in 2021.

Change in GDP and real disposable income y-o-y, %

GDP

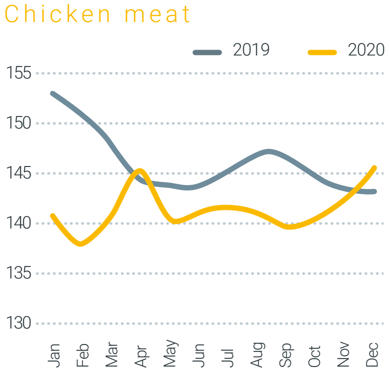


Real disposable income

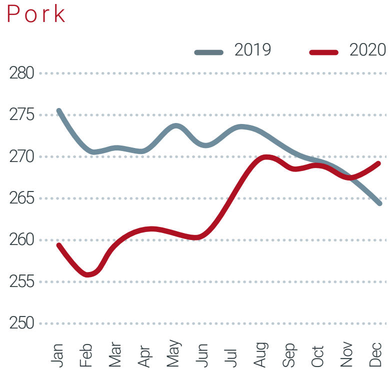


Retail prices for pork and chicken meat, RUB/kg (incl. VAT)

Chicken meat

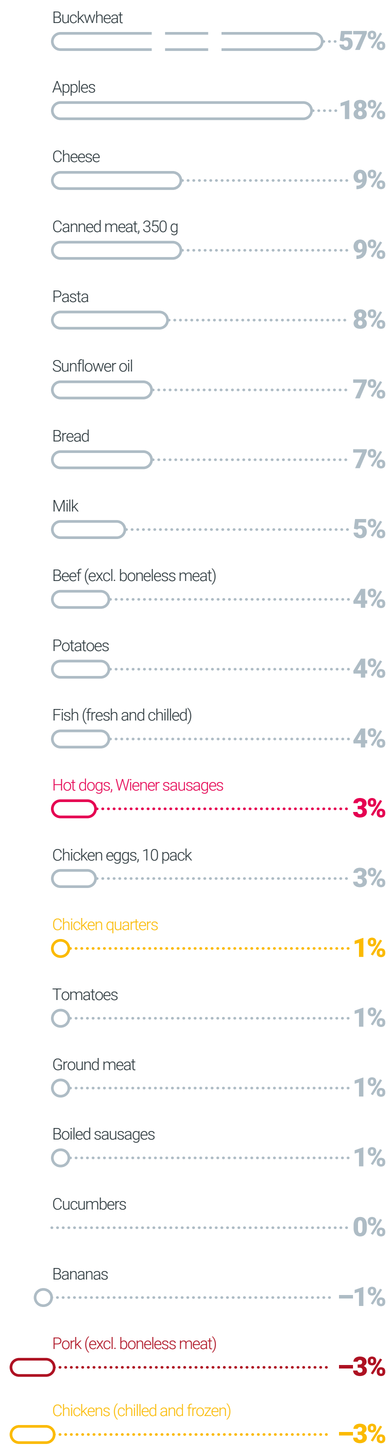


Pork



Source: Rosstat

Changes in food prices in 2020 vs. 2019, %



Source: Rosstat

Oversupply risks in the domestic pork market persist as production grows. Stronger competition in Vietnam and Hong Kong coupled with the lack of access to the Chinese market weigh negatively on the outlook for pork exports.

The turkey segment is expected to see the biggest production growth, as a wider assortment and footprint is set to boost annual per capita consumption from 2.2 kg to 4.5 kg in the coming years.

The chicken market is under pressure from the growing pork and turkey production and retailers' private labels, whose share of modern retail is also on the rise.

Cherkizovo Group in industry rankings

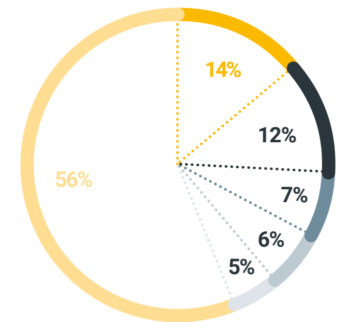
Cherkizovo Group is the leading meat producer in Russia, with a market share of 8%[1]. In 2020, the Company strengthened its leading position in broiler production, increasing its share in total output by 4.5 p.p. to 16.9%.

Cherkizovo Group remains second in the ranking of turkey producers, having increased its share in total output by 0.8 p.p. to 15%. The main driver was Eurodon's exit from the market.

The Company is Russia's fourth largest pork producer.

Russian market in 2020, %

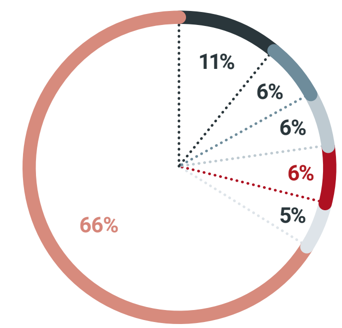
Russian poultry



	%
Cherkizovo	14%
Resource	12%
Prioskolie	7%
Tkachev Agrocomplex	6%
BEZRK-Belgrankorm	5%
Others	56%
Total thous. t	**6,225**

Source: National Union of Poultry Farmers

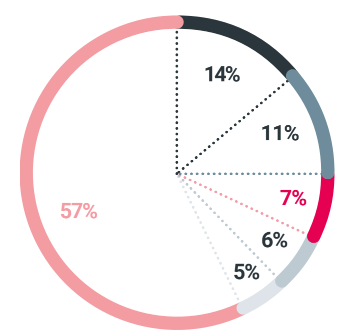
Russian pork



	%
Miratorg	11%
Velikoluksky	6%
Rusagro	6%
Cherkizovo	6%
Agropromkomplektatsiya	5%
Others	66%
Total thous. t	**4,891**

Source: National Union of Swine Breeders

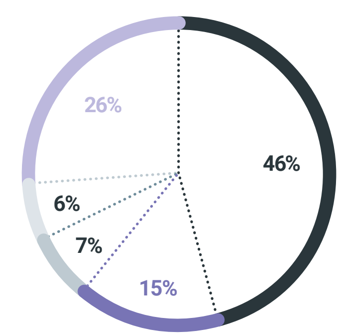
Russian processed meat



Ostankino	14%
ABI GROUP	11%
Cherkizovo	7%
Velikoluksky	6%
PRODO	5%
Others	57%

Source: Nielsen.

Russian turkey

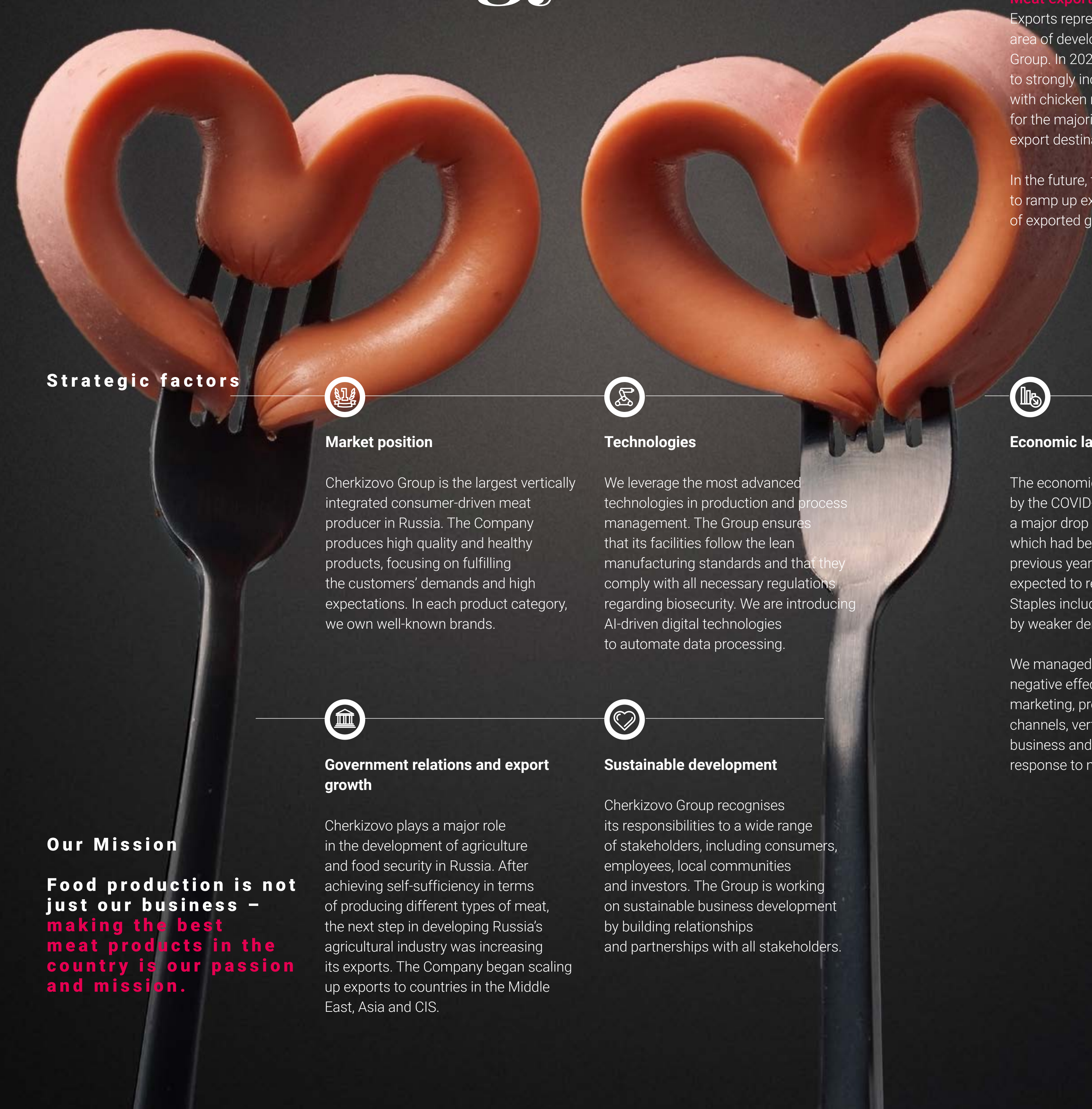


	%
Damate	46%
Cherkizovo	15%
Krasnobor	7%
Morozovskaya	6%
Others	26%
Total thous. t	**330**

Source: Agrifood.

[1] Based on Rosstat's cattle, poultry and pork production data (incl. farm households) for 2019, as well as on the Agroinvestor ranking for 2019.

Our Strategy



Challenges and opportunities

Meat exports
Exports represent a potentially promising area of development for Cherkizovo Group. In 2020, the Company managed to strongly increase its exports, with chicken meat accounting for the majority of supplies. The key export destination was China.

In the future, the Company will continue to ramp up exports and expand its range of exported goods.

Climate change
Climate change could aggravate unpredictable weather patterns and, in particular, lead to more frequent extreme weather conditions. This will cause crop cultivation and harvest to become more unpredictable, having a negative impact on the cost of production and price of animal feed.

Changes to the epizootic environment
Changes to either the international or domestic epizootic environment can dramatically affect the production and cost of meat products. Cherkizovo Group carefully maintains rigorous biosecurity standards across all its facilities and provides the maximum level of protection against the spread of disease.

Strategic factors

Market position

Cherkizovo Group is the largest vertically integrated consumer-driven meat producer in Russia. The Company produces high quality and healthy products, focusing on fulfilling the customers' demands and high expectations. In each product category, we own well-known brands.

Technologies

We leverage the most advanced technologies in production and process management. The Group ensures that its facilities follow the lean manufacturing standards and that they comply with all necessary regulations regarding biosecurity. We are introducing AI-driven digital technologies to automate data processing.

Government relations and export growth

Cherkizovo plays a major role in the development of agriculture and food security in Russia. After achieving self-sufficiency in terms of producing different types of meat, the next step in developing Russia's agricultural industry was increasing its exports. The Company began scaling up exports to countries in the Middle East, Asia and CIS.

Sustainable development

Cherkizovo Group recognises its responsibilities to a wide range of stakeholders, including consumers, employees, local communities and investors. The Group is working on sustainable business development by building relationships and partnerships with all stakeholders.

Economic landscape

The economic downturn caused by the COVID-19 pandemic triggered a major drop in consumer spending, which had been stagnating in the previous years. This metric is not expected to recover before mid-2021. Staples including food were hit least by weaker demand.

We managed to avoid the recession's negative effects thanks to efficient marketing, product redistribution in sales channels, vertical integration of our business and the management's timely response to new developments.

Society's expectations

A healthy way of life
Nowadays, more and more people are becoming interested in living a healthy life. The majority of Russian consumers are now thinking about what they eat and the impact it has on their health. In response to the trend towards healthy living, Cherkizovo Group has been expanding its range of healthy eating products. Special labels help customers pick up the Company's products that have special dietary characteristics and contain no artificial additives.

Changing patterns of consumption
Compared to the older generation, today's young people tend to spend less time cooking at home. This has led to stronger popularity of ready-to-cook and ready-to-serve meals, with quality remaining center stage. Another criterion that young people consider when choosing their products is sustainability. Responsible production, absence of violations in the supply chain, and reduced environmental footprint are becoming increasingly important.

Cherkizovo Group is developing ranges of ready-to-cook and ready-to-serve meals in line with consumption trends. Bearing in mind that the use of smaller, more convenient packaging will increase consumption waste, we are working together with our partners to address this challenge.

Animal welfare
Across the entire world, there is a growing interest in animal welfare. This is reflected in Russia, where more and more consumers are paying attention to the conditions in which animals are kept. Cherkizovo is committed to ensuring the humane treatment of animals across all of its sites. Company staff even received training in the animal welfare program.

Our Mission

Food production is not just our business – making the best meat products in the country is our passion and mission.

Strategic pillars

Cherkizovo Group's strategy is centered around sustainable business development, advancing high value-added products with high margins, and reducing costs.

80%
value-added products target

Our strategic pillars are operational efficiency and developing sales channels.

❶ Operational efficiency

Mid-term targets

Chicken
- Production growth by **15%** to expand distribution in the retail sector, food service, and exports
- Developing branded products
- Boosting productivity, and margins

Turkey
- An increase in output to **70** thous. tonnes of finished products
- An increase in processing capacities

Meat processing
- Achieving output required to expand distribution in the retail sector, food service, and exports
- Launch of new manufacturing lines and products for food service

Pork
- An increase in output to **350** thous. tonnes
- Retaining low costs and boosting margins

Grain
- Focus on main crops: wheat, corn, and soy
- Construction of an oil extraction plant
- A program to improve soil pH
- Providing **40-60%** of own animal feed

Priority products

Chicken
- Chicken cuts
- Ready-to-cook products
- Products for roasting

Turkey
- Turkey cuts
- Ready-to-cook products
- New high value-added products

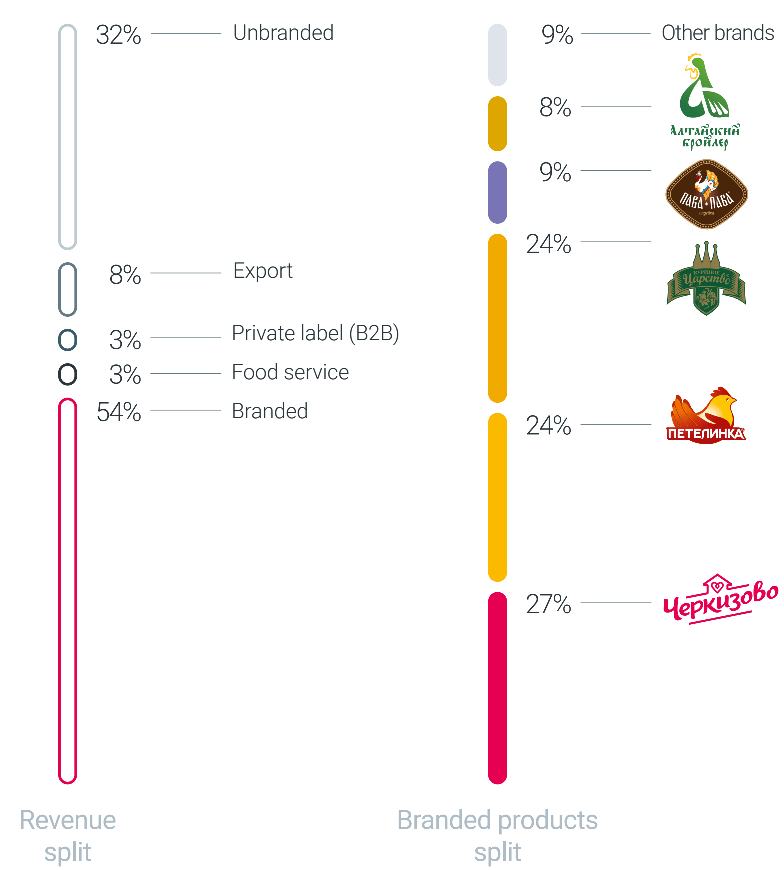
Meat processing
- Sausages
- Ham
- Bacon and deli meats

Pork
- Ready-to-cook products

❷ Developing sales channels

Our sales priorities are food service, exports and expanding the supply of our branded products to national retail chains.

Revenue breakdown, 2020, %



Branded products
Cherkizovo Group continues to expand its range of branded and high value-added products, with Petelinka, Kurinoe Tsarstvo and Cherkizovo as the core brands.

Our brands boast strong awareness and a large share of relevant markets.

Our products are well established in Central Russia. At present, we focus on expanding the presence of our branded products in national retail chains and increasing the share of our products in Siberia by growing chicken production at Altaisky Broiler.

National retail chains

Food service

Exports

Distribution expansion in Russia

Food service
The Company is progressively increasing the share of food service in its revenue.

In 2020, the share of food service in revenue was

3%

Exports
The Company is actively growing its exports.

In 2020, the share of exports in revenue was

8%

Existing assets

Chicken nuggets
for McDonald's and other restaurants

23 thous. tonnes per year

Marinated chicken products for KFC and other restaurants

22 thous. tonnes per year

Other chicken products for food service

10 thous. tonnes per year

RTE products:
hot dogs, pepperoni, ham and bacon

Strong commercial team, specializing in this channel with a mature distribution network

Cherkizovo is **one of the largest chicken exporters**: 2020 supplies totaled

85 thous. tonnes

with exports of chicken meat products standing at

61 thous. tonnes

Export-oriented B2B brands with strong awareness overseas

Exports of **high value-added products** to the CIS

Start of **halal and turkey** product **supplies to the Middle East and China**, respectively

A channel-specific **commercial team** and a mature distribution network

Mid-term targets

Expanding presence across the current business lines:

Nugget production up

by 24 thous. tonnes per year

Launch of a facility of beef patties for burgers with production volume

13 thous. tonnes per year

New types of sausages and hot dogs

Signing **long-term contracts with customers**

Launching new lines in food service::

- Local chains
- Pizza
- Culinary
- Standalone restaurants
- Cafeterias at public institutions
- Launch of turkey and pork products

Expanding sales geography

Boosting **exports of high value-added products**

Launch of a business line to develop **new export-focused products**

Ramping up export-oriented **production capacities**

Making distribution more efficient

Business model

Cherkizovo Group uses **a vertically integrated business model**.

Our vertically integrated business model offers the **following advantages:**

- **control** throughout the production cycle
- **adaptability** to market conditions
- **economies of scale**
- **quality excellence**

Operating chart

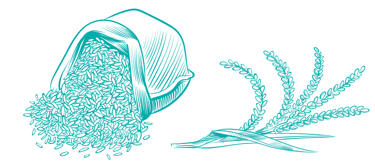
GRAIN

Land bank
300 thous. hectares

Harvest
797 thous. tonnes

Self-sufficiency in feed
100%

Self-sufficiency in grain
43%

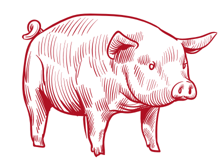


MEAT PRODUCTION

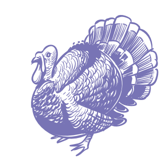
Own pig farms, poultry factories and processing facilities

Chicken
695 thous. tonnes

Pork
182 thous. tonnes

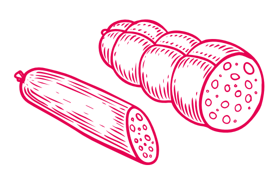


JV Tambov Turkey
41 thous. tonnes



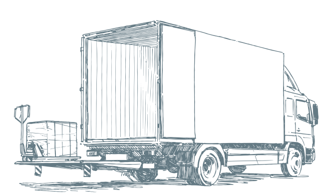
MEAT PROCESSING

Meat Processing
114 thous. tonnes



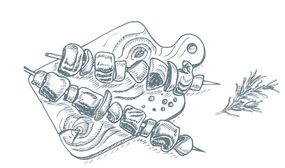
LOGISTICS

Monthly
171 thous. orders



In use
29 warehouses

Capable of delivering ultra-fresh products with a short shelf life



Extensive reach in the European part of Russia

SALES

Revenue
RUB 128.8 bln

Retail
59% of revenue

Exports
8% of revenue

HoReCa
3% of revenue

Internal sales
External sales

Resources and results

Resources 2020

Financial capital

Market cap

RUB 81 bln

Net debt

RUB 64 bln

Physical capital

Total investment in the reporting year

RUB 12.2 bln

Carrying amount of assets

RUB 166.3 bln

Production assets

Segments

Joint ventures and associates:

Tambov Turkey (joint venture)

Samson – Food Products (associate)

Human capital

Average headcount

31,075

Payroll

RUB 18.8 bln

Occupational health and safety expenses

RUB 753 mln

Intellectual capital

Brands

Social and reputation capital

Membership of associations

1. National Meat Association
2. National Union of Swine Breeders
3. National Union of Meat Processors
4. National Union of Poultry Farmers
5. Russian Union of Industrialists and Entrepreneurs

Result 2020

Revenue

RUB 128.8 bln

EBITDA

RUB 26.6 bln

Net debt / EBITDA

2.4 x

New assets

Organic growth:

- Oil extraction plant
- 2nd stage of Tambov Turkey

M&A:

- value-added poultry processing facility in Yefremov, Tula Region

Average monthly salary

RUB 56,109

Staff turnover

21 %

LTIFR

0.76

Sales growth

+4 % Петелинка

+3 % Куриное Царство

+8 % Черкизово

+13 % Пава-Пава

New associations

1. UN vendor
2. Cooperation with the National Union of Transport and Logistics Experts
3. Foundation of Assistance to Small Innovative Enterprise

Supply chain

The Cherkizovo Group's supply chain is in line with international best practice and enables us to deliver our products to the shop shelves in the shortest possible time. The smooth operation of the supply chain is supported by a team of highly qualified experts with an extensive track record of working with leading international FMCG companies. Our efforts are focused on improving logistics by diversifying delivery options across Russia and abroad.

Procurement

Cherkizovo Group's procurement procedures conform to the Russian regulations and best industry practice. The Company participates in initiatives aimed at increasing transparency in the agricultural market. The Company is a member of the Association of Bona Fide Agricultural Producers and is a signatory to the Agricultural Charter regulating the trade in agricultural products. The requirements of the Charter extend to all of the Group's suppliers. If it becomes known that a supplier has stopped complying with the necessary requirements, the Company ceases to work with them.

RUB **57.5** bln

worth of products procured in 2020

All suppliers of the Group are checked for compliance with the requirements of the Agricultural Charter.

To ensure the transparency and competitiveness of its procurement procedures, Cherkizovo Group carries out its procurement activities using the Tender.pro electronic trading platform.

Cherkizovo Group has a centralized procurement function in place. This is a complementary system where procurement is broken down by category and geographical location. The company seeks to work with local suppliers, small and medium businesses. Specifically, the Group has established a system for purchasing grain from regional producers. Cherkizovo's specialists find local suppliers, assess the quality of goods and organize deliveries to the Company's facilities.

Logistics

Cherkizovo uses an efficient logistics system to move animals and animal feed between the Group's facilities and to deliver products to customers. On average, over 600 trucks are involved in finished goods delivery per day, 12% of which are owned by the Company. The Group operates 29 warehouses, 16 of which are owned by Cherkizovo. The Group processes about 171 thousand orders monthly, which corresponds to more than 100 thousand tonnes of transported cargo.

Together with its partners, the Group is working to optimize transportation costs. In particular, large containers are used for transportation internally within the Group,

which reduces the use of packaging materials and the environmental impact.

Table Supplier structure

	Supplier type, %	
	Russian	Non-Russian
Grains	100	-
Vegetable protein supplements	100	-
Oils & fats	100	-
Veterinary	99	1
Packaging	94	6
Finished goods ingredients (meat, spices, etc)	89	11
Seeds, crop protection and fertilizers	100	-

Cherkizovo Group's BICOM distribution centre has become a member of the National Union of Transport and Logistics Experts. This move will help Cherkizovo expand cooperation with logistics companies and strengthen its stance in negotiations with public authorities.

Grain segment

The Group's vertically integrated business model starts with the Grain segment. The Group purchases seeds, fertilizers and crop protection products in accordance with its production plans. The majority of the harvest is used for the production of feed for the Group's livestock farms.

Our mills source feed ingredients both within the Group and from third-party suppliers. The purchases mostly include soybean meal, grain and oils.

Chicken and Pork segments, JV Tambov Turkey

The feed mills that have sufficient capacity to meet the demand for feeds from Group's facilities and JV Tambov Turkey is part of the segments' production chain.

The Company sells its farmed pigs in the form of livestock. Yet, most animals are delivered to slaughter facilities in Penza and Dankov. Pork carcasses are sold to third parties and Samson – Food Products, an associate of the Group, processed to consumer products such as ready-to-cook pork products or shipped to the Group's meat processing plants. The Group seeks to increase the share of pork supplied to in-house production facilities.

In the Chicken segment and JV Tambov Turkey, birds are delivered to slaughter facilities, where they are processed and then sold to retailers or sent for further processing. The company mitigates seasonal fluctuations in demand for its products using its freezing facilities.

Meat Processing segment

The Meat Processing segment is the final element of our supply chain. It involves the production of finished products, including sausages and deli, from the components produced by our animal breeding segments or meat of third-party suppliers. The meat processing products are delivered to retailers (mainly nationwide chains) and other customers.

Our vehicle fleet

We use our own vehicles for transportation between the Company's facilities. This is an important factor in ensuring biosafety. In 2020, the Group owned 1,991 vehicles, including agricultural machinery.

Transportation is closely monitored and controlled by veterinarians, which eliminates the risk of biological threats spreading along the supply chain. The Company also makes sure that the transportation of animals is humane, so that they do not suffer injuries during transportation.

Exports

Along with the internal logistics, Cherkizovo Group is expanding exports. The key route for shipping abroad is by sea in refrigerated containers.

The Company sells its products to the Middle East, CIS, and South-East Asia, with most exports going to China.

Cherkizovo Group places a strong focus on diversifying export shipping options. The Group was able to begin exporting products to China by rail even amid the pandemic-related restrictions. This helps us ensure faster delivery compared to shipping goods by sea.

Sales

Cherkizovo Group sells chicken, turkey and processed meat products. For major orders, we make direct deliveries straight from our meat processing plants. Smaller orders are packed in the BICOM distribution center in Moscow and in the Company's branches in St. Petersburg, Krasnodar, Yekaterinburg, Ulyanovsk and Penza.

Sales p. 94

Supply Chain Development Plans

Cherkizovo Group will continue to work on reducing logistics costs. In the future, the Group is considering the possibility of attracting more transport companies with their own fleet of vehicles.

The Company will continue increasing procurement from local suppliers.

Cherkizovo is also planning to develop more export delivery options and move into new geographies.

Investment program

Cherkizovo Group continues to expand its production capacities, running an investment program to build new facilities, improve operational performance, and ensure proper biosafety and high product quality.

Our key projects focus on Moscow, the Altai Territory, and the Moscow, Lipetsk, Penza, and Tambov regions. The program's top priority is to increase the output of branded and high value-added products, and boost operational efficiency.

In 2020, the Group continued to pursue the strategy to ramp up production of high value-added products, with total investments up from RUB 8.6 billion in 2019 to RUB 12.2 billion in 2020.

Apart from production facilities, the Group invests in IT technology, in making its existing facilities more eco-friendly, and in talent development.

In 2020, Cherkizovo continued to roll out SAP across its companies, and invested a total of RUB 600 million in IT projects.

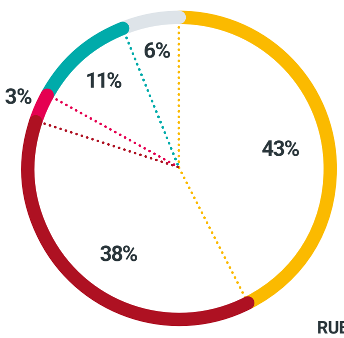
The key environmental protection projects included construction of composting facilities and deployment of a sewage treatment system at some of the Group's operations.

As an active investor in agricultural machinery for precision planting, in 2020, Cherkizovo purchased new agricultural equipment worth of ca. RUB 1.1 billion.

Our investment program relies on the Group's own resources and borrowings.

Personnel development projects p. 117

Investment by segments, %



	RUB, mln
Chicken	5,207
Pork	4,660
RTE Meatprocessing	337
Grain	1,319
Other	695
Total	12,218

Total investment

RUB **12.2** bln

Investments in the implementation of information technology

RUB **600** mln

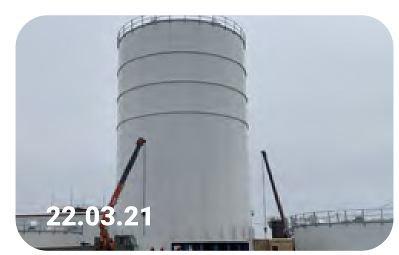
2020 highlights

Oil extraction plant

The Company started building an oil extraction plant in the Lipetsk region scheduled for commissioning in 2022. The plant will have a capacity of up to 3,000 tonnes of oil per day and will be worth a total of RUB 7.2 billion in investment.

Estimated capacity

up to **3** thous. tonnes per day



Commissioning

2022

Total investment

RUB **7.2** bln

Second stage of the Tambov Turkey joint venture

Cherkizovo Group and Grupo Fuertes launched the second stage of Tambov Turkey, boosting the JV's production capacity by 1.5 times to 85,000 tonnes per year. The newly added complex consists of three finisher sites and one nursery site, as well as a slaughterhouse, feed mill, incubator, and motor transport unit. It will be ramped up in full by mid-2021. The total project investment is estimated at RUB 6 billion.

Total investment

RUB **6.0** bln

Project to produce beef burgers

Quality Management **System**

Cherkizovo Group places a high priority on strict quality control at all production stages. It is constantly developing practices and standards implemented throughout the Company, and has a dedicated Quality Directorate managing the Group's efforts in this area.

In 2020, the directorate created two new units: GIS Mercury and a network of local laboratories. 2020 also saw the strengthening and broader functions of the Feed Quality Control Department in preparation for ISO 22000 certification.

The Quality Directorate was focused on initiatives to improve the quality of incoming supplies, streamline the selection and assessment of raw materials, packaging and services by the supplier, and develop the Company's suppliers. Product quality also became an integral part of the Perfect Warehouse program aimed at ensuring compliance with Russian laws and international best practices in product storage and transportation, as well as ensuing that the cold chain is well managed. In 2020, the Quality Directorate completed a full-scale deployment of the project to assess product quality in points of sale, which gives the Company a consumer's perspective. In 2020, Cherkizovo began building a centralized quality management system with nearly 20 standards developed and approved throughout the year. It also launched the Internal Audit project designed to check segment compliance with international standards and Russian laws across the value chain, from growing to delivery.

Quality Directorate: focus areas

Cherkizovo Group utilizes the most advanced technologies for maximum product quality. In 2020, the Company pioneered the use of machine vision in Russia to control product quality and appearance.

The AI-based system uses the cameras installed on the packaging lines to automatically check product quality.

Technologies p. 85

Elements of the quality management system

Hazard Analysis and Critical Control Points (HACCP)

HACCP is a systematic preventive approach to ensuring food safety and addressing biological, chemical and physical hazards in production processes. All of the Group's key facilities are HACCP-certified.

Good Manufacturing Practice (GMP)

The Group uses effective and safe detergents and disinfectants, and its equipment and production facilities comply with the sanitary and hygienic GMP requirements.

Food Safety System Certification (FSSC)

FSSC certification confirms that the Group's food safety management system complies with international requirements for companies that process or manufacture animal products, perishable vegetal products, products with a long shelf life, food ingredients (such as additives, vitamins and bio-cultures) and food packaging materials.

Animal Welfare

The standard regulates humane treatment of animals throughout their life and aims to safeguard them against hunger, thirst, discomfort, disease and distress.

Laboratory control

All stages of the production process feature laboratory studies on an ongoing basis to ensure regulatory compliance. In addition to mandatory control procedures, the Company uses voluntary product control methods, including at Cherkizovo Lab.

Mercury, a government system for electronic certification of animal products

The Mercury system tracks the Group's products at each stage of their life cycle to guarantee veterinary and biological safety, and combat counterfeits.

In 2020, Cherkizovo revisited its use of Mercury to enhance its integration into internal processes, improve dialogue with the authorities and optimize risk management.

Consumer feedback management

The Group has two hotlines for clients. All submissions are promptly considered and taken into account – health-related complaints are looked into within 24 hours, and other complaints are reviewed within a seven-day period.

The quality assurance department and heads of segments receive daily reports on all quality-related complaints.

Employee training

Regular food safety trainings for everyone to make sure that the highest quality standards are met.

Requirements for contractors and supplier management

Contractors may start working at the Group's facilities only subject to their full compliance with the Group's quality and biosafety requirements and upon completing specialized training. On top of that, Cherkizovo conducts regular quality audits of supplied products.

Quality standards

Cherkizovo Group adheres to the world's highest standards of product quality. In recent years, we have been increasingly selling to fast-food chains with special requirements for our products.

Animal Welfare

Cherkizovo Group has implemented and is committed to promoting Animal Welfare standards in line with McDonald's requirements. The standard covers animal and poultry treatment practices at every stage from farm to processing. It is designed to improve meat quality and reduce losses along the production and processing value chain. The standard is mandatory for all McDonald's, Burger King, and KFC suppliers. Employees of broiler growing, slaughtering and primary processing facilities received training in Animal Welfare and had their qualifications confirmed by Bristol University's international portal.

Certification

All of the Group's Chicken segment's and Tambov Turkey's slaughterhouses are certified against FSSC 22000:2011. In 2020, the Company's centralized functions were audited and received FSSC 22000 certification.

In 2020 some Group companies were subject to a social audit, which confirmed high level of corporate social responsibility:

- Tambov Turkey joint venture
- Mosselprom - Konstantinovo

The reporting year also saw successful FSSC 5.1 audits.

Four of the Group's facilities were certified according to the GSO halal standard:

- Vasilyevskaya poultry farm,
- Lisko Broiler,
- Chicken Kingdom (Belgorod),
- Chicken Kingdom (Kursk).

A number of the Group's production farms were also certified against the following standards:

- Supplier Quality Management System (McDonald's),
- FS&FQ RBI (Burger King),
- Yum! International FS&FQ (KFC).

Laboratory control

In 2020, all five local laboratories were merged into a single structure. Cherkizovo R&D Centre is the key element of the Company's lab control and a leading lab of the Russian agricultural industry.

In 2020, all local laboratories were merged into a single structure - the total of five production laboratories, including serologic (poultry growing), poultry and meat processing laboratories. Cherkizovo R&D Centre is the key element of the Company's lab control and a leading lab of the Russian agricultural industry.

Employee training

Maintaining high professional qualifications is vital for ensuring compliance with advanced manufacturing standards. All of the Group's employees receive regular trainings on food safety management and the requirements of various standards. Training is also provided on the Animal Welfare standard. In addition, a FSSC 22000 v5 webinar was conducted in the reporting year.

Employee training p. 85

Chicken

9

poultry complexes

108 RUB/kg

average sales price

Revenue from finished product sales

RUB **74.5** bln

Smirnova Ella
housewife

The whole family liked the new product Chicken Tabaka: it is spicy and very fragrant! It's easy to create culinary masterpieces with Petelinka!

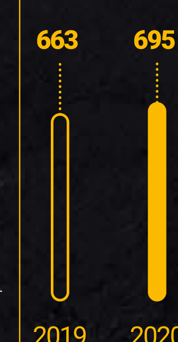
2020 performance

The Chicken segment kept growing, with sales gaining 5% to reach 695 thousand tonnes vs. 663 thousand tonnes in 2019. The average sales price rose 2% to RUB 108 per kg driven by a bigger share of high value-added products in the segment's revenue.

In 2020, Cherkizovo Group came 28th in the rating of the world's largest broiler producers made by U.S. magazine WATT Poultry International. This is the top position among Russian companies.

Finished product sales

695 thous. tonnes



Our chicken brands

ПЕТЕЛИНКА · Куриное Царство · Алтайский бройлер · Латифа · Домашняя Курочка

All products:

petelinka.ru/products/

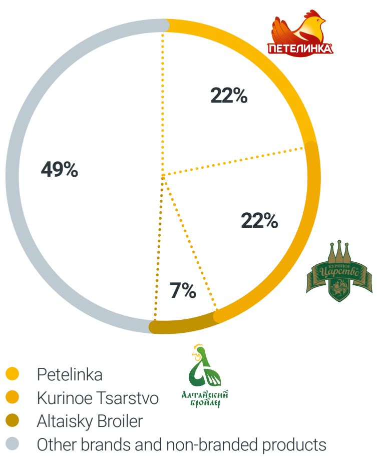
куриноецарство.рф/products/chilled/

Sales and brands

The segment's revenue rose on the back of stronger sales driven by:

- increased output from assets acquired in late 2018;
- higher Petelinka and Kurinoe Tsarstvo sales;
- export expansion, mainly to China.

Chicken sales by brand, %



Retail

Retails sales have remained the Group's key sales channel for chicken products, accounting for over 60% of all products sold. Other channels are HoReCa and exports.

Cherkizovo Group is the top player in Russia's branded chicken market, with Petelinka, Kurinoe Tsarstvo, and Altaisky Broiler having the shares of 18%, 5%, and 3%, respectively.

Petelinka and Kurinoe Tsarstvo sales grew 6% and 4%, respectively.

Petelinka boasting 51% awareness is the most well-known chicken brand, while Kurinoe Tsarstvo with awareness of 24% ranks fourth.

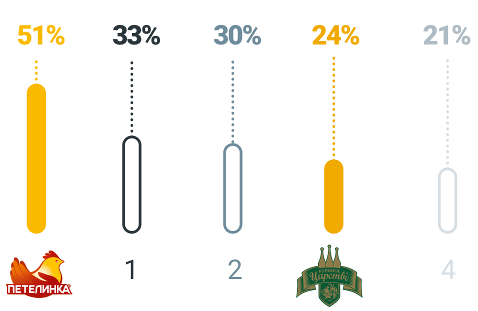
Even though supply requirements vary by segment and country, our products meet all of them.

Export

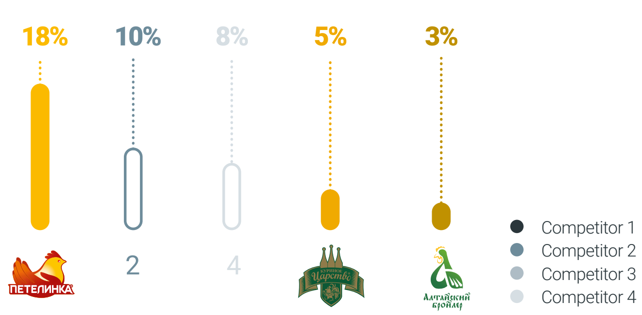
China is the key market for the Chicken segment. Chicken exports to the Asian country started in May 2019, and in 2020 the Company shipped over 60 thousand tonnes of chicken, 3.5-fold more than in the previous year. Today, the Group exports mainly chicken feet and wings, but going forward we also plan to supply higher value-added products (meat with various marinades, nuggets, and cutlets) to international markets.

In 2020, the Group entered Middle East market, selling the produce of its Vasilyevskaya poultry farm (Penza Region). Prior to the start of supplies, the facility obtained an official certificate confirming the use of vegetable feed in poultry rearing, and compliance of its export products with halal standards, which is mandatory for Middle Eastern markets. The certification included audits by the Saudi Food and Drug Authority (SFDA) and a chicken meat inspection by TUV, a testing agency authorised by the Saudi veterinary authorities to ensure the imported animal products' compliance with Saudi requirements. The Group plans to expand its exports to Asia Pacific, Middle East, and Russia's neighboring countries.

Chicken brand awareness in Russia



Share of the branded chicken market by output



New assets

In 2020, Cherkizovo Group acquired Cargill's chicken processing facility in Efremov, Tula Region. With a capacity of ca. 20 thousand tonnes per year, this facility manufactures ready-to-cook chicken products for food service providers, including McDonald's. This RUB 2.8 billion acquisition is in line with our strategic plans to increase the share of high value-added products and strengthen our foothold in the HoReCa segment set to become a significant source of revenue. We plan to actively develop this asset, potentially doubling its capacity in the mid-term, with the focus still on food service.

Capacity

~20 thous. tonnes ready-to-cook chicken products

Acquisition by value

RUB 2.8 bln

HoReCa

In the HoReCa segment, we have been working with some of the largest fast food restaurants, including KFC, Burger King, McDonald's, and pizza chains. Cherkizovo is one of the few Russian companies capable of meeting stringent production and quality requirements of global fast food leaders, which prompt the Company to introduce new best practices, such as Animal Welfare principles and QA metrics for meat.

In 2020, we saw a decline in HoReCa sales due to lockdown restrictions on restaurants, quickly offset by stronger retail sales.

At present, the Group exports mainly chicken feet and wings, but going forward we expect to add higher value-added products to our export supplies.

Efficiency improvement

We seek to achieve excellence in chicken rearing and maintain high product quality. The Chicken segment focuses on production efficiency, and genetic changes in crossbreds.

To standardize production technologies all poultry facilities have put in place standard operating procedures (SOPs) and a distance learning system for on-site employees.

The reporting year saw the Petelinskaya poultry farm implement a temperature monitoring system. Installed both outside and inside birdhouses, the sensors provide reliable data on microclimate conditions on the spot as well as for the facilities located several miles away. According to Cherkizovo Group estimates, the such system will increase bird livability and reduce utility costs.

Biosafety

Our facilities do their best to meet the highest biosafety standards and eradicate pathogens. The biosafety system covers the entire value chain, from feed mills, logistics, and warehouses to reproduction, rearing, and slaughter facilities. We take steps to minimize epizootic risks and protect the bird population, among other things, by ensuring compliance with regulatory requirements and modern biosafety standards, strict access control, and thorough disinfection. We implement the best available biosafety solutions in collaboration with global leaders serving the poultry industry, such as Cargill, Phytobiotics, Alltech, Kemin, Biomin, and WIC.

Investment projects and acquisitions

Altaisky Broiler development

As part of our focus on expanding sales in Siberia, we are ramping up capacities at Altaisky Broiler, and will continue to do so going forward.

M&A

Cherkizovo Group has acquired Cargill's chicken processing facility in the Tula Region, boasting a capacity of 20,000 tonnes of products per year. The asset will enable us to boost the share of high value-added products in our revenue.

Pork

302 thous. tonnes

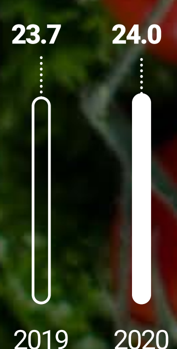
volume of production

90.7 RUB/kg

average selling price of live pork

Revenue from product sales

RUB **24.0** bln



Our pork brands

Черкизово Самсон

Art of eating

Pork ribs in tomato marinade

Istomin Oleg
young father

Tomato-marinated ribs are our family dish on Fridays, I make a double serving because everyone wants more!

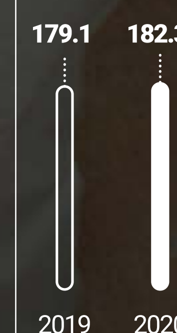
2020 performance

In 2020, Cherkizovo Group's Pork segment increased production by 6% to 302 thousand tonnes (live weight), while sales to external customers[1] grew by 2% to 182 thousand tonnes. Live-weight pork sales decreased by 14% due to higher in-house meat processing, which resulted in a 7% increase in half-carcass sales, while sales of cuts remained mostly flat compared to 2019 levels.

The average sales price of live-weight pork increased by 2% year-on-year to RUB 90.7/kg, compared to RUB 89.1/kg a year earlier; the average sales price of half-carcasses remained flat at RUB 134.5/kg and the average sales price of cuts increased by 2% to RUB 214.9/kg.

Finished product sales

182.3 thous. tonnes



	2019	2020
Finished product sales, thous. tonnes	**179.1**	**182.3**
Live pork	41.1	35.6
Half-carcasses	93.0	100.0
Cuts	31.8	31.4
Other	13.2	15.6
Average sales price, RUB/kg		
Live pork	89.1	90.7
Half-carcasses	134.1	134.5
Cuts	211.7	214.9
Other	45.5	59.2

[1] The sales volumes are third-party sales.

Efficiency improvement

Cherkizovo Group has established a highly efficient pork production system, which ensures strong profitability of the segment.

The pig farms' feed needs are fully covered by in-house production. For feed production, the Company grows winter and spring wheat, corn, sunflower, and other crops in the Lipetsk, Tambov, Voronezh, Orel, and Penza regions.

The Company pays great attention to genetics. In the reporting year, we began sourcing genetic material from another provider – Hendrix, in addition to Topigs Norsvin. This genetic material expansion is essential to minimizing risks.

Cherkizovo Group is a member of Pipestone Applied Research, one of the most reputable international institutions for livestock breeding research. The Company has access to all of the organisation's research projects and trials.

Quality and safety

Cherkizovo Group follows the principle of zero biohazard at all stages of production, as well as during animal transportation. Our pig farms boast the highest livestock sanitary status in Russia enabling them to be classified as Compartment IV facilities in terms of biosafety.

The Group has internal standards in place for the protection and improvement of animal health, and regularly updates them depending on the epizootic situation. The Group assigns auditors to conduct inspections and assess the current level of safety at its production facilities on a regular basis. If necessary, remedial and preventive action is taken based on the audit findings.

The Company closely monitors compliance with biosecurity rules on the part of employees. Before approaching the animals, all employees must shower, rinse off all makeup, wash their hair, and change into clean work clothes. At the entrance to the clean area, there is a dry shower facility – an additional space for changing clothes and checking for prohibited items. A special system controls third-party access to our pork facilities.

To prevent the spread of infections by third parties, the Group's uses only its own swine transport vehicles that are regularly disinfected at washing stations. Our trucks are properly equipped to transport pigs, and their speed is monitored by GPS trackers.

Employee training and standards of livestock breeding, such as supply of air, feed, and water, are basic aspects of humane treatment of animals. We strictly adhere to internal regulations that describe the proper treatment of animals.

All segment employees undergo training and knowledge checks on animal welfare standards, biosecurity regulations, and standard operating procedures.

Transportation of animals is one of the most important stages of pork production. The Company follows global standards for live pigs transportation, ensuring, inter alia:

- humane treatment of animals during loading/unloading,
- checking the condition of animals at all stages of transportation,
- comfortable conditions for animals during transportation,
- transportation planning.

Cherkizovo adopts a responsible approach to the application of veterinary drugs. All Cherkizovo pig farms are equipped with needle-free systems. The advantages of this technology in terms of humane treatment of animals are that it provides a less invasive treatment alternative for animals of all ages, while also ensuring high efficiency and reducing labor costs.

Plans

Cherkizovo Group's priority in the Pork segment will remain a high level of production efficiency achieved by leveraging modern technology and an advanced finisher nutrition program.

Enhancing livestock breeding practices at all production stages and ensuring the maximum level of biosecurity across assets will also remain a core focus for the segment. For example, the Company plans to complete a full transition to needle-free injections in 2021.

Cherkizovo is considering the construction of a slaughter facility for primary and industrial hog processing, with further expansion by adding a poultry processing plant, at the value-added poultry processing facility in Yefremov, Tula Region, acquired in 2020.

Key investment projects

Nursery and finisher sites

By 2020, the project to expand the capacity of the Penza Region pig farm was completed, with two nursery and finisher sites coming on stream. A total of seven sites were constructed as part of the project, each based on a standard design and having a capacity of approximately 45,000 market hogs and 5,800 tonnes of products.

The Group also designed four pig sites in the Penza Region and three sites in the Lipetsk Region using the new Deep Pit technology. The Deep Pit manure treatment will help improve the quality of our manure fertilizers. The Penza Region sites will be able to house more than 20,000 pigs each at a time, while those in the Lipetsk Region will have a doubled capacity of 40,000 pigs each. The design will be completed in mid-2021, after which a decision on the start of construction will be made.

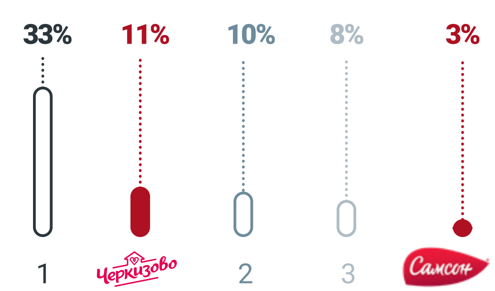
Cherkizovo has nearly completed a large-scale investment cycle when it has been building pig farms over the past few years. Our main focus is now shifting to efficiency. In the medium term, Cherkizovo plans to reach a production level of 350 thousand tonnes of pork in live weight. In addition, we plan to expand our value-added pork processing with a focus on consumer offering – ready-to-cook pork products and products for the Meat Processing segment.

Brands

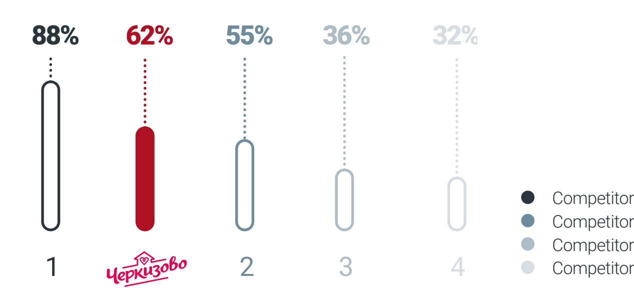
We sell our pork products under the Cherkizovo and Samson brands. Cherkizovo is one of the most recognisable brands on the retail pork product market, with a 62% awareness rate.

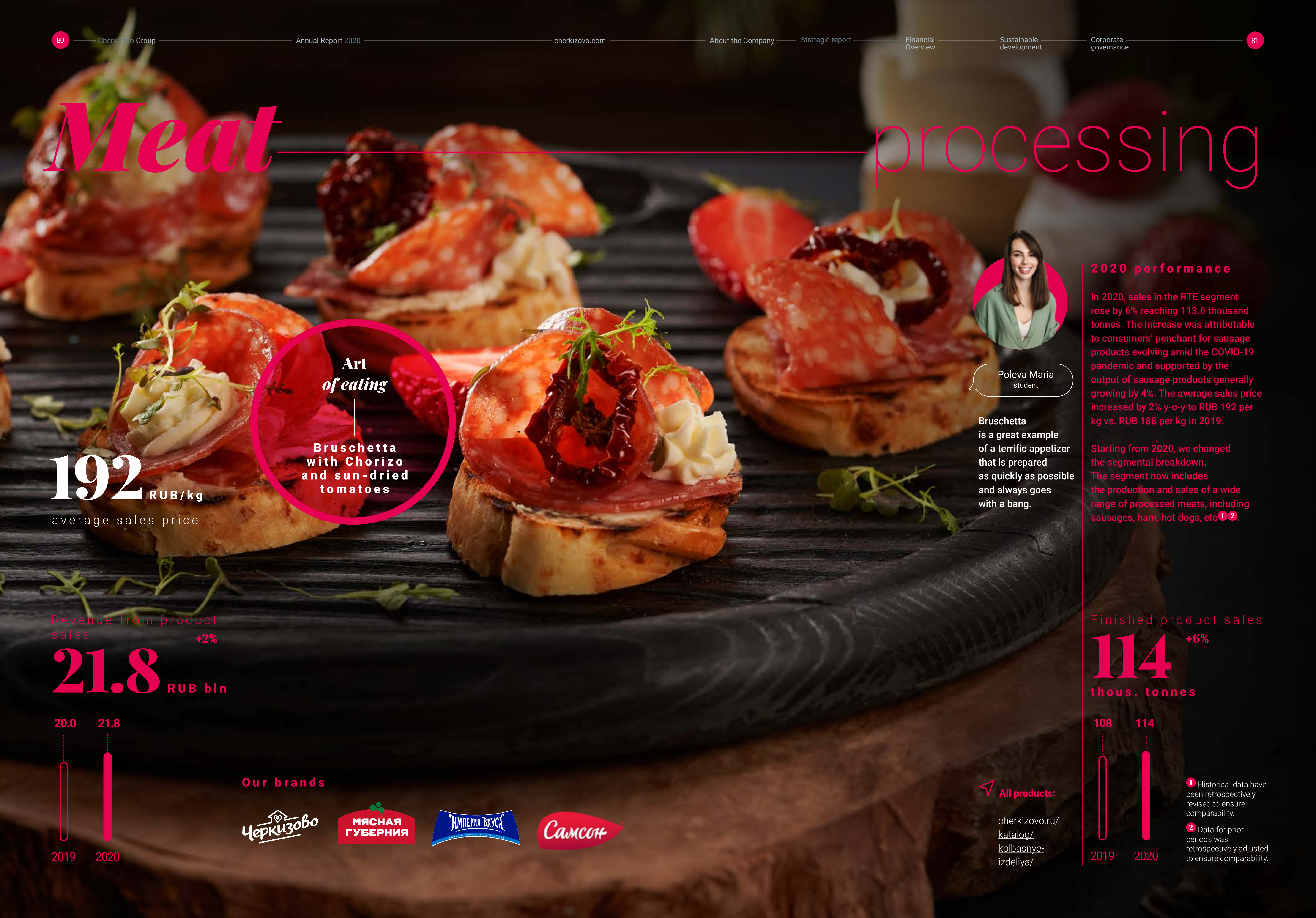
Cherkizovo Group ranks second in Russia's branded pork production market. In total, the Company accounts for 14% of the market.

Share of the branded pork market by output



Pork brand awareness in Russia





Meat processing

192 RUB/kg

average sales price

Art *of eating*

Bruschetta with Chorizo and sun-dried tomatoes

Poleva Maria
student

Bruschetta is a great example of a terrific appetizer that is prepared as quickly as possible and always goes with a bang.

2020 performance

In 2020, sales in the RTE segment rose by 6% reaching 113.6 thousand tonnes. The increase was attributable to consumers' penchant for sausage products evolving amid the COVID-19 pandemic and supported by the output of sausage products generally growing by 4%. The average sales price increased by 2% y-o-y to RUB 192 per kg vs. RUB 188 per kg in 2019.

Starting from 2020, we changed the segmental breakdown. The segment now includes the production and sales of a wide range of processed meats, including sausages, ham, hot dogs, etc[1][2].

Revenue from product sales

21.8 RUB bln +2%

2019	2020
20.0	21.8

Finished product sales

114 thous. tonnes +6%

2019	2020
108	114

Our brands

Черкизово Мясная Губерния Империя Вкуса Самсон

All products:

cherkizovo.ru/katalog/kolbasnye-izdeliya/

[1] Historical data have been retrospectively revised to ensure comparability.

[2] Data for prior periods was retrospectively adjusted to ensure comparability.

The Group's 2021 priorities remain the same and include consolidating its market position with a focus on the line of products under its flagship brand, Cherkizovo.

In 2020, Cherkizovo Group retained leadership in the ready-to-eat segment, including in the smoked sausage, ham, and bacon markets.

Sales

In 2019, the Company conducted a major rebranding of its flagship brand, Cherkizovo. The changes affecting both the product appearance and ingredients were designed to emphasize the Company's focus on customers, make Cherkizovo products stand out on store shelves, and expand the Group's audience outreach. As part of the rebranding campaign, the Company improved the recipes of its sausages and ready-to-cook pork products and, most importantly, reduced the Cherkizovo offering by removing products that had failed to meet the customers' expectations. This optimization further enhanced the quality and taste of our products.

The rebranding exercise was set to ignite our business growth in 2020 and beyond. In 2020, sales increased by 6%, driven by stronger performance of sausages and ham marketed under the flagship brands – Cherkizovo and Cherkizovo Premium. The Company also introduced a number of brand new products which struck a chord with our consumers, such as the Fuet sausage marketed under the Cherkizovo Premium brand.

Our growth was also supported by the utilization of the automated meat processing plant in Kashira, a unique project in meat processing automation.

Efficiency improvement

In 2020, Cherkizovo Group remained committed to improving production efficiency and ensured all of its plants have a lean manufacturing system in place.

At a number of its production facilities, namely the Cherkizovsky Meat Processing Plant and the Dankov Meat Processing Plant, a Total Productive Maintenance system is in place, allowing the Company to reduce the downtime throughout the entire production chain.

At the top of the efficiency ladder is our automated meat processing plant in Kashira fully compliant with the Industry 4.0 vision. Its high level of automation minimizes human errors and ensures the highest quality and biosafety of our products.

Fully automated plant in Kashira

Investments

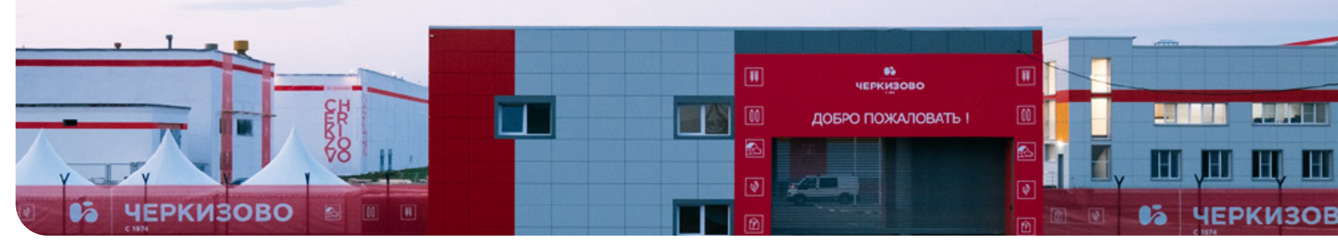
RUB 7 bln

Productive capacity

up to 100 tonnes per day

Staff

189 employees



This fully automated smoked sausage plant was launched in Kashira in mid-May 2018, with investments totaling approximately RUB 7 billion. The plant has a level of automation unrivalled not only in Russia, but also elsewhere in Europe. It produces up to 100 tonnes of sausages per day.

Interestingly, the plant fully complies with the Industry 4.0 vision. It helps reduce the production personnel by integrating robots with plant control systems.The entire production process from the moment raw materials enter the facility to the shipment of finished products is controlled by robots and maintained by a dedicated team of IT professionals and engineers. The plant currently employs 189 people, including administrative and production personnel, mostly residing in the Moscow Region.

The facility employs technologies and equipment from Germany, Italy, Spain, Denmark, Austria, the Czech Republic, the UK, and Switzerland.

The process is structured in such a way as to minimize human involvement and deliver a consistently high sausage quality. This is to make sure that our customers can receive the product quality they are used to in any store and on any day.

Черкизово PREMIUM

The premium range of products delivered a particularly impressive growth of

+41%

y-o-y

Sausage Fuet

Fuet is an unusual Spanish sausage. Firstly, its name can be translated as «whip», because the sausage itself is long and thin, no more than 3 cm in diameter. Secondly, the sausage is covered with a layer of white mold, which gives the taste spicy mushroom notes.

At the same time, fuet is a popular appetizer for wines and often acts as an independent dish.

Quality assurance

All of Cherkizovo Group's RTE assets are certified under the FSSC 22000 scheme, which regulates food safety standards. This confirms the Group's compliance with European standards in terms of production processes and employee training.

The Group's vertically integrated quality management system guarantees the highest quality and freshness of ingredients. The RTE production process relies on pork sourced from the Group's own farms and poultry meat from the Chicken segment and Tambov Turkey JV.

Cherkivozo Group maintains its superior quality of products by conducting daily tasting panels, employee training, compliance audits, and controlling raw materials and packaging quality.

Quality management system p. 69

Plans

Next year, Cherkizovo Group also plans to focus on **boosting sales of products under the Cherkizovo brand** and **integrating Pit-Product** whose acquisition was announced in early 2021.

Key investment projects[1]

Developing the capacity of the Cherkizovsky Meat Processing Plant

The Moscow-based Cherkizovsky Meat Processing Plant is the largest and most sophisticated facility in our production segment. In 2020, we continued to implement projects aimed at increasing production efficiency.

In the reporting year, Cherkivozo Group completed its packaging equipment upgrade project. The new equipment will not only allow for a reduction in production costs, but also for the shrinking of the Company's ecological footprint, due to the use of less packaging materials.

Production of beef patties

Cherkizovo Group completed the construction of a facility to produce beef patties for burgers in Kaliningrad. Going forward, the new production facility will help strengthen the Company's position in the food service segment.

[1] Investments are shown net of VAT.

Best practices in meat production

Animal comfort

We maintain optimal conditions for all animals by controlling temperature, air circulation, lighting, and humidity.

Traceability

Each production stage, from feed manufacture to young stock breeding, processing, and sales, is closely monitored to ensure the highest product quality.

Balanced feeding

We produce feed to special formulas with a balanced combination of proteins, microelements, vitamins, and amino acids that serve an optimum source of energy for all animals.

Specialization and separation of facilities by territory

All production stages are located in separate areas, segregated by buffer zones of at least 5 km. This separation of production sites helps prevent the spreading of disease across different generations of livestock and between breeding and production herds.

The Full/Empty concept

Each production site is only filled with livestock of the same generation. In between production processes, the sites are thoroughly cleaned and disinfected.

Preventive measures

We make every effort to ensure compliance of our production with international best practices and to guarantee security at animal farms. Among other things, we have introduced strict access control, limits on the number of visitors, and clinical examinations, as well as prohibited employee cross-flows through production facilities, ensured smooth operation of all veterinary and sanitary stations, and provided veterinary care for all the livestock.

Environment protection

We control the compliance of environmental indicators with current legislation at all our facilities.

Grain

663

thous. tonnes

sales

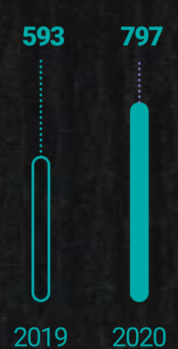
16.72 **RUB/kg**

average sales price

Harvest volumes

797 +35%

thous. tonnes

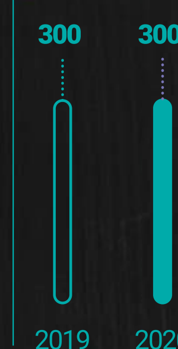


The four main crops the Group grows are wheat, corn, soy, and sunflower. Wheat and corn are mostly consumed internally by the Group's other segments to produce feed, while soy and sunflower account for the bulk of external sales as high-margin crops.

In 2020, the Grain segment hit a record high as its gross yield grew by 35% and reached 797 thousand tonnes. Higher prices for the main crops seen throughout 2020 made this segment one of Cherkizovo's key profit drivers and were the strongest contributors to the EBITDA increase.

Total land bank

300 **thous. ha**



In planning its annual sowing campaigns, the Group takes into account its strategic goals, current feed demand, and crop margins. The Group's priority crops are wheat, corn, and high protein soybean. Since soy has never been a traditional crop in Russia, we actively research best practices for its cultivation and work on adjusting soil conditions, plant population, and management solutions together with experts from abroad.

In 2020, the Company continued to expand production of crops, focusing mainly on wheat and soy. Crop areas for wheat, soy, and corn all saw a strong growth, by 15%, 44%, and 42%, respectively, with the soybean crop area expanding from 25 thousand hectares to 36 thousand hectares.

A total of 511 thousand tonnes of standard-weight wheat was collected during the 2020 harvesting campaign (up by 59% as compared to 2019), as well as 59 thousand tonnes of soy (up 55% y-o-y), 111 thousand tonnes of corn (up 12% y-o-y) and 71 thousand tonnes of sunflower (down 15% y-o-y). The key growth drivers for the harvest were optimized crop rotation with a focus on wheat, corn, and soy, along with higher yield levels.

Crop cultivation and harvest

	Yield, t/ha		Crop area, thous. ha	
Crop	2019	2020	2019	2020
Winter wheat	4.2	6.04	84	97
Spring wheat	3.8	4.9		
Corn	8.2	6.6	12	17
Sunflower	3.0	2.5	33	28
Soybean	1.9	1.96	25	36

Crop sales

	Sales, thousand tonnes		Average sales price, RUB/kg	
Crop	2019	2020	2019	2020
Wheat	277.1	410.4	9.02	12.34
Corn	94.6	96.5	8.76	11.72
Sunflower	83.4	71.4	17.09	40.46
Barley	37.9	10.6	8.62	11.31
Soybean	6.9	45.4	21.58	34.80
Other	24.1	28.6	22.60	11.81

Sales volume

663 thous. tonnes

+26.5 %

Average sales price

16.72 RUB/kg

+52.0 %

Construction of an oil extraction plant

In 2020, the Group launched the construction of an oil extraction plant in the Yeletsky District of the Lipetsk Region. Its soybean meal will be a key component for feed production. On top of that, the facility will also be making oil. To supply the plant with feedstock, we are going to focus on soybean cultivation and increase the share of this crop in our mix.

The plant is located in the Yeletsprom special economic zone. As a result, it will be eligible for tax benefits and state support in the form of subsidized interest rates on bank loans.
The plant is scheduled for commissioning in 2022, and its capacity is estimated at up to 3,000 tonnes per day.
The project is set to create 100 new jobs. According to preliminary estimates, the Group will be investing RUB 7.2 billion in the project.

Plant launch in

2022

Estimated capacity

up to **3** thous. tonnes per day

Efficiency improvement

In crop cultivation, the Group leverages intensive farming technologies, effective fertilizers, high-yielding heirloom and hybrid seeds.

To boost yield levels, the Company relies on a combination of the following:

- ensuring optimum soil density,
- amelioration and revegetation,
- facilitating in-house production of eco-friendly fertilizers,
- improving pH values for soil,
- precision planting.

In 2020, Cherkizovo Group embarked on an investment project to purchase new agricultural equipment from major suppliers: John Deere, Case International Harvester, and CLAAS. A total of around 100 units of equipment were acquired.

This year, we also optimized crop rotation. For the Voronezh Region, it now includes spring wheat, corn, and soy, allowing us to significantly decrease fallow lands.

In 2020, the Group held individual and group training sessions on standard operating procedures (SOP) across the Grain segment, with a subsequent knowledge assessment. An SOP is a set of step-by-step instructions seeking to help employees carry out complex routine operations.

First introduced by the Group in 2019, SOPs are instrumental in securing sustainably high product quality and strong performance across all of the Group's assets.

Plans

In 2021, Cherkizovo Group looks to increase the output of its core crops: wheat, corn, and soy. While we do not expect any major changes in our land bank, we will be focusing on ensuring production efficiency for the core crops, driving higher yield levels, and allocating new crop areas from the Group's existing land bank.

Turkey

1 JOINT VENTURE

for the production of turkey meat

174 RUB/kg

average sales price

Revenuefrom finished product sales

RUB **7.1** bln[1]

2019	2020
6.7	7.1

[1] Denotes to total sale - intragroup and third party.

Art of eating

Turkey baked with herbs

Smirnov Andrey
IT specialist

Turkey meat is a dietary, hypoallergenic and healthy product for the child's body. Pediatricians recommend turkey puree as a first meal of the day.

2019 performance

Producing turkey jointly with Spain's Grupo Fuertes, Cherkizovo Group leads the market in terms of quality and innovation. In 2020, Tambov Turkey was running at full design capacity, with 2020 sales volumes of 41 thousand tonnes. The average sales price added 3% and reached RUB 173.98/ kg, while demand from retailers and hence consumers remained strong.

In 2020, we made a strategic step to ramp up production and launched the second stage of Tambov Turkey, which will nearly double the facility's annual capacity as early as 2021, increasing it to 85 thousand tonnes.

Finished product sales

41.0 thous. tonnes

2019	2020
39.4	41.0

Our brand

All products:

pava-pava.com

The turkey meat products are sold under the Pava-Pava brand, a premium offering made from high-quality meat with no artificial food additives. The second largest Russian producer of turkey by output, Cherkizovo Group further expanded its market share to 29% in 2020.

With new production capacities to be launched going forward, the Company plans to gradually expand its sales geography. The expansion plans embrace the Volga and Central Federal Districts in Russia, and higher exports to/presence in new overseas markets.

In the reporting year, the Group started supplying turkey products to China. The exports became possible after the Federal Service for Veterinary and Phytosanitary Surveillance of Russia (Rosselkhoznadzor) had received the go-ahead from China to include turkey by-products into the list of permitted imports from Russia.

Extending the product range

The Pava-Pava product line offers a diverse range of turkey products, such as chilled chop meat, ready-to-cook products, including those with natural spices, and sausage products.

In 2020, Cherkizovo Group started supplying Pava-Pava sausage products to federal retail chains. Currently, the range of high value-added turkey products includes hot dogs, Mramornaya ham, and Nezhnoye fillet. Going forward, we plan to update the ready-to-eat development strategy and potentially extend the product line.

Turkey consumption culture continues to evolve in Russia primarily as a result of stronger interest in a healthy lifestyle. Yet, albeit doubling from 1 kg to 2 kg over the recent decade, the per capita turkey consumption is still lagging far behind Europe, which signals a considerable potential for sustained market growth.

Product quality

The Pava-Pava brand is all about exceptional quality. We grow turkey in the Tambov Region, one of Russia's most pristine areas. We use the best grain feeds and artesian water, keep the birds in excellent conditions and rigorously comply with process rules and operating procedures.

Our turkey is unique for the Russian market as it is made from the special Hybrid Grade Maker breed containing 50% less fat than breeds by other Russian producers and boasts a high content of hypoallergenic protein, vitamins, and minerals. Pava-Pava is the perfect choice for everyone, especially children, people living a healthy lifestyle and keeping their weight in check, as well as people with various health conditions.

In 2020, for the second year running, the Pava-Pava brand won the Product of the Year award as the best Healthy Food product in the Turkey Meat category.

Market share and brand awareness

The Company sells the bulk of its Pava-Pava products in the central part of Russia. At the same time, the Group ranks second in the Russian turkey market in terms of branded product volumes. Pava-Pava has captured 29% of the market, and with new production capacities to be launched, is bound to expand geographically and grow its market share.

Cherkizovo Group devotes special attention to marketing and brand promotion. With a recognition level of 39%, Pava-Pava is one of the most popular brands on the Russian turkey market. Strong brand awareness will be conducive to marketing the additional volumes delivered by new production capacities.

Launch of Tambov Turkey's second stage

The launch of Tambov Turkey's second stage became a true highlight of 2020. The facility's expansion program covered the commissioning of three finisher sites for 196,000 birds each, one nursery site for 200,000 birds, as well as upgrade and ramp-up of the slaughter facility, feed mill, incubator, motor transport unit, treatment facilities and a number of other units.

The Company increased its production capacities in response to the ever-increasing demand for turkey on the Russian market, as well as growing export volumes.

October 2020 saw the first setting of a larger amount of eggs in the incubator. By mid-2021, the facility will be fully operational, boosting the production capacity by ca. 1.5 times to 85 thousand tonnes in live weight, and creating 250 new jobs.

The additional production capacities are expected to strengthen our market position, expand the sales geography in the mid-term, and provide new employment opportunities.

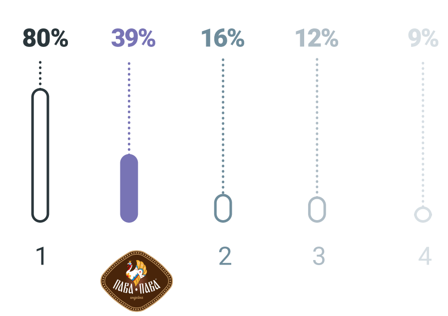
Development plans

In Q1 2021, we plan to commission the second stage of Tambov Turkey, with larger volumes expected to be received by the slaughterhouse.

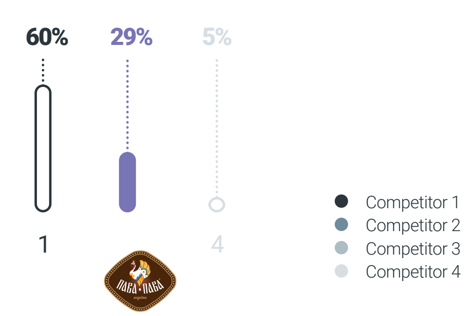
Going forward, we plan to further increase the facility's capacity and expect it to exceed 100 thousand tonnes of meat per year over a span of several years.

We also plan to extend our Pava-Pava branded offering by adding ready-to-cook and ready-to-eat products

Turkey brand awareness in Russia



Share of the branded turkey market by output



Financial Performance Overview

In 2020 Cherkizovo achieved stellar financial results as our vertically integrated business model once again proved to be profitable and sustainable even operating against a backdrop of negative macroeconomic environment.

We remain committed to the further growth our revenues and profits coupled with adherence to our dividend policy that envisages distribution of at least 50% of adjusted net income as dividends.

Ludmila Mikhaylova
CFO

Key financial indicators in 2019-2020

	2019	2020
Revenue, RUB bln	120.1	**128.8**
Gross profit, RUB bln	26.4	**35.1**
Gross margin	22.0%	**27.2%**
Adjusted EBITDA, RUB bln	20.6	**26.6**
Adjusted EBITDA margin	17.2%	**20.6%**
Net profit, RUB bln	6.8	**15.2**
Net profit margin	5.6%	**11.8%**
Net cash flow from operating activities, RUB bln	16.1	**16.8**
Net debt, RUB bln	61.2	**64.0**
Net debt / Adjusted EBITDA	3.0x	**2.4x**

In 2020, Cherkizovo Group's consolidated revenue increased by 7.2% year-on-year to RUB 128.8 billion, with adjusted EBITDA up by 28.8% to RUB 26.6 billion and adjusted EBITDA margin increased to 20.6% (from 17.2% in 2019). Net profit more than doubled to RUB 15.2 billion from RUB 6.8 billion in 2019, while operating cash flow increased by 4.4% to RUB 16.8 billion (RUB 16.1 billion in 2019).

Net debt increased to RUB 64.0 billion (2019: RUB 61.2 billion), with our results providing us sufficient comfort on all debt covenants.

In 2020, total capital expenditures amounted to RUB 12.2 billion, with the major part attributable to the Pork (RUB 4.7 billion) and Chicken (RUB 5.2 billion) segments with oil extraction plant being the key investment. The remaining CAPEX was distributed among other businesses.

Operational performance overview

Cherkizovo is the largest protein producer in Russia. Our vertically integrated business model covers all stages of meat production. The company controls about 300,000 hectares of land farming grains and soy, is entirely self-sufficient in animal feed production, owns chicken and pork breeding operations coupled with slaughter and meat-processing plants. Petelinka, Kurinoe Tsarstvo, and Cherkizovo branded products are catered to domestic consumers and distributed via retail nationwide. We also serve foodservice and export clients. The Group also includes Tambov Turkey facility, a joint Russian-Spanish venture.

In 2020, Cherkizovo Group produced more than 1 million tonnes of meat and meat products and generated revenue of RUB 128.8 billion.

In 2020, Cherkizovo Group's sales totaled 695.1 thousand tonnes of finished products in the Chicken segment, 113.6 thousand tonnes in the RTE meat processing segment and produced 182.3 thousand tonnes in the Pork segment. The Company harvested 796.7 thousand tonnes of various crops in the Grain segment.

Market and regulatory overview

FX exchange rates

In 2020, the Russian rouble depreciated against both EUR and USD. According to the Central Bank of Russia, as at 31 December 2020, the USD/RUB and EUR/RUB pairs traded at 73.88 and 90.68, respectively (2019: 61.91 and 69.34). At the end of the year, RUB- denominated liabilities accounted for 94% of the Group's long-term debt and 100% of its short-term debt.

Cherkizovo's products are generally priced in Russian roubles, with the exception of the produce that we sell to the exports markets. Many of our sourcing costs, including certain feed ingredients and veterinary drugs, are directly or indirectly linked to foreign exchange rates. On the other hand, some other costs, such as payroll, interest payments and transportation, are denominated in Russian roubles.

Interest rates

In 2020, the Central Bank of Russia delivered multiple rate cuts, lowering the key rate from 6.25% at the end of 2019 to 4.25% at the end of 2020. It allowed the Company to successfully refinance its debt portfolio and extend its maturity – we placed two issues of Rouble denominated bonds: In September 2020, Cherkizovo issued bonds in the amount of RUB 6.3 billion maturing in 3.5 years bearing 6.2% coupon, and in December 2020, we placed local bonds in the amount of RUB 6 billion with 6.4% coupon and 5 year tenor.

Tax benefits

Russian agricultural producers have a zero corporate income tax rate. However, no tax benefits are provided for sales and distribution, feed production and meat processing. In 2020, our overall effective tax benefit was negative 1.9%, compared to 0.7% tax rate in 2019. An increase compared to 2019 was primarily due to a loss carry forward.

The general income tax rate for Russian companies was 20%. On 1 January 2017, amendments to the Russian Tax Code became effective allowing the Group to offset no more than 50% of each subsidiary's taxable income against the accrued carryforward tax losses.

No time limit is set for the use of the Group's tax loss carryforward. Hence, the Group does not expect its deferred tax position to be affected.

Loan benefits and government subsidies for interest payments

In accordance with Russian legislation, the Company received certain government grants. The largest of such government grants relate to the reimbursement of interest expense on qualifying loans, which is received directly by the Group and for the reimbursement of interest expense through accredited banks, who provide loans to agricultural producers at reduced rates not exceeding 5% per annum on Rouble-denominated loans. The difference between market rate and the reduced rate equals the Key rate of the Bank of Russia and is compensated by the Ministry of Agriculture to the accredited banks.

The Group records interest and reduced rate lending subsidies as an offset to interest expense during the period to which they relate. Total government grants for compensation of interest expense grossed of related interest expense amounted to RUB 1.1 billion.

Consolidated results of Cherkizovo group

In 2020, revenue increased by 7.2% y-o-y to RUB 128.8 billion (2019: RUB 120.1 billion). Revenue growth is attributed to higher volumes across business segments on the back of organic growth and M&A, favourable pricing environment for poultry products and RTE meat production.

Gross profit increased by 32.9% y-o-y to RUB 35.1 billion (2019: RUB 26.4 billion). An additional positive effect was given by the positive net change in fair value of biological assets, and effect from net revaluation of harvested crops in stock. Gross profit margin increased to 27.2% (2019: 22.0%).

Operating expenses increased by 2.9% y-o-y to RUB 16.5 billion, from RUB 16.1 billion a year ago. Operating expenses as a percentage of sales decreased to 12.8% (2019: 13.4%).

Adjusted operating profit of RUB 17.4 billion, increased by 46.8% y-o-y from RUB 11.9 billion a year ago. Our adjusted operating profit excludes net change in fair value of biological assets of the Group's segments in the amount of RUB 1.2 billion (2019: RUB 1.4 billion negative) and the effect of net change in fair value of biological assets of JVs and associates on the Group's share of their results in the amount of RUB 116 million (2019: RUB 298 million negative).

Adjusted EBITDA increased by 28.8% y-o-y to RUB 26.6 billion (2019: RUB 20.6 billion). Adjusted EBITDA margin increased to 20.6% (2019: 17.2%) driven by better results in the chicken business, RTE meat processing and Grain business.

Net interest expense in 2020 decreased by 10.3% y-o-y to RUB 4.0 billion.

Net profit for the Group totaled RUB 15.2 billion in 2020, more than doubled compared to RUB 6.8 billion in 2019. Net profit margin increased to 11.8% from 5.6% a year ago.

Adjusted net profit increased by 64.9% y-o-y to RUB 13.9 billion, from RUB 8.4 billion a year ago. Adjusted net profit margin amounted to 10.8%, compared to 7.0% in 2019.

Consolidated income statement data for the year ended 31 December 2020

RUB mln	31 December 2019	31 December 2020	Change
Sales	120,109	128,803	7.2%
Net change in fair value of biological assets	(1,379)	1,164	n.a.
Net revaluation of harvested crops in stock	29	2,465	8,400.7%
Cost of sales	(92,375)	(97,368)	5.4%
Gross profit	**26,384**	**35,064**	**32.9%**
Gross margin	*22.0%*	*27.2%*	*5.3 p.p.*
Operating expenses	(16,072)	(16,539)	2.9%
Share of loss of joint ventures and associates	(123)	176	n.a.
Operating profit	**10,189**	**18,701**	**83.5%**
Operating margin	*8.5%*	*14.5%*	*6.0 p.p.*
Profit before income tax	**6,697**	**14,861**	**121.9%**
Profit attributable to Cherkizovo Group	**6,751**	**15,177**	**124.8%**
Net profit margin	*5.6%*	*11.8%*	*6.2 p.p.*
Weighted average number of shares outstanding	41,047,014	41,047,014	—
Earnings per share			
Profit attributable to Cherkizovo Group per share, basic and diluted (RUB)	**164.46**	**369.75**	**124.8%**
Consolidated Adjusted EBITDA reconciliation			
Operating profit	**10,189**	**18,701**	**83.5%**
Add:			
Depreciation and amortisation	7,818	8,235	5.3%
Net change in fair value of biological assets	1,379	(1,164)	n.a.
Share of adjusted EBITDA of joint ventures and associates	736	798	8.4%
Other	495	(14)	n.a.
Consolidated Adjusted EBITDA	**20,617**	**26,556**	**28.8%**
Adjusted EBITDA Margin	***17.2%***	***20.6%***	***3.4 p.p.***

Consolidated selected financial data for the year ended 31 December 2020

RUB mln	Chicken	Pork	RTE meat processing	Grain	Total reporting segments	Corporate	Turkey	Intersegment and other adjustments	Total consolidated
Total sales	**74,494**	**32,988**	**21,777**	**12,467**	**141,726**	**—**	**7,119**	**(20,042)**	**128,803**
Intersegment sales	(1,515)	(8,944)	—	(8,606)	(19,065)	—	(182)	19,247	—
Sales to external customers	72,979	24,044	21,777	3,861	122,661	—	6,937	(795)	128,803
Net change in fair value of biological assets	942	222	—	—	1,164	—	—	—	1,164
Net revaluation of harvested crops in stock	—	—	—	388	388	—	—	2,077	2,465
Cost of sales	(58 444)	(23,350)	(19,678)	(6,731)	(108,203)	—	(6,466)	17,301	(97,368)
Gross profit (loss)	**16,992**	**9,860**	**2,099**	**6,124**	**35,075**	—	**653**	**(664)**	**35,064**
Operating expense[1]	(7,703)	(1,251)	(3,742)	108	(12,588)	(3,793)	(786)	628	(16,539)
Share of profit of joint ventures and associates	—	—	—	—	—	46	130	—	176
Operating income (loss)	**9,289**	**8,609**	**(1,643)**	**6,232**	**22,487**	**(3,747)**	**(3)**	**(36)**	**18,701**
Adjustments for:									
Depreciation and amortisation expense	3,347	2,350	994	762	7,453	782	—	—	8,235
Net change in fair value of biological assets	(942)	(222)	—	—	(1,164)	—	—	—	(1,164)
Share of adjusted EBITDA of joint ventures and associates[2]	—	—	—	—	—	326	472	—	798
Other	173	(6)	—	(49)	118	(1)	(131)	—	(14)
Adjusted EBITDA	**11,867**	**10,731**	**(649)**	**6,945**	**28,894**	**(2,640)**	**338**	**(36)**	**26,556**
Supplemental information:									
Segment capital expenditure	5,207	4,660	337	1,319	11,523	695	—	—	12,218
Income tax expense (benefit)	(20)	(56)	(37)	16	(97)	(187)	—	—	(284)

[1] Operating expenses include selling, general and administrative expenses and other operating income (expense).

[2] Adjusted EBITDA of joint ventures and associates is calculated consistently to that of the Group and reported to the CODM as part of segment reporting.

Chicken

External sales volumes in 2020 increased by 4.9% to 670.6 thousand tonnes (2019: 639.2 thousand tonnes). The average selling price increased by 1.8% y-o-y to 107.6 RUB/kg. The revenue growth is attributed to the volumes increase as we ramped up assets that we've acquired in the end of 2018, increased distribution of Petelinka and Chicken Kingdom produce and boosted sales to our export customers, mostly in China. Our sales from Petelinka branded products added 6%, and Chicken Kingdom increased sales by 4%. As a result, the segment's revenue increased by 6.6% and amounted to RUB 73.0 billion (2019: RUB 68.4 billion). Net change in fair value of biological assets amounted to RUB 0.9 billion, compared to negative RUB 0.1 billion in 2019.

Gross profit was up by 0.7% y-o-y and totaled RUB 17.0 billion, (2019: RUB 16.9 billion) driven by volumes growth, better sales mix and offset by cost pressure that materialized in the 2H20 with increase of prices for feed components. Gross margin declined to 22.8%, from 24.0% in 2019. Operating expenses as a percentage of sales remained unchanged at 10.3%.

Operating income declined by 2.0% y-o-y to RUB 9.3 billion (2019: RUB 9.5 billion). Operating margin declined to 12.5% from 13.5% in 2019. Adjusted EBITDA of RUB 11.9 billion, declined by 8.8% y-o-y, while Adjusted EBITDA margin compressed to 15.9% from 18.5% a year ago.

RUB mln	12 months ended 31 December 2019	12 months ended 31 December 2020	Change, %
Total Sales	70,269	74,494	6.0%
Interdivision sales	(1,820)	(1,515)	(16.8%)
Sales to external customers	**68,449**	**72,979**	**6.6%**
Net change in fair value of biological assets	(135)	942	n.a.
Cost of sales	(53,265)	(58,444)	9.7%
Gross profit/(loss)	**16,869**	**16,992**	**0.7%**
Gross margin	*24.0%*	*22.8%*	*(1.2 p.p.)*
Operating expenses	(7,386)	(7,703)	4.3%
Operating profit/(loss)	**9,483**	**9,289**	**(2.0%)**
Operating margin	*13.5%*	*12.5%*	*(1.0 p.p.)*
Chicken division Adjusted EBITDA reconciliation			
Operating profit/(loss)	**9,483**	**9,289**	**(2.0%)**
Add:			
Depreciation and amortisation	3,361	3,347	(0.4%)
Net change in fair value of biological assets	135	(942)	n.a.
Other	37	173	367.6%
Chicken division Adjusted EBITDA	**13,016**	**11,867**	**(8.8%)**
Adjusted EBITDA Margin	*18.5%*	*15.9%*	*(2.6 p.p.)*

Pork

External sales volumes in 2020 increased by 1.8% y-o-y, to 182.3 thousand tonnes (2019: 179.1 thousand tonnes), with our live pork sales declining by 13.6% on the back of higher volumes of own meat processing that drive sales of pork carcass increasing by 7.4% and stable sales volumes of pork cuts. The average selling price for live pork of 85.1 RUB/kg, declined by 0.9% y-o-y compared to 85.8 RUB/kg a year ago, average selling prices for carcass remained unchanged at 134.5 RUB/kg, while average selling prices for cuts increased by 1.5% to 214.9 RUB/kg. The segment's revenue increased by 1.5% y-o-y to RUB 24.0 billion (2019: RUB 23.7 billion). Net change in fair value of biological assets amounted to RUB 0.2 billion, compared to negative RUB 1.2 billion a year ago.

Gross profit of RUB 9.9 billion increased by 48.8% compared to RUB 6.6 billion in 2019, on revenue growth and stable cost per kg of sellable product. The segment's gross margin increased to 29.9%, from 21.8% a year ago. Operating profit amounted to RUB 8.6 billion (2019: RUB 5.3 billion). The segment's operating margin increased to 26.1% from 17.4% a year ago.

Adjusted EBITDA expanded by 17.5% y-o-y to RUB 10.7 billion (2019: RUB 9.1 billion). Adjusted EBITDA margin improved to 32.5% from 30.0% in 2019.

RUB mln	12 months ended 31 December 2019	12 months ended 31 December 2020	Change, %
Total Sales	30,455	32,988	8.3%
Interdivision sales	(6,768)	(8,944)	32.2%
Sales to external customers	**23,687**	**24,044**	**1.5%**
Net change in fair value of biological assets	(1,244)	222	n.a.
Cost of sales	(22,586)	(23,350)	3.4%
Gross profit/(loss)	**6,625**	**9,860**	**48.8%**
Gross margin	*21.8%*	*29.9%*	*8.1 p.p.*
Operating expenses	(1,331)	(1,251)	(6.0%)
Operating profit/(loss)	**5,294**	**8,609**	**62.6%**
Operating margin	*17.4%*	*26.1%*	*8.7 p.p.*
Pork division Adjusted EBITDA reconciliation			
Operating profit/(loss)	**5,294**	**8,609**	**62.6%**
Add:			
Depreciation and amortisation	2,424	2,350	(3.1%)
Net change in fair value of biological assets	1,244	(222)	n.a.
Other	167	(6)	(103.6%)
Pork division Adjusted EBITDA	**9,129**	**10,731**	**17.5%**
Adjusted EBITDA Margin	*30.0%*	*32.5%*	*2.5 p.p.*

RTE Meat Processing

External sales volumes in 2020 increased by 5.5% y-o-y to 113.6 thousand tonnes (2019: 107.7 thousand tonnes), as driven by expanded distribution of sausages and hams that the company sells under Cherkizovo and Cherkizovo Premium brands, the latter delivered exceptionally strong results adding 41% to prior year results. The average selling price increased by 2.2% y-o-y to 192.0 RUB/kg (2019: 187.9 RUB/kg). As a result the segment's revenue increased by 8.9% and reached RUB 21.8 billion (2019: RUB 20.0 billion).

Gross profit almost doubled to RUB 2.1 billion, (2019: RUB 1.1 billion). The gross margin increased to 9.6% from 5.5% a year ago.

Operating expenses increased by 18.2% y-o-y, and amounted to 17.2% as a percentage of sales, compared with 15.8% in 2019.

Operating loss narrowed to RUB 1.6 billion compared to RUB 2.1 billion loss in 2019. Adjusted EBITDA remained negative and amounted to RUB 0.6 billion compared to negative result of RUB 1.2 billion in 2019 as we kept increasing our market share.

Revenue

21.8 RUB bln

RUB mln	12 months ended 31 December 2019	12 months ended 31 December 2020	Change, %
Total Sales	19,994	21,777	8.9%
Interdivision sales	-	-	—
Sales to external customers	**19,994**	**21,777**	**8.9%**
Cost of sales	(18,902)	(19,678)	418%
Gross profit/(loss)	**1,092**	**2,099**	**92.2%**
Gross margin	*5.5%*	*9.6%*	*4.1 p.p.*
Operating expenses	(3,165)	(3,742)	18.2%
Operating profit/(loss)	**(2,073)**	**(1,643)**	**20.7%**
Operating margin	*-10.4%*	*-7.5%*	*2.9 p.p.*
Meat processing division Adjusted EBITDA reconciliation			
Operating profit/(loss)	**(2,073)**	**(1,643)**	**20.7%**
Add:			
Depreciation and amortisation	902	994	10.2%
Meat processing division Adjusted EBITDA	**(1,171)**	**(649)**	**44.6%**
Adjusted EBITDA Margin	*-5.9%*	*-3.0%*	*2.9 p.p.*

Grain

Total sales volumes in 2020 increased by 26.5% y-o-y to 663.0 thousand tonnes (2019: 524.0 thousand tonnes), while overall harvest in the season increased by 34.3% y-o-y to 796.7 thousand tonnes (2019: 593.0 thousand tonnes) driven by better crop rotation changes towards wheat, corn and soy and better yields achieved. The segment's revenue increased by 116.6% driven by volumes and favorable pricing environment for harvested crops and reached RUB 12.5 billion (2019: RUB 5.8 billion). Net revaluation of harvested crops in stock increased to RUB 388 million from RUB 155 million in 2019.

Gross profit quadrupled and amounted to RUB 6.1 billion (2019: RUB 1.5 billion). Gross margin increased to 49.1% from 25.6% a year ago. Operating income amounted to RUB 6.2 billion, a 312.4% y-o-y compared to RUB 1.5 billion in 2019, with operating margin of 50.0% compared to 26.3% in 2019. Adjusted EBITDA amounted to RUB 6.9 billion compared RUB 2.1 billion in 2019.

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Revenue

12.5 RUB bln

RUB mln	12 months ended 31 December 2019	12 months ended 31 December 2020	Change, %
Total Sales	5,756	12,467	116.6%
Interdivision sales	(3,553)	(8,606)	142.2%
Sales to external customers	**2,203**	**3,861**	**75.3%**
Net revaluation of harvested crops in stock	155	388	150.3%
Cost of sales	(4,436)	(6,731)	51.7%
Gross profit/(loss)	**1,475**	**6,124**	**315.2%**
Gross margin	*25.6%*	*49.1%*	*23.5 p.p.*
Operating expenses	36	108	200.0%
Operating profit/(loss)	**1,511**	**6,232**	**312.4%**
Operating margin	*26.3%*	*50.0%*	*23.7 p.p.*
Grain division Adjusted EBITDA reconciliation			
Operating profit/(loss)	**1,511**	**6,232**	**312.4%**
Add:			
Depreciation and amortisation	510	762	49.4%
Other	109	(49)	n.a.
Grain division Adjusted EBITDA	**2,130**	**6,945**	**226.1%**
Adjusted EBITDA Margin	37.0%	55.7%	18.7 p.p.

Results of joint ventures and associates

The Group's significant joint ventures and associates include: 50% share in Tambov Turkey, a turkey producer established by the Company and its partner and shareholder Grupo Corporativo Fuertes, 75% share in Samson – Food products, a meat processor in St-Petersburg, and 50% share in Cobb-Russia.

Total result in consolidated EBITDA of the Group from all JVs and associates amounted to RUB 798 million, up from RUB 736 million a year ago.

Liquidity and Capital

Capital needs

In addition to our working capital requirements, we require capital to finance the following:

- capital expenditures, particularly in connection with development and maintenance capital expenditures;
- repayment of debt; and
- potential acquisitions.

We anticipate that capital expenditures, repayment of long-term debt and potential acquisitions will represent the most significant uses of funds for the next several years.

In 2020, the major sources of our funds were our operating cash flows and short-term borrowings. We financed our capital expenditures primarily with short and long-term borrowings.

Debt

As at 31 December 2020, net debt came in at RUB 64.0 billion as compared to RUB 61.2 billion at the end of 2019. Total debt increased from RUB 65.2 billion at the end of 2019 to RUB 71.4 billion.

As at 31 December 2020, long- term debt stood at RUB 41.9 billion, or 60.6% of the Group's debt portfolio, while short- term debt accounted for 39.4% of the debt portfolio. The effective cost of debt was 5.6% as of 31 December 2020, change from 6.9% in 2019. Subsidised loans and credit facilities made up 48% of the debt portfolio 2020 (2019: 27%).
As at 31 December 2020, cash and cash equivalents totaled RUB 6.7 billion.

Capital Expenditures

In 2020, Cherkizovo Group's total capital expenditures, excluding acquisitions and investments in joint ventures and associates amounted to RUB 12.2 billion (up 43% year-on year).

Subsidies

In 2020, total government grants for compensation of interest expenses grossed of related interest expense decreased by 15.8% and amounted to RUB 1.1 billion.

Cash flows, RUB bln

The table below represents movements in our cash flows from various activities associated with continuing operations for the two years ended 31 December 2020 and 31 December 2019, respectively:

	2019	2020
Net cash flows from operating activities	16.1	**16.8**
Net cash used in investing activities	(11.0)	**(12.6)**
Net cash used in financing activities	(11.4)	**(0.8)**
Net (decrease)/increase in cash and cash equivalents	(6.3)	**3.4**

Operating activities

Net cash from operating activities in 2020 increased by 4.4% to RUB 16.8 billion from RUB 16.1 billion in 2019.

In 2020, the Company showed an outflow of working capital in the amount of RUB 3.3 billion. In 2019, the outflow of working capital amounted to RUB 0.6 billion.

- RUB 1.5 billion increase in current biological assets due to increase in feed cost;
- RUB 4.5 billion increase in inventory particularly due to the increase in feed components and veterinary stocks, increase in stocks in connection with the growth of materials denominated in USD;
- RUB 0.8 billion increase in other current assets mainly due to VAT settlements and payroll related settlements and accruals;
- RUB 4.3 billion increase in trade payables due to the increase in deferred payments under contracts.

Ludmila Mikhaylova
CFO

Sustainable Development

In our operations, we are committed to the concept of sustainable development as we seek to ensure that today's business growth also supports our long-term sustainability.

Investors increasingly favor companies that care not only about profits, but also about the environment and public good. Our operations are based on the ESG principles which imply environmental protection, fair treatment of employees and customers, and implementation of the best corporate governance practices. The Group continues to enhance humane animal treatment practices and contribute to the development of the regions where it operates.

As a major Russian agricultural producer, Cherkizovo Group has a considerable impact on a broad range of stakeholders and seeks to build mutually beneficial relationships with them. Our stakeholders include investors and shareholders, consumers, employees, suppliers and business partners, agricultural industry players, local and federal authorities, trade associations, non-profit organizations, and local communities in all regions where we operate.

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Cherkizovo Group actively liaises with the industry community. The Company is a member of the National Meat Association, National Union of Swine Breeders, National Union of Meat Processors, and National Union of Poultry Farmers. In addition, Cherkizovo joined the Russian Union of Industrialists and Entrepreneurs (RSPP), an association that brings together players from the country's key economic sectors, and a working group participating in the regulatory guillotine project for animal and crop farming.

New agreements of 2020:

- Cherkizovo Group became a UN vendor following its registration with Global Marketplace, the UN's official procurement portal, and can now supply its products to UN programs, including the World Food Program. Cherkizovo's cooperation with the UN demonstrates our commitment to corporate responsibility.
- Cherkizovo Group's BICOM Distribution Center became a member of the National Union of Transport and Logistics Experts. This move will help Cherkizovo enhance its cooperation with logistics companies and strengthen its stance in negotiations with public authorities.
- Cherkizovo Group and the Foundation for Assistance to Small Innovative Enterprises agreed to join their R&D efforts in implementing the most relevant and promising projects related to the food industry, feeds and feed additives, and biotechnology.

Cherkizovo's corporate governance practices are aligned with the ESG principles:

1. the Group has **3** independent directors
2. among them are world-class experts Michael Balay and Christopher Warmoth who joined the Company in 2020 from Cargill and Carlsberg, respectively
3. gender equality is ensured for both\ the management and the production personnel (40% of women).

Cherkizovo Group ensures transparency for its investors through:

1. monthly operating results and quarterly trading updates by segment
2. quarterly IFRS financial statements
3. Deloitte, one of the world's leading auditing firms, hired as the Company's auditor
4. investor friendly IR which is always ready to answer queries on all matters of interest
5. multiple in-person and remote events for investors.

Stakeholder group	Investors and shareholders	Consumers	Employees	Suppliers and business partners	Government agencies	Local communities	Agricultural sector
Area of interaction	• commitment to the ESG principles; • full and timely disclosure and transparency of all required information; • regular dividend distributions.	• product quality excellence and biosafety; • addressing consumer complaints in a timely manner and taking immediate action; • using popular web platforms to provide interesting and useful information; • refining product portfolio and production technology in line with current trends.	• competitive salaries and social benefits; • workplace safety; • providing opportunities for professional and personal growth such as training and educational programs.	• transparent business practices, including transparency of tenders; • selection of partners who meet the Group's high standards and requirements.	• compliance with applicable laws; • timely payment of taxes; • cooperation in investment projects and social programs.	• creation of jobs; • sponsoring social programs and charities; • funding educational, healthcare, and cultural facilities; • environmental compliance and mitigation of negative environmental impact.	• introduction of innovative technologies; • application and development of humane animal treatment practices; • compliance with biosafety standards; • sharing of best practices.
Interaction framework	– holding meetings with and events for representatives; – placing regular reports and results, as well as other publications on the Company's website.	– conducting research and surveys; – publishing content on the Company's website and web platforms, including YouTube and social media.	– conducting research and surveys; – corporate newspaper; – corporate portal for employees.	– holding meetings with and events for representatives.	– holding meetings with and events for representatives.	– holding meetings with and events for representatives.	– participation in industry exhibitions and conferences; – holding educational events; – R&D.

Environmental Protection

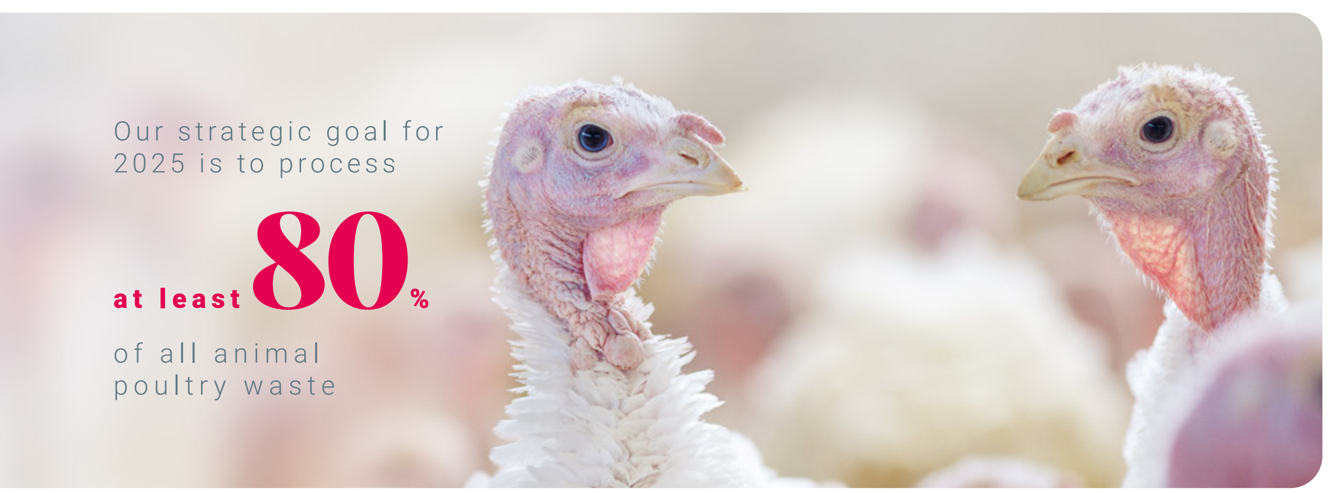
Environmental protection is a major priority for the Company. Cherkizovo Group seeks to minimize its environmental footprint and ensure environmental safety.

We care not only about the interests of our business, but also about those of future generations. The Company invests in the most advanced technology and management systems to minimize its environmental footprint and conserve natural resources.

Cherkizovo Group has a centralized environmental management function in place, which oversees regional operations. Thus, environmental engineers act as regional ecologists and govern areas within their remit.

In 2020, the Group adopted its Environmental Policy, the key strategic document in the field of environmental management, which reflects Cherkizovo's strategic goals and focus areas in environmental protection, efficient use of resources, and objective risk assessment. All our employees are required to be made aware of this Policy.

Our environmental protection principles include production waste minimization, resource conservation, and energy efficiency. To this end, all of our production facilities are equipped to monitor water, power and fuel consumption, waste management, and wastewater discharge.



In line with our precautionary principle, we continuously monitor environmental situation at our production facilities in order to prevent accidents and take relevant action in due time.

We use pig and poultry manure to produce fertilizers. We also use a monolithic seamless flooring technique to prevent soil contamination with manure. This technology is used in runway construction and represents a unique innovation in Russia's animal farming. On top of that, our pig sites plan to implement the new Deep Pit technology, which helps increase the value of manure fertilizers and get rid of the odors.

We promote environmental initiatives not only at our production facilities, but also in our offices. To this end, we implemented waste sorting, as well as collection and disposal of used batteries at our headquarters.

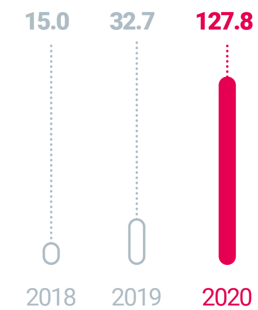
In 2020, the Group spent over RUB 532,939 thousand on environmental facilities and projects, including air protection, climate change prevention, wastewater collection and treatment, waste management, biodiversity conservation, and protection of natural sites.

All environmental projects undergo state expert review to confirm compliance with regulatory requirements.

Investment in environmental protection projects, RUB mln

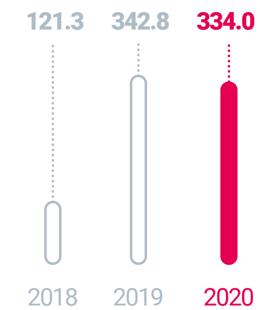
Air

127.8



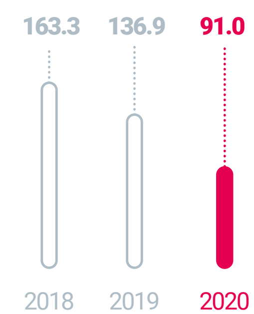
Water

334.0



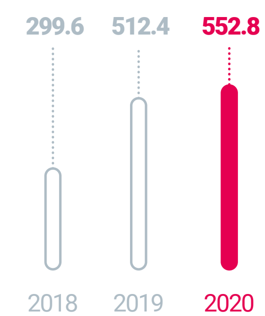
Waste

91.0



Total

552.8



RUB 532.9 mln

spent on environmental projects in 2020

Animal welfare

Cherkizovo Group uses humane animal treatment practices, such as medical treatment, caring for animals throughout their life, and using the most humane methods of slaughter.

In rearing and slaughtering animals, the Pork division seeks to adhere to the US National Pork Board's Pork Quality Assurance Plus (PAQ+) and ensure humane treatment.

All animals are under constant veterinary care, including regular clinical examinations, blood tests, and timely vaccination. The Pork division implemented the Needle Free technology which enables less painful and more efficient vaccination compared to conventional systems, while at the same time improving meat quality.

Cherkizovo seeks to introduce the Animal Welfare standard, which requires humane treatment of animals during the growing and slaughtering and contributes to higher product quality. Employees of broiler growing, slaughtering, and primary processing facilities received training in Animal Welfare and had their qualifications confirmed.

We place special emphasis on the quality of the feed our animals receive. Cherkizovo Group produces its own feeds and feed mixtures, which helps control the quality of products across the entire value chain. All of our feed mills are equipped with chemistry and cereal labs to determine the nutritional value of feeds and identify unwanted impurities.

We create feed production formulas depending on nutritionists' recommendations and animal health. Food for our animals features a well-balanced mix of proteins, micro elements, vitamins, and amino acids.

Environmental footprint

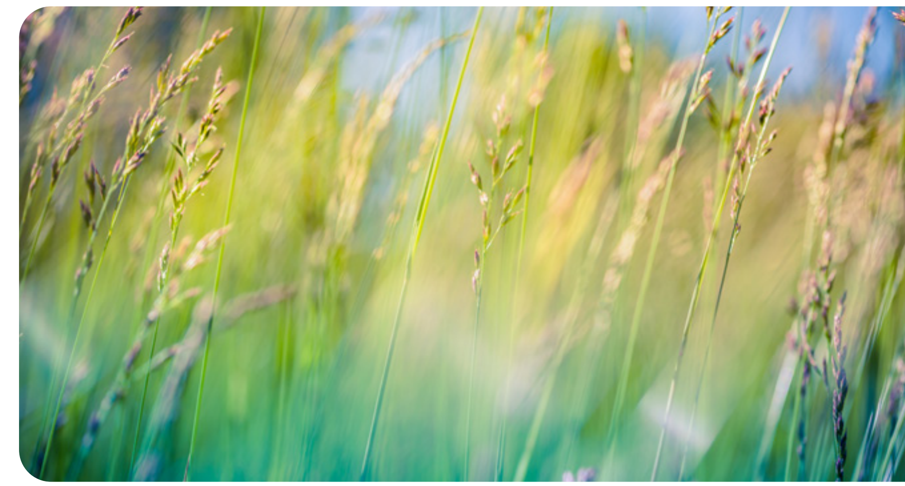
Cherkizovo Group is aware of the critical importance of environment preservation in the current context and seeks to reduce environmental footprint. The Company continues to enhance its environmental performance and promote sustainable production.

The Group's environmental performance in 2020 vs. 2019:

- fresh water use from water sources down 7% year-on-year;
- 'polluter pays' charges with regard to centralized water disposal systems down by 32% year-on-year;
- greenhouse gas emissions (CO_2 equivalent) up 59% year-on-year.

Animal and poultry wastes processed in 2020

	Tonnes produced	Tonnes processed into fertilizers at own facilities	Tonnes outsourced for disposal
Chicken manure	696,708	593,580	103,128
Turkey manure	78,319	78,319	-
Pig manure	3,556,288	3,556,288	-



Emission intensity

Cherkizovo Group boasts a lower greenhouse gas emission intensity than the average for Russia's animal farming since it produces meat with the lowest carbon footprint. According to the UN Food and Agriculture Organization[1], pork and chicken enjoy much lower average CO_2 emissions per kg of protein than other animal species.

55 kg CO_2/kg of protein

pork

35 kg CO_2/kg of protein

chicken

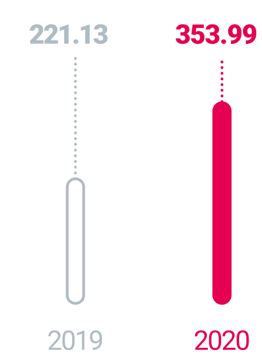
295 kg CO_2/kg of protein

beef

201 kg CO_2/kg of protein

small ruminants

Greenhouse gas emissions, thous. tonnes (CO_2 equivalent)



[1] http://www.fao.org/gleam/results/en/

Our Employees

HR Policy

Human capital is one of the Group's key success factors. Cherkizovo HR Policy complies with Russian legislation and the best international practices. We offer a decent salary, social benefits, and training opportunities to source the best professionals in the industry and graduates from Russia's best universities.

Cherkizovo Group is among the largest employers in the Russian agricultural sector. In 2020, we employed over 31,000 people, up 2.8% year-on-year. The increase was driven by recruitment of personnel during the pandemic, the launch of the second stage of Tambov Turkey, and the acquisition of a chicken processing facility in Efremov, Tula Region.

Our key initiative for personnel training in 2020 was the Education and Business: Training for Teachers.

31,075 employees

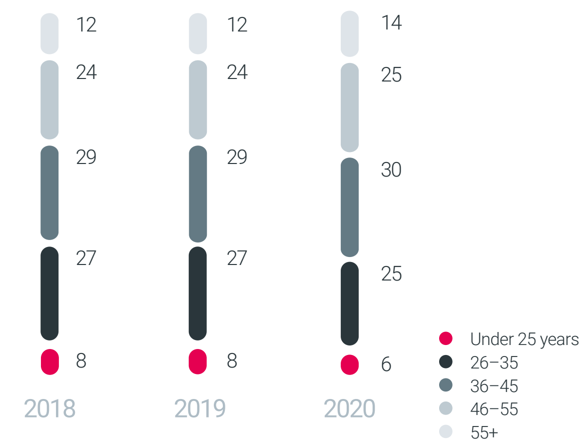
Cherkizovo Group's headcount in 2020

The Education and Business: Training for Teachers project

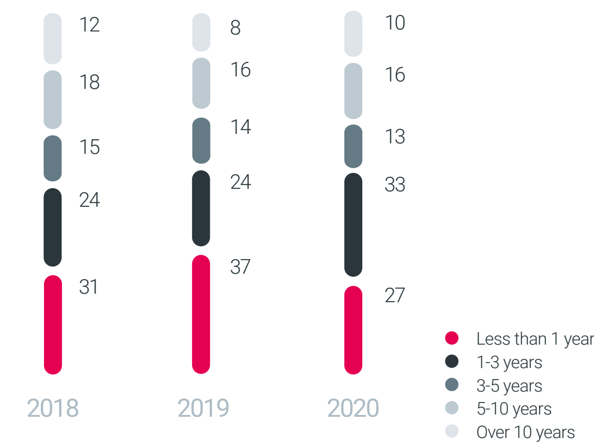
The Education and Business: Training for Teachers project is designed to help enhance the learning experience in agricultural universities.The program is aimed on university teachers and covers four areas: animal health, automation, technology, and agronomy. Eleven Russian universities participate in the project. The first part of the program includes lectures and workshops run by Cherkizovo and followed by knowledge tests.

The second part provides for on-site visits where university lecturers can familiarize themselves with our best practices. In the third part, university lecturers and Cherkizovo's experts together define the topics to be included in their curricula. We aim to continue this work in 2021. We expect this project to better prepare students looking to work at today's manufacturing companies.

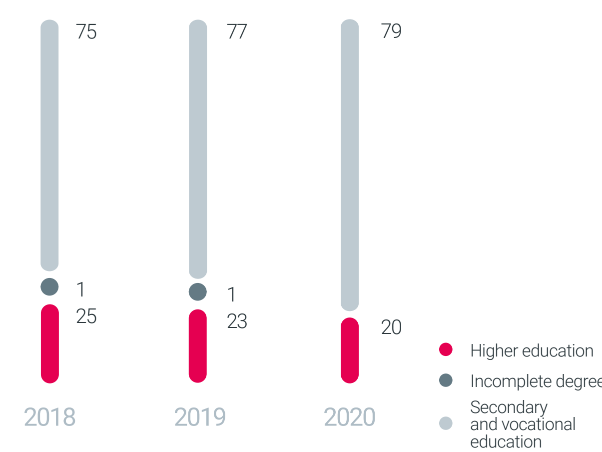
Employee age, %



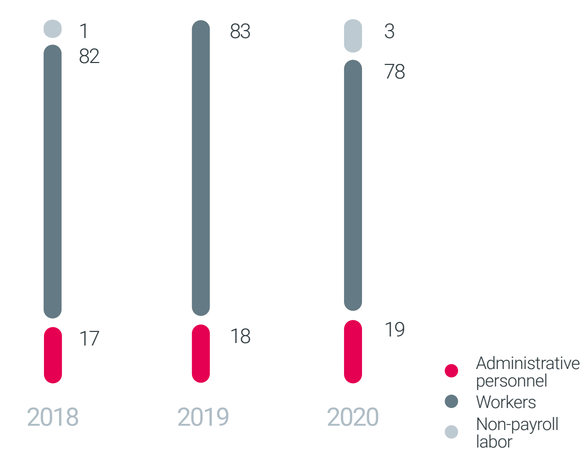
Years of employment with the Company, %



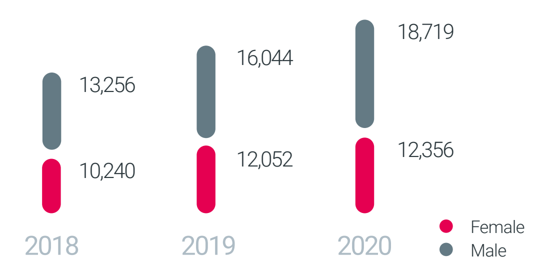
Employee education, %



Employees by type of employment and non-payroll staff, %



In terms of recruitment, Cherkizovo Group adheres to the principle of non-discrimination on the grounds of gender, nationality or any other factor. We provide equal opportunities to all job applicants and our recruitment decisions rely exclusively on the person's professional skills and expertise. Women account for 40% of Cherkizovo's employees

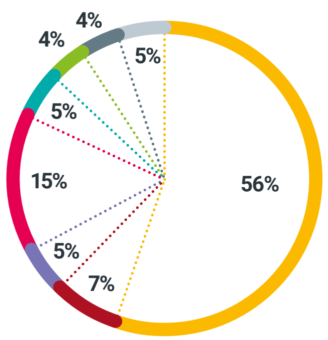


40%

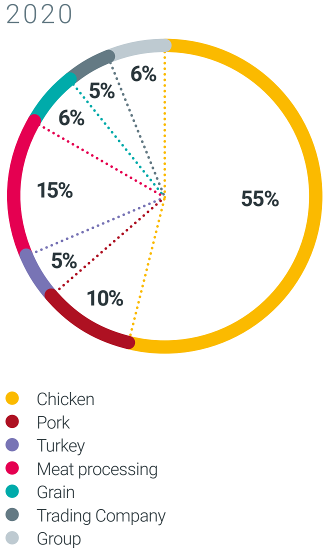
of Company employees are women

Employee headcount by segment, %

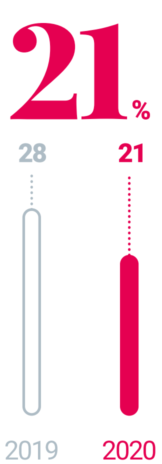
2019



2020



Voluntary turnover rate



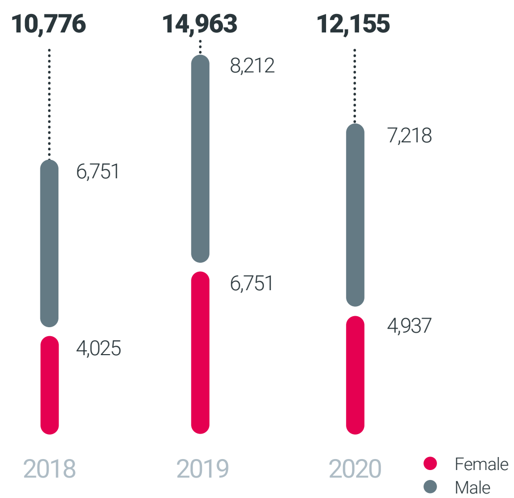
Recruitment

Cherkizovo Group is hiring across the segments where it operates, as well as in IT, R&D, quality assurance, marketing, and sales. When the Company decides to hire an employee, it relies exclusively on the person's professional skills and expertise and never discriminates on the grounds of gender, age, nationality or any other factor.

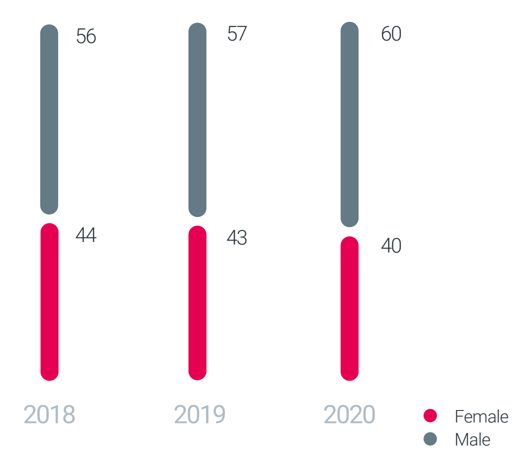
We cooperate with local employment centers and strive to hire people from the regions where we operate, which contributes to the economic growth of local communities.

2020 saw a lower staff turnover, with employees firmly committed to building their careers at Cherkizovo Group. The voluntary turnover rate decreased to 21% in 2020 vs. 2019.

New hires, persons



Employee headcount by gender, %



Induction and Mentoring

Cherkizovo seeks to make the onboarding exercise for new hires quick and easy: it holds dedicated events, trainings, and mentoring sessions.

Employees who have recently joined us take Culinary Stories, an interactive online course designed to introduce them to key production processes, including a virtual tour of the Group's facilities.

Cherkizovo is developing a mentoring system where mentors, skilled and seasoned employees, train new hires in professional skills and give them feedback. This helps newcomers to adapt to the Company's processes more quickly and deliver excellent results.

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Training and Development

Our priority in human resources management is continuous development of our employees, which enhances their professionalism and improves productivity. Our training programs cover all employee categories and include trainings, workshops, and master classes with a focus on occupational health and safety, biosafety and quality assurance, increasing productivity, developing managerial skills and corporate competencies. Other opportunities for personal development include access to online courses on personal effectiveness, online courses and webinars on internal procedures and systems, a corporate online library, and English language classes.

Our key on-the-job training initiative in 2020 was the development of a distance learning system for production personnel. As part of these efforts, we created standardized work charts (SWC) for all segments which include a process specification, quality requirements, and OHS standards. We use electronic SWCs for mass learning and a subsequent knowledge assessment. The pandemic accelerated this process.

On top of that, we developed and rolled out online courses on quality assurance and OHS with a regular knowledge assessment. This helps improve production practices and efficiency as a whole.

In 2020, we launched an assessment and training program for line managers. The program focused on assessing their hard and soft skills, resulting in KPI maps developed, as well as training and development programs proposed. During the pandemic, assessment and training activities were mostly held online, including feedback sessions, webinars, and trainings. Communication support also includes a Telegram channel.

The Group heavily relies on e-learning technologies to provide training for all employee categories, specifically through Cherkizovo WORLD learning and development portal, a dedicated corporate platform. Our employees access training courses and webinars which are also held by their colleagues.

Youth Programs

Cherkizovo Group seeks to raise the profile of the agricultural sector among students and graduates and to ensure a continuous supply of young talent.

To this end, the Group works closely with educational institutions and our dedicated Center for Student Programs and Youth Initiatives runs various youth activities, such as dual education programs, internships and placements, career guidance meetings and presentations at universities, plant visits for university and school students, tailoring of university curricula.

1,309 young specialists

joined the Company in 2020

Cooperation with educational institutions

Cherkizovo Group teams up with major agricultural universities, including Razumovsky Moscow State University of Technologies and Management, Russian State Agrarian University – Moscow Timiryazev Agricultural Academy, Moscow State University of Food Production, Voronezh State Agricultural University, Penza State Agricultural University, Moscow State University, Bauman Moscow State Technical University, Higher School of Economics, Plekhanov Russian University of Economics, MGIMO School of Business, and all agricultural universities in its regions of operation. This collaboration results in dedicated internship programs, trainings, and induction plans for young talent.

53 students

participated in Cherkizovo Group's dual education program in 2020

Dual education

At the heart of the Group's efforts to develop career opportunities is the dual education program which we have been running since 2018 in cooperation with key partner universities, such as Razumovsky Moscow State University of Technologies and Management, Russian State Agrarian University – Moscow Timiryazev Agricultural Academy, and Moscow State University of Food Production. The project aims to provide the Company with the skilled meat processing professionals that it needs. The students participating in the program study theory at the university three days a week, and spend two days a week mastering a trade at Cherkizovsky Meat Processing Plant. At the end of the academic year, students submit graduation projects seeking to solve real business cases raised by Cherkizovo's divisions. The program helps maintain an inflow of young talent and greatly reduces onboarding time.

Training for teachers

In 2020, Cherkizovo Group launched a training program for faculty members of agricultural universities which aims to enhance the learning experience bringing it in line with real needs of the agricultural sector.

The program consists of three parts:

1. lectures and workshops for university teachers run by Cherkizovo;
2. the chance for teachers to take part in training at our facilities under the guidance of Company mentors;
3. the continued tailoring of university curricula and introduction of new additional training programs based on the input from teachers' training at our facilities.

Eleven educational institutions were selected for the pilot project:

The program covers four key areas:

- agricultural engineering;
- process and production automation;
- veterinary medicine and animal farming;
- production technology.

11 universities

are taking part in the pilot project

Career guidance

As part of its career guidance initiative, Cherkizovo holds regular events at universities, vocational and secondary schools, such as the Company Days, workshops, meetings with university and school students, tours around the Group's production facilities and Cherkizovo Lab.

During the pandemic in 2020, our events were mostly held online, including:

- online lectures by Cherkizovo experts for university students, with function leaders giving 8 lectures on Feed Production Technology, Human Resources Management: Technology Driven HR, Innovative Approaches to the Agricultural Industry, etc.;
- the CheQuiz online game launched as part of the Culinary Stories course which helps students of key universities immerse themselves in Cherkizovo's corporate atmosphere and the context of the agricultural sector;
- the Company's participation in the Technological Entrepreneurship Academic Olympics for Russian school students held in partnership with the Association of Innovative Regions of Russia (AIRR) resulting in 20 business cases, videos about the Company's operations, technologies, and interviews with employed graduates from key partner universities.

In 2020, Cherkizovo held over 15 career guidance events involving more than 1,000 people.

Among other key projects in 2020, the Group joined efforts with Michurinsk State Agricultural University to establish an industrial Chair for Animal Health. The Company invested in creating a training environment for future veterinarians. Autumn 2020 saw the first intake of students who would be trained by Cherkizovo experts.

Compensation and Benefits

We offer a competitive salary which is commensurate with the employee's position, qualification, length of service, and performance, as well as the economic environment in the regions where we operate.

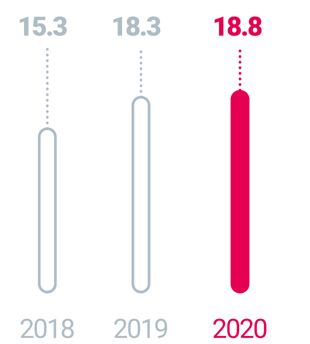
The remuneration often includes a fixed and variable (bonus) part. Its amount depends on the nature of the job and KPI achievement. Managers receive annual bonuses based on the achievement of corporate and individual targets for the year. Uniform criteria for the establishment and assessment of annual targets provide a transparent and clear mechanism to award the annual bonus.

In 2020, the payroll, including bonuses and remuneration, increased by 2.53% to RUB 18.8 billion, while the average monthly salary was RUB 56,109, including the medium-term bonus program.

Employee remuneration in 2018–2020.

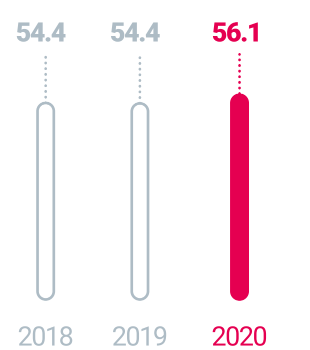
Payroll, including bonuses and remuneration

RUB **18.8** bln



Average monthly salary

RUB **56.1** thous.



Social Benefits

In addition to a decent salary, we provide a broad range of fringe benefits, including paid holiday allowance, vouchers to health resorts and summer camps for employees and their families, financial assistance in emergencies. Cherkizovo Group also provides corporate perks and incentives. Most of our assets have corporate cafeterias, and health centers for employees.

Employees whose length of service exceeds three years enjoy even more benefits:

- extended paid holiday allowance;
- parental and/or maternity leave supplement;
- retirement allowance.

The benefits and their amounts are governed by the Company's internal policies and procedures.

In 2020, Cherkizovo Group's spending on social programs and benefits almost doubled year-on-year to RUB 1.3 billion.

The significant increase was mainly due to employee support in the midst of the pandemic:

- increased financial aid related to the pandemic;
- transportation of employees by buses in a fresh new way, including social distancing, amendments to accommodation and catering rules and standards.

Corporate Culture

We are well aware that employee engagement and loyalty are most conducive to achieving our corporate goals. That is why we promote our corporate culture and seek to make sure that each and every employee feels part of a team, no matter where such employee works within our Group.

A shared corporate culture becomes increasingly important as our expansion largely relies on the acquisition of assets with pre-existing rules and values. That is why Cherkizovo Group has a dedicated team in charge of internal communications.

The values we promote include honesty, transparency, and personal responsibility. We create a friendly working environment, hold events to enhance engagement, and develop various channels of feedback and communications.

The Group regularly publishes company news updates on its corporate portal and in Cherkizovo World newspaper.

The Group companies regularly host professional skills contests and reward the winners, as well as the year's best performers who receive special awards.

In 2021, we plan to:

- relaunch our intranet site featuring a modern design, intuitive menu, convenient search, and the possibility of creating an internal social network;
- host a team-building Family Day at all Cherkizovo Group sites based on uniform corporate standards;
- involve employees in environmental actions (collecting trash on adjacent territories, planting flowers or trees, etc.);
- award employees whose length of service ranges from 10 to 50 years (1,375 employees celebrating a jubilee in 2020);
- promote a sports program available to all employees, including football, volleyball, online marathons devoted to active living and healthy eating;
- launch the second stage of Internal Correspondents program, where employees learn how to write news, take pictures and shoot videos at their sites;
- conduct an engagement survey;
- host webinars and master classes for our employees.

Occupational Health and Safety

In its operations, Cherkizovo Group adheres to the principles of environmental and industrial safety, seeks to mitigate relevant risks and lead the industry. We strictly comply with all statutory health, safety and environment requirements and make sure that our safety procedures are in line with the best international practices.

Industrial safety

The life and health of employees is our priority, so we seek to prevent emergencies, accidents, and injuries. Cherkizovo Group joined the Vision Zero campaign sponsored by the International Social Security Association (ISSA) with a relevant certificate issued to the Company. The Vision Zero concept requires us to take steps to prevent occupational injuries, diseases, and workplace accidents.

BIn line with its declared values, the Group continuously improves its occupational health and safety system and cultivates the safety culture at all of its production facilities.

Cherkizovo leverages its Occupational Health and Safety Policy to set out its long-term goals for improving performance in this sphere, as well as the key principles of occupational safety:

- workplace safety;
- systematic risk identification and management;
- sound occupational health and safety management system;
- effective hazard information system;
- robust employee training in OHS requirements and standards;
- strict employee compliance with existing OHS requirements.

The Company runs an occupational risk mitigation system, where all production processes are examined in stages to identify and assess potential risks. Major risks are promptly tackled, while remedial measures are developed for less likely risks.

We implement numerous initiatives aimed at improving industrial safety and reducing injuries. To mitigate risks, including human-related risks, the Company assesses equipment, buildings and structures at its production sites and procures to repair, upgrade and automate its operations.

In 2020, the Group's expenses for occupational health and safety activities post risk assessment amounted to RUB 7,334 thousand vs. RUB 1,675 thousand in 2019. The Company spent RUB 18,000 thousand on equipment repair and replacement.

Cherkizovo holds training sessions and courses to raise employee awareness of occupational health and safety issues. The Company also operates an Occupational Safety Line for employees to communicate their ideas on improving occupational health and safety.

In 2020, Cherkizovo trained an equivalent of 14,024 employees in occupational health and safety and organised 147 workshops on corporate safety standards.

Most injuries in 2020 were caused by falls (18% of all accidents), down 10% year-on-year. Other causes included poor working conditions (8%), failure to shut down equipment (3%), with new causes emerging, such as rush work and failure to use personal protective equipment.

In 2020, the total number of sick days due to occupational accidents decreased by 44% year-on-year.

2020 saw no occupational diseases, while the number of minor injuries decreased to 112 vs. 426 in 2019.

The Company reported 1 accident in 2020.

The lost time injury frequency rate (LTIFR) is our key indicator used to assess occupational safety performance at Cherkizovo. In 2020, LTIFR was down by 55% year-on-year.

We thoroughly investigate all accidents to identify and localize their causes and prevent recurrence in the future.

Key occupational health and safety projects in 2020: a safety awareness campaign, the Injury Free Month motivational project, new H&S instructions format, operational risk maps, and the Safety Leader contest.

Our strategic goal for 2025 is to reduce the injury rate

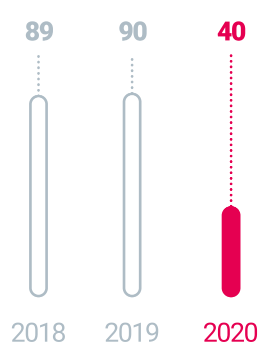
by 5 % year-on-year

In 2020, LTIFR was down

by 55 %

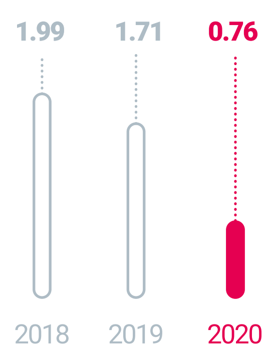
Number of accidents

40



LTIFR[1]

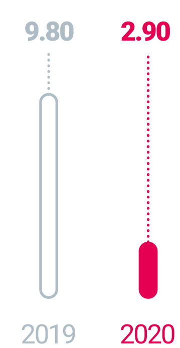
0.76



[1] Lost time injury frequency rate.

TRFR[2]

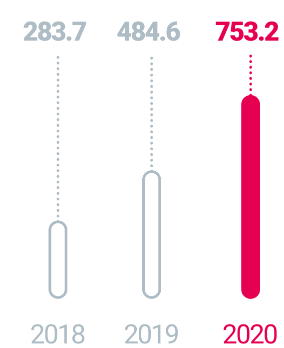
2.90



[2] Total recordable frequency rate.

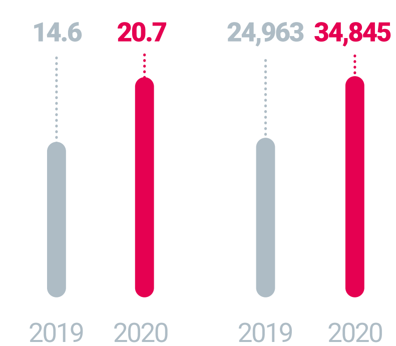
RUB **753.2** mln

of occupational health and safety expenses across the Group **+55%** year-on-year



Expenses for occupational health and safety... , thous. RUB

...activities per employee ...training of personnel



Community Relations

In 2020, the Group continued to focus its charity and sponsorship work on such key areas as sports, social, cultural and educational institutions, and local communities. In 2020, the Group also assisted its regions of operation in addressing the new COVID-19 challenge.

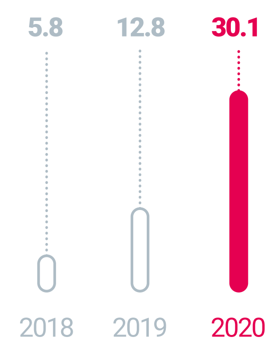
As a major employer in its regions of operation, Cherkizovo Group strives to contribute to the well-being and prosperity of local communities.

To this end, we focus on creating jobs and making timely tax payments to the federal and regional budgets, which support local communities.

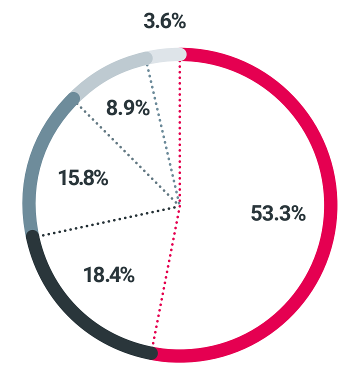
Importantly, we support local communities through social programs and targeted charitable assistance. Although its social programs mostly focused on battling COVID-19 in 2020, the Company never stopped running its other social support projects such as the development of schools, hospitals and urban areas, cultural sponsorship and sports promotion. The Company is committed to providing equal opportunities for all community members, paying special attention to children from low-income families and those with special needs and disabilities, as well as social institutions.

Investment in charitable projects

RUB **30.1** mln

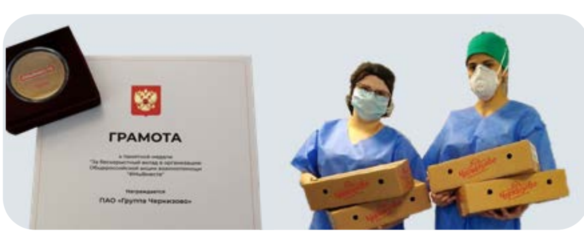


Investment in charitable projects in 2020 by sector and area, %



	RUB mln
Combating COVID-19	16.0
Sports	5.5
Local infrastructure	4.7
Social projects	2.7
Charity funds	1.1
Total	**30.1**

Key charitable projects supported in 2020:



Assistance to the regions fighting COVID-19. Cherkizovo Group took active part in combating COVID-19 in many of its regions of operation, including the Lipetsk, Voronezh, Penza, Belgorod and Kursk regions and the Altai Territory. The assistance ranged from donating ready-to-eat Cherkizovo products to socially vulnerable groups all the way to providing medical and personal protective equipment to regional hospitals. The Company also supported the #WeAreTogether nationwide campaign with food and money donations. Cherkizovo was awarded a Commemorative Medal and a Certificate of Merit from the Russian President for its participation in the campaign.

Sponsorship of sports teams. For the second year in a row, Cherkizovo Group has been sponsoring the volleyball club from Voronezh. The Company contributed RUB 5 million to support the club in 2020. In 2021, the Group will announce the results of the contest among its employees to develop a new logo for the team, following which the club will choose a new logo to play with going forward.

The Company continued to support kid's soccer team «Cherkizovo» from Kashira, the Moscow region.

Construction of a children's sports ground in Dankov, Lipetsk Region. In late 2020, Cherkizovo Group spent over RUB 2 million to construct a local children's sports ground. Cherkizovo seeks to extensively contribute to the well-being of local communities and the development of local infrastructure.

Anniversary of the end of World War II (WW2). To celebrate the 75th anniversary of the end of WW2, Cherkizovo Group provided financial aid to seven Russian regions where it operates. The funds were used to renovate some of the existing monuments to WW2 soldiers as well as to build new ones. Veterans across the Company's footprint also received gift baskets with the Group's products to add to their celebrations. Given the challenging epidemiological situation, the products were delivered with all the necessary safety precautions taken.

Charity in the midst of the COVID-19 pandemic

The COVID-19 pandemic had a negative impact on the well-being of local communities, with low-income groups hit the hardest. In this context, Cherkizovo Group refocused on providing targeted aid to those in need and supporting healthcare.

"We believe that it is Cherkizovo Group's **social responsibility** to support people who find themselves in a difficult situation. That was why we were **providing food aid across the country** during the COVID-19 pandemic, bringing it to those who needed it most – disadvantaged people, women with three or more children and people with reduced mobility. We also tried to **support frontline medical staff** who were working hard and putting their own lives at risk to battle the coronavirus."

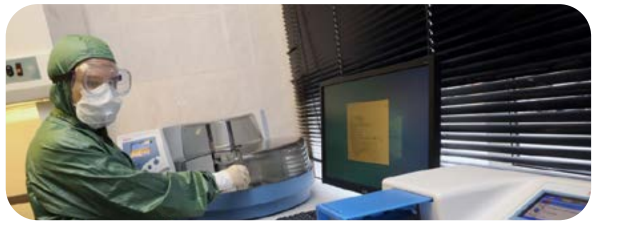
Sergey Mikhailov
CEO of Cherkizovo Group

Key charitable projects related to COVID-19:

Food aid to low-income residents of the Lipetsk and Voronezh regions. The Group delivered six tonnes of pork to the Lipetsk Region. This pork was then processed into canned meat – tushonka, before being donated to the Lipetsk municipal social security center. In the Voronezh Region, the Group joined a charity initiative to supply food parcels to low-income households and donated over 8,600 smoked sausages to the cause.

Participation in the #WeAreTogether campaign run by the All-Russia People's Front. As part of the campaign, volunteer groups operated across the entire country. These groups helped the elderly cope with the restrictions put in place to deal with the coronavirus pandemic. Volunteers used to deliver food and medicine straight to their doors, and provide assistance with daily chores. Through its donations, the Group helped provide disposable medical masks, gloves and sanitizers to volunteers. On top of that, Cherkizovo donated food parcels containing dry sausages to seven healthcare facilities in the Moscow Region. The Group delivered 1,000 sausages to each healthcare facility.

Support for mothers of large families across the Moscow Region after consultations with the region's government and Minister of Agriculture and Food: we sent a batch of 5,000 smoked sausages as part of this project.



Donation of medical equipment, such as a COVID-19 testing device, to Lipetsk Region's Hygiene and Epidemiology Center. It includes an automated magnetic-particle processor which is actually a robot for nucleic acid purification. This device helped improve the laboratory's output by 50%. Additional equipment was purchased to complement the processor, such as an automatic high-precision reagent dispenser..

In the Voronezh Region, the Group joined a charity initiative to supply food parcels to low-income households and donated over

8.6 thous.

smoked sausages to the cause

The Group delivered to each healthcare facility

1 thous. sausages

We provided to large families of the Moscow region

5.0 thous.

smoked sausages

Corporate governance

Cherkizovo Group has an effective corporate governance framework compliant with regulatory requirements and global best practices. Our management seeks to ensure sustainable development of the Company by balancing the interests of shareholders, employees, local communities, and other stakeholders.

In 2020, we continued to improve our corporate governance framework, with two new independent directors, Michael Balay and Christopher Warmoth, elected to the Board of Directors. The Management Board was joined by major industry experts in sales, food services, human resources and innovations to bring in their global expertise.

Directors' statement

The Company's Board of Directors and management are pleased to present this annual report and the Group's audited financial statements for the year ended 31 December 2020 and reiterate their strong commitment to meeting all regulatory requirements and following the best corporate governance practices.

The Board of Directors acknowledges the key principles and recommendations set out in the Corporate Governance Code and views them as conducive to better governance and the Company's long-term sustainable development.

Corporate governance framework

Cherkizovo Group maintains its corporate governance framework in line with Russian laws and the Corporate Governance Code (2014) as approved by the Bank of Russia's Board of Directors.

Underpinned by vertical integration, it enables us to ensure that all of the Group's companies are governed efficiently

Michael Balay and Christopher Warmoth, renowned global experts with many years of experience, were elected to the Board as independent directors.

Managing sustainable development

At Cherkizovo, sustainable development is managed by different functions. HSE matters fall within the remit of a dedicated department reporting directly to the Head of Business Development, who is also the Chairman of the Board of Directors.

Corporate governance framework[1]

	Complied with		Partially complied with		Not complied with	
	2019	2020	2019	2020	2019	2020
Shareholder rights and equitable treatment of shareholders	9	8	1	1	3	4
The Company's Board of Directors	26	22	5	7	5	7
The Company's Corporate Secretary	2	2	–	–	–	–
Remuneration of the Company's directors, executives and other key managers	3	3	5	4	2	3
Risk governance and internal control	5	4	1	1	–	2
Disclosures and the Company's information policy	3	3	3	2	1	2
Material corporate actions	–	–	–	–	5	5

Corporate governance framework development in 2020

In 2020, Cherkizovo Group maintained an effective corporate governance framework conducive to its sustainable development and achievement of its strategic goals. Throughout the reporting period, the Group's corporate governance bodies continued their efforts to enhance the governance approaches and practices focusing on the following key areas:

Ensuring shareholder rights
The Articles of Association were amended to allow the shareholders to take part in general meetings remotely by using an e-ballot form in their personal online account. This move will make voting more convenient during the COVID-19 outbreak and going forward. The first general meeting held remotely took place on 26 February 2021.

[1] The Company publishes a full report on compliance with the principles of the Corporate Governance Code on the website e-disclosure.ru/portal/company.aspx?id=6652

The Company's activities are governed by its Articles of Association and internal regulations, including:

- the Regulations on General Meeting of Shareholders,
- the Regulations on the Board of Directors,
- the Regulations on the Management Board,
- the Regulations on the General Director,
- the Regulations on the Review Commission,
- the Regulations on the Board of Directors Audit Committee,
- the Regulations on the Personnel and Remuneration Committee,
- the Regulations on the Investment and Strategic Planning Committee,
- the Regulations on the Corporate Secretary,
- the Regulations on the Dividend Policy;
- Occupational Health and Safety Policy,
- Risk Management and Internal Control Policy,
- the Regulations on Information Policy in Disclosure and Delivery of Information,
- the Regulations on Insider Information,
- the Regulations on Remuneration and Compensation Paid to the Members of the Board of Directors,
- the Regulations on Internal Audit,
- the Regulations on the Liquidation Commission.

In 2020, the Company's Articles of Association and Regulations on Remuneration and Compensation Paid to the Members of the Board of Directors were amended, with the new Risk Management and Internal Control Policy approved.

Shareholders can now take part in general meetings remotely by using an e-ballot form in their personal online account

Board of Directors and Management Board
In March 2020, Michael Balay and Christopher Warmoth joined the Company's Board of Directors. Michael has more than 30 years of experience in strategy in agriculture, commodities trading and primary industries in Europe and the USA. Christopher's career spans 40 years of experience in consumer goods and marketing in Europe, the Middle East, Africa, Asia-Pacific, and the USA.

Between 10 January and 27 March 2020, the Board of Directors had two independent directors after Emin Mammadov, who was elected as an independent director in March 2019, was appointed Deputy CEO and lost his status as an independent director. On 27 March 2020, Emin Mammadov left the Board of Directors, with the required number of independent directors (three directors) successfully elected to the Board afterwards.

In 2020, the Company made new strong additions to its Management Board, which welcomed four new members:

- Emin Mammadov, Deputy CEO, a renowned expert in food sales,
- Oleg Zakov, a sales professional,
- Armen Pogosyan, responsible for R&D,
- Olga Buryak, an expert in managing talent for major Russian and international companies.

Remuneration of governance and executive bodies
The Company recognizes the importance of remuneration as a way to attract and motivate highly skilled professionals. In 2020, the Company's shareholders resolved to amend the corporate Regulations on Remuneration and Compensation Paid to the Members of the Board of Directors. The base part of the remuneration payable to directors was increased to reflect the inflation since September 2018. The formula to calculate the annual bonus now incorporates strategic indicators such as share of sales of branded / high value-added products (Value Added Growth) and return on invested capital (ROIC).

The Board of Directors approved the Long-Term Incentive Program for 2021–2023, with Management Board members and other key employees eligible to participate.

Cherkizovo Group provided further incentives for its senior management by adding two new strategic KPIs – share of sales of branded / high value-added products (Value Added Growth) and return on invested capital (ROIC), and also by implementing the Long-Term Management Incentive Program for 2021–2023.

Risk governance and internal control
The Company approved the Risk Management and Internal Control Policy, setting forth the components, principles, aims and objectives of risk governance and internal control activities and covering the Board of Directors, Risk Committee, Audit Committee, CEO, Management Board, heads of functions, and risk governance function.

Plans to improve the corporate governance framework

Cherkizovo Group is developing an action plan to improve its corporate governance in 2021–2022. Potential work streams include reviewing any deviations from the Corporate Governance Code and updating the Articles of Association and regulations on the Company's bodies. The Corporate Secretary and dedicated divisions are responsible for corporate governance development.

Corporate governance structure

The General Meeting of Shareholders is the supreme governing body of Cherkizovo Group. The corporate governance structure also includes the Board of Directors, the executive tier represented by the CEO and the Management Board led by the CEO as Chairman, and the Review Commission acting as a supervisory body. The Board of Directors has three standing committees.

Cherkizovo Group annually conducts an independent external audit of its financial (accounting) statements prepared in accordance with the Russian and international standards.

BOARD OF DIRECTORS' COMMITTEES AND SUBCOMMITTEES

Review matters that fall within their remit

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BOARD OF DIRECTORS

Oversees the Group's strategic management

Directors:

Independent[1]
(Balay, Warmoth, Kegels)

Non-executive
(Fuertes, Sobel)

Executive
(Mikhailov E., Mikhailov S.)

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EXECUTIVE BODIES

In charge of the Group's strategy implementation

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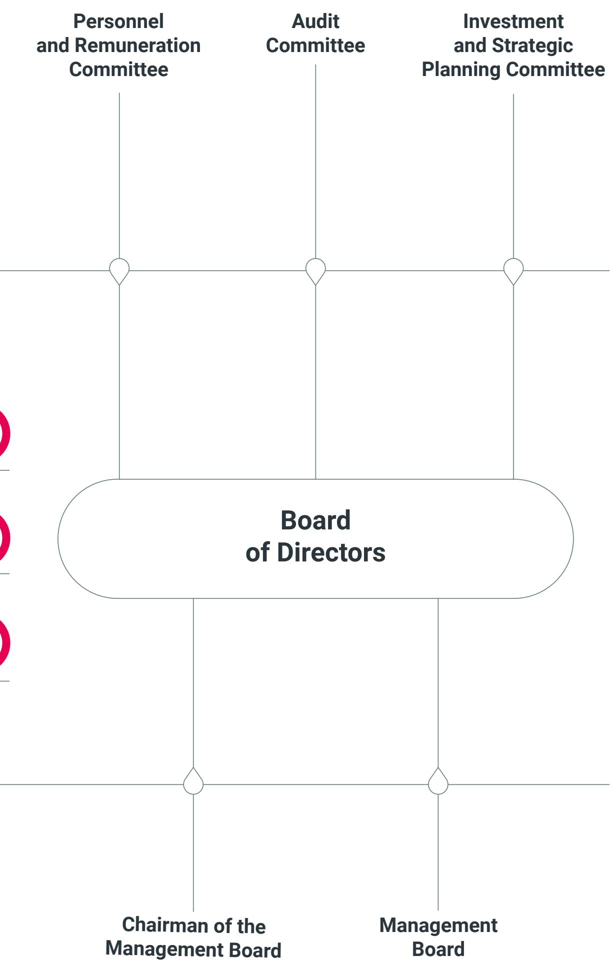


Key events after the reporting date

14 January 2021 the Board of Directors resolved to:

– increase the authorized capital through a public offering of 10,261,753 additional ordinary shares with a par value of 1 kopeck paid for in Russian rubles and/or US dollars by bank transfer, with the offering price to be determined by the Company's Board of Directors after expiration of the pre-emptive right to acquire the shares and no later than the start of the offering;

– approve the securities prospectus for the 10,261,753 additional ordinary shares with a par value of 1 kopeck placed through a public offering;

20 January 2021 the Board of Directors resolved to:

– convene an absentee Extraordinary General Meeting of Shareholders on 26 February 2021, approve notice to shareholders, materials for the meeting, agenda and draft resolutions, form and text of the ballots, and position of the Board of Directors regarding draft resolutions. The agenda included the approval of an increase in the number of directors on the Board of Directors from seven to nine. This change is needed to ensure compliance of the Board of Directors with the Federal Law On Joint-Stock Companies given that as of September 2020, the Company had nearly 10,000 shareholders.

10 February 2020 the Board of Directors resolved to:

– convene an Annual General Meeting of Shareholders on 25 March 2020, approve the format of the meeting, notification, voting ballot, agenda, draft resolutions, etc.;

– approve recommendations for the Annual General Meeting of Shareholders to vote for allocating and paying RUB 134.00 per share in dividends for 2020, in addition to interim dividends of RUB 48.79 announced in August, 2020.

[1] Between 10 January 2020 and 27 March 2020, the Board of Directors had two independent and three executive directors.

Going concern

The Board of Directors is satisfied that the Company's financial statements have been prepared on a going concern basis and that the same principle is assumed in the preparation of the Company's 2021 budget and long-term plans.

Dividends

Cherkizovo Group's dividend policy is based on the principle of rational distribution of profits balancing shareholders' interests with the Group's need for investment to fund its future growth.

The dividend payment is considered by the Board of Directors upon the recommendation of the Investment and Strategic Planning Committee, taking into account the Group's current financial standing and the proposed distribution amount. The effective Dividend Policy provides for a targeted dividend payout of at least 50% of consolidated net profit for the reporting period[1].

The final decision on profit distribution and dividend payout is made by the General Meeting of Shareholders.

Dividends are paid semiannually: for the first half and the full year.

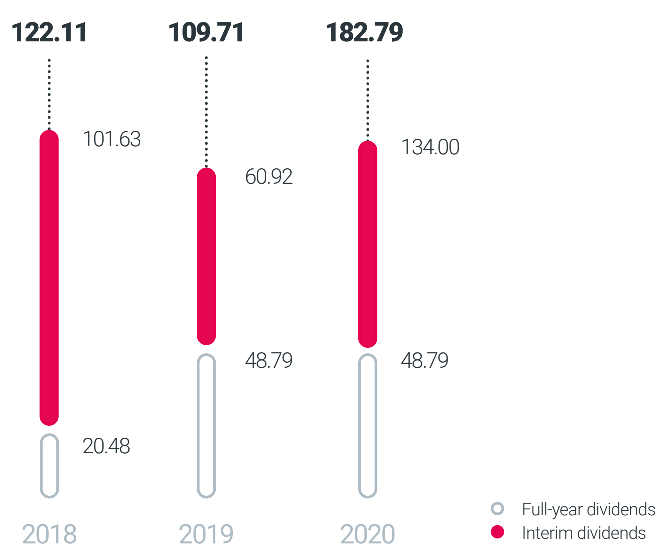
In accordance with the decision made at the Annual General Meeting of Shareholders on 27 March 2020 and taking into account the Group's 2019 performance, the total dividend payout for the year amounted to RUB 2.5 billion, with dividend per share of RUB 60.92 (excluding the 2,916,759 treasury ordinary registered shares).

The Extraordinary General Meeting of Shareholders of Cherkizovo Group held on 24 September 2020 in the form of absentee voting resolved to distribute net profit for 1H 2020 in the amount of RUB 2.0 billion, with dividend per share of RUB 48.79.

On 10 February 2021, the Board of Directors resolved to recommend that the Annual General Meeting of Shareholders to vote for paying dividends in the amount of RUB 13.58 for 2019 and RUB 120.42 for 2020 resulting in RUB 134.00 per ordinary share.

Dividends

RUB 182.79



[1] Consolidated net profit for the purposes of calculating the dividend may be adjusted for net change in fair value of biological assets and agricultural produce and for incidental profit (loss) not related to current operations.

General meeting of shareholders

Cherkizovo Group holds the Annual General Meeting of Shareholders (AGM) on an annual basis. The agenda of the AGM always includes such items as:

- approval of Cherkizovo Group's annual report and annual accounting statements,
- approval of profit and loss distribution,
- election of the Board of Directors members,
- election of the Review Commission members,
- appointment of the Company's auditor.

The agenda of the AGM can be expanded to include other matters.

The Board of Directors may resolve to convene an Extraordinary General Meeting of Shareholders, if necessary.

In 2020, the AGM was held on 27 March. In accordance with the agenda, the shareholders:

- approved Cherkizovo Group's 2019 annual report and annual accounting (financial) statements for 2019 prepared in accordance with the Russian Accounting Standards,
- passed a resolution on profit distribution and dividend payout,
- elected the Board of Directors and the Review Commission members,
- reappointed Deloitte & Touche CIS as Cherkizovo Group's auditor for 2020,
- approved new version No. 4 of the Regulations on Remuneration and Compensation Paid to the Members of the Board of Directors.

In 2020, an EGM was held on 24 September. In accordance with the agenda, the shareholders:

- passed a resolution on profit distribution and dividend payout for 1H 2019,
- passed a resolution to reduce the Company's authorized capital by RUB 29,167.59 by redeeming 2,916,759 treasury shares (6.6344% of the authorized capital). As a result, the Company's current authorized capital amounts to RUB 410,470.14 and consists of 41,047,014 ordinary shares,
- approved Amendment No. 2 and Amendment No. 3 to the Company's Articles of Association (version No. 9).

27 March 2020: Annual General Meeting of Shareholders

24 September 2020: Extraordinary General Meeting of Shareholders

Cherkizovo Group redeemed

2,916,759 treasury shares,

reducing its authorized capital

to **41,047,014** ordinary shares

Board of directors

The Board of Directors is the collective governing body of Cherkizovo Group responsible for its overall management. The Board's terms of reference are determined by Russian laws and the Company's Articles of Association. The key responsibilities of the Board of Directors include:

- performing strategic management,
- approving the Group's internal risk management procedures, assessing their effectiveness and ensuring they are complied with,
- setting up and dissolving the Group's executive bodies,
- approving financial plans and budgets,
- making recommendations on profit and loss distribution.

In performing its role, the Board of Directors is guided by the following principles:

- decision-making based on reliable information about the Company's operations,
- ensuring shareholders' rights to participate in the management of the Company, receive dividend payouts and information about Cherkizovo Group,
- balancing the interests of various groups of shareholders and ensuring unbiased decision-making for the benefit of all shareholders.

According to the Articles of Association, Board resolutions are adopted by a majority vote of the directors present at the meeting. Pursuant to Russian laws, certain decisions require more than a simple majority vote. This rule applies to:

- major transactions (require approval by a unanimous vote),
- interested-party transactions (resolved by a majority vote of the directors who have no interest in the transaction, and in compliance with the legal requirements).

A Board of Directors' meeting is deemed to be quorate if half of the directors are present and/or have submitted their written opinions.

Board activities

In 2020, Cherkizovo Group's Board of Directors held eight meetings, each of them in person. Key items reviewed in the reporting year:

- the Company's budget
- the Company's development strategy
- Risk Management and Internal Control Policy
- increase of the authorized capital through the placement of additional ordinary shares by public offering, securities prospectus
- amendments to the Exchange-Traded Bond Program and securities prospectus
- Board self-assessment
- convocation of General Meetings of Shareholders, and recommendations on dividends
- changes in Management Board composition
- approval of a major transaction and interested-party transactions
- reports by committee and subcommittee chairmen
- Board of Directors and its committees' workplan.

The attendance of meetings held in person was 86% between 1 January 2020 and 27 March 2020 and 93% between 28 March 2020 and 31 December 2020. The Company rates the attendance as satisfactory

The attendance of meetings between 28 March 2020 and 31 December 2020 held in person was

93%

Board members between 1 January 2020 and 27 March 2020

Body/Committee	Board of Directors	Audit Committee	Personnel and Remuneration Committee	Investment and Strategic Planning Committee
No., Board member	Participated in X out of a total of Y meetings (with % given in the brackets)			
1. Evgeny Mikhailov	2 of 2 (100%)	Not a member	Not a member	Not a member
2. Sergey Mikhailov	2 of 2 (100%)	Not a member	Not a member	1 of 1 (100%)
3. Richard Sobel	2 of 2 (100%)	Not a member	Not a member	1 of 1 (100%)
4. Rafael Fuertes	2 of 2 (100%)	Not a member	Not a member	1 of 1 (100%)
5. Filip Kegels	2 of 2 (100%)	1 of 1 (100%)	2 of 2 (100%)	1 of 1 (100%)
6. Elliot Jones	0 of 2 (0%)	0 of 1 (0%)	1 of 2 (50%)	0 of 1 (0%)
7. Emin Mammadov	2 of 2 (100%)	1 of 1 (100%)	2 of 2 (100%)	1 of 1 (100%)

Board members between 28 March 2020 and 31 December 2020

Body/Committee	Board of Directors	Audit Committee	Personnel and Remuneration Committee	Investment and Strategic Planning Committee
Board member	Participated in X out of a total of Y meetings (with % given in the brackets)			
1. Evgeny Mikhailov	5 of 6 (83%)	Not a member	Not a member	Not a member
2. Sergey Mikhailov	4 of 6 (67%)	Not a member	Not a member	3 of 5 (60%)
3. Richard Sobel	6 of 6 (100%)	Not a member	Not a member	5 of 5 (100%)
4. Rafael Fuertes	6 of 6 (100%)	Not a member	Not a member	5 of 5 (100%)
5. Filip Kegels	6 of 6 (100%)	3 of 3 (100%)	4 of 4 (100%)	5 of 5 (100%)
6. Michael Balay	6 of 6 (100%)	3 of 3 (100%)	4 of 4 (100%)	5 of 5 (100%)
7. Christopher Warmoth	6 of 6 (100%)	3 of 3 (100%)	4 of 4 (100%)	5 of 5 (100%)

Members of the board of directors

In 2020, the composition of the Board of Directors changed. In March 2020, the General Meeting of Shareholders re-elected Sergey Mikhailov, Evgeny Mikhailov, Richard Paul Sobel, Rafael Fuertes Quintanilla and Filip Kegels to the Board, and elected John Michael Balay and Christopher John Warmoth as new independent directors.

At the first meeting of the Board following the AGM, Evgeny Mikhailov was re-elected as Chairman and Richard Sobel as Deputy Chairman.

Until 27 March 2020, the independent directors chaired the Audit Committee (Elliot Jones) and the Personnel and Remuneration Committee (Filip Kegels) and were also members and chairmen of the following subcommittees:

- the Cost Visibility and Data Capabilities Subcommittee (chaired by Elliot Jones),
- the Marketing and R&D Subcommittee (chaired by Filip Kegels),
- the Strategy and M&A Subcommittee (one of the members is Elliot Jones),
- the Turkey, HoReCa and New Channels Subcommittee (chaired by Emin Mammadov[1]).

Starting 27 March 2020, the Audit Committee and the Personnel and Remuneration Committee are chaired by independent directors (Christopher Warmoth and Filip Kegels, respectively). Both committees are made up entirely of independent directors. The previously existing subcommittees of the Investment and Strategic Planning Committee were dissolved.

Information on independent and non-executive directors, shares in the authorized capital and share ownership[2]

Board members between 1 January 2020 and 27 March 2020

Member of the Board of Directors	Independent director	Non-executive director	Executive director	Share in the authorized capital	Share ownership
Elliot Jones	+		-	-	-
Rafael Fuertes	-	+	-	Grupo Fuertes 8.6%	-
Richard Sobel	-	+	-	-	-
Emin Mammadov	before 10 January 2020 + after 10 January 2020 -	before 10 January 2020 +	after 10 January 2020 +	-	-
Evgeny Mikhailov	-	-	+	28.1%	28.1%
Sergey Mikhailov	-	-	+	28.1%	28.1%
Filip Kegels	+		-	-	-

Board members between 28 March 2020 and 31 December 2020

Member of the Board of Directors	Independent director	Non-executive director	Executive director	Share in the authorized capital	Share ownership
Michael Balay	+		-	-	-
Rafael Fuertes	-	+	-	Grupo Fuertes 8.6%	-
Richard Sobel	-	+	-	-	-
Christopher Warmoth	+		-	-	-
Evgeny Mikhailov	-	-	+	28.1%	28.1%
Sergey Mikhailov	-	-	+	28.1%	28.1%
Filip Kegels	+		-	-	-

1 On 10 January 2020, Emin Mammadov changed his director status from independent to executive.

2 As of 31 December 2020.

Highly prefessional Board of Directors

Board members with broad industrial experience from leading global companies:

- insights from extensive experience in:
  - animal farming
  - poultry farming
  - meat processing
  - agriculture
- food manufacturing
- strategic planning in agriculture and commodities trading
- promotion of consumer goods in emerging markets
- restaurants and HoReCa
- strategic development and M&A
- consumer brand marketing and development
- finance and audit
- investment
- management of global operations
- international business consulting
- investment case studies.

Evgeny Mikhailov

Sergey Mikhailov

Richard Sobel

Rafael Fuertes

Filip Kegels

Michael Balay

Christopher Warmoth

Evgeny Mikhailov

Executive director, Chairman of the Board of Directors

Evgeny Mikhailov is the Chairman of the Board of Directors of PJSC Cherkizovo Group. From 2006 to 2014, he was the Head of Investment Projects at Cherkizovo Group overseeing strategic business development, investment coordination and decision-making on the Group's expansion into new markets.

Since 2016, he is also the Head of Business Development.

Prior to joining Cherkizovo Group in 2004 as First Deputy CEO of AIC Mikhailovsky, he was an assistant to the Vice President at aTelo, Inc, a US telecommunications company, in Washington DC (2001) and worked as a financial analyst at Morgan Stanley in 2002.

Mr. Mikhailov owns 28.1% of the Company's shares.

He graduated from the University of California (Los Angeles) in 2004 with a degree in Business Economics.

Sergey Mikhailov

Executive director, CEO of Cherkizovo Group, Chairman of the Investment and Strategic Planning Committee

Sergey Mikhailov has been Chief Executive Officer of Cherkizovo Group since 2006. He is responsible for the general management of the Company, its sustainable development and strategy.

In 2006, Mr. Mikhailov steered Cherkizovo Group to become Russia's first agricultural company to successfully go public on the LSE. Under his leadership, the Company grew into Russia's largest meat and feed producer.

In 2001, Sergey Mikhailov was appointed Marketing Director of Cherkizovsky Meat Processing Plant. He was promoted to the new role of Deputy CEO for marketing and sales in 2002, and in 2003 he became CEO of AIC Cherkizovsky.

In 1998, he interned as a financial analyst at Goldman Sachs, and in 1999 – at Morgan Stanley. In 1998, he founded and headed aTelo, Inc., a telecommunications company based in Washington, USA.

Mr. Mikhailov owns 28.1% of the Company's shares.

Sergey Mikhailov graduated from Georgetown University (USA) in 2000 with a degree in Finance and Economics.

Richard Sobel

Non-executive director, Deputy Chairman of the Board of Directors, member of the Investment and Strategic Planning Committee

Richard Sobel has a wealth of experience in direct investments.

As one of the pioneers of the Russian private equity industry, Mr. Sobel was a senior fund manager at Baring Asset Management and Alfa Capital Partners in the 1990s and early 2000s. He is the founder and manager of Altai Advisors, a consulting firm which specializes in providing advice on potential investment opportunities in Russia, CIS, Europe and the USA.

Previously, he was an adviser at Bain & Company in Boston, USA, and an investment manager at Batterymarch Financial Management, the European Bank for Reconstruction and Development and CIBC Oppenheimer.

Richard graduated from Stanford University, USA, and holds an MBA from Harvard Business School, USA.

Rafael Fuertes

Non-executive director, member of the Investment and Strategic Planning Committee

Rafael Fuertes has extensive experience in the agricultural industry, in particular in animal breeding, meat processing and crop farming.

He is the Chairman of the Board of Directors of Grupo Fuertes, a leading Spanish agricultural holding company, which is the partner of Cherkizovo Group in the Tambov Turkey JV and a minority shareholder in Cherkizovo Group owning 8.6% of its issued shares.

He graduated from the University of Murcia, Spain.

Executive Director

Independent director

Personnel and Remuneration Committee

Audit Committee

Non-executive director

Chairman

Investment and Strategic Planning Committee

Filip Kegels

Independent director, Chairman of the Personnel and Remuneration Committee, member of the Audit Committee and member of the Investment and Strategic Planning Committee

Filip Kegels is an experienced expert in food production and consumer brand development in European, Asian and emerging markets. For many years, Filip headed international operations of Danone Group. He served as Vice-President and Non-Executive Chairman of Group Danone China and Japan (Asia-Pacific, India and Middle East), and Vice-President of Danone Africa, Middle East and Asia-Pacific. He has successful experience of doing business in Russia as member of the Board and CEO of Danone Unimilk Russia. He is the founder of BTF Solutions.

Filip Kegels has a broad experience of board service at leading international food companies. Earlier Mr. Kegels chaired the boards of Danone Murray Goulburn, Australia, and Centrale Laitiere, Morrocco, and served as Vice Chairman of the boards of Al Safi Danone, Saudi Arabia, and Pulmuone Danone, South Korea. He also served on the boards of Yakult, Japan, Strauss Health, Israel, Mengniu Group, China, Brookeside, Kenia, and Fanmilk Sub-Saharan Africa, Luxemburg. Mr. Kegels currently serves on the Board of Michel et Augustin, France, Drums Food International, India, and La Lorraine Bakery, Russia.

He graduated from the Catholic University of Antwerp with MBA.

Michael Balay[1]

Independent director, member of the Personnel and Remuneration Committee, member of the Audit Committee and member of the Investment and Strategic Planning Committee

Michael Balay has more than 30 years experience in strategy in agriculture, commodities trading and primary industries. After graduation, he joined McKinsey & Company, where he was one of the early Fellows at the McKinsey Global Institute.

After seven years of management consulting, he became head of business development in Cargill's corporate strategy group in Minneapolis and led long-range planning and organizational design. He spent three years in Switzerland as head of marketing for Cargill's international grain and oilseeds business, supervising custom trading programs and services. He then returned to Minneapolis and became Head of Global Strategy.

Since retiring from Cargill in 2016, he has been an independent consultant and director.

He graduated from Yale University with a B.A. in English Literature and from the University of Virginia Darden School of Business with an MBA in Strategy.

Christopher Warmoth[1]

Independent director, Chairman of the Audit Committee, member of the Personnel and Remuneration Committee and member of the Investment and Strategic Planning Committee

Chris Warmoth's career spans nearly 40 years of experience in consumer goods. He has worked extensively in Western and Eastern Europe, the Middle East, Asia and North America – with P&G, Coca Cola, Heinz and Carlsberg.

He started his career in marketing with P&G in the UK, moving to general management in Germany 10 years later. After a series of country managing director roles, he has had a series of regional positions. His most recent roles have been EVP for Heinz in Asia Pacific, Middle East and Africa; EVP for Carlsberg in Asia and Africa; EVP for Carlsberg in Western Europe and he is currently EVP for Group Strategy in Carlsberg.

He graduated from Balliol College, Oxford, with a Master's degree in modern history.

Emin Mammadov

Board member until 27 March 2020.

Elliot Jones

Board member until 27 March 2020.

[1] Joined the Board on 27 March 2020.

Board committees

There are three standing Board Committees in Cherkizovo Group:

- the Audit Committee,
- the Personnel and Remuneration Committee,
- the Investment and Strategic Planning Committee.

The committees serve as consulting and advisory bodies. The functions and tasks of each committee are defined by the respective committee regulations[1].

All Committee members have the skills, experience and resources required to efficiently perform their duties and may also engage external consultants.

The Committees meet as appropriate, with a minimum of five meetings a year for the Personnel and Remuneration Committee and the Investment and Strategic Planning Committee, and four meetings a year for the Audit Committee. These meetings are held separately from those of the Board of Directors. Each Committee makes decisions by a majority of votes of the members present at the meeting, with each member having one vote. The Chairman of each committee reports the results of its meeting at the next meeting of the Board of Directors.

In April 2020, the Board of Directors approved the members and Chairmen of all three committees and disbanded four subcommittees of the Investment and Strategic Planning Committee.

Committee name	Key functions	Members	Meetings held in 2020	Attendance	Key matters reviewed in 2020
AUDIT COMMITTEE (operating since 2006)	– to monitor completeness, accuracy and reliability of the Company's financial statements, – to monitor reliability and efficiency of the risk management and internal control system, – to ensure that the Company's internal and external audits are independent and unbiased, – to monitor the efficiency of the Company's whistleblowing system.	In 2020, the Committee included independent directors: Before 27 March 2020: **Elliot Jones** (Chairman), **Emin Mammadov**[2], **Filip Kegels**. After 27 March 2020: **Christopher Warmoth** (Chairman), **Filip Kegels**, **Michael Balay**	4	Before 27 March 2020 — 66% After 28 March 2020 — 100%	• Quarterly, semi-annual and annual financial results and press-releases • External and internal auditors reports • Change in reporting
PERSONNEL AND REMUNERATION COMMITTEE (operating since 2010)	– to develop and regularly review the Company's policy on remuneration of the Board directors, members of the Management Board, the Chief Executive Officer and other key executives, – to carry out preliminary assessment of the executive management's performance, – to develop a list of the executive management's KPIs, – to perform a detailed formalized annual self-assessment or arrange a third-party assessment of the efficiency of the Board of Directors, – to evaluate the Board's composition by way of assessing its members' professional skills, experience, independence and involvement in the work of the Board of Directors, – to perform other tasks in line with the Regulations on the Audit Committee and the Regulations on the Personnel and Remuneration Committee.	In 2020, the Committee included independent directors: Before 27 March 2020: **Filip Kegels** (Chairman), **Elliot Jones**, **Emin Mammadov**[2]. After 27 March 2020: Christopher Warmoth (Chairman), **Filip Kegels**, **Michael Balay**	9	93%	• CEO and Management Board KPIs • Long-term incentives for key officers • Remuneration of management bodies • Reports on personnel initiatives during COVID-19 • Results of a personnel engagement survey • Independent status of directors
INVESTMENT AND STRATEGIC PLANNING COMMITTEE (operating since 2012)	– to review the proposals submitted to the Board of Directors with regard to setting the Company's business priorities, – to contribute to growth strategy development, – to assess and review strategic projects and organic growth opportunities, – to consider investment and dividend policy matters.	Before 27.03.2020 **Emin Mammadov** (Chairman), **Richard Sobel**, **Sergey Mikhailov**, **Elliot Jones**, **Rafael Fuertes**, **Filip Kegels**. After 27.03.2020 **Sergey Mikhailov** (Chairman), **Michael Balay**, **Richard Sobel**, **Christopher Warmoth**, **Rafael Fuertes**, **Filip Kegels**.	5	90%	• the Company's development strategy • Strategic projects • M&As and integration of acquired companies • CAPEX and ROIC • Certain lines of business (ready-to-eat, food service, export, etc.)

[1] The regulations are available on Cherkizovo Group's website in the Disclosure section at: https://cherkizovo.com/en/company/#/en/company/corporate-governance/documents/

[2] Emin Mammadov stepped down as an independent director on 10 January 2020.

Board of Directors' performance assessment

At Cherkizovo Group, the Board of Directors conducts an annual evaluation of its work in the reporting period, which includes performance assessment of the Board's committees. The evaluation results are reviewed at a meeting of the Board held in person. The Board rated its performance in 2020 as successful.

Remuneration of the Board of Directors

The Board directors are remunerated in line with the Regulations on Remunerations and Compensations Paid to the Members of the Board of Directors.

According to the Regulations, the Board directors are paid an annual remuneration for their work in the Board of Directors comprising a fixed (base and additional remuneration) and variable (annual bonus) part.

The remuneration levels currently offered by the Company to the Board directors are sufficient to incentivize their effective performance. The Regulations on Remunerations determine the base annual remuneration, set out a transparent procedure for the calculation of the variable part of remuneration (the annual bonus) and detail the list of reimbursable expenses and the service level provided to the Board directors.

In 2020, the Company updated its corporate Regulations on Remuneration and Compensation Paid to the Members of the Board of Directors. The base part of the remuneration payable to directors was increased to reflect the inflation since September 2018. The formula to calculate the annual bonus now incorporates strategic indicators such as share of sales of branded / high value-added products (Value Added Growth) and return on invested capital (ROIC).

The Board of Directors approved the Long-Term Incentive Program for 2021–2023, with Management Board members and other key employees eligible to participate.

In 2020, the Board of Directors' remuneration totalled RUB 98.5 million.

Additionally, the Company maintains liability insurance for all its Board directors for their full term in office as recommended by the Personnel and Remuneration Committee.

Remuneration of the Board of Directors[1]

	Base remuneration	Additional remuneration		Annual bonus	Reimbursable expenses
Calculation basis for remuneration, RUB	6,261,360	Chairman	28,460,725	**S = FR * (EBITDAc * 0,4 + VAGc * 0,3 + ROICc * 0,3)**, but no more than 125% of FR, where S – annual bonus sum, FR – fixed (base + additional) remuneration, EBITDA c – actual to target EBITDA coefficient, VAGc – actual to target Value Added Growth coefficient, ROICc – actual to target Return on Invested Capital coefficient	— travel and accommodation — expenses not directly related to the Board meetings, but associated with its work and approved in writing by the Board Chairman
		Deputy Chairman	1,138,430		
		Committee Chairman[2]	1,138,430		
		For each additional in-person meeting of the Board of Directors (>6 per year)	106,595		
Total remuneration in 2020, RUB million		98.5			

[1] With effect from after 27 March 2020.

[2] Directors serving as chairs of two or more committees are eligible for only one additional remuneration.

Management board

The Management Board is a collective executive governing body of Cherkizovo Group, managing its operations and accountable to the Board of Directors. The Management Board is authorized:

- to approve strategic plans and business priorities of Cherkizovo Group, its subsidiaries and affiliates,
- to review the business performance of the Group's subsidiaries,
- to approve the staff incentive framework for Cherkizovo Group, its subsidiaries and affiliates,
- to review and make decisions on signing collective bargaining agreements and contracts by the Group, its subsidiaries and affiliates.

The Management Board is led by the Chairman of the Management Board, who acts as Cherkizovo Group's Chief Executive Officer (CEO). The CEO's mission is to:

- ensure Cherkizovo Group's profitability and competitive performance, its financial and economic sustainability,
- oversee the observance of shareholders' rights, and ensure the provision of employee benefits to Cherkizovo Group's personnel..

Members of the management board

As of 31 December 2020, the Management Board consisted of 16 members. The Management Board is chaired by Sergey Mikhailov, Cherkizovo Group's CEO.

In 2020, the Board saw the following changes:

- in February, the Board of Directors elected Armen Pogosyan, Oleg Zakov and Olga Buryak to the Management Board;
- in April, the Board of Directors elected Emin Mammadov to the Management Board;
- in November, the Board of Directors removed Roger Jones from the Management Board.

as of 31 december 2020

Sergey Mikhailov

Chief Executive Officer,
Chairman of the Management Board

Sergey Mikhailov has been CEO of Cherkizovo Group since 2006. He is responsible for the general management of the Company, its sustainable development and strategy.

In 2006, Mr. Mikhailov steered Cherkizovo to become the first Russian agricultural company to successfully go public on the LSE. Under his leadership, the Company grew into Russia's largest meat and feed producer.

In 2001, Sergey Mikhailov was appointed Marketing Director of Cherkizovsky Meat Processing Plant. He was promoted to the new role of Deputy CEO for marketing and sales in 2002, and in 2003 he became CEO of AIC Cherkizovsky.

In 1998, he interned as a financial analyst at Goldman Sachs, and in 1999 – at Morgan Stanley.

In 1998, he founded and headed aTelo, Inc., a telecommunications company based in Washington, USA.

Mr. Mikhailov ranks among the Top 1,000 Russian Managers, leading the charge in the agricultural industry category.

He graduated from Georgetown University (USA) in 2000 with a degree in Finance and Economics.

Share in the Company's authorized capital: 28.1%

Share in the Company's common stock: 28.1%.

as of 31 december 2020

Emin Mammadov

(since 13 April 2020)
Deputy Chief Executive Officer

Emin Mammadov is a seasoned expert with over 20 years' FMCG experience in emerging markets, including at large global companies where he headed divisions in RIMEA (Russia, India, Middle East, and Africa) and China.

Emin graduated from Baku Institute of Social Management and Political Science, Azerbaijan, with a degree in International Relations.

He holds no stake in the Group's authorized capital or common stock.

Ludmila Mikhailova

Chief Financial Officer,
Member of the Management Board

Ludmila Mikhailova has been CFO of Cherkizovo Group since 2006. Her responsibilities include setting the Group's financial policy, managing internal and external financial reporting, budgeting, and sourcing funds for the effective development of the Group.

Between 2001 and 2004, Ludmila Mikhailova worked as a financial analyst at McFarlane Gordon, Inc. (Canada), General Mills Co (Canada) and ING Barings (UK). She then held various managerial positions at Cherkizovo Group and AIC Cherkizovsky.

A number of major transactions were implemented under Ludmila Mikhailova's supervision, enabling the Group to consolidate approximately 13% of Russia's poultry market. In 2006, the Company successfully carried out its IPO on the London Stock Exchange, raising over USD 250 million.

Ludmila Mikhailova ranks among the Top 1,000 Russian Managers.

She graduated from the Financial Academy of the Government of the Russian Federation and holds an MBA from York University (Canada).

Share in the Company's authorized capital: 0.4%

Share in the Company's common stock: 0.4%

Ray Cheeks

Chief Operating Officer, Director of Operations at Tambov Turkey,
Member of the Management Board

Ray Cheeks has been Director of Operations at Tambov Turkey since 2018. His responsibilities include overseeing the company's day-to-day operations and ongoing activities in line with performance targets, including operational efficiency, costs, and quality.

Prior to joining Cherkizovo Group, he held senior positions in a number of major corporations, including Brown & Williamson Vintage Tobacco Coupons, KRAFT FOODS, and POSS Design Limited.

Ray Cheeks graduated from Clemson University with a degree in Electrical Engineering.

He holds no stake in the Group's authorized capital or common stock.

Alexey Skorobogatov

Head of Procurement and Logistics,
Member of the Management Board

Alexey Skorobogatov has been Head of Procurement and Logistics at Cherkizovo Group since 2011. He is responsible for the development and coordination of procurement activities, building efficient supply chains and managing stock flows at minimum cost for the business.

Between 2006 and 2009, he was Head of Procurement at Wimm-Bill-Dann Foods OJSC. From 2009 to 2011, he was regional Head of Procurement at Danone Nutricia Baby Food (Eastern Europe) and worked at Mobile TeleSystems OJSC, where he set up and headed the procurement and logistics department, which was later merged into a single logistics department.

He graduated from Pyatigorsk State Linguistic University.

He holds no stake in the Group's authorized capital or common stock.

Vladislav Belyaev

Head of IT,
Member of the Management Board

Vladislav Belyaev has been Head of IT at Cherkizovo Group since 2012. He is responsible for developing the Group's IT strategy, overseeing its in-house IT projects and the ongoing improvements of the regional IT infrastructure.

Between 2008 and 2012, he was Head of the Management Systems Department at VimpelCom. Prior to this, he held senior management positions at CafeMax and Moscow Industrial Bank.

Vladislav has led the implementation of a SAP ERP system launched in 2013.

In 2015, he oversaw the roll-out of the electronic document management system (EDMS) across the Group and the creation of a unique modern data processing center.

He graduated from the Moscow Institute of Radio Engineering, Electronics and Automation and Moscow State University.

He holds no stake in the Group's authorized capital or common stock

Olga Buryak

Head of HR, Member of the Management Board since 12 February 2020

Olga Buryak has been Head of HR at Cherkizovo Group since 2019.

Her responsibilities include overseeing key HR projects and initiatives, implementing the HR strategy, building an integrated HR management system, and enhancing the Group's HR branding.

Olga's experience in HR management spans more than 15 years of working at large companies such as Unimilk, CEDC, SIBUR, Cordiant, and Bashkir Soda Company.

Olga graduated from Omsk State Transport University with a degree in World Economics.

She holds no stake in the Group's authorized capital or common stock.

as of 31 december 2020

Alexander Gusakov

Security Director,
Member of the Management Board

Alexander Gusakov has been Security Director of Cherkizovo Group since February 2016. He is responsible for developing and overseeing safety standards and procedures, maintaining the Group's economic, information and physical security, as well as the coordination and interaction with government authorities at both national and regional levels.

Alexander has over ten years of experience in corporate security management at international companies. Prior to joining the Group, he worked for Henkel Rus, Zurich Insurance Company and Gazprom.

Between 1981 and 2005, he worked in the state security services.

He graduated from the Higher School of the KGB with a degree in Law.

He holds no stake in the Group's authorized capital or common stock.

Yury Dyachuk

Head of Legal Support
and Real Estate Operations,
Member of the Management Board

Yury Dyachuk has worked at Cherkizovo Group for over 20 years. Since 2006, he has been overseeing legal support at Cherkizovo Group, litigation involving the Company, and its regulatory compliance.

Yury worked as part of the legal team at Cherkizovsky Meat Processing Plant from 1995 to 1996.

He was Head of its Legal Department between 1996 and 2000.

In 2005, Yury was Senior Counsel advising on the restructuring of Cherkizovo Group.

He graduated from Moscow State University of Law.

Share in the Company's authorized capital: 0.1%

Share in the Company's common stock: 0.1%

Oleg Zakov

Cherkizovo Trade House Director,
Member of the Management Board
since 12 February 2020

Oleg Zakov is responsible for management of poultry, turkey, pork meat and sausage products sales, as well as marketing, product portfolio and accounts receivable. In addition to that, he oversees business processes aimed at improving Trade House economic efficiency.

Prior to joining Cherkizovo Group, Oleg held the position of Vice President of Sales at Fazer.

Oleg graduated from Sergo Ordzhonikidze State University of Management in 1996 with a degree in Economics and Engineering of IT Systems in Management. He also holds an Executive MBA from the Stockholm School of Economics (SSE).

He holds no stake in the Group's authorized capital or common stock.

Maksim Zudin

CEO of Poultry Management Company,
Member of the Management Board

Maksim Zudin was appointed CEO of Poultry Management Company in 2017.

Between 2015 and 2018, he headed Cherkizovo's Agro Division and was responsible for the strategic development of the Pork, Feed and Grain segments. Prior to joining Cherkizovo Group, Maksim was Head of Oil Production at Solnechnye Produkty.

Between 2003 and 2013, he was Head of the Agro Division as well as a member of the Management Board at Razgulay Group, where he was responsible for the East branch and led the Krupa project.

He graduated from the Faculty of Mechanics and Mathematics of Moscow State University.

He holds no stake in the Group's authorized capital or common stock

Leonid Izmailov

Head of Investment Projects, Member
of the Management Board

Leonid Izmailov has been Head of Investment Projects at Cherkizovo Group since 2014. He is responsible for managing construction as part of major investment projects.

Prior to joining the Group, Leonid was Technical Director and Operational Cluster Director at AgroTerra for four years. Prior to this, he held a number of senior management positions across a range of companies, including Russian Oils, Bunge, Unilever and Nestle Food.

Leonid graduated from Moscow State University with a degree in Chemistry.

Share in the Company's authorized capital: 0.001%

Share in the Company's common stock: 0.00332%

Alexey Kletsko

Director for Strategy,
Member of the Management Board

Alexey Kletsko oversees strategy development at Cherkizovo Group. He is responsible for M&A and asset integration, business development, and expert and methodological support for strategic development of various segments and functions.

Prior to joining Cherkizovo Group, Alexey ran strategic development projects at major Russian and international companies, including Megapolis, Fesco, Rolf, and McKinsey & Company.

He graduated from the Moscow Institute of Physics and Technology with a degree in Applied Mathematics and has an MBA from HEC Paris.

He holds no stake in the Group's authorized capital or common stock.

as of 31 december 2020

Armen Pogosyan

Head of R&D, Member of the Management Board since 12 February 2020

Armen Pogosyan has been Head of R&D since 2017.

He focuses on implementing new technology solutions and business concepts, product development and optimization, as well as providing expert support in technology, innovation, regulatory framework and standards to production and marketing functions.

Armen has over 15 years of experience in meat processing. In 2005, he started his career at Cherkizovsky Meat Processing Plant, where he worked his way up from a specialist to a senior technologist.

Armen Pogosyan graduated from Moscow State University of Applied Biotechnology with a degree in Meat Processing Engineering and holds a PhD in Technology of Meat, Milk, Fish Products and Refrigeration Production.

He holds no stake in the Group's authorized capital or common stock.

Evgeny Subbotin

Director for Logistics and Supplies, Member of the Management Board

Evgeny Subbotin has served as Director for Logistics and Supplies heading the supply chain operations of the Group since 2017. He is responsible for integrating the logistics operations of the Poultry, Meat Processing and Turkey segments into a single centralized structure. He also oversees the efforts to bring the planning functions of sales, production, and packaging and ingredient supply within a single planning unit. Mr. Subbotin is also in charge of designing and bringing on stream the Route to Market project.

He has 17 years of experience in procurement and logistics, including 15 years of managing supply chains and procurement in major corporations like Carlsberg Group (Vena and Baltika Breweries), Danone Group (Danone, Nutricia), and SC Johnson.

He graduated from the St. Petersburg State University of Architecture and Civil Engineering with a degree in Road Transportation Management and Logistics.

He holds no stake in the Group's authorized capital or common stock.

Akim Tiunov

Manufacturing Director, Member of the Management Board

Akim Tiunov serves as Manufacturing Director at Cherkizovo Group.

His major focus is management of production segments of the Group, production strategy planning and development, business-process optimization, and modern and innovative production technologies implementation.

Before joining Cherkizovo Group, Akim was Manufacturing Vice-President at Kraft Heinz. From 2000 to 2007, he worked at major international corporations, including OTIS Elevators and Ford Motor Company.

Akim Tiunov graduated from St. Petersburg State University of Architecture and Civil Engineering, and St. Petersburg Polytechnic University.

He holds no stake in the Group's authorized capital or common stock.

Remuneration of the Management Board

The remuneration of the Management Board members is based on their employment contracts. In 2020, the Management Board remuneration totalled RUB 390.3 million, of which salaries accounted for 71%, bonuses for 27%, and other types of remuneration for 2%.

Corporate secretary

The Corporate Secretary is a Company officer who ensures effective ongoing communication with the Group shareholders, overviews the protection of the shareholders' rights and interests, supports operations of the Board of Directors and coordinates the activity of the Board subcommittees. The scope of the Corporate Secretary's role is defined in the Regulations on the Corporate Secretary. Anastasia Bakhmacheva has been serving as the Corporate Secretary of the Company since November 2016, following the resolution of the Board of Directors.

Anastasia Bakhmacheva

Corporate Secretary

Anastasia has been in corporate governance for 17 years. Prior to joining Cherkizovo Group, she served as Deputy Head of Legal Department at Blagosostoyanie Non-State Pension Fund from 2014 to 2016. From 2011 to 2014, she worked as Director at VTB Bank overseeing implementation of a single corporate governance framework across the VTB Group. Between 2009 and 2011, Anastasia was Corporate Secretary at Bashneft, after heading the corporate governance team at VimpelCom (a former NYSE-listed company) from 2003 to 2008.

Anastasia graduated from the International Law Institute under the Ministry of Justice of the Russian Federation with a degree in Civil Law and from the Higher School of Economics having completed its Business Law program.

She is a certified financial market specialist and a member of the National Union of Corporate Secretaries. In 2018, Anastasia was rated among 25 best corporate governance executives as part of the Director of the Year Awards.

Internal control and risk management

Risk management and internal control are in place at each department and management level with all projects and business processes covered, as the Group strives to ensure the consistency and effectiveness of its risk management practices. The internal control system is based on a risk-oriented approach, which means that the system is tightly integrated with risk management processes and ensures both timely and effective risk management and efficient internal controls.

The internal control system is managed as a vertically-integrated set of elements, whose roles are separated depending on their participation in the development, implementation, monitoring and evaluation of the effectiveness of the system.

To ensure the system's effectiveness and reliability, the Board of Directors provides continuous monitoring and feedback to its participants.

The key documents governing the internal control function are:

- regulation on the Integrated Risk Management System
- the Risk Management and Internal Control Policy,
- the Regulations on the Board of Directors Audit Committee,
- the Regulations on the Internal Audit.

The Company's Internal Audit Service operates in line with regulatory requirements, professional standards and international best practices.

It conducts centralized internal audit of all departments. Key functions of the Internal Audit Service:

- to review, assess and monitor the reliability and effectiveness of the internal control systems;
- to monitor compliance with financial and business operations procedures, internal regulations, including those relating to the risk of management override;
- to assess the appropriateness of management decisions made following audits, to identify areas for efficiency improvements;
- to check asset availability and safety;
- to interact with the independent external auditor.

The Internal Audit Service monitors the implementation of recommendations following audits. The monitoring procedure is considered completed only if there is a report on the measures taken in line with the recommendations.

The Review Commission oversees the Company's financial and business activities and provides independent verification of data disclosed in the Group's annual report and annual financial statements. Its activities are pursuant to the Articles of Association and the Regulations on the Review Commission. The Review Commission coordinates financial and business audits at Cherkizovo Group. Its members are elected by the General Meeting of Shareholders for a one-year term.

In March 2020, the AGM elected the Review Commission consisting of Nina Erkovich, Aminat Shamkhalova and Alexander Mayorov.

Disclosure

Cherkizovo Group is committed to being a transparent company open to stakeholders. The Group discloses information pursuant to the Regulations on Information Policy in Disclosure and Delivery of Information and external disclosure requirements and recommendations:

- the laws of the Russian Federation,
- the regulations of the Bank of Russia,
- the Moscow Exchange Listing Rules,
- the basic principles of disclosure and provision of information by public joint-stock companies recommended by the Corporate Governance Code.

In 2020, the disclosure requirements imposed by the Russian laws did not see any changes.

The Group's information policy seeks:

- to ensure stakeholders' right to information they need for decision-making on investment, management and other matters,
- to promote openness and transparency, enhancing the Group's overall corporate image.

The key principles of Cherkizovo Group's Information Policy are regularity, consistency, promptness, timeliness, accessibility, reliability, completeness, comparability, neutrality, equitable access and ease of control.

Cherkizovo Group discloses information:

- on its corporate website (cherkizovo.com/en/),
- via the Interfax news agency (e-disclosure.ru/portal/company.aspx?id=6652),
- at meetings with stakeholders,
- by other means stipulated the bylaws and internal regulations of the Group.

In 2020, the Group continued reporting its financial performance on a quarterly basis, and its operational results on a monthly basis.

Major and interested-party transactions

In 2020, Cherkizovo Group entered into 1 major transaction and 6 interested-party transactions recognised as such under the Federal Law On Joint-Stock Companies. These transactions were either approved by the Board of Directors or made following prior notification of the members of the management bodies stipulated in Article 81, Clause 1.1 of the Federal Law On Joint-Stock Companies without prior approval required.

The Company publishes information on major and interested-party transactions at e-disclosure.ru/portal/company.aspx?id=6652 and on Corporate web site www.cherkizovo.com/.

Disclosure to auditors

As far as each of the directors is aware, there is no material information undisclosed to Cherkizovo Group's auditors. Each of the directors has taken all the necessary steps to obtain all material information and provide it to the Group's auditors.

Cherkizovo Group's current auditor, Deloitte & Touche CIS, was approved for reappointment in March 2020.

The General Meeting of Shareholders annually considers external auditor approval.

Disclosure of insider information

To protect insider information, the Company approved the Regulations on Insider Information and the List of Insider information. The Company also maintains a list of insiders. The Group informs the insiders about the start of lock-up periods for trading in stocks, GDRs and exchange-traded bonds.

Given that the amendments to Federal Law No. 224-FZ On Countering the Illegal Use of Insider Information and Market Manipulation and on Amendments to Certain Legislative Acts of the Russian Federation dated 27 July 2010 were enacted on 1 May 2019, the Company plans to make relevant changes to its internal regulations governing the use of insider information.

Shareholder and investor **highlights**

Ordinary shares

Cherkizovo Group's ordinary shares are quoted on the Moscow Exchange (MOEX) (MOEX ticker: GCHE). The Group's stocks are traded in the Level 3 List as its free float remained below 7.5% of outstanding shares for six consecutive months. The Group delisted its GDRs from the London Stock Exchange (LSE) in 2018, but continues its GDR programme.

As of the end of 2020

RUB **1,973** per share

+**13.7** % share price increased

Total shareholder return amounts to

20 %

including dividends paid in 2020 (1)

(1) Total shareholder return is a percentage calculated by dividing the closing share price adjusted for dividends paid in the period, if any, by the opening share price.

Ordinary share price performance in 2020, RUB

As of 31 December 2019	**1,736**
12M high	**2,079**
12M low	**1,669**
As of 31 December 2020	**1,973**
Average 12M closing price	**1,841**

Source: Moscow Exchange.

Cherkizovo Group's ordinary share price performance in 2020

Source: Moscow Exchange.

Series	BO-001P-04	BO-001P-03	BO-001P-02
Registration number	4B02-04-10797-A-001P	4B02-03-10797-A-001P	4B02-02-10797-A-001P
Stock exchange	Moscow Exchange	Moscow Exchange	Moscow Exchange
Annual coupon	6.4%	6.2%	7.5 %
Issue date	25 December 2020	18 September 2020	28 November 2019
Coupon payment	Quarterly	Quarterly	Quarterly
Issue amount	RUB 6.0 billion	RUB 6.3 billion	RUB 10 billion
Maturity	5 years	3.5 years	3.5 years

Bonds

In 2020, Cherkizovo Group issued:

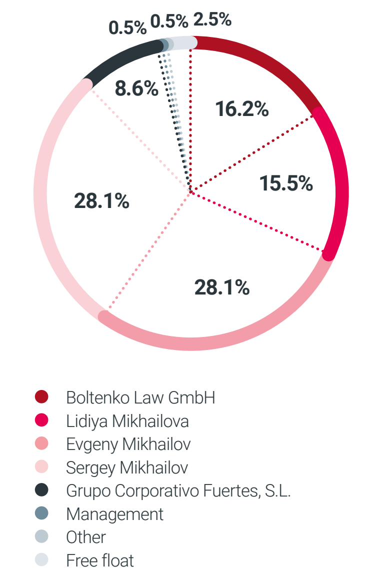
- BO-001P-03 series bonds (registration number 4B02-03-10797-A-001P) with a total nominal value of RUB 6.3 billion and annual coupon of 6.2% maturing in 3.5 years,
- BO-001P-04 series bonds (registration number 4B02-04-10797-A-001P) with a total nominal value of RUB 6.0 billion and annual coupon of 6.4% maturing in 5 years.

Also, the Company's BO-001P-02 series bonds (registration number 4B02-02-10797-A-001P) with an annual coupon of 7.5% are listed on the Moscow Exchange. The RUB 10 billion bonds mature in 3.5 years and were issued in November 2019.

Shareholding structure

The total number of authorized shares was 54,702,600. In September 2020, the General Meeting of Shareholders resolved to reduce the Company's authorized capital by RUB 29,167.59 by redeeming 2,916,759 treasury shares (6.6344% of the authorized capital). As a result, the Company's current authorized capital amounts to RUB 410,470.14 and consists of 41,047,014 ordinary shares. All issued and outstanding shares have equal voting rights. The Company is authorized to issue preferred shares not exceeding 25% of its ordinary share capital. In the reporting year, no such shares were issued.

The reduction of the authorized capital led to certain changes in Cherkizovo Group's shareholding structure.



Investor and shareholder relations

Cherkizovo Group seeks to attract new investment and actively cooperates with stock market players. In 2020, the Company interacted by communicating press releases with operational and financial results, by holding conference calls and meetings in person, and by organizing other dedicated events. Due to COVID-19 restrictions, the Company mainly focused on online communication channels.

The Group employs a variety of channels to provide timely disclosure of material information.

News releases are available on our website at: cherkizovo.com/press

Information for shareholders and investors is available on our website at: cherkizovo.com/investors

Corporate action notices and other mandatory disclosures are published on the Group's website and the Corporate Disclosure Centre's website at: e-disclosure.ru/portal/company aspx?id=6652

Consolidated Financial Statements

for the year ended 31 December 2020 and Independent Auditor's Report

Contents

Statement of Management Responsibilities for the Preparation and Approval of the Consolidated Financial Statements

For the year ended 31 december 2020

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of PJSC Cherkizovo Group (the "Company") and its subsidiaries (the "Group") as at 31 December 2020, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved by Management on 11 February 2021.

On behalf of the Management:

Sergei Mikhailov
Chief Executive Officer

Ludmila Mikhailova
Chief Financial Officer

Independent Auditor's Report

Deloitte.

To the Board of Directors and Shareholders of PJSC Cherkizovo Group:

Opinion

We have audited the consolidated financial statements of PJSC Cherkizovo Group (the "Company") and its subsidiaries (collectively – the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for 2020, 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 2020, and its consolidated financial performance and its consolidated cash flows for 2020 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' Code of Ethics for Professional Accountants (the "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 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 Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Independent Auditor’s Report CONTINUED

WHY THE MATTER WAS DETERMINED A KEY AUDIT MATTER?	HOW THE MATTER WAS ADDRESSED IN THE AUDIT?
Impairment assessment of Ready-to-eat (“RTE”) meat processing cash-generating unit	
As at 31 December 2020 RTE meat processing cash-generating unit is represented by non-current assets of RTE meat processing segment with a carrying value of 9,922, including 215 of goodwill and 400 of indefinite life trademarks. As a result of the poor performance of the cash-generating unit (“CGU”) in 2020 the Group conducted an impairment test of the CGU by determining its recoverable amount and comparing it to the carrying value of non-current assets of the CGU. The recoverable amount was determined based on a value in use calculation. Further details are provided in Note 4 to the consolidated financial statements. We focused on this area as a key audit matter because impairment assessment process and value in use calculation involves a high degree of subjectivity and judgement in selecting appropriate assumptions. In particular, the value in use of the CGU is sensitive to changes in significant assumptions, including forecasted sales prices, sales volumes, operating profit margin rates and discount rate.	We obtained an understanding of the process and tested the effectiveness of controls over the Group’s impairment assessment, including the analysis of impairment indicators, determination of the recoverable amount and selection of appropriate key assumptions used in value in use calculation. We assessed the methodology of determining the recoverable amount for its compliance with the standards requirements. We performed the following audit procedures in respect to the recoverable amount calculation performed by the Group’s management: • Verified that the input data used in the impairment testing model is consistent with the approved budgets and forecasts; • With the assistance of our internal valuation specialists challenged reasonableness of key assumptions used in the management’s forecasts, with reference to historical data and, where applicable, external / independent sources, noting that the assumptions used fell within an acceptable independently determined range; • Tested the accuracy of the calculation and sensitivity analysis of the recoverable amount to changes in the assumptions; • Tested the appropriateness of the related disclosures provided in the consolidated financial statements. In particular, we focused on the disclosure of key unobservable inputs and the related sensitivity analysis.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor’s report thereon. The Annual report is expected to be made available to us after the date of this auditor’s report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Annual report, we are required to report that fact.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (“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.

Those charged with governance are 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 scepticism 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 and related disclosures made by management;

Independent Auditor's Report CONTINUED

- 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; and
- 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 group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, 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 matter 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.

Srbuhi Hakobyan,
Engagement partner

11 February 2021

The Entity: PJSC Cherkizovo Group

Primary State Registration Number: 1057748318473

Certificate of registration in the Unified State Register № 1057748318473 of 22.09.2005, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 46.

Address: 1, Cherkizovskaya street, Topkanovo village, Kashira, Moscow region, Russian Federation, 142931

Audit Firm: AO "Deloitte & Touche CIS"

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Primary State Registration Number: 1027700425444

Certificate of registration in the Unified State Register

№ 77,004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Member of Self-regulatory organization of auditors Association "Sodruzhestvo", ORNZ 12006020384.

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2020
(in millions of Russian rubles, unless otherwise indicated)

	Notes	2020	2019 (restated)
Revenue	5	128,803	120,109
Net change in fair value of biological assets	17	1,164	(1,379)
Net revaluation of harvested crops in stock	17	2,465	29
Cost of sales	6	(97,368)	(92,375)
Gross profit		**35,064**	**26,384**
Selling, general and administrative expenses	7	(16,951)	(15,962)
Other operating income (expenses), net	8	412	(110)
Share of income (loss) of joint ventures and associates	18	176	(123)
Operating profit		**18,701**	**10,189**
Interest income		180	243
Interest expense, net	9	(4,023)	(4,484)
Gain on revaluation of rights to claim debt	31	702	–
Other (expenses) income, net	10	(699)	749
Profit before income tax		**14,861**	**6,697**
Income tax benefit (expense)	11	284	(46)
Profit for the year and total comprehensive income		**15,145**	**6,651**
Profit and total comprehensive income attributable to:			
Cherkizovo Group		15,177	6,751
Non-controlling interests		(32)	(100)
Earnings per share			
Weighted average number of shares outstanding – basic and diluted		41,047 014	41,047 014
Profit attributable to Cherkizovo Group per share – basic and diluted (in Russian rubles)		369.75	164.46

Comparative information for the year ended 31 December 2019 was retrospectively restated in order to reflect the change in accounting policy in relation to the presentation of general and administrative expenses incurred in production sites and related to production (Note 2).

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020
(in millions of Russian rubles, unless otherwise indicated)

	Notes	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	12	87,173	82,622
Investment property	13	660	664
Right-of-use assets	14	2,585	1,567
Goodwill	15	1,628	1,628
Intangible assets	16	2,405	2,335
Non-current biological assets	17	2,326	2,007
Investments in joint ventures and associates	18	4,275	3,789
Long-term deposits in banks	19	641	641
Deferred tax assets	11	1,693	1,214
Rights to claim debt	31	5,381	4,685
Other non-current assets		899	1,239
Total non-current assets		109,666	102,391
Current assets			
Biological assets	17	18,498	16,287
Inventories	20	20,742	13,223
Taxes recoverable and prepaid	21	2,657	2,396
Trade receivables, net	22	5,745	5,476
Advances paid, net		1,193	844
Other receivables, net		414	199
Cash and cash equivalents	23	6,718	3,304
Other current assets		636	328
Total current assets		56,603	42,057
TOTAL ASSETS		**166,269**	**144,448**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position CONTINUED

As at 31 December 2020
(in millions of Russian rubles, unless otherwise indicated)

	Notes	31 December 2020	31 December 2019
EQUITY AND LIABILITIES			
Equity			
Share capital	24	–	–
Treasury shares	24	–	(3,724)
Additional paid-in capital		2,252	5,622
Retained earnings		69,181	58,507
Total shareholder's equity		71,433	60,405
Non-controlling interests	25	469	879
Total equity		71,902	61,284
Non-current liabilities			
Long-term borrowings	26	41,856	43,182
Long-term lease liabilities	27	1,630	759
Deferred tax liability	11	1,056	1,023
Total non-current liabilities		44,542	44,964
Current liabilities			
Short-term borrowings	26	27,173	20,790
Short-term lease liabilities	27	691	420
Trade payables		16,203	11,560
Advances received		631	893
Payables for non-current assets		1,257	656
Tax related liabilities	28	1,317	1,327
Payroll related liabilities		2,001	2,317
Other payables and accruals		552	237
Total current liabilities		49,825	38,200
Total liabilities		94,367	83,164
TOTAL EQUITY AND LIABILITIES		**166,269**	**144,448**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020
(in millions of Russian rubles, unless otherwise indicated)

	Share capital		Treasury shares						
	Amount	Number of shares	Amount	Number of shares	Additional paid-in capital	Retained earnings	Total shareholder's equity	Non-controlling interests	Total equity
Balances at 1 January 2019	–	**43,963,773**	**(3,724)**	**(2,916,759)**	**5,611**	**57,932**	**59,819**	**990**	**60,809**
Profit for the year and total comprehensive income	–	–	–	–	–	6,751	**6,751**	(100)	**6,651**
Purchase of non-controlling interests	–	–	–	–	11	–	**11**	(11)	–
Dividends (Note 24)	–	–	–	–	–	(6,176)	**(6,176)**	–	**(6,176)**
Balances at 31 December 2019	–	**43,963,773**	**(3,724)**	**(2,916,759)**	**5,622**	**58,507**	**60,405**	**879**	**61,284**
Profit for the year and total comprehensive income	–	–	–	–	–	15,177	**15,177**	(32)	**15,145**
Purchase of non-controlling interests	–	–	–	–	354	–	**354**	(378)	**(24)**
Cancellation of treasury shares (Note 24)	–	(2,916,759)	3,724	2,916,759	(3,724)	–	–	–	–
Dividends (Note 24)	–	–	–	–	–	(4,503)	**(4,503)**	–	**(4,503)**
Balances at 31 December 2020	–	**41,047,014**	–	–	**2,252**	**69,181**	**71,433**	**469**	**71,902**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020
(in millions of Russian rubles, unless otherwise indicated)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	**14,861**	**6,697**
Adjustments for:		
Depreciation and amortisation	8,235	7,818
Changes in allowance for expected credit losses	74	129
Foreign exchange loss (gain), net	740	(676)
Interest income	(180)	(243)
Interest expense, net	4,023	4,484
Net change in fair value of biological assets	(1,164)	1,379
Net revaluation of harvested crops in stock	(2,465)	(29)
Loss on disposal of property, plant and equipment, net	130	164
Loss on disposal of non-current biological assets, net	200	60
Share of (income) loss of joint ventures and associates	(176)	123
Gain on revaluation of rights to claim debt	(702)	–
Other adjustments, net	(58)	(82)
Operating cash flows before working capital and other changes	**23,518**	**19,824**
Increase in inventories	(4,476)	(465)
Increase in biological assets	(1,538)	(1,096)
(Increase) decrease in trade receivables	(41)	108
(Increase) decrease in advances paid	(158)	45
Increase in other receivables and other current assets	(799)	(66)
(Increase) decrease in other non-current assets	(60)	8
Increase in trade payables	4,265	1,175
Decrease in tax related liabilities (other than income tax)	(35)	(19)
Decrease in other current payables	(490)	(258)
Operating cash flows before interest and income tax	**20,186**	**19,256**
Interest received	177	232
Interest paid	(4,343)	(4,254)
Government grants for compensation of interest expense received	533	1,282
Income tax refund (paid)	217	(460)
Net cash from operating activities	**16,770**	**16,056**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows CONTINUED

For the year ended 31 December 2020
(in millions of Russian rubles, unless otherwise indicated)

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(9,576)	(8,092)
Purchase of non-current biological assets	(1,349)	(1,307)
Purchase of intangible assets	(521)	(504)
Proceeds from sale of property, plant and equipment	323	350
Proceeds from disposal of non-current biological assets	1,029	834
Acquisitions of subsidiaries, net of cash acquired	(2,743)	(1,658)
Proceeds from sale of rights to claim debt	500	–
Investments in joint ventures and acquisitions of associates	(100)	(788)
Placing of deposits and notes receivable and issuance of loans	(480)	(161)
Repayment of loans issued and notes receivable and redemption of deposits	321	369
Net cash used in investing activities	**(12,596)**	**(10,957)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term loans	22,984	26,295
Repayment of long-term loans	(35,006)	(21,870)
Proceeds from short-term loans	63,470	35,367
Repayment of short-term loans	(47,320)	(44,604)
Repayment of lease obligations	(361)	(420)
Dividends paid	(4,503)	(6,176)
Purchase of non-controlling interests	(24)	–
Net cash used in financing activities	**(760)**	**(11,408)**
Net increase (decrease) in cash and cash equivalents	**3,414**	**(6,309)**
Cash and cash equivalents at the beginning of the year	**3,304**	**9,613**
Cash and cash equivalents at the end of the year	**6,718**	**3,304**

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

As at 31 December 2020
(in millions of Russian rubles, unless otherwise indicated)

1. Nature of the business

General information

PJSC Cherkizovo Group (the "Company") is a public joint stock company incorporated in Russia. The registered office of the Company is 1, Cherkizovskaya st., Topkanovo village, Kashira, Moscow region, 142931, Russia.

The ultimate controlling party of PJSC Cherkizovo Group is Mikhailov family members who jointly control the Company.

At 31 December 2020 and 2019 the Group included the following principal companies:

Name of company	Legal form	Nature of business	% 31.12.2020	% 31.12.2019
JSC Cherkizovsky Meat Processing Plant (JSC CMPP)	Joint Stock Company	Meat processing plant	95%	95%
LLC PKO Otechestvennyi Product	Limited Liability Company	Meat processing plant	95%	95%
JSC Cherkizovo-Kashira	Joint Stock Company	Meat processing plant	95%	95%
JSC Petelinskaya	Joint Stock Company	Raising chicken	90%	88%
JSC Vasiljevskaya	Joint Stock Company	Raising chicken	100%	100%
JSC Kurinoe Tsarstvo	Joint Stock Company	Raising chicken	100%	100%
JSC Kurinoe Tsarstvo Bryansk *	Joint Stock Company	Raising chicken	–	100%
LLC Lisko Broiler *	Limited Liability Company	Raising chicken	–	100%
JSC Altaisky Broiler	Joint Stock Company	Raising chicken	100%	100%
LLC Cherkizovo Trade House	Limited Liability Company	Trading company	100%	88%
LLC Cherkizovo-Pork	Limited Liability Company	Pig breeding	100%	100%
LLC Cherkizovo-Grain Production	Limited Liability Company	Grain crops cultivation	100%	100%

* In August 2020 JSC Kurinoe Tsarstvo Bryansk, LLC Lisko Broiler were merged with JSC Kurinoe Tsarstvo.

The business of the Group

Cherkizovo is the largest protein producer in Russia. Our vertically integrated business model covers all stages of meat production. The company controls about 300,000 hectares of land farming grains and soy, is entirely self-sufficient in animal feed production, owns chicken and pork breeding operations coupled with slaughter and meat-processing plants. Petelinka, Kurinoe Tsarstvo, and Cherkizovo branded products are catered to domestic consumers and distributed via retail nationwide. We also serve foodservice and export clients.

Significant joint ventures and associates include turkey operations manufacturing Pava-Pava branded products, a joint venture with Grupo Fuertes, a leading Spanish agriculture and food company, and associated company Samson – Food products, a pork processing company.

Operating environment

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly; tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to changes in oil and gas prices on the world market. In March 2020 oil prices dropped for more than 40%, which resulted in immediate weakening of Russian Ruble against major currencies.

Starting from 2014, several sets of sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. This led to reduced access of the Russian businesses to international capital markets.

The impact of further economic and political developments on future operations and financial position of the Group is difficult to determine at this stage.

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing.

The Group's facilities remained operational during the pandemic, while management of the Group introduced a number of measures to safeguard continuity and security of its operations and employees. These measures among others included elevated hygiene and disinfection measures, limitation of access to the production sites, re-allocation of some production among plants and hiring of additional personnel to minimize risks of possible disruption. All these safeguards as well as other steps taken by management allowed the Group to avoid significant business disruptions. Going forward the significance of the effect of COVID-19 on the Group's business will largely depend on the duration and the incidence of the pandemic effects on the world and Russian economy.

2. Significant accounting policies

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of preparation

The entities of the Group maintain their accounting records in accordance with laws, accounting and reporting regulations of the jurisdictions in which they are incorporated and registered. Accounting policies and financial reporting procedures in these jurisdictions may differ substantially from those generally accepted under IFRS. Accordingly, the consolidated financial statements, which have been prepared from the Group's statutory basis accounting records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

The consolidated financial statements have been prepared under the historical cost convention, except for biological assets measured at fair value less estimated point-of-sale costs, assets and liabilities of subsidiaries acquired and recorded in accordance with IFRS 3 *"Business combinations"* ("IFRS 3") and certain financial assets measured at fair value in accordance with IFRS 9 "Financial instruments" ("IFRS 9").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(in millions of Russian rubles, unless otherwise indicated)

2. Significant accounting policies (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Functional and presentation currency

The functional currency of the Company, and each of its subsidiaries, is the Russian rouble. These consolidated financial statements are also presented in Russian roubles which is the presentation currency used by the Group.

Foreign currency transactions

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Going concern

These consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future, which implies the realization of assets and settlement of liabilities in the normal course of business.

The Group continues to monitor its existing liquidity needs on an on-going basis. Management believes that the Group will have sufficient operating cash flows and borrowing capacity to continue as a going concern in the foreseeable future.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(in millions of Russian rubles, unless otherwise indicated)

2. Significant accounting policies (continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method, including acquisitions from entities under common control. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred. For acquisitions of entities under common control, if the consideration transferred in a business combination significantly differs from the fair value of the business acquired, the Group recognizes the difference as a capital contribution if the fair value of the business acquired is higher than consideration or a distribution if lower.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except for:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit and loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see accounting policy on Business combinations above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in joint ventures and associates

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An entity is considered an associate if the Group has significant influence over its financial and operating activities. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group reports its interests in joint ventures and associates using the equity method of accounting, whereby an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture or associate of the Group, profits and losses resulting from the transactions with the joint venture or associate are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture or associate that are not related to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
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2. Significant accounting policies (continued)

Property, plant and equipment

Owned assets

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site in which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposal of an item of property, plant and equipment are recognized net in other income in profit or loss.

Repairs and maintenance

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is recognized to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives for the current and comparative periods are as follows:

Land	indefinite life
Buildings, infrastructure and lease hold improvements	10-40 years
Machinery and equipment	3-22 years
Vehicles	3-10 years
Other	3-10 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date, with the effect of any changes in accounting estimate recognized on a prospective basis.

Investment property

Investment properties represent buildings and land held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured at cost, including transaction costs, less accumulated depreciation and impairment losses. Land is not depreciated.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives (10-40 years) of each building.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets represent acquired trademarks and computer software. All trademarks have been determined to have an indefinite life.

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Impairment of tangible and intangible assets other than goodwill

The carrying amounts of the Group's non-current assets are reviewed at each reporting date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination acquisition, for the purposes of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(in millions of Russian rubles, unless otherwise indicated)

2. Significant accounting policies (continued)

Inventories

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs included in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Biological assets and agricultural produce

Biological assets of the Group consist of livestock (pigs and chicken) and unharvested crops (grain crops and other plantations).

The Group recognizes a biological asset or agricultural produce when the Group controls the asset as a result of past events, it is probable that future economic benefits associated with the asset will flow to the Group, and the fair value or cost of the asset can be measured reliably.

Biological assets are stated at fair value less estimated costs to sell at both initial recognition and as of the reporting date, with any changes recognized in profit or loss. Costs to sell include all costs that would be necessary to sell the assets, including costs necessary to get the assets to market.

The difference between fair value less costs to sell and total production costs is allocated to biological assets held in stock as of each reporting date as a fair value adjustment. The change in this adjustment from one period to another is recognized as "Net change in fair value of biological assets" in profit or loss.

Agricultural produce harvested from biological assets is recognised in inventory and measured at its fair value less costs to sell at the point of harvest. A gain or loss arising on initial recognition of harvested crops at fair value less costs to sell is recognized as "Net revaluation of harvested crops in stock" in profit or loss and for items sold is presented on net basis as a reduction of the line "Cost of sales". A gain or loss arising on initial recognition of other agricultural produce is recognized as "Net change in fair value of biological assets" and for items sold is presented on net basis as a reduction of the line "Cost of sales".

Based on the above policy, the principal groups of biological assets and agricultural produce are stated as follows:

Biological assets

(i) Broilers
Broilers comprise poultry held for chicken meat production. The fair value of broilers is determined by reference to the cash flows that will be obtained from sales of finished chickens, with an allowance for costs to be incurred and risks to be faced during the remaining transformation process.

(ii) Breeders (laying hens and replacement flock)
Breeders comprise poultry held for regeneration of broilers. The fair value of breeders is determined by reference to the cash flows that will be obtained from sales of hatchery eggs, with an allowance for costs to be incurred and risks to be faced during the remaining productive period.

(iii) Market hogs
Market hogs comprise of pigs held for pork meat production. The fair value of broilers is determined by reference to the cash flows that will be obtained from sales of finished pigs, with an allowance for costs to be incurred and risks to be faced during the remaining transformation process.

(iv) Sows
Sows comprise pigs held for regeneration of market hogs population. The fair value of sows is determined by reference to the cash flows that will be obtained from sales of weaned piglets, with an allowance for costs to be incurred and risks to be faced during the remaining productive period.

(v) Unharvested crops (wheat, corn, sunflower, barley, pea and others)
At the year-end unharvested crops are carried at the accumulated costs incurred, which approximate the fair value since little biological transformation has taken place due to the seasonal nature of the crops. Subsequent to the year-end unharvested crops in fields are measured at fair value, which is determined by reference to the cash flows that will be obtained from sales of harvested crops, with an allowance for costs to be incurred at the point of sale and risks to be faced during the remaining transformation process.

Agricultural produce

(i) Dressed chicken and pork
The fair value of dressed chicken and pork is determined by reference to market prices at the point of harvest.

(ii) Crops
The fair value of crops is determined by reference to market prices at the point of harvest.

The Group's biological assets are classified into bearer and consumable biological assets depending upon the function of a particular group of biological assets in the Group's production process. Consumable biological assets are those that are to be harvested as agricultural produce, and include broilers, market hogs and unharvested crops. Bearer biological assets include chicken breeders and sows.

Revenue recognition

The Group derives its revenue from four main sources: sale of processed meat, chicken, pork, grain crops and feed. Disaggregation of revenue is consistent with the revenue information that is disclosed for each reportable segment. Revenue is recognised when control of the products has transferred, being when the products are shipped or when the goods are delivered to the customer, it has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

In accordance with the Group's standard sales terms, control is transferred upon shipment. However, on contracts with certain large retail chains, control transfers upon delivery that occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Sales are recognised at the fair value of the consideration received or receivable, net of VAT, discounts and returns. No element of financing is deemed present as the sales are typically made with a credit term of less than 30 days, which is consistent with market practice.

Notes to the Consolidated Financial Statements

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2. Significant accounting policies (continued)

The Group grants discounts to customers primarily based on the volume of goods purchased. Discounts are based on monthly, quarterly, or annual target sales. Discounts are offered in the ready-to-eat segment, in pork segment and in the chicken segment. The discounts are graduated to increase when actual sales exceed target sales.

The Group offers product guarantees to its customers, providing them with an option to return damaged and non-conforming goods and goods of initial improper quality. The period that goods may be returned is typically limited to the expiration period for the goods shipped and is not exceeding one month from the date of shipment. Returns are accounted for as deductions to sales in the period to which sales relate. Accumulated historical experience of the Group indicates that the share of goods returned is insignificant and that the most returns relate to chilled chicken and pork meat with a return period of less than 10 days.

Therefore, the Group does not recognise any liability related to customers' right to return products within the return period and does not recognise an asset related to the right to recover the product from the customer where the customer is expected to exercise his/her right of return.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

In accordance with Russian legislation, enterprises engaged in agricultural activities receive certain government grants. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

The largest of such government grants relate to the reimbursement of interest expense on qualifying loans, which is received directly by the Group ("interest subsidies") and for the reimbursement of interest expense through accredited banks, who provide loans to agricultural producers at reduced rates not exceeding 5% per annum on Rouble-denominated loans ("reduced rate lending subsidy"). The difference between market rate and the reduced rate equals the Key rate of the Bank of Russia ("the Key rate") and is compensated by the Ministry of Agriculture to the accredited banks. If Ministry of Agriculture will not compensate the interest expense accrued during the interest period (typically month or quarter) due to lack of available funds or due to any other reason, than the bank can unilaterally increase the interest rate payable by the Group by the Key rate. The Group records interest and reduced rate lending subsidies as an offset to interest expense during the period to which they relate.

The Group also receives government grants based on square of cultivated land and volumes of meat or eggs produced and fodder purchased. These grants are less systematic and therefore in general the Group recognizes them only when receives the grant or it is highly probable that the grant will be received. These grants are recorded as reductions to cost of sales during the period to which they relate.

In addition to that, from time to time the Group receives government grants for compensation of certain capital expenditures. These grants are non-systematic and therefore the Group recognizes them only when receives the grant. These grants are recorded as reductions to costs capitalized during the period to which they relate.

Employee benefits

Remuneration to employees in respect of services rendered during the reporting period is recognized as an expense in that reporting period.

In 2017 the Group implemented a long-term employee bonus plan for its key employees according to which the amount of bonus was determined by reference to the Group's cumulative financial results for 2017-2018 financial years and was payable in two tranches during 2019. To qualify for the bonus employees were required to remain in service until each payment date.

The Group starts to recognize the amount of bonus only when it is probable that the performance conditions will be achieved and an outflow of economic benefits will be required to settle the obligation. At that date the Group recognises the cumulative expense related to past service period and starts recognising the remaining expense over the residual period of service, which includes the period until the payment date.

The Group contributes to the State Pension Fund of the Russian Federation. The only obligation of the Group with respect to these defined contribution plans is to make the specified contributions in the period in which they arise. These contributions to the State Pension Fund of the Russian Federation are recognized in the consolidated statement of profit or loss and other comprehensive income when employees have rendered services entitling them to the contribution. The Group does not maintain any supplemental post-retirement benefit plans for its employees.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

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2. Significant accounting policies (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Leases

For contracts concluded after 1 January 2019, the Group assesses whether a contract is or contains a lease at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements (including sub-lease), which conveys the right to control the use of identified assets for a period of time in exchange for consideration, except for short-term leases (with lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as operating expense on a straight-line basis over the term of the lease.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated on a straight-line basis over the lease term within the range from 1 to 7 years.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications and remeasurements, amongst others. Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents represent cash on hand and in bank accounts and short-term highly liquid investments having original maturities of less than three months.

Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Share capital

Ordinary shares are classified as equity and are recorded at the par value of proceeds received. Where shares are issued above par value, the proceeds in excess of par value are recorded in additional paid-in capital, net of direct issue costs.

Treasury shares

Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's owners until the equity instruments are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date by the shareholders at a general meeting. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorized for issue.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. At the reporting dates, the Group had only financial assets classified as those to be measured at amortised cost, except for the rights to claim debt and investments in closed unit investment fund, which were classified as financial assets measured subsequently at fair value through profit or loss (FVTPL).

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised in profit or loss using the effective interest method and is included in the "interest income" line item.

Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Notes to the Consolidated Financial Statements

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2. Significant accounting policies (continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses (further "ECL") is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The Group always recognises lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12m ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring. The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.
On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.
At the reporting dates, the Group had only financial liabilities classified as those to be measured at amortised cost.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (1) contingent consideration of an acquirer in a business combination, (2) held-for-trading, or (3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Changes in accounting policy

Starting from the fourth quarter of 2020 the Group has changed its accounting policy in relation to the presentation of general and administrative expenses incurred in production sites and related to production (salary for HR-personnel on production sites, security services and certain other types of expenses). Pursuant to the Group's revised policy, the Group now presents such expenses in "Cost of sales" line in the consolidated statement of profit or loss and other comprehensive income. Prior to this change, they were presented in "Selling, general and administrative expenses". Management believes that the changed presentation better reflects substance of the reclassified expenses and therefore enhances the quality of the consolidated financial statements by providing more relevant information about the Group's financial performance.

The Group has retrospectively applied the new accounting policy and, therefore, comparative information has been retrospectively restated. The effect of the changes in accounting policy on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 was as follows:

Year ended 31 December 2019	As previously reported	Effect of the change in accounting policy	As restated
Cost of sales	(90,896)	(1,479)	(92,375)
Gross profit	**27,863**	**(1,479)**	**26,384**
Selling, general and administrative expenses	(17,441)	1,479	(15,962)
Operating profit	**10,189**	**—**	**10,189**

The effect of the changes in accounting policy on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 was 1,495.

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3. New and revised International Financial Reporting Standards

IFRSs and IFRIC interpretations adopted in the current year

The Group has adopted all IFRSs and Interpretations that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2020 (Amendments to IFRS 3, Amendments to IFRS 9, IAS 39 and IFRS 7, Amendments to IAS 1 and IAS 8 and Amendments to References to Conceptual Framework in IFRS Standard). The adoption of standards and amendments did not have a significant impact on the Group's results of operations, financial position or cash flows.

IFRS and IFRIC interpretations in issue but not yet effective

At the date of authorization of these consolidated financial statements, the following standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2021 or later periods and which the entity has not early adopted:

Standards and Interpretations	Effective for annual periods beginning on or after
IFRS 17 *Insurance Contracts*	1 January 2021
Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined by the IASB
Amendments to IAS 1 - *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to IFRS 3 - *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16 - *Property, Plant and Equipment—Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37 - *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Amendments to IFRS 16 – *Leases - Covid-19-Related Rent Concessions*	1 January 2021
Annual Improvements to IFRS Standards 2018-2020 Cycle	1 January 2022

Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The management of the Group does not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Amendments to IAS 1 – *Classification of Liabilities as Current or Non-current*

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The management of the Group does not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Amendments to IAS 16 – *Property, Plant and Equipment - Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted. The management of the Group does not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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3. New and revised International Financial Reporting Standards (continued)

IFRS 9 Financial Instruments
The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

IAS 41 Agriculture
The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement. The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The management of the Group does not anticipate that the application of the amendments introduced by the Annual Improvements in the future will have an impact on the Group's consolidated financial statements.

4. Key sources of estimation uncertainty

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRSs. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from those estimates. Additional information relating to contingencies and commitments is disclosed in Note 32.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Biological assets
Biological assets are recorded at fair values less costs to sell. Fair value of the Group's biological assets was determined by using valuation techniques, as there were no observable market prices near the reporting date for biological assets of the same physical conditions.

Fair value is determined using Level 3 of fair value hierarchy and the following key unobservable inputs:

Description	Fair value as at 31 December 2020	Valuation technique	Unobservable inputs	Value of unobservable inputs	Relationship of unobservable inputs to fair value
Broilers	3,874	Discounted cash flows	Average weight of one broiler – kg	2.5	The higher the weight, the higher the fair value
			Chicken meat price – rubles	117.9	The higher the price, the higher the fair value
			Projected production costs – rubles per kg	90.5	The higher the costs, the lower the fair value
Breeders held for hatchery eggs production	4,751	Discounted cash flows	Number of hatchery eggs produced by one breeder	155	The higher the number, the higher the fair value
			Hatchery egg price – rubles	24.7	The higher the price, the higher the fair value
			Projected production costs of hatchery egg – rubles	9.2	The higher the costs, the lower the fair value
Sows	2,326	Discounted cash flows	Average number of piglets produced by one sow	29.3	The higher the number, the higher the fair value
			Market price of weaned piglet -rubles	1,957	The higher the price, the higher the fair value
			Discount rate	10.7%	The higher the discount rate, the lower the fair value
Market hogs	7,717	Discounted cash flows	Average weight of one market hog – kg	132.8	The higher the weight, the higher the fair value
			Pork meat price - rubles per kg	97.3	The higher the price, the higher the fair value
			Projected production costs – rubles per kg	72.0	The higher the costs, the lower the fair value

Among the unobservable inputs stated above, there are several key assumptions that the Group estimates to determine the fair values of biological assets:

- Expected selling prices;
- Projected production costs and costs to sell.

Although some of these assumptions are obtained from published market data, a majority of these assumptions are estimated based on the Group's historical and projected results.

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4. Key sources of estimation uncertainty (continued)

Should key assumptions used in determination of fair value of biological assets have been 10% higher or lower with all other variables held constant, the fair value of biological assets at the reporting date would be higher or (lower) with the corresponding effect to the net change in fair value of biological assets line in profit or loss by the following amounts:

	31 December 2020 Pork		31 December 2020 Chicken	
	10% increase	10% decrease	10% increase	10% decrease
Expected selling prices	1,840	(1,835)	1,639	(1,641)
Projected production costs and costs to sell	(1,233)	1,167	(967)	883

Impairment assessment of Ready-to-eat ("RTE") meat processing cash-generating unit

RTE meat processing cash-generating unit represents assets of RTE meat processing segment with a carrying value of 9,922 including 215 of goodwill and 400 of indefinite life trademarks as at 31 December 2020. During 2020, the aggregation of assets for identifying the cash-generating unit has changed as a result of the change in composition of the Group's reportable segments (Note 5) and now RTE meat processing cash-generating unit consists of assets of RTE meat processing segment – RTE product line, which comprises a wide range of processed meat products, including sausages, ham, hot dogs, etc. During 2019, these assets were allocated to Meat-processing cash-generating unit represented by assets of Meat-processing operating segment, which consisted of two distinctive product lines: the RTE product line, as described above and the Pork product line, which comprises production and sales of pork meat.

As a result of the poor performance of RTE meat processing cash-generating unit in 2020 the Group conducted an impairment test of the cash-generating unit by determining its recoverable amount and comparing it to the carrying value of non-current assets of the cash-generating unit. The recoverable amount was determined based on a value in use calculation, which uses cash flow projections based on strategic financial model covering a four-year period, and a discount rate set out below. Cash flows beyond that four-year period have been extrapolated using a steady 4% per annum growth rate, which is the projected long-term average consumer price index.

The key assumptions used are set out below.

In percent	31 December 2020
Discount rate	10.4%
Terminal value growth rate	4%
Average annual increase in selling prices (average for the next four years)	5.2%
Average annual increase in sales volumes (average for the next four years)	7.5%
Operating margin (range for the next four years)	(3%) – market average

The key assumptions used in the value in use calculation were determined as follows:

- Management forecasted increase in selling prices based on past performance and its expectations of market development.
- Increase in volumes was forecasted based on the expectation that the Group will increase its market share during the next four years by approximately 2 percentage points. The values assigned to the assumption are consistent with the management's plans for focused development of this segment. The management believes that the planned market share growth for the next four years is reasonably achievable.
- Operating margin is forecasted to gradually increase to industry average levels from (7.5%) in 2020 to the market average in 2024 mainly due to expected operational efficiency improvements driven by higher utilization of existing production facilities and certain other factors.
- The discount rate used is post-tax and reflect specific risks relating to the CGU and industry sector it operates.

Impairment test for the cash-generating unit showed that the recoverable amount of the cash-generating unit exceeds its carrying amount as at 31 December 2020 by 11,110 therefore no impairment loss was recognized in the consolidated statement of profit or loss and other comprehensive income for 2020.

The key assumptions to which the recoverable amount is the most sensitive are set out below together with sensitivity analysis:

- Should the average sales volumes annual increase rate decrease by 5.1 p.p. with all other volume-independent variables held constant, the carrying amount of the cash-generating unit would have been approximately equal to the recoverable amount.
- Should the average sales prices annual increase rate decrease by 0.9 p.p. with all other price-independent variables held constant, the carrying amount of the cash-generating unit would have been approximately equal to the recoverable amount.
- Should the operating margin in each year of the forecasted period decrease by 2.6 p.p. with all other variables held constant, the carrying amount of the cash-generating unit would have been approximately equal to the recoverable amount.
- Should the discount rate increase by 5.8 p.p. with all other variables held constant, the carrying amount of the cash-generating unit would have been approximately equal to the recoverable amount.

The management believes that any reasonably possible change in the other key assumptions on which recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

As at 31 December 2019 assets of RTE meat processing cash-generating unit were part of Meat-processing segment as described above and were tested for impairment together with other assets of Meat-processing cash-generating unit. The recoverable amount was determined based on a value in use calculation, which uses cash flow projections based on management's estimations covering a five-year period and a discount rate of 11.6%. Cash flows beyond that five-year period have been extrapolated using a steady 4% per annum growth rate, which is the projected long-term average consumer price index. The key assumptions used were discount rate, terminal value growth rate, selling prices (0.44% average annual increase), sales volumes (2% average annual increase) and gross margin (market average).

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4. Key sources of estimation uncertainty (continued)

Impairment test for the Meat-processing cash-generating unit showed that the recoverable amount of the cash-generating unit exceeded its carrying amount as at 31 December 2019 therefore no impairment loss was recognized in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019.

Fair value measurement of rights to claim debt
The Group's right to claim debt is stated in the consolidated statement of financial position at its fair value. The Group engages a third party qualified independent appraiser to perform the valuation. Fair value is determined using Level 3 of fair value hierarchy and further information is provided in Note 31.

5. Operating segments

During the fourth quarter of 2020, as a result of changes in the structure of the information reviewed by the Group's chief operating decision maker of the Group changed the composition of its reportable segments. Previously, the Group's operations were divided into five segments by types of products produced: chicken, pork, meat processing, grain and feed. After the change the Group's operations are divided into four segments by types of products produced: chicken, pork, RTE meat processing and grain. The main changes in the composition were the following:

- Operations of the Feed segment were split between Chicken and Pork segments according to the volumes of feed produced for each segment;
- Operations of the Meat-processing segment were divided into Ready-To-Eat products (new RTE Meat processing segment) and the Pork product line comprising production and sales of pork meat which was added to Pork segment;

Substantially all of the Group's operations are located within the Russian Federation. The chief operating decision maker (the Chief Executive Officer) is the individual responsible for allocating resources to and assessing the performance of each segment of the business.

- **The RTE meat processing segment** operations include the production and sales of a wide range of processed meat products, including sausages, ham, hot dogs, etc.
- **The Chicken segment** operations consist of the production of feed for the segment's internal use, breeding, raising and processing broilers, as well as sales of chilled and frozen chicken products.
- **The Pork segment** operations consist of the production of feed for the segment's internal use, breeding, raising and selling live pigs and the production and sales of pork meat.
- **The Grain segment** is involved in the farming of wheat and other crops.

All four segments are involved in other business activities, including sale of non-hatchery eggs and other services, which are non-core business activities. The Group also presents separately two reconciling columns in the table with segment information:

- **The Corporate** column mainly include payroll and other expenses of the holding company and
- **The Turkey** column represents operations related to purchase and subsequent resale of turkey meat produced by the joint venture through the Group's distribution network.

Each of Turkey and Corporate are not operating segments.

The Group evaluates segment performance based on Adjusted EBITDA, which is the primary segment profit measure of the Group. Adjusted EBITDA is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. The Group accounts for most of inter-segment sales and transfers as if the sales or transfers were to third parties. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2 except for the sales of sows which are presented within "Sales" and "Cost of "sales" of Pork segment and within "Other operating income (expense), net" line in the consolidated statement of profit or loss and other comprehensive income. Segment assets and liabilities are not disclosed, as this information is not provided to the chief operating decision maker.

Adjusted EBITDA is defined as profit for the period before income tax expense/benefit, interest income and interest expense, net, foreign exchange loss/gain, depreciation and amortisation expense, net change in fair value of biological assets, bonuses to employees under long-term incentive program, gain on revaluation of rights to claim debt and share of profit/loss of joint ventures and associates plus share of Adjusted EBITDA of joint ventures and associates and depreciation and amortisation accumulated in harvested crops in stock.

Following the changes in the composition of the Group's reportable segments the comparative information for the year ended 31 December 2019 has been retrospectively adjusted to reflect this change.

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5. Operating segments (continued)

Segment information for the year ended at 31 December 2020 comprised:

	Chicken	Pork	RTE meat processing	Grain	Total reporting segments	Corporate	Turkey	Intersegment and other adjustments	Total consolidated
Total sales	74,494	32,988	21,777	12,467	141,726	—	7,119	(20,042)	128,803
Intersegment sales	(1,515)	(8,944)	—	(8,606)	(19,065)	—	(182)	19,247	—
Sales to external customers	72,979	24,044	21,777	3,861	122,661	—	6,937	(795)	128,803
Net change in fair value of biological assets	942	222	—	—	1,164	—	—	—	1,164
Net revaluation of harvested crops in stock	—	—	—	388	388	—	—	2,077	2,465
Cost of sales	(58,444)	(23,350)	(19,678)	(6,731)	(108,203)	—	(6,466)	17,301	(97,368)
Gross profit (loss)	**16,992**	**9,860**	**2,099**	**6,124**	**35,075**	—	**653**	**(664)**	**35,064**
Operating expense*	(7,703)	(1,251)	(3,742)	108	(12,588)	(3,793)	(786)	628	(16,539)
Share of profit of joint ventures and associates	—	—	—	—	—	46	130	-	176
Operating income (loss)	**9,289**	**8,609**	**(1,643)**	**6,232**	**22,487**	**(3,747)**	**(3)**	**(36)**	**18,701**
Adjustments for:									
Depreciation and amortisation expense	3,347	2,350	994	762	7,453	782	—	—	8,235
Net change in fair value of biological assets	(942)	(222)	—	—	(1,164)	—	—	—	(1,164)
Share of adjusted EBITDA of joint ventures and associates**	—	—	—	—	—	326	472	—	798
Other	173	(6)	—	(49)	118	(1)	(131)	—	(14)
Adjusted EBITDA	**11,867**	**10,731**	**(649)**	**6,945**	**28,894**	**(2,640)**	**338**	**(36)**	**26,556**
Supplemental information:									
Segment capital expenditure	5,207	4,660	337	1,319	11,523	695	—	—	12,218
Income tax expense (benefit)	(20)	(56)	(37)	16	(97)	(187)	—	—	(284)

* Operating expenses include selling, general and administrative expenses and other operating income/ (expense), net.

** Adjusted EBITDA of joint ventures and associates is calculated consistently to that of the Group and reported to the CODM as part of segment reporting.

Notes to the Consolidated Financial Statements

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5. Operating segments (continued)

Segment information for the year ended at 31 December 2019 comprised:

	Chicken	Pork	RTE meat processing	Grain	Total reporting segments	Corporate	Turkey	Intersegment and other adjustments	Total consolidated
Total sales	70,269	30,455	19,994	5,756	126,474	—	6,657	(13,022)	120,109
Intersegment sales	(1,820)	(6,768)	—	(3,553)	(12,141)	—	(127)	12,268	—
Sales to external customers	68,449	23,687	19,994	2,203	114,333	—	6,530	(754)	120,109
Net change in fair value of biological assets	(135)	(1,244)	—	—	(1,379)	—	—	—	(1,379)
Net revaluation of harvested crops in stock	—	—	—	155	155	—	—	(126)	29
Cost of sales	(53,265)	(22,586)	(18,902)	(4,436)	(99,189)	—	(5,973)	12,787	(92,375)
Gross profit (loss)	**16,869**	**6,625**	**1,092**	**1,475**	**26,061**	—	**684**	**(361)**	**26,384**
Operating expense*	(7,386)	(1,331)	(3,165)	36	(11,846)	(3,956)	(692)	422	(16,072)
Share of loss of joint ventures and associates	—	—	—	—	—	(17)	(106)	—	(123)
Operating income (loss)	**9,483**	**5,294**	**(2,073)**	**1,511**	**14,215**	**(3,973)**	**(114)**	**61**	**10,189**
Adjustments for:									
Depreciation and amortisation expense	3,361	2,424	902	510	7,197	618	3	—	7,818
Net change in fair value of biological assets	135	1,244	—	—	1,379	—	—	—	1,379
Share of adjusted EBITDA of joint ventures and associates**	—	—	—	—	—	297	439	—	736
Other	37	167	—	109	313	77	105	—	495
Adjusted EBITDA	**13,016**	**9,129**	**(1,171)**	**2,130**	**23,104**	**(2,981)**	**433**	**61**	**20,617**
Supplemental information:									
Segment capital expenditure	1,859	3,737	398	1,109	7,103	1,449	—	—	8,552
Income tax expense (benefit)	22	(1)	(36)	15	—	46	—	—	46

* Operating expenses include selling, general and administrative expenses and other operating income/ (expense), net.

** Adjusted EBITDA of joint ventures and associates is calculated consistently to that of the Group and reported to the CODM as part of segment reporting.

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5. Operating segments (continued)

Geographical information

The geographical distribution of the Group's sales to external customers is detailed below. Sales are allocated between domestic and export based on the final delivery destination of the products.

	2020	2019
Russia	118,831	114,385
Export	9,972	5,724
Total sales	**128,803**	**120,109**

Information about major customers

Sales to the Group's two largest customers each contributing more than 10 per cent to the Group's segment revenue in 2020 and 2019 are detailed below:

	2020		2019	
	RTE meat processing Segment	Chicken Segment	RTE meat processing Segment	Chicken Segment
Customer 1	4,387	11,114	1,716	9,840
Customer 2	1,775	6,346	1,596	5,068
Total sales to customers each contributing more than 10 per cent to the Group's revenue	**6,162**	**17,460**	**3,312**	**14,908**

No other single customers contributed 10 per cent or more to the Group's revenue in either 2020 or 2019.

6. Cost of sales

Cost of sales for the years ended 31 December 2020 and 2019 comprised:

	2020	2019
Raw materials and goods for resale	61,531	59,848
Personnel (excluding pension costs)	14,295	12,990
Depreciation	7,215	7,015
Utilities	4,629	4,286
Pension costs	2,832	2,649
Other	6,866	5,587
Total cost of sales	**97,368**	**92,375**

Raw materials and goods for resale include as an offset subsidies received from local governments in the amount of 79 and 37 for the years ended 31 December 2020 and 2019, respectively. These subsidies were received based on square of cultivated land and volumes of meat and eggs produced.

Deprecation includes an impairment loss recognized for non-operational items of property, plant and equipment in the amount of nil and 531 for the years ended 31 December 2020 and 2019 (Note 12).

7. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended 31 December 2020 and 2019 comprised:

	2020	2019
Personnel (excluding pension costs)	5,178	5,132
Transportation	4,144	3,345
Advertising and marketing	2,108	1,218
Depreciation and amortisation	951	699
Pension costs	869	748
Materials and supplies	825	786
Taxes (other than income tax)	437	494
Warehouse expenses	372	220
Penalties	236	897
Information technology and communication services	216	298
Audit, consulting and legal fees	168	254
Utilities	174	184
Travel expenses	120	202
Bonuses to employees under long-term incentive program*	—	205
Veterinary services	97	115
Change in expected credit losses and other write-off	74	129
Rent expenses	55	129
Other	927	907
Total selling, general and administrative expenses	**16,951**	**15,962**

* In 2017 the Group entered into long-term remuneration agreement with key employees of the Group. Under the terms of the arrangement, the Group agreed to pay a one-time bonus in 2019 if the Group's financial performance will achieve target level for 2017 and 2018 on cumulative basis and employee will continue to serve the Group until the date of bonus distribution. Until the fourth quarter of 2018 the achievement of the result was not probable based on management estimates. In the fourth quarter of 2018 the Group achieved the target due to favourable market conditions.

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8. Other operating income (expenses), net

Other operating income (expenses), net for the years ended 31 December 2020 and 2019 comprised:

	2020	2019
Income from non-core activities of the Group	2,332	1,863
Expenses related to income from non-core activities, comprising:	(1,590)	(1,749)
Raw materials	(1,050)	(1,277)
Personnel (excluding pension costs)	(196)	(148)
Depreciation	(69)	(104)
Utilities	(170)	(53)
Pension costs	(39)	(32)
Other	(66)	(135)
Loss on disposal of property, plant and equipment, net	(130)	(164)
Loss on disposal of non-current biological assets, net	(200)	(60)
Other operating income (expenses), net	**412**	**(110)**

9. Interest expense, net

Interest expense, net for the years ended 31 December 2020 and 2019 comprised:

	2020	2019
Interest on bank overdrafts and loans	5,042	5,771
Interest on lease liabilities	129	121
Less: amounts included in the cost of qualifying assets	(43)	(95)
Total interest expense	**5,128**	**5,797**
Government grants for compensation of interest expenses accrued*	(1,126)	(1,648)
Government grants for compensation of interest expenses write-off	—	254
Less: amounts included in the cost of qualifying assets	21	81
Total government grants for compensation of interest expenses	**(1,105)**	**(1,313)**
Total interest expense, net	**4,023**	**4,484**

Starting from 1 January 2017 the Group receives government grants through accredited banks, who provide loans to agricultural producers at reduced rates not exceeding 5% per annum on Rouble-denominated loans ("reduced rate lending subsidy"). The difference between market rate and the reduced rate equals the Key rate of the Bank of Russia and is compensated by Ministry of Agriculture to the accredited banks. The Group presents such subsidy in the table above gross of related interest expense in the amount of 704 (2019: 1,065).

10. Other (expenses) income, net

Other (expenses) income, net for the years ended 31 December 2020 and 2019 comprised:

	2020	2019
Foreign exchange (loss) gain	(740)	676
Other income, net	41	73
Total other (expenses) income, net	**(699)**	**749**

11. Income tax benefit (expense)

All of the Group's taxes are levied and paid in the Russian Federation. Under Russian legislation, the statutory income tax rate for agricultural operations of the entities designated as agricultural entities is 0%. The statutory tax rate for non-agricultural entities is 20% for generally taxed entities and 10% for other tax regimes.

The main components of income tax for the years ended 31 December 2020 and 2019 were as follows:

	2020	2019
Current tax expense	(163)	(160)
Deferred tax benefit	447	114
Total income tax benefit (expense)	**284**	**(46)**

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11. Income tax benefit (expense) (continued)

The income tax benefit (expense) can be reconciled to the theoretical tax provision at the statutory rate for the years ended 31 December 2020 and 2019 as follows:

	2020	2019
Profit before income tax	14,861	6,697
Profit before income tax of entities taxed at zero rates (agricultural entities)	16,594	8,706
(Loss) Profit before income tax of entities taxed at 10% (other tax regimes)	(305)	120
Loss before income tax of generally taxed entities and non-agricultural operations of agricultural entities	(1,428)	(2,129)
Statutory income tax rate (agricultural operation of agricultural entities)	0%	0%
Statutory income tax rate (other tax regimes)	10%	10%
Statutory income tax rate (general and non-agricultural operations of agricultural entities)	20%	20%
Theoretical income tax benefit at the statutory tax rates	(317)	(414)
Expenses not deductible for Russian statutory taxation purposes	59	255
Additional income tax accrued for prior years	(13)	134
Other	(13)	71
Income tax (benefit) expense	**(284)**	**46**

The following amounts, determined after appropriate offsetting, are presented in the consolidated statement of financial position as of 31 December 2020 and 2019:

	31 December 2020	31 December 2019
Deferred tax asset	1,693	1,214
Deferred tax liability	(1,056)	(1,023)
Net deferred tax asset	**637**	**191**

The movement in the net deferred tax asset for the year ended 31 December 2020 comprised:

	31 December 2019	Recognised in profit or loss	31 December 2020
Property, plant and equipment and investment property	(1,381)	(58)	(1,439)
Trade receivables	(47)	46	(1)
Other assets and liabilities	103	49	152
Tax loss carry forward	1,516	409	1,925
Net deferred tax asset	**191**	**446**	**637**

The movement in the net deferred tax assets for the year ended 31 December 2019 comprised:

	1 January 2019	Recognised in profit or loss	31 December 2019
Property, plant and equipment and investment property	(1,274)	(107)	(1,381)
Trade receivables	(66)	19	(47)
Other assets and liabilities	16	87	103
Tax loss carry forward	1,401	115	1,516
Net deferred tax asset	**77**	**114**	**191**

Starting from 2017 the Group can offset only 50% of taxable profit of each subsidiary against tax loss carry forwards accumulated by the subsidiary and the Group's tax loss carry forwards have no date of expiration (after amendments to the Russian Tax Code effective 1 January 2017). The Group expects no impact on their deferred tax position as a result.

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12. Property, plant and equipment

The following table represents movements in property, plant and equipment for the years ended 31 December 2020 and 2019:

	Land and land lease rights	Buildings, infrastructure and leasehold improvements	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Cost							
Balance as at 1 January 2019	7,167	59,425	34,673	6,188	314	5,608	113,375
Additions	305	3,495	3,854	1,231	121	(1,957)	7,049
Acquisitions of subsidiaries (Note 31)	11	1,097	273	24	–	–	1,405
Disposals	(123)	(699)	(955)	(559)	(45)	(238)	(2,619)
As at 31 December 2019	**7,360**	**63,318**	**37,845**	**6,884**	**390**	**3,413**	**119,210**
Additions	56	1,700	2,888	1,053	94	4,475	10,266
Acquisitions of subsidiaries (Note 31)	4	1,374	401	10	6	–	1,795
Transfer from right-of-use assets	–	–	7	4	–	–	11
Disposals	(17)	(347)	(662)	(539)	(25)	(29)	(1,619)
As at 31 December 2020	**7,403**	**66,045**	**40,479**	**7,412**	**465**	**7,859**	**129,663**
Accumulated depreciation							
Balance as at 1 January 2019	–	(12,362)	(15,666)	(3,344)	(225)	–	(31,597)
Depreciation charge *	–	(2,809)	(3,307)	(888)	(68)	–	(7,072)
Eliminated on disposals	–	652	855	533	41	–	2,081
As at 31 December 2019	–	**(14,519)**	**(18,118)**	**(3,699)**	**(252)**	–	**(36,588)**
						–	
Depreciation charge	–	(2,516)	(3,625)	(826)	(103)	–	(7,070)
Eliminated on disposals	–	137	524	489	18	–	1,168
As at 31 December 2020	–	**(16,898)**	**(21,219)**	**(4,036)**	**(337)**	–	**(42,490)**
Carrying amounts							
At 31 December 2019	**7,360**	**48,799**	**19,727**	**3,185**	**138**	**3,413**	**82,622**
At 31 December 2020	**7,403**	**49,147**	**19,260**	**3,376**	**128**	**7,859**	**87,173**

* Depreciation charge includes 531 of impairment loss recognized through accelerated depreciation for non-operational assets.

Advances paid for acquisition and construction of property, plant and equipment are included in construction in progress in the amount of 2,793 and 425 as at 31 December 2020 and 2019, respectively.

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13. Investment property

The Group's investment property consists of commercial units located in Vostochnoe Biryulevo region of Moscow and land plots. The changes in the carrying amount of investment property for the years ended 31 December 2020 and 2019 were as follows:

	Land	Buildings	Total
Cost			
Balance as at 1 January 2019	**275**	**403**	**678**
Reconstruction and modernisation	–	82	82
As at 31 December 2019	**275**	**485**	**760**
Reconstruction and modernisation	–	12	12
As at 31 December 2020	**275**	**497**	**772**
Accumulated depreciation			
Balance as at 1 January 2019	–	**(83)**	**(83)**
Depreciation charge	–	(13)	(13)
As at 31 December 2019	–	**(96)**	**(96)**
Depreciation charge	–	(16)	(16)
As at 31 December 2020	–	**(112)**	**(112)**
Carrying amounts			
At 31 December 2019	**275**	**389**	**664**
At 31 December 2020	**275**	**385**	**660**

As at 31 December 2020 fair value of the buildings was determined based on the income approach (Level 3 of fair value hierarchy) and amounted to approximately 1 billion rubles which shows no change since the first valuation performed as at 1 January 2014 (the date of transition to IFRS).

The Group recognised the following amounts in respect of the investment property in profit or loss:

	2020	2019
Rental income from investment property	226	197
Direct operating expenses arising from investment property that generated rental income	(238)	(210)
Operating loss from investment property	**(12)**	(13)

14. Right-of-use assets

The movement of right-of-use assets for the years ended 31 December 2020 and 2019 were as follows:

	Land	Buildings, infrastructure and leasehold improvements	Machinery and equipment	Vehicles	Total
Cost					
Balance as at 1 January 2019	**518**	**771**	**326**	**53**	**1,668**
New lease contracts and modification of existing lease contracts	185	41	44	109	379
Acquisition of subsidiaries	10	–	–	–	10
Transfer to property, plant and equipment, net	–	–	–	(36)	(36)
As at 31 December 2019	**713**	**812**	**370**	**126**	**2,021**
New lease contracts and modification of existing lease contracts	11	799	345	456	1,611
Acquisition of subsidiaries	–	–	2	–	2
Disposal of lease contracts	(13)	(85)	–	–	(98)
Transfer to property, plant and equipment, net	–	–	(77)	(22)	(99)
As at 31 December 2020	**711**	**1,526**	**640**	**560**	**3,437**
Accumulated depreciation					
Depreciation charge	(42)	(297)	(75)	(40)	(454)
As at 31 December 2019	**(42)**	**(297)**	**(75)**	**(40)**	**(454)**
Depreciation charge	(45)	(374)	(66)	(39)	(524)
Eliminated on disposal of lease contracts	1	37	–	–	38
Transfer to property, plant and equipment, net	–	–	70	18	88
As at 31 December 2020	**(86)**	**(634)**	**(71)**	**(61)**	**(852)**
Carrying amounts					
At 31 December 2019	**671**	**515**	**295**	**86**	**1,567**
At 31 December 2020	**625**	**892**	**569**	**499**	**2,585**

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15. Goodwill

Goodwill has been allocated for impairment testing purposes to the following cash-generating units, being also operating segments of the Group, and represents the lowest level at which goodwill is monitored for impairment by management:

	2020	2019
RTE meat processing	215	–
Pork	35	–
Meat-processing	–	250
Chicken	680	680
Grain	698	698
Total goodwill	**1,628**	**1,628**

The recoverable amount of Chicken and Grain cash-generating units is determined based on a value in use calculation, which uses cash flow projections based on financial budgets approved by management covering a five-year period and 11% post-tax discount rate (2019: 11%). The cash flows beyond that period have been extrapolated using a steady 4.0% per annum growth rate (2019: 3.5%). Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Reasons for the change in allocating goodwill from Meat-processing to RTE meat processing cash-generating unit, key inputs in determination of the recoverable amount of the cash-generating unit together with sensitivity to reasonably possible changes in those inputs are disclosed in Note 4.

16. Intangible assets

The following table represents movements of intangible assets for the years ended 31 December 2020 and 2019:

	Computer software	Indefinite life trademarks	Other intangible assets	Total
Cost				
Balance at 1 January 2019	**1,860**	**1,216**	**173**	**3,249**
Additions	494	–	10	504
Balance at 31 December 2019	**2,354**	**1,216**	**183**	**3,753**
Additions	508	–	13	521
Balance at 31 December 2020	**2,862**	**1,216**	**196**	**4,274**
Accumulated amortisation				
Balance at 1 January 2019	**(983)**	**–**	**(122)**	**(1,105)**
Amortisation expense	(304)	–	(9)	(313)
Balance at 31 December 2019	**(1,287)**	–	**(131)**	**(1,418)**
Amortisation expense	(436)	–	(15)	(451)
Balance at 31 December 2020	**(1,723)**	–	**(146)**	**(1,869)**
Carrying amounts				
At 31 December 2019	**1,067**	**1,216**	**52**	**2,335**
At 31 December 2020	**1,139**	**1,216**	**50**	**2,405**

Computer software

Software is amortised over its useful life ranging from 2 to 10 years and is mainly presented by SAP and Oracle systems installed by the Group.

Indefinite life trademarks

Kurinoe Tsarstvo ("Куриное Царство") trademark

The carrying value of the Kurinoe Tsarstvo trademark was 745 as of 31 December 2020 and 2019.

As of 31 December 2020 and 2019, management tested the Kurinoe Tsarstvo trademark for impairment and determined that the trademark was not impaired. The fair value was determined using a relief from royalty method based on expected sales by trademark derived from the segment business plan approved by the management covering a five-year period. The cash flows beyond that period have been extrapolated using a steady 4 % per annum growth rate, which is the projected long-term average general inflation in Russia.

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16. Intangible assets (continued)

The key assumptions used for impairment testing purposes are set out below.

In percent	31 December 2020	31 December 2019
Post-tax discount rate (WACC + 5% risk-premium)	16.0%	16.0%
Terminal value growth rate	4.0%	3.5%
Royalty rate	2.5%	3.3%
Trademark revenue growth rate (average of next five years)	4.4%	4.4%

The values assigned to the key assumptions represented management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources.

The management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the trademark.

Cherkizovo ("Черкизово") trademark
The carrying value of the Cherkizovo trademark was 436 as of 31 December 2020 and 2019.

As of 31 December 2020 and 2019, management tested the Cherkizovo trademark for impairment and determined that the trademark was not impaired. The fair value was determined using a relief from royalty method based on current year actual sales by trademark and royalty rate of 2.5% (2019: 3.3%). Potential royalty from one-year sales covers the carrying value of the trademark and therefore the Group did not make a detailed calculation for the whole life of the trademark.

The management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the trademark.

17. Biological assets

Non-current biological assets

The balances of non-current biological assets were as follows:

	31 December 2020		31 December 2019	
	Units	Carrying amount	Units	Carrying amount
Sows, heads	113,047	2,326	107,888	2,007
Total bearer non-current biological assets	**113,047**	**2,326**	**107,888**	**2,007**

The following table represents movements in sows:

	Amount
Balance at 1 January 2019	**2,638**
Increase due to purchases and breeding costs of growing livestock	1,307
Decrease due to sale	(834)
Loss arising from changes in fair value less estimated point-of-sales costs	(1,104)
Balance at 31 December 2019	**2,007**
Increase due to purchases and breeding costs of growing livestock	1,349
Decrease due to sale	(1,029)
Loss arising from changes in fair value less estimated point-of-sales costs	(1)
Balance at 31 December 2020	**2,326**

Current biological assets and related work-in progress

All current biological assets are consumable except for breeders, which are bearer biological assets. The balances of current biological assets were as follows:

	31 December 2020		31 December 2019	
	Units	Carrying amount	Units	Carrying amount
Pork				
Market hogs, heads	1,013 447	7,717	1,277 298	7,390
	1,013 447	7,717	1,277 298	7,390
Chicken				
Broilers, heads	34,925 047	3,874	36,510 440	3,525
Breeders, heads (bearer biological assets)	3,627 069	4,751	3,576 183	3,224
	38,552 116	8,625	40,086 623	6,749
Hatchery eggs, quantity	23,410 364	447	25,327 958	400
Unharvested crops, hectares	49,197	685	59,005	838
Work-in progress related to cultivation of crops		1,024		910
Total current biological assets and related work-in progress		**18,498**		**16,287**

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17. Biological assets (continued)

The following table represents movements in the most material classes of the current biological assets:

	Pork	Broilers	Breeders	Unharvested crops and related WIP	Total
Balance at 1 January 2019	**7,628**	**2,910**	**3,094**	**1,402**	**15,034**
Increase due to purchases and gain arising from cost inputs	18,163	49,668	2,571	4,856	75,258
Increase due to acquisition of subsidiaries	—	—	356	—	356
Transfer to consumable biological assets	—	2,364	(2,364)	—	—
Decrease due to sale or harvest of assets	(24,478)	(60,597)	—	(6,075)	(91,150)
Gain arising from changes in fair value less estimated point-of-sales costs	6,077	9,180	(433)	1,565	16,389
Balance at 31 December 2019	**7,390**	**3,525**	**3,224**	**1,748**	**15,887**
Increase due to purchases and gain arising from cost inputs	18,760	57,441	2,716	5,754	84,671
Transfer to consumable biological assets	—	2,524	(2,524)	—	—
Decrease due to sale or harvest of assets	(26,547)	(66,627)	—	(12,171)	(105,345)
Gain arising from changes in fair value less estimated point-of-sales costs	8,114	7,011	1,335	6,379	22,839
Balance at 31 December 2020	**7,717**	**3,874**	**4,751**	**1,710**	**18,052**

The reconciliations of net change in fair value of biological assets are as follows:

	2020	2019
Fair value adjustment at the beginning of the year (biological assets transferred to inventory and subsequently sold)	(5,204)	(6,583)
Fair value adjustment at the end of the year (biological assets)	6,368	5,204
Net change in fair value of biological assets	**1,164**	**(1,379)**

The reconciliations of net revaluation of harvested crops in stock are as follows:

	2020	2019
Fair value adjustment at the beginning of the year (agricultural produce subsequently sold)	(1,157)	(1,128)
Fair value adjustment at the end of the year (agricultural produce)	3,622	1,157
Net revaluation of harvested crops in stock	**2,465**	**29**

The main crops of the Group's agricultural production and output were as follows (in thousands of tonnes):

	2020	2019
Winter wheat	344	230
Spring wheat	199	125
Corn	110	99
Sunflower	71	46
Soybean	70	46
Peas	20	12
Barley	18	41

The production output of pork and chicken segments of the Group were as follows (in thousands of tonnes):

	2020	2019
Pork meat	302	284
Chicken meat	695	663

Key inputs in fair value measurement of biological assets together with sensitivity to reasonably possible changes in those inputs are disclosed in Note 4.

18. Investments in joint ventures and associates

The Group's significant joint ventures and associates include:

	Type of investment	Ownership and voting interest of the Group	31 December 2020	31 December 2019
LLC Tambovskaya Indeika (Tambov Turkey JV)	Joint venture	50%	3,706	3,266
Samson – Food Products	Associate	75%	355	327
LLC COBB-RUSSIA	Joint venture	50%	214	196
Total investments in joint ventures and associates			**4,275**	**3,789**

Tambov Turkey JV

During the year ended 31 December 2012 the Group, together with Grupo Corporativo Fuertes, S.L., established a joint venture, LLC Tambovskaya Indeika. The joint venture's primary business is breeding of turkey. The joint venture started construction of an integrated full cycle turkey production complex in 2013 and started operations in November 2016.

Summarised financial information in respect of the Group's joint venture and its reconciliation to the carrying amount of the interest in the joint venture are set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

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18. Investments in joint ventures and associates (continued)

	31 December 2020	31 December 2019
Cash and cash equivalents	139	145
Other current assets	3,676	2,460
Non-current assets	11,333	8,334
Trade and other payables	(840)	(641)
Short-term borrowings	(2,840)	(1,643)
Other current liabilities	(117)	(72)
Long-term borrowings	(3,842)	(1,937)
Other non-current liabilities	(97)	(114)
Net assets of the joint venture	**7,412**	**6,532**
Proportion of the Group's ownership interest in the joint venture	50%	50%
The Group's equity interest in the joint venture	**3,706**	**3,266**
Carrying amount of the Group's interest in the joint venture	**3,706**	**3,266**

	2020	2019
Revenue	6,900	6,310
Operating expenses without depreciation and amortisation, foreign exchange loss (gain), net change in fair value of biological assets	(5,957)	(5,432)
Adjusted EBITDA	**943**	**878**
Depreciation and amortisation	(612)	(620)
Interest income	14	16
Interest expense	(132)	(150)
Foreign exchange loss (gain)	(32)	32
Net change in fair value of biological assets	93	(379)
Income tax expense	(15)	(7)
Profit (loss) for the year and total comprehensive income (loss) for the year	**259**	**(230)**
Proportion of the Group's ownership interest in the joint venture	50%	50%
The Group's share of Adjusted EBITDA	**472**	**439**
The Group's share of income (loss) of the joint venture	**130**	**(115)**

As of 31 December 2020 and 2019, management tested the Group's investment in Tambov Turkey for impairment and determined that the investment was not impaired.

Samson – Food Products

On 25 December 2018 the Group acquired 75% in LLC "Myasokombinat Vsevolzhskyi" and LLC "Svezhyi Product" (together "Samson – Food Products") for cash consideration of 350 payable at the acquisition date and contingent consideration payable within two years after the acquisition. The contingent consideration depends on performance of Samson – Food Products in 2019 and based on the performance of the associate in 2019 was estimated as zero. At the acquisition date the Group also signed a shareholders agreement with JSC "Samson-Producty Pitaniya", being the Seller and holder of the residual 25% share. Under the terms of this arrangement, the Group agreed that operational management, including the General Director appointment decisions, remains the authority of the Seller until the final sale of the residual 25% share. Based on the above considerations the Group accounted for the investment in 75% of Samson – Food Products as an investment in an associate.

Samson – Food Products is a meat-processing group of companies located in the North-West region and offering meat products under such brands as Samson, Grillmania, Fileya and others.

Summarised financial information in respect of the Group's associate and its reconciliation to the carrying amount of the interest in the associate are set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

	31 December 2020	31 December 2019
Cash and cash equivalents	85	154
Other current assets	766	551
Goodwill	388	388
Property, plant and equipment	548	501
Other non-current assets	488	503
Trade and other payables	(753)	(628)
Short-term borrowings	(855)	(856)
Other current liabilities	(25)	(30)
Long-term borrowings	(169)	(147)
Net assets of the associate	**473**	**436**
Proportion of the Group's ownership interest in the associate	75%	75%
Carrying amount of the Group's interest in the associate	**355**	**327**

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18. Investments in joint ventures and associates (continued)

	2020	2019
Revenue	6,425	4,700
Operating expenses without depreciation and amortisation, foreign exchange loss (gain), net change in fair value of biological assets	(6,221)	(4,562)
Adjusted EBITDA	**204**	**138**
Depreciation and amortisation	(93)	(99)
Interest income	6	2
Interest expense	(72)	(89)
Foreign exchange (loss) / gain	(7)	4
Income tax	—	13
Profit (loss) for the year and total comprehensive loss for the year	**38**	**(31)**
Proportion of the Group's ownership interest in the associate	75%	75%
The Group's share of Adjusted EBITDA	**153**	**104**
The Group's share of profit (loss) of the associate	**29**	**(23)**

LLC Cobb-Russia

LLC Cobb-Russia is a joint venture with GP CY Holdings Ltd. LLC Cobb-Russia is the official distributor and producer of "Cobb" chicken breeders in Russia.

19. Long-term deposits in banks

	CCY	Effective rate, %	Maturity	31 December 2020	31 December 2019
Deposits in Gazprombank	RUR	8%	2022	641	641
Total long-term deposits in banks				**641**	**641**

20. Inventories

	31 December 2020	31 December 2019
Raw materials	16,491	9,544
Spare parts	1,185	830
Work in-progress	498	418
Finished goods	2,568	2,431
Total inventory	**20,742**	**13,223**

21. Taxes recoverable and prepaid

	31 December 2020	31 December 2019
Value added tax	1,975	1,209
Income tax prepaid	231	608
Other taxes	451	579
Total tax recoverable and prepaid	**2,657**	**2,396**

22. Trade receivables, net

	31 December 2020	31 December 2019
Trade receivables	5,921	5,659
Less: allowance for expected credit losses	(176)	(183)
Total trade receivables, net	**5,745**	**5,476**

The following table summarizes the changes in the allowance for expected credit losses for the years ended 31 December 2020 and 2019:

	2020	2019
Balance at the beginning of the year	**183**	**119**
Additional allowance, recognized during the year	27	101
Trade receivables written off during the year	(34)	(37)
Balance at the end of the year	**176**	**183**

23. Cash and cash equivalents

	31 December 2020	31 December 2019
RUR-denominated cash at banks	799	771
USD-denominated cash at banks	135	18
Bank deposits	5,783	2,513
Cash in hand	1	2
Total cash and cash equivalents	**6,718**	**3,304**

Bank deposits are denominated in rubles, USD and euro and have original maturity of less than 3 months.

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24. Shareholder's equity

Share capital

As of 31 December 2020 and 2019, issued shares of the Company had a par value of 0.01 rubles. The total number of authorized shares was 54,702 600 and the number of issued shares was 41,047 014 as at 31 December 2020 and 43,963 773 as at 31 December 2019. All issued and outstanding shares have equal voting rights. The Company is authorized to issue preferred shares not exceeding 25% of its ordinary share capital. No such shares are currently issued.

Dividends

In accordance with Russian legislation, earnings available for dividends are limited to retained earnings of the Company, calculated in accordance with statutory rules in local currency.

On March 2020 and September 2020 dividends of approximately 60.92 Russian rubles per share (2,500 in total) and approximately 48.79 Russian rubles per share (2,003 in total) were approved at the extraordinary shareholders' meeting and have been fully paid during the year ended 31 December 2020.

On March 2019 and September 2019 dividends of approximately 101.63 Russian rubles per share (4,173 in total) and approximately 48.79 Russian rubles per share (2,003 in total) were approved at the extraordinary shareholders' meeting and have been fully paid during the year ended 31 December 2019.

Treasury shares

During 2020 the Group canceled all its treasury shares, which resulted in reduction of charter capital of the Company by RUR 29 thousand and zeroing Treasury Shares balance in the consolidated statement of financial position as at 31 December 2020. The transaction had no effect on the average number of outstanding shares.

25. Non-controlling interests

	NCI percentage	31 December 2020	31 December 2019
JSC Petelinskaya	10.3%	40	142
LLC PKO Otechestvennyi Product	4.1%	211	215
LLC Cherkizovo trade house	0.1%	1	307
Other non-controlling interests		217	215
Total non-controlling interests		**469**	**879**

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations:

As at 31 December 2020 and for 2020	JSC Petelinskaya	LLC PKO Otechestvennyi Product	Total
NCI percentage	**10.3%**	**4.1%**	
Non-current assets	1,758	1,021	2,779
Current assets	2,109	4,710	6,819
Non-current liabilities	–	(219)	(219)
Current liabilities	(3,475)	(382)	(3,857)
Net assets	392	5,130	5,522
Carrying amount of NCI	**40**	**211**	**251**
Revenue	6,863	919	7,782
Profit (loss)	269	(337)	(68)
Total comprehensive income (loss)	269	(337)	(68)
Profit (loss) allocated to NCI	**28**	**(14)**	**14**
Cash flows from operating activities	(916)	518	(398)
Cash flows from investment activities	(114)	(757)	(871)
Cash flows from financing activities (dividends to NCI: nil)	1,031	165	1,196
Net increase (decrease) in cash and cash equivalents	**1**	**(74)**	**(73)**

As at 31 December 2019 and for 2019	JSC Petelinskaya	LLC PKO Otechestvennyi Product	LLC Cherkizovo trade house	Total
NCI percentage	**11.8%**	**4.0%**	**11.8%**	
Non-current assets	1,782	311	1,267	3,360
Current assets	1,606	5,412	12,796	19,814
Non-current liabilities	–	(101)	(266)	(367)
Current liabilities	(2,184)	(194)	(11,193)	(13,571)
Net assets	1,204	5,428	2,604	9,236
Carrying amount of NCI	**142**	**215**	**307**	**664**
Revenue	6,694	2,067	95,267	104,028
Profit (loss)	341	156	(695)	(198)
Total comprehensive income (loss)	341	156	(695)	(198)
Profit (loss) allocated to NCI	**40**	**6**	**(82)**	**(36)**
Cash flows from operating activities	(805)	175	(1,607)	(2,237)
Cash flows from investment activities	345	(20)	2,465	2,790
Cash flows from financing activities (dividends to NCI: nil)	460	1	209	670
Net increase in cash and cash equivalents	**–**	**156**	**1,067**	**1,223**

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26. Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 29. Terms and conditions of outstanding loans were as follows:

	Nominal interest rate	EIR 1	Adjusted EIR 2	Year of maturity	31 December 2020		31 December 2019	
					Current	Non-current	Current	Non-current
Bonds	6.20%-7.50%	6.84%	6.84%	2023-2025	—	22,300	5,000	10,000
Bank loans	1.10%-12.50%	3.62%	2.89%	2021-2028	27,018	19,379	15,442	33,100
Other borrowings	7.00%	7.00%	7.00%	2029	—	177	—	82
Interest payable					155	—	348	—
Total borrowings					**27,173**	**41,856**	**20,790**	**43,182**

1 EIR represents the weighted average interest rate on outstanding loans.

2 Adjusted EIR represents the effective rate on borrowings at year end, adjusted by government subsidies for certain qualifying debt. Since approvals for subsidies are submitted annually by the Group as required by law, the existence of such subsidies in any given year is not necessarily indicative of their existence in future periods. See Note 9 for further disclosure of government subsidies related to interest on borrowings.

As of 31 December 2020, the Group's borrowings are denominated in the following currencies: 66,405 in Russian roubles and 2,624 in Euro. As of 31 December 2019, the Group's borrowings are denominated in the following currencies: 61,966 in Russian roubles and 2,006 in Euro.

Interest on the majority of borrowings is paid on a monthly or quarterly basis.

Bonds

Bonds due in May 2023

In November 2019, the Group placed 10,000 000 bonds in roubles at par value (1,000 roubles at the issuance date) with a maturity date in May 2023. The coupon rate on the bonds, payable quarterly, is set at 7.5% per annum. The Group accounts for these instruments at amortized cost.

Bonds due in March 2024

In September 2020, the Group placed 6,300 000 bonds in roubles at par value (1,000 roubles at the issuance date) with a maturity date in March 2024. The coupon rate on the bonds, payable quarterly, is set at 6.2% per annum. The Group accounts for these instruments at amortized cost.

Bonds due in December 2025

In December 2020, the Group placed 6,000 000 bonds in roubles at par value (1,000 roubles at the issuance date) with a maturity date in December 2025 with an early repayment option in December 2023. The coupon rate on the bonds, payable quarterly, is set at 6.4% per annum. The Group accounts for these instruments at amortized cost.

Bank loans

Terms and conditions of outstanding bank loans were as follows:

	Currency	Nominal interest rate	Year of maturity	31 December 2020	31 December 2019
Sberbank of Russia	Russian rubles	1.20%*–9.20%	2021-2024	9,777	12,394
Sberbank of Russia	Euro	3.40%	2024	2,624	2,006
Alfa bank	Russian rubles	1.10%*–7.00%	2021-2026	4,601	4,476
Bank VTB	Russian rubles	2.50%*–6.80%	2021-2024	3,882	7,012
Bank Otkritie Financial Corporation	Russian rubles	6.30%	2023	4,188	—
Gazprombank	Russian rubles	1.60%*–8.99%	2021-2022	6,713	4,982
Raiffeisenbank	Russian rubles	n/a	n/a	—	5,985
Rosselkhozbank	Russian rubles	1.20%*–9.39%	2021-2028	14,595	7,310
UniCredit Bank	Russian rubles	12.50%	2022	17	4,377
Total bank loans				**46,397**	**48,542**

* Low inteest rates relate to subsidized borrowings under new government policy effective since 2017 (Note 9).

Unused lines of credit

The total amount of unused credit on lines of credit as of 31 December 2020 is 64,507. The unused credit can be utilized from 2021 to 2028 with expiration of available amounts varying as follows: 14,781 expires by 31 December 2021, 38,270 expires by 31 December 2022, 500 expires by 31 December 2024, 7,700 expires by 31 December 2026 and 3,257 expires by 31 December 2028.

Collateral under borrowings

Shares and participating interests in the following Group companies are pledged as collateral under certain borrowings as of 31 December 2020:

	31 December 2020	31 December 2019
JSC Altaisky Broiler	—	100%
LLC Cherkizovo-Masla	100%	—
CJSC Rovesnky Broiler	—	100%
JSC Cherkizovo-Kashira	100%	100%

Property, plant and equipment with a carrying value of 12,025 and 10,427 were pledged as security under loan agreements as of 31 December 2020 and 2019, respectively, including construction in progress pledged with a carrying value of 186 and nil as of 31 December 2020 and 2019, respectively.

Notes receivable, net with a carrying value of 184 and nil were pledged as security under loan agreements as of 31 December 2020 and 2019, respectively.

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26. Borrowings (continued)

Certain significant loan agreements with the Sberbank of Russia, Rosselkhozbank, Bank VTB, Gazprombank, Bank Otkritie Financial Corporation, Raiffeisenbank and Alfa-bank contain financial covenants requiring maintenance of specific debt to EBITDA and other ratios.

The Group was in breach of one covenant calculated based on the statutory financial statements of one of the Group's subsidiaries. The Group received waiver before 31 December 2020, saying that the bank will not demand an early repayment of the loan and interest payable. The Group was in compliance with all covenants as at 31 December 2019.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes				
	31 December 2019	Financing cash flows 1	New lease contracts, modification of existing lease contracts and disposal of lease contracts	Forex adjustments	Other non-cash changes	Interest accruals and payments	31 December 2020
Borrowings, including lease liabilities	65,151	3,767	1,503	618	504	(193)	71,350

			Non-cash changes						
	31 December 2018	Financing cash flows 1	Restricted cash (used in investing activities)	Acquisition of subsidiaries (Note 31)	Effect of adoption of IFRS 16	Forex adjustments	Other non-cash changes	Interest accruals and payments	31 December 2019
Borrowings, including lease liabilities	68,813	(5,233)	(109)	290	1,344	(302)	372	(24)	65,151

1 Net amount of repayment of proceeds from short-term and long-term borrowings and repayments of short-term and long-term borrowings in the consolidated statement of cash flows.

27. Lease liabilities

For the years ended 31 December 2020 and 2019 the movement of lease liabilities was as follows:

Balance at 1 January 2019	**1,308**
Interest expense on lease liabilities	121
Lease payments	(541)
New leased contracts arose from acquisition of subsidiaries	10
New leased contracts and modification of existing lease contracts	281
Balance at 31 December 2019	**1,179**
Interest expense on lease liabilities	129
Lease payments	(490)
New leased contracts arose from acquisition of subsidiaries	2
New leased contracts and modification of existing lease contracts	1,610
Disposal of lease contracts	(109)
Balance at 31 December 2020	**2,321**

For the year ended 31 December 2020 lease expenses for leases with lease term of 12 months or less and leases of low-value assets amounted to 266 (2019: 178) and lease expenses for variable lease payments not included in the measurement of lease liabilities amounted to 52 (2019: 25).

28. Tax related liabilities

	31 December 2020	31 December 2019
Value added tax	792	617
Payroll related taxes	384	385
Property tax	105	261
Personal income tax withheld	23	52
Other taxes	13	12
Total tax related liabilities	**1,317**	**1,327**

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29. Financial instruments

Categories of financial instruments and fair value measurements

The carrying values and fair values of the Group's financial assets and liabilities as of 31 December 2020 and 2019 are as follows:

	31 December 2020		31 December 2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets not measured at fair value				
Amortised cost				
Long-term deposits in banks	641	689	641	678
Other non-current assets	372	372	246	246
Trade receivables	5,745	5,745	5,476	5,476
Other receivables	414	414	199	199
Other current assets	269	269	76	76
Cash and cash equivalents	6,718	6,718	3,304	3,304
Financial assets measured at fair value				
Financial assets at FVTPL				
Rights to claim debt	5,381	5,381	4,685	4,685
Investments in closed unit investment fund (presented within other non-current assets)	495	495	495	495
	20,035	**20,083**	**15,122**	**15,159**
Financial liabilities not measured at fair value				
Amortised cost				
Borrowings	69,029	69,213	63,972	62,968
Lease liabilities	2,321	2,321	1,179	1,179
Trade payables	16,203	16,203	11,560	11,560
Payables for non-current assets	1,257	1,257	656	656
Payroll related liabilities	2,001	2,001	2,317	2,317
Other payables and accruals	552	552	237	237
	91,363	**91,547**	**79,921**	**78,917**

As at 31 December 2020 the Group used 5.94% for short-term agreements, 7.54% for medium-term agreements, 5.64% for long-term agreements (as at 31 December 2019 the Group used 7.84% for short-term agreements, 9.15% for medium-term agreements, 8.47% for long-term agreements) as market rate of cost of debt for the fair value estimation (for borrowings nominated in RUB). That rate excludes the effect of subsidies.

Fair value measurement of rights to claim debt, long-term deposits and borrowings was categorized into Level 3 as at 31 December 2020 and 2019. The fair value of long-term deposits and borrowings was calculated using the discounted cash flow method by applying the statistical interest rates provided by the Bank of Russia for short, middle and long-term borrowings and deposits as at 31 December 2020 and 2019. The higher rates are used in the calculation for the borrowings the lower would be the fair value. The higher rates are used in the calculation for the long-term deposits the higher would be the fair value. Valuation technique for the rights to claim debt is disclosed in Note 31. Fair value measurement of investments in closed unit investment fund was categorized into Level 1 as at 31 December 2020 and 2019 and was determined using the market value of each unit.

Financial risk management

The main risks arising from the Group's financial instruments are capital risk management, interest rate risk, credit risk, liquidity risk and foreign currency risk.

The Group's management identifies measures and manages financial risks in accordance with the Group's policies and procedures.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to the equity holders. The capital structure of the Group consists of debt, cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings. The management of the Group reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

Credit risk

Credit risk refers to the risk that counterparty may default on its contractual obligations resulting in financial loss to the Group. Financial assets which potentially subject the Group to credit risk consist primarily of trade and other receivables, long-term deposits, notes receivable, rights to claim debt and cash in current and deposit accounts with banks.

The Group's maximum exposure to credit risk arises from the following classes of financial assets (except for the rights to claim debt that are separately disclosed in Note 31):

	31 December 2020	31 December 2019
Long-term deposits in banks	641	641
Other non-current assets	372	246
Trade receivables	5,745	5,476
Other receivables	414	199
Other current assets	269	76
Cash and cash equivalents (except for cash in hand)	6,718	3,302
Total maximum credit risk	**14,159**	**9,940**

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29. Financial instruments (continued)

Trade receivables

The maximum exposure to credit risk for trade receivables by counterparty was as follows:

	31 December 2020	31 December 2019
Company 1	1,055	965
Company 2	592	544
Company 3	476	418
Company 4	379	372
Company 5	358	300
Other counterparties	2,885	2,877
Total	**5,745**	**5,476**

The average credit period on sales of goods is 30 days. No interest is charged on trade and other receivables. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are regularly reviewed.

For trade receivables the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix:

	Expected credit loss rate	31 December 2020	31 December 2019
Neither past due nor impaired	—	5,263	4,723
Past due 1-90 days	—	426	518
Past due 91-180 days	—	53	217
Past due 180-365 days	84%	19	87
Past due more than 365 days	100%	160	114
Total		**5,921**	**5,659**

Cash and cash equivalents and long-term deposits

The credit risk on cash and cash equivalents and long-term deposits is limited because these funds are placed only with banks with stable credit ratings assigned by international credit-rating agencies. All balances on bank accounts are neither overdue nor impaired.

The table below shows the rating and cash and cash equivalents balances with major banks at the reporting dates:

	Rating agency	Rating	31 December 2020	31 December 2019
Bank 1	Moody`s	Ba3	3,426	2,669
Bank 2	Standard & Poor's	BBB-	2,956	317
Bank 3	Fitch Ratings	BBB	178	145
Bank 4	Fitch Ratings	BBB-	60	41
Other banks	—	—	98	130
Total cash and cash equivalents at banks			**6,718**	**3,302**

The table below shows the rating and long-term bank deposits balances at the reporting dates:

	Rating agency	Rating	31 December 2020	31 December 2019
Gazprombank	S&P Global Ratings	BB+	641	641
Total long-term bank deposits			**641**	**641**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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29. Financial instruments (continued)

The following tables detail the Group's expected maturity for its financial assets, except for cash and cash equivalents and rights to claim debt. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets, including interest that will be earned on those:

	Effective interest rate, %	Less than 6 month	6 months-1 year	1-4 years	More than 4 years	Total
At 31 December 2019						
Trade and other receivables		5,675	–	–	–	5,675
Long-term deposits in banks	8%	26	26	709	–	761
Other non-current assets		–	–	–	246	246
Other current assets		76	–	–	–	76
Total		**5,777**	**26**	**709**	**246**	**6,758**
At 31 December 2020						
Trade and other receivables		6,159	–	–	–	6,159
Long-term deposits in banks	8%	26	26	657	–	709
Other non-current assets		–	–	–	372	372
Other current assets		269	–	–	–	269
Total		**6,454**	**26**	**657**	**372**	**7,509**

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Effective interest rate, %	Less than 6 month	6 months-1 year	1-4 years	More than 4 years	Total
At 31 December 2019						
Borrowings	1.17%-12.5%	14,051	11,486	47,529	3,244	76,310
Lease liabilities	5.32%-16.62%	255	255	720	294	1,524
Trade and other payables		11,797	–	–	–	11,797
Payables for non-current assets		656	–	–	–	656
Payroll related liabilities		2,317	–	–	–	2,317
Total		**29,076**	**11,741**	**48,249**	**3,538**	**92,604**
At 31 December 2020						
Borrowings	1.10%-12.5%	15,039	15,936	40,450	8,127	79,552
Lease liabilities	3.62%-16.08%	398	398	1,500	337	2,633
Trade and other payables		16,755	–	–	–	16,755
Payables for non-current assets		1,257	–	–	–	1,257
Payroll related liabilities		2,001	–	–	–	2,001
Total		**35,450**	**16,334**	**41,950**	**8,464**	**102,198**

Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The Group adopts a policy of limiting its exposure to changes in interest rates by borrowing mostly with a fixed rate basis except for the subsidized borrowings obtained under new government policy effective from 2017 (Notes 9 and 28). The Group receives such borrowings from accredited banks at reduced rates not exceeding 5% per annum on Rouble-denominated loans, the difference between market rate and the reduced rate equals the Key rate of the Bank of Russia and is compensated by Ministry of Agriculture directly to the accredited bank. If Ministry of Agriculture will not continue to subsidize the interest on aforementioned borrowings, then the Group will incur additional interest expenses increased by the Key Rate. For disclosure purposes only, the Group determined that if Ministry of Agriculture had not continued to subsidize the interest during 2020 and the Key rate had been 1% p.p. higher and all other variables were held constant, the Group's profit and total comprehensive income for the year ended 31 December 2020 would decrease/increase by 704 (Note 9) and 153 (2019: decrease/increase by 1,065 and 108).

Foreign currency risk

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The table below summarizes the Group's exposure to foreign currency exchange rate risk at the reporting date relative to the functional currency of the Group.

	31 December 2020			31 December 2019		
	Financial assets	Financial liabilities	Net position	Financial assets	Financial liabilities	Net position
Hard currency (USD or Euro)	5,900	(8,225)	(2,325)	2,174	(5,698)	(3,524)

The table below details the Group's sensitivity to weakening of Russian Ruble against the respective foreign currencies by 20%, all other variables being held constant. The analysis was applied to monetary items at the reporting dates denominated in respective currencies.

	Hard currency – impact	
	31 December 2020	31 December 2019
Loss	(465)	(705)

The strengthening of the Russian Ruble in relation to the same currency by the same percentage will produce an equal and opposite effect on the consolidated financial statements of the Group to that shown above.

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30. Related parties

Parties are generally considered to be related if one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions, as defined by IAS 24 *Related Party Disclosures*. In considering each possible related party relationship, attention is directed to the substance of the relationship not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The Company and its subsidiaries enter into various transactions with related parties such as the sale and purchase of inventory.

Transactions with key management personnel

Key management personnel of the Group are all members of the Board of Directors and members of the Management Board. The remuneration of key management personnel during the years ended 31 December 2020 and 2019 were as follows:

	2020	2019
Salaries and bonuses, excluding social security contributions	489	681

Transactions with entities under common control

Trading transactions with related parties mostly comprised the sale of sausages, raw meat and chicken to a retail chain "Myasnov" and lease of certain production and office space to "Myasnov" and other entities under common control.

Trade receivables, trade payables and advances issued are associated with such transactions. The Group expects to settle such balances in the normal operating cycle.

The Group also transferred certain land plots to the closed unit investment fund managed by LLC "UK Mikhailovskyi", an entity under common control.

Balances with companies under common control are summarized as follows:

Balances	31 December 2020	31 December 2019
Trade receivables	78	112
Other non-current assets	69	73
Advances paid	2	6
Other receivables	3	7
Closed unit investment fund (presented within other non-current assets)	495	495
Trade payables	2	3
Advances received	—	4

Transactions with companies under common control are summarized as follows:

Transactions	2020	2019
Sales	574	1,066
Rent income	171	187
Purchases of property, plant and equipment	134	9
Purchases of goods and other services	6	4

Transactions with joint ventures

The Group purchases day-old chicks from its joint venture LLC Cobb-Russia (former LLC Broiler Budushchego). The Group also purchases turkey meat from LLC Tambovskaya Indeika for its subsequent resale through the distribution network of the Group. The Group also sells mixed fodder to LLC Tambovskaya Indeika. Trade receivables, trade payables and advances issued are associated with such transactions. The Group expects to settle such balances in the normal course of business.

Balances with joint ventures are summarized as follows:

Balances	31 December 2020	31 December 2019
Trade receivables	38	67
Advances paid	42	40
Other receivables	—	3
Trade payables	916	848
Other payables	208	—

Transactions with joint ventures are summarized as follows:

Transactions	2020	2019
Sales	419	229
Purchases of goods and other services	6,922	6,626

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30. Related parties (continued)

Transactions with associate

The Group sells raw meat for meat-processing and finished goods to associate Samson – Food Products. Trade receivables are associated with such transactions. The Group expects to settle such balances in the normal course of business.

Balances with the associate are summarized as follows:

Balances	31 December 2020	31 December 2019
Trade receivables	218	76
Trade payables	63	8
Advances received	3	–

Transactions with the associate are summarized as follows:

Transactions	2020	2019
Revenue	2,284	1,133

31. Acquisitions

Acquisition of Compass Foods

On 1 October 2020, the Group acquired from Cargill 100% of LLC Compass Foods, chicken-products producer based in Efremov, Tula region. As a result, the Group took over a chicken processing facility with a capacity of 20,000 tonnes of nuggets and other chicken products per year. The bulk of its products goes to McDonald's fast food restaurant chain. Total consideration amounted to 2,813 and was paid in cash. The acquisition will enable the Group to expand the product line and strengthen its market-leading position in the market.

In the consolidated financial statements for the year ended 31 December 2020 the acquisition was accounted for using historical book values of assets and liabilities acquired as provisional values since there was no other information available at that time. The difference between consideration paid and historical book value of the net assets acquired was preliminary allocated to property, plant and equipment based on the internal valuation analysis done by management of the Group.

The Group is in the process of obtaining a third party valuation report on the fair value of the assets and liabilities acquired including obtaining third-party valuation of the property, plant and equipment, and accordingly, these amounts are preliminary and subject to change.

The provisional purchase price allocation was as follows:

	Provisional values (at the acquisition date)
Purchase price	**2,813**
Property, plant and equipment	1,795
Inventories	684
Trade receivables	334
Advances paid	151
Other current assets	160
Trade payables	(299)
Other current liabilities	(12)
Total assets acquired and liabilities assumed	**2,813**
Goodwill recognized on acquisition	–

Net outflow of cash and cash equivalents on acquisition comprised of the following:

Consideration paid to acquire Compass Foods	2,813
Less: cash and cash equivalents of subsidiaries acquired	(70)
Net outflow of cash and cash equivalents on acquisition of Compass Foods	**2,743**

The following pro forma financial information presents consolidated statement of profit or loss as if the acquisition occurred as of the beginning of the reporting period. In determining pro forma amounts, all non-recurring costs were determined to be immaterial.

Pro forma Information	For the year ended 31 December 2020 (unaudited)
Revenue	129,975
Operating income	18,952
Profit for the year	**15,208**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
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31. Acquisitions (continued)

The actual results of operations of Compass Foods are included in the consolidated financial statements of the Group only from the date of acquisition and were:

Actual results of Compass Foods from the date of acquisition (1 October 2020) to 31 December 2020	
Revenue	779
Operating income	282
Profit for the period	**53**

Acquisition of Rovensky Broiler

On 4 October 2019, the Group completed the acquisition of 100% of CJSC "Rovensky Broiler" for cash consideration of 1,664.

The acquired company is a hatching egg producer with production capacity of 80 million eggs/year, located in the Belgorod region, close to our existing operations. The acquisition will allow to cover the Group's needs in hatching eggs supply.

In the consolidated financial statements for the year ended 31 December 2019 the acquisition was accounted for using historical book values of assets and liabilities acquired as provisional values since there was no other information available at that time. The difference between consideration paid and historical book value of the net assets acquired was preliminary allocated to property, plant and equipment based on the internal valuation analysis done by management of the Group. A third party valuation report on the fair value of the individual assets and liabilities acquired was obtained in 2020, which confirmed the preliminary allocation; accordingly, there were no adjustments to the provisional book values of assets and liabilities.

Fair values of assets and liabilities of Rovensky Broiler at the acquisition date are presented below:

	Fair values
Purchase price	**1,664**
Property, plant and equipment	1,406
Inventories	26
Biological assets	356
Other current assets	197
Short-term loans and finance leases	(290)
Other current liabilities	(31)
Total assets acquired and liabilities assumed	**1,664**
Goodwill recognized on acquisition	–

Net outflow of cash and cash equivalents on acquisition comprised of the following:

Consideration paid to acquire Rovensky Broiler	1,664
Less: cash and cash equivalents of subsidiaries acquired	(196)
Net outflow of cash and cash equivalents on acquisition of Rovensky Broiler	**1,468**

The following pro forma financial information presents consolidated statement of profit or loss as if the acquisition occurred as of the beginning of the reporting period. In determining pro forma amounts, all non-recurring costs were determined to be immaterial.

Pro forma Information	For the year ended 31 December 2019 (unaudited)
Revenue	120,109
Operating profit	10,286
Profit for the year	**6,843**

Acquisition of rights to claim debt from Belaya Ptitsa Kursk

On 21 December 2018 the Group acquired Rosselkhozbank's rights to claim debt (in the form of loans) from LLC "Belaya Ptitsa Kursk" (further "Belaya Ptitsa Kursk") and the related security agreements (i.e. underlying collateral) for a principal amount of 5,639. The collateral included property pledge agreements for most of Belaya Ptitsa Kursk's property, plant and equipment and share pledge agreements for 100% of capital of LLC "Belaya Ptitsa Kursk".

To finance the transaction the Group obtained a five-year rubles-denominated loan from Rosselkhozbank in the principal amount of 5,639 at 0% per annum during the first two years and 10% subsequently. The fair value of the loan at inception date was 4,685 determined using the market interest rate of 10%. No cash was received or provided with respect to the two transactions with Rosselkhozbank, which has been reported as a non-cash transaction in the statement of cash flows reflecting rights to claim debt acquired and loan assumed.

At the acquisition date, the rights to claim debt from Belaya Ptitsa Kursk were accounted for at fair value, which was determined as equal to the fair value of the loan obtained from Rosselkhozbank. Belaya Ptitsa Kursk had not been servicing the debt for a number of months prior to the transaction and had also stopped its operating activities; therefore, at acquisition, the Group classified the rights as purchased credit-impaired financial assets. Notwithstanding the foregoing, the Group concluded that the fair value of the underlying collateral exceeds the fair value of the rights acquired and therefore did not recognise a loss allowance. The Group ultimately expects to settle the rights through the recovery of the underlying collateral once such collateral becomes the legal property of the Group. At the date of acquisition of the rights, Belaya Ptitsa Kursk's facilities were not operational and the Group leased them and relaunched the production in Q1,2019, using it in combination with the Group's existing parent stock sites and feed mills to leverage the potential synergies perceived as existing.

In April 2019, the bankruptcy proceedings were initiated for LLC "Belaya Ptitsa Kursk", which are governed by an independent bankruptcy trustee. The Group has considered the possible outcomes of the bankruptcy proceedings and developed a strategy to maximize the probability of positive outcome, resulting in transfer of legal title of the collateral to the Group. However, laws and regulations affecting businesses in Russian Federation, including bankruptcy legislation, continue to change rapidly. These changes are characterized by different interpretations and arbitrary application by authorities. Such changes are outside of the Group control.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
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31. Acquisitions (continued)

The following table represents movements in the fair value of the asset for the years ended 31 December 2020 and 2019:

	2020	2019
Balance at 1 January	4,685	4,685
Reclassification of advances paid for the acquisition of 100% interest in Belaya Ptica Kursk	494	–
Sale of rights to claim debt	(500)	–
Gain from the change in fair value of the financial asset	702	–
Balance at 31 December	**5,381**	**4,685**

As described above, the bankruptcy proceedings were initiated for LLC "Belaya Ptitsa Kursk" in 2019, the Group developed a strategy to maximize the probability of positive outcome, resulting in transfer of legal title of the collateral to the Group. One of the possible options within the strategy was to settle disputes with other creditors of Belaya Ptitsa Kursk and acquire 100% interest in the company, which could significantly reduce the time for obtaining legal rights. To secure that option management signed a preliminary share purchase agreement and paid an advance of 494 in January – February 2019, which was classified as part of "Other non-current assets" line of the consolidated statement of financial position as at 31 December 2019. During 4Q 2020 the Group reclassified the advance to "Rights to claim debt" line of the consolidated statement of financial position. Management of the Group believes that the changed presentation better reflects the economic substance of the transaction since the main purpose of it was to increase the likelihood of recovering the rights to claim debt. During Q4,2020 the Group also sold certain rights secured by non-core assets to other creditor of LLC "Belaya Ptitsa Kursk" for the exchange of 500 received in cash and transfer of guarantees given by LLC "Belaya Ptitsa Kursk" in the favour of that creditor to the Group. The transaction allows the Group to speed up the bankruptcy proceeding.

The Group classified these rights as financial assets at FVTPL. As at 31 December 2020 the fair value of the financial asset amounted to 5,381, 702 of gain from the change in the fair value of the financial asset was recognised in profit or loss for the year ended 31 December 2020. As at 31 December 2019 management of the Group concluded that the fair value did not materially change since the acquisition date. As at 31 December 2020 fair value of the financial asset was determined with reference to the revaluation performed by independent appraiser as at 31 December 2020. The fair value was categorized into Level 3 and was determined as fair value of the collateral discounted for the period needed by the Group to obtain a legal title. Discount rate applied included also risks specific to the financial asset.

The fair value of the collateral assets was determined using the cost approach that reflects capital expenditures/ investments required for the construction or acquisition of an asset with similar characteristics, adjusted for the actual age of the asset and economic impairment. The key assumptions used in the valuation of collateral assets related to economic impairment of the assets, which was determined through cash flow projections based on management's estimations covering a five-year period and a discount rate of 13.8%. Cash flows beyond that five-year period have been extrapolated using a steady 4% per annum growth rate, which is the projected long-term average consumer price index. The key assumptions used were discount rate, terminal value growth rate, selling prices and EBITDA margin levels. The key assumptions used are set out below.

In percent	31 December 2020
Discount rate	13.8%
Terminal value growth rate	4%
Average annual increase in selling prices (average for the next five years)	6.1%
EBITDA margin (range for the next five years)	9.8%–14.2%

Should key assumptions used in determination of fair value of the financial asset have been 10% higher or lower with all other variables held constant, the fair value of the financial asset at the reporting date would be higher or (lower) with the corresponding effect to the Gain on revaluation of rights to claim debt line in profit or loss by the following amounts:

	31 December 2020	
	10% increase	10% decrease
Discount rate	(488)	No change in fair value
Average annual increase in selling prices (average for the next five years)	No change in fair value	(1,822)
EBITDA margin (range for the next five years)	No change in fair value	(617)

32. Commitments and contingencies

Legal

As of 31 December 2020 and 2019, several Group companies reported negative net assets in their statutory financial statements. In accordance with the Civil Code of the Russian Federation, a liquidation process may be initiated against a company reporting negative net assets. Management believes that the probability that the liquidation process will be initiated against those companies is remote.

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
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32. Commitments and contingencies (continued)

Taxation

Laws and regulations affecting businesses in the Russian Federation continue to change rapidly. These changes are characterized by different interpretations and arbitrary application by the authorities. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. The tax authorities in the Russian Federation frequently take an assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities may be challenged. It is therefore possible that significant additional taxes, penalties and interest may be assessed. Under certain circumstances reviews may cover longer periods. At the reporting date, the Group is litigating the results of recent field tax audits of certain subsidiaries of the Group done by the regional tax authorities. Management is of the opinion that no material losses will be incurred as a result of these litigations and accordingly no provision has been made in these consolidated financial statements. Management estimates that the Group's possible exposure in relation to the aforementioned tax audits will not exceed 1% of the Group's profit for the year ended 31 December 2020.

Recent events also suggest that the tax authorities are taking a more assertive position in their interpretation of the tax legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged, including transfer pricing legislation. Although the transfer pricing legislation was amended in 2012, as of now there is no established practice in place in respect of transfer pricing. Therefore the management believes that their assessment of transfer pricing position of the Group may be challenged by authorities.

From 1 January 2015 a number of amendments into the Russian tax legislation aimed at deoffshorisation of the Russian economy became effective, with the submission of the first documentation package in 2017. Specifically, they introduce new rules for controlled foreign companies, a concept of beneficiary owner of income for the purposes of application of preferential provisions of taxation treaties of the Russian Federation and a concept of tax residency for foreign companies. The Group takes necessary steps to comply with the new requirements of the Russian tax legislation including periodic reviews of its tax planning strategies. However, in view of the recent introduction of the above provisions and insufficient administrative and court practice in these areas, at present the probability of claims from Russian tax authorities and probability of favourable outcome of tax disputes (if they arise) cannot be reliably estimated.

Environmental remediation costs

The Group's management believes that the Group is in compliance with applicable legislation and is not aware of any potential environmental claims; therefore, no liabilities associated with such costs are recorded as of 31 December 2020 and 2019.

Capital commitments

Capital commitments by each operating segments are as follows:

	31 December 2020
Commitments for the acquisition of property, plant and equipment	
RTE Meat processing	143
Pork	610
Chicken	1,445
Grain	98
Group	184
Total capital commitments	**2,480**

At 31 December 2020, the Group had capital projects in progress at LLC Cherkizovo Masla, JSC Kurinoe Tsarstvo, JSC Altaisky Broiler, JSC Cherkizovo-Kashira.

Agricultural market risk

As a rule, grain prices exhibit rather high seasonal fluctuation. As a general trend, prices tend to be lower in autumn mainly due to the increasing in supply. Market prices of agricultural commodities are also influenced by a variety of unpredictable factors which are beyond the control of the Group, including weather, planting intentions, government (Russian and foreign) farm programs and policies, changes in global demand resulting from population growth and higher standards of living and global production of similar and competitive crops.

Insurance

The Group holds insurance policies in relation to certain assets. As of 31 December 2020 the Group secured major part of its livestock and property, plant and equipment with a number of insurance companies. The Group holds no other insurance policies in relation to operations, or in respect of public liability or other insurable risks.

33. Subsequent events

On 10th February 2021, Board of Directors recommended to the General meeting of shareholders to distribute profits of 2020 financial year and to pay dividends of 134.00 rubles per share, in addition to interim dividends of 48.79 rubles announced in August, 2020.

Appendices

Appendix 1. About the Report

Name of the report	Cherkizovo Group's annual report for 2020 "The Art of eating"
Reporting cycle	Annual, 1 January 2020 – 31 December 2020
International reporting standards	This annual report has been prepared with reference to GRI Sustainability Reporting Standards The list of the standards referenced in this report is shown in the GRI content index on p.239
Russian reporting standards	Regulation on Disclosing Information by the Issuers of the Issue-Grade Securities No. 454-P dated 30 December 2014 and approved by the Bank of Russia Corporate Governance Code recommended by the Bank of Russia (Letter No. 06-52/2463 dated 10 April 2014) April 2020
Date of the previous report	April 2020
Reporting boundaries	The report discloses information about the operations and performance of Cherkizovo Group
Verification of the reported information	Reliability of the RAS[1] accounting statements and IFRS[2] consolidated financial statements was confirmed by JSC Deloitte & Touche CIS, an independent audit firm

Cherkizovo Group aims to be a transparent company and develops its public reporting in line with global best practices. The annual report for 2020 is already the third report that the Group prepared with reference to GRI Standards.

Comparing to the previous report the Company disclosed additional information, in particular, staff turnover, TRFR, GHG emissions, number of employees hired, financial assistance received from government, and weight of waste with a breakdown by disposal methods.

While preparing the report, the Company relied on GRI reporting principles, including clarity, comparability, and timeliness. The Company selected the most important GRI disclosures relevant to its activities, disclosing a total of 27 general and 14 topic-specific disclosures, all available in the GRI content index.

[1] Auditor's report is available on the Company's website at http://cherkizovo.com/company/information-disclosure/financial-statements/fin-statements/

[2] Auditor's report is available on the Company's website at http://cherkizovo.com/investors/reports/financial/financial-msfo/

Appendix 2. GRI Content Index

GRI Standard	Disclosure	Report section	Omissions
GRI 101. Foundation 2016 (does not include any disclosures)			
GRI 102. General Disclosures 2016	**102-1** Name of the organization	About the Company, p. 2	-
	102-2 Activities, brands, products, and services	About the Company, p. 9	-
	102-3 Location of headquarters	Contacts, p. 244	-
	102-4 Location of operations	About the Company, p. 6	-
	102-5 Ownership and legal form	About the Company, p. 2	-
	102-6 Markets served	About the Company, p. 50	-
	102-7 Scale of the organization	About the Company, p.4 Business model, p. 60	-
	102-8 Information on employees and other workers	Our employees, p. 115	Breakdowns by gender, region and employment contract type are shown separately.
	102-9 Supply chain	Supply chain, p. 64	-
	102-10 Significant changes to the organization and its supply chain	About the Company, p. 11 Supply chain, p. 65	-
	102-12 External initiatives	Corporate governance, p. 129 Health, safety and environment, p. 112	-
	102-13 Membership of associations	Business model, p. 63	-
	102-14 Statement from senior decision-maker	Message from the CEO, p. 46 Message from the Chairman, p. 42	-
	102-16 Values, principles, standards, and norms of behavior	About the Company, p. 2	-
	102-18 Governance structure	Corporate governance, p. 131	-
	102-40 List of stakeholder groups	Sustainable development, p. 108	-
	102-45 Entities included in the consolidated financial statements	Financial statements, p. 180	-
	102-46 Defining report content and topic Boundaries	Appendix 1. About the report, p. 238	-
	102-48 Restatements of information	Financial statements, p. 196	Restatements of information are provided for the financials only.

GRI Standard	Disclosure	Report section	Omissions
	102-49 Changes in reporting	Appendix 1. About the report, p. 238	-
	102-50 Reporting period	Appendix 1. About the report, p. 238	-
	102-51 Date of most recent report	Appendix 1. About the report, p. 238	-
	102-52 Reporting cycle	Appendix 1. About the report, p. 238	-
	102-53 Contact point for questions regarding the report	Contacts, p 245	-
	102-54 Claims of reporting in accordance with the GRI Standards	Appendix 1. About the report, p. 238	-
	102-55 GRI content index	-	-
	102-56 External assurance	Appendix 1. About the report, p. 238	-
GRI 103 Management Approach 2016	**103-1** Explanation of the material topic and its Boundary	Provided separately for each specific topic.	-
	103-2 The management approach and its components		
GRI 201 Economic Performance 2016	**103-1** Explanation of the material topic and its Boundary	Financial performance overview, p. 95	-
	103-2 The management approach and its components		-
	201-1 Direct economic value generated and distributed		Economic value retained is not disclosed.
	201-4 Financial assistance received from government		-
GRI 202 Market Presence 2016	**103-1** Explanation of the material topic and its Boundary	29% of the members of the Board of Directors are Russian citizens88% of the members of the Management Board are Russian citizens	-
	103-2 The management approach and its components		-
	202-2 Proportion of senior management hired from the local community		-
GRI 203 Indirect Economic Impacts 2016	**103-1** Explanation of the material topic and its Boundary	Community Relations, p. 124	-
	103-2 The management approach and its components		-
	203-2 Significant indirect economic impacts		Significance of the indirect economic impacts in the context of external benchmarks and stakeholder priorities are not disclosed.

GRI Standard	Disclosure	Report section	Omissions
GRI 204 Procurement Practices 2016	**103-1** Explanation of the material topic and its Boundary	Supply Chain, p. 64	-
	103-2 The management approach and its components		-
	204-1 Proportion of spending on local suppliers		-
GRI 206 Anti-competitive Behavior 2016	**103-1** Explanation of the material topic and its Boundary	In 2020, no legal actions for anti-competitive behavior, anti-trust, and monopoly practices were taken in relation to the Company.	-
	103-2 The management approach and its components		-
	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		-
GRI 207 Tax 2019	**103-1** Explanation of the material topic and its Boundary	Financial Performance Overview, p. 98	-
	103-2 The management approach and its components		-
	207-4 Country-by-country reporting		Approaches to tax are not disclosed.
GRI 305 Emissions 2016	**103-1** Explanation of the material topic and its Boundary	Environmental Protection, p. 113	-
	103-2 The management approach and its components		-
	305-1 Direct (Scope 1) GHG emissions		Gases included in the calculation, standards, methodologies, assumptions used are not disclosed.
GRI 306 Waste 2020	**103-1** Explanation of the material topic and its Boundary	Environmental protection, p. 113	-
	103-2 The management approach and its components		-
	306-4 Waste diverted from disposal		No breakdown by hazard level is provided.
GRI 401 Employment 2016	**103-1** Explanation of the material topic and its Boundary	Our employees, p. 116	-
	103-2 The management approach and its components		-
	401-1 New employee hires and employee turnover		No breakdowns by gender, age and region are provided.

GRI Standard	Disclosure	Report section	Omissions
GRI 403 Occupational Health and Safety 2018	**103-1** Explanation of the material topic and its Boundary	Our employees, p. 122	-
	103-2 The management approach and its components		-
	403-9 Work-related injuries		Data is provided only for the Company's employees. The rates of fatalities, highconsequence work-related injuries (excluding fatalities) and recordable work-related injuries, as well as the main types of workrelated injuries, the number of hours worked and work-related hazards remain undisclosed.
GRI 405 Diversity and Equal Opportunity 2016	**103-1** Explanation of the material topic and its Boundary	Our employees, p. 114	-
	103-2 The management approach and its components		-
	405-1 Diversity of governance bodies and employees		Indicators are disclosed for all staff as a whole.
GRI 408 Child Labor 2016	**103-1** Explanation of the material topic and its Boundary	The Company operations do not use child labor.	Information on suppliers is not disclosed.
	103-2 The management approach and its components		
	408-1 Operations and suppliers at significant risk for incidentsof child labor		
GRI 409 Forced or Compulsory Labor 2016	**103-1** Explanation of the material topic and its Boundary	The Company operations do not use forced or compulsory labor.	Information on suppliers is not disclosed.
	103-2 The management approach and its components		

Appendix 3. Glossary

Animal Welfare is a standard for the humane treatment of farm animals and poultry, based on the following principles: freedom from hunger, thirst and malnutrition; freedom from fear and distress; freedom from physical and thermal discomfort; freedom from pain, injury and disease; and freedom to express normal patterns of behavior.

Compartmentalization is a method used to classify pig farms by biosafety standards. The Federal Service for Veterinary and Phytosanitary Surveillance of Russia (Rosselkhoznadzor) has four biosafety levels (compartments), with farms vulnerable to biological threats assigned to Compartment I and those boasting high biosafety standards assigned to Compartment IV.

Dual education is a system combining theoretical training in higher education institutions and on-site apprenticeship in a company.

Epizootic risk is a risk associated with the outbreak and spread of infectious diseases in an animal population.

ESG (Environmental, Social, and Corporate Governance) – three central factors (environmental, social, and corporate governance) in measuring the sustainability and societal impact of an investment in a business.

Full-cycle business is an enterprise controlling the entire production chain.

FSSC 22000 is a certification standard for food safety management systems of organizations in the food chain that process or manufacture animal products, perishable vegetal products, products with a long shelf life, food ingredients (such as additives, vitamins and bio-cultures) and food packaging materials.

Genomics is a field of molecular genetics focusing on the genomes and genes of living organisms.

HACCP (hazard analysis and critical control points) is a systematic preventive approach to food safety involving ongoing identification, assessment and management of hazards.

Hard Skills – a set of professional skills and abilities related to the technical side of activity.

HoReCa is an abbreviation for a dedicated segment of the hospitality industry (hotels and restaurants) and a sales channel involving product consumption at the point of sale.

Industry 4.0 is a new generation of solutions for managing production facilities and value chains across the entire product life cycle, drawing on automation and data exchange technologies (cyber-physical systems, the Internet of things and cloud computing).

ISO 22000:2005 is the first international standard specifying requirements for the implementation and certification of food safety management systems and focusing on reporting, system management and control of food safety hazards.

Lean production is a production facility management concept promoting continuous waste minimization.

Oilseed meal is a concentrated feed obtained as a by-product of oil extraction (extraction of oil from the seeds of oil plants, for example, soybeans).

R&D is an abbreviation for research and development activities that give rise to launching a new product into production and span a wide range of operations from academic research to the manufacturing of prototypes.

Soft Skills – personal qualities and non-technical abilities that enable effective work and communication with colleagues and partners.

Appendix 4. Abbreviations

CMPP – Cherkizovsky Meat Processing Plant

GDR – global depositary receipt

JV – joint venture

LTIFR – lost time injury frequency rate

TRFR – total recordable frequency rate

MPP – meat processing plant

R&D – research and development

SOP – standard operating procedure

SWC – standardized work chart

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