

RUSAGRO'S RESULTS IN 2020

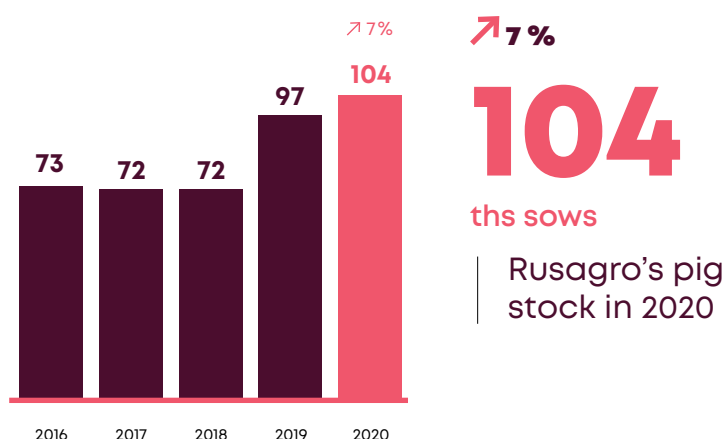
BUSINESS OVERVIEW

Rusagro's Meat Business was launched in 2008 as a vertically integrated business for livestock breeding and production of pork products sold under the Slovo Myasnika (Butcher's Word) brand. Assets of the Business are located in the Central Russia in the Tambov Region and the Belgorod Region. In 2021, the Business plans to launch of a pig farm in the Far East of Russia in the Primorye Territory.

PRODUCTION OF LIVE PIGS

Rusagro manages 19 commercial pig-breeding complexes and five breeding farms for herd reproduction. In 2020, the average annual livestock of productive sows amounted to 104 thousand heads. With the size of available livestock, the production approximates 300 thousand tonnes of pork in live weight for slaughter per year, depending on the current production indicators. The pig farms of the Company comply with the international standards and use the latest science and technology achievements in pig breeding and feeding. These pig farms are modern highly-automated environmentally safe production facilities, giving close attention to the observance of biosecurity requirements and having a manure removal and waste handling system in place.

Rusagro's livestock size year average, **th**s productive sows



COMPOUND FEED PRODUCTION



LIVE PIGS PRODUCTION



PIGS SHAUGHTERING AND DEBONING



MARKETING AND SALES

BELGOROD REGION

 **9** Pig farms

 **1** Breeding farm

 **2** Compound feed mills

 **1** Slaughterhouse and meat processing plant

 **10** Pig farms

 **3** Breeding farms

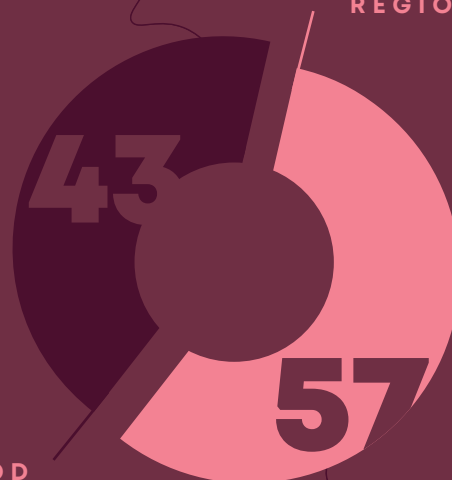
 **1** Compound feed mill

 **1** Slaughterhouse and meat processing plant

TAMBOV REGION

REGION BREAKDOWN
OF RUSAGRO'S PIGS IN 2020,
%

TAMBOV
REGION



BELGOROD
REGION

ENVIRONMENTAL IMPACT

Rusagro operates its Meat Business with the strict adherence to the principles of environmental friendliness and carries out all relevant arrangements in line with the regulations and standards. All current facilities of the Company have environmental analytical measurements conducted as a part of Production Environmental Control.

For more details on Business's impact on the environment and measures to reduce harmful effects, see Section *ESG Report* on **page 152**.

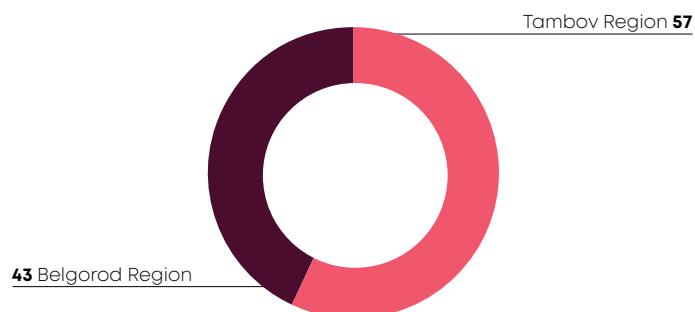
COMPOUND FEED PRODUCTION

The need for livestock compound feed is fully covered by three in-house feed mills with an annual production capacity of 900 thousand tonnes. The mills have been operating a total of five production lines, preparing the granular compound feed formulas for livestock of all life stages. About 50–60% of grains are provided by the Rusagro's Agriculture Business. The production technology laboratories ensure high accuracy of chemical, technical, and bacteriological analyses.

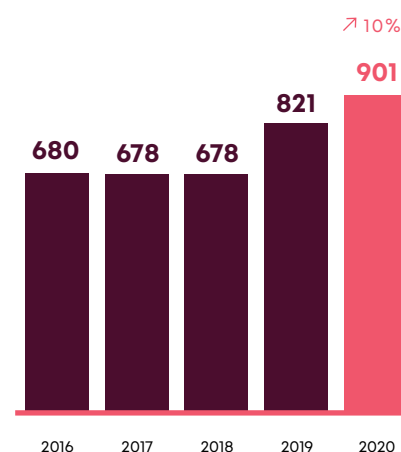
The storage capacity at the elevator in 2020 was 220 thousand tonnes, including 60 thousand tonnes in the Primorye Territory. Moreover, the Meat Business has "sleeves" for storing grain with a simultaneous storage capacity of 410 thousand tonnes. With in-house storage facilities, the Company can purchase ingredients at the most optimal time during periods of low prices.

In 2020, the compound feed production capacity of Rusagro went up by 10% year-on-year due to the commissioning of the feed mill acquired under the KapitalAgro transaction. Launching the elevator in the Primorye Territory increased the storage capacity by 60 thousand tonnes (+38%).

Region breakdown of Rusagro's combined feed production capacities in 2020, %



Rusagro's maximum compound feed production capacity, **th**s tonnes



- Agriculture Business
- Oil and Fats Business
- **Meat Business**
- Sugar Business
- Dairy Products Business

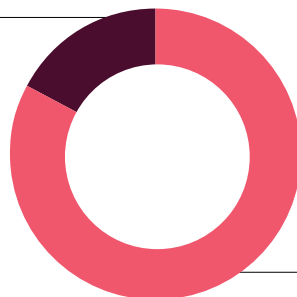
PRODUCTION OF MEAT PRODUCTS

Slaughtering and meat processing shops of the Company offer all stages of processing and production of finished goods: slaughter line, deboning area, chilled small and large cuts area, offal production area, and technical waste recycling area. In 2020, the slaughter capacity was 545 heads per hour, deboning capacity – 435 heads per hour¹. The main categories of products include carcasses, large and small cuts, chilled semi-finished products and offal. The Meat Business has the Food Safety Management System in place that reduces risks at all production stages and respects the principle of compliance with the technical regulation *On Meat Safety*. The majority of animals for slaughter originate from the Company's own pig farms (99% in 2020).

The waste recycling shop ensures deep processing of slaughter and deboning waste. Thus, blood is used to produce blood meal, while livestock losses, cut-offs and bones or spoilage – to produce meat & bone meal and feeding fat or inedible fat. Some of the products are formulated into feed, and some are sold to other companies.

Region breakdown of Rusagro's slaughtering and deboning capacities in 2020, %

17 Belgorod Region



Tambov Region 83

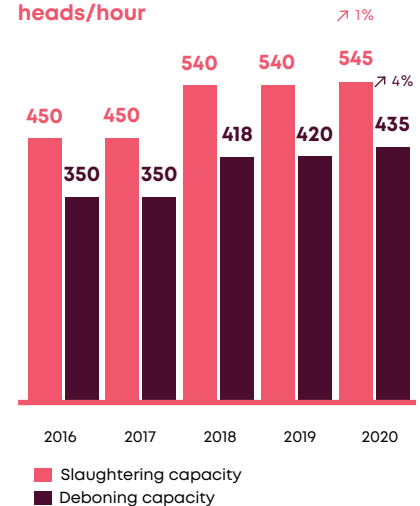
CONSUMER PRODUCTS

Since 2016, the Company has been selling the meat products under own trademark, Slovo Myasnika (Butcher's Word). In 2017, Slovo Myasnika brand was ranked first in the Forbes's new brand ranking for brand concept. In 2020, the brand's portfolio included 60 items (+5 year-on-year), which were delivered to the largest federal retail chains X5 (Perekrestok, Pyaterochka, and Karusel), Magnit, Verniy, BILLA, Diksi, Lenta, as well as to non-chain retail stores.

To meet global rising demand for alternative meat protein, in 2020 Rusagro started to explore opportunities to use plant protein to develop new product range.



Rusagro's maximum deboning and slaughtering capacity, heads/hour



With the growth in livestock in 2020, Rusagro increased the performance of the slaughterhouse and deboning workshop. The reasons for this improvement involved the increased number of working hours and enhanced labour productivity, the expansion of the pre-slaughter animal management area and the carcasses cooling and storage area, and the modernisation of equipment.

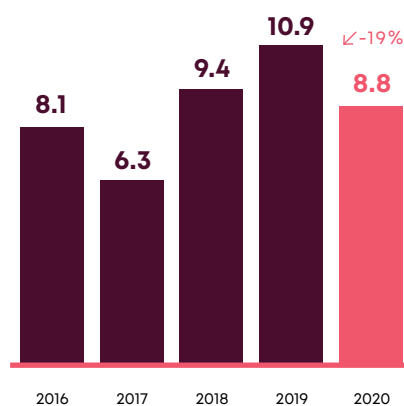
¹ The maximum annual slaughter and deboning capacity depends on the labour efficiency and the number of shifts, which may vary depending on the supply of live pork (own pork and purchased pork) and the demand for finished products

INVESTMENTS

In 2020, Rusagro invested RUB 8.8 billion, down 19% against the previous year. The bulk of the funds (90%) was allocated to business development, which is associated with the implementation of the vertically-integrated cluster project in the Primorye Territory – the procurement of equipment for the meat processing plant and the formation of the reproductive herd. Pork production in the Primorye Territory will begin in 2021 with time to full capacity – until 2024. Part of the funds was spent to complete the project for the construction of new pig farms in the Tambov Region – they were launched in 2019 and reached full capacity in 2020 – and to implement the project for the expansion of slaughtering capacities until 2021, with the first stage finished in 2019.

To support the current capacities of the Meat Business, the Company spent 10% of its budget. Maintenance investment in 2020 was halved year-on-year due to the lack of capital-intensive maintenance projects in 2019.

Rusagro's investment in the Meat Business, RUB bn



In 2019, Rusagro invested RUB 8.5 billion to acquire a 22.5% stake in Agro-Belogorie and earned dividend income from this equity. Agro-Belogorie is one of the largest pork producers in Russia with 2020 production volumes of 250 thousand tonnes of pork for slaughter in live weight.

↙ -19%

8.8

RUB bn

investments
into the Meat
Business in 2020

AUTOMATION AND INNOVATION

In 2019, the Meat Business of Rusagro prepared and approved the Business Digital Maturity Boosting Strategy until 2025, consisting of three stages: Certainty (2019–2021), Digital transformation in action (2021–2024) and Digital company (2024–2025). The first part of the strategy mainly focuses on two groups of processes – raising of live pigs and feed production. The key goals of the Digital Transformation of the first stage are as follows:

- Better management decision-making;
- Minimisation of the human factor in data generation – priority on automated data feed over manual data input;
- Automation and robotisation of standard operations;
- Reduction of costs and operating losses;
- Risk mitigation.

The first stage of the digital transformation includes the following areas:

1.

Management of raising of live pigs, livestock logistics, maintenance and repairs of pigs farms;

2.

Feed production, inter-facility feed logistics, maintenance and repairs of compound feed mills;

3.

Procurement and inventory management.



In continuation of the first wave of digital transformation in 2020, the Business developed the architecture of the ERP system¹, approved a programme of 55 innovative projects with a implementation period of 2020–2024, and introduced a new 5 steps methodology for managing innovative projects: concept – research – prototype – pilot – scale up. During the reporting period, the Business has been implementing the following projects:

- 1.** Accurate management of logistics between production sites;
- 2.** Automation of feed reserves management;
- 3.** Detection of animals diseases (behaviour analytics);
- 4.** Creation of a predictive-optimisation model for planning a sow herd;
- 5.** Automation of the control procedures for admitting vehicles to production sites in order to manage biosecurity;
- 6.** Usage of neural networks, in particular computer vision, to monitor production figures at pig farms;
- 7.** Creation of a system for conducting audits for quality, labour protection and industrial safety, for registering deviations, and for developing and monitoring corrective actions;
- 8.** Automation of clients interaction (requests, claims, etc.) on the CRM-platform.

¹ ERP (Enterprise Resource Planning) is an organisational strategy for the integration of production and operations, human resources management, financial management and asset management, focused on the continuous balancing and optimisation of enterprise resources through a specialised integrated suite of application software that provides a common model data and processes for all areas of activity. ERP-system is a specific software package that implements the ERP strategy

CONSTRUCTION OF NEW PIG FARMS IN THE TAMBOV REGION PROJECT

Status: launched in 2019, full capacity in 2020

Location: Tambov Region

Facilities:

- three pig farms for 16 thousand sows;
- one pig breeding farm for three thousand sows.

Production capacity: up to 58 thousand tonnes of pork in live weight per year.

Project cost: 12 RUB bn, excl. of VAT

Construction time: 2016–2019

First production: mid-2019

Time to full production: 1Q 2020

TAMBOV
REGION

EXPANSION OF SLAUGHTERING CAPACITY IN THE TAMBOV REGION PROJECT

Status: the first stage launched in 2019, the second one – in 2020

Location: Tambov Region.

Slaughtering capacity: increase in the slaughtering capacity by 46%

Project cost: 2.2 RUB bn, excl. of VAT

Timeline: 2018–2021

Time to full production: 2Q 2021.

CONSTRUCTION OF NEW PIG FARMS IN THE PRIMORYE TERRITORY PROJECT

Status: construction in progress, elevator complex launched, start of sows and boars supply

Location: Primorye Territory, Mikhailovsky territory of priority development

Facilities:

- six pig farms for 18 thousand sows;
- one breeding farm for three thousand purebred sows;
- one seed production workshop;
- one compound feed mill with a capacity of 300 thousand tonnes per year and an elevator with a capacity of 120 thousand tonnes;
- one slaughterhouse with a capacity of 180 heads/hour (0.7 million heads/year);
- one industrial waste recycling plant.

Production capacity: 75 ths tonnes of pork in live weight

Project first stage construction cost: 33 RUB bn, excl. of VAT (net of investments in land acquisition and development of home-grown feed base).

Construction time: 2016–2022

First production: mid-2021

Time to full production: mid-2023

PRIMORYE
TERRITORY

OPERATIONAL RESULTS

PRODUCTION

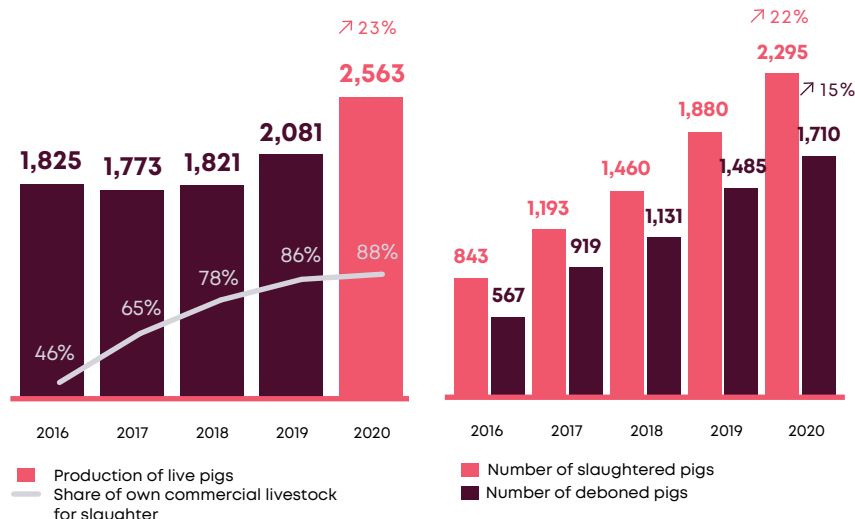
With the increased number of sows and improved production indicators, Rusagro produced 2.6 million pigs for sale in 2020, which is up 23% year-on-year. Due to the improvement of these indicators, the Company raised livestock production in the reporting period by 26% (+64 thousand tonnes) – up to 308 thousand tonnes of pork in live weight, among them 186 thousand tonnes (+34%) in the Tambov Region and 122 thousand tonnes in the Belgorod Region (+17%). The boosted productivity of meat processing shops, despite the difficulties arising from the coronavirus epidemic, translated into the respective increase in the number of animals sent for slaughter. So in 2020, the total number of pigs for slaughter amounted to 2.3 million, up 22% year-on-year. Three quarters of these animals, i.e. 1.7 million pigs (+15%), were further subject to deboning.

The number of pigs for slaughter includes 28 thousand outsourced live pork, which is equivalent to 1% of the total number of pigs for slaughter

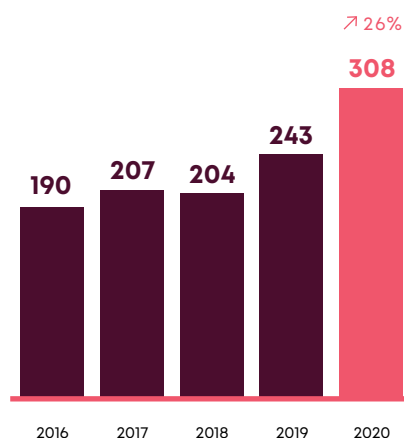
Rusagro also increased the volume of compound feed production to meet the growing needs in 2020. With the improved performance of the plant in the Tambov Region and the commissioning of the feed mill acquired from KapitalAgro in the Belgorod Region, the production volume grew by 18% to 886 thousand tonnes.

The full capacity operation of the pig farms built in 2019 and the improvement in production indicators in the Tambov Region (+31%, or 0.4 million heads), as well as improvement of the same in the Belgorod Regions (+14%, or 0.1 million heads) are among the main contributors to the 23% year-on-year growth of Rusagro's commercial pig stock in 2020.

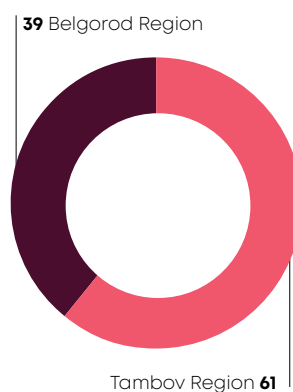
Number of pigs to be slaughtered and deboned at Rusagro, **ths pigs**



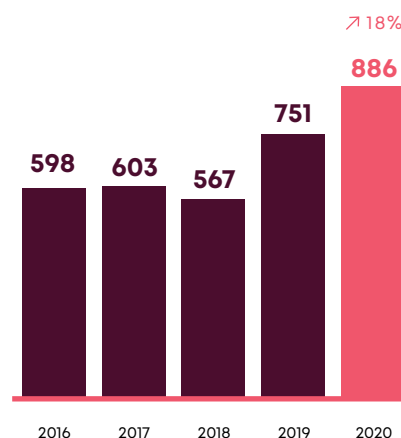
Rusagro's pork production in live weight, **tht tonnes**



Region breakdown of Rusagro's pork production in live weight in 2020, %



Rusagro's compound feed production volume, **tht tonnes**



- Agriculture Business
- Oil and Fats Business
- **Meat Business**
- Sugar Business
- Dairy Products Business

SALES AND PRICES

Following the expansion of production, Rusagro has been racking up the sales of meat products. In seeking to create the added value, the Company has been deliberately reducing the sales of live pigs (13% in 2020 and 47% in 2016) over the last five years to support the output of processed meat products and to promote sales of semi-finished products under own Slovo Myasnika (Butcher's Word) brand. As for 2020 year-end results, the sales of pig products by the Meat Business totalled 220 thousand tonnes (up 25% year-on-year), and those of live pigs – 34 thousand tonnes (up 3% year-on-year). Total sales volume reached 254 thousand tonnes (+22%, or 46 thousand tonnes).

↑ 22 %

254

ths tonnes

Sales of Rusagro's Meat Business products in 2020

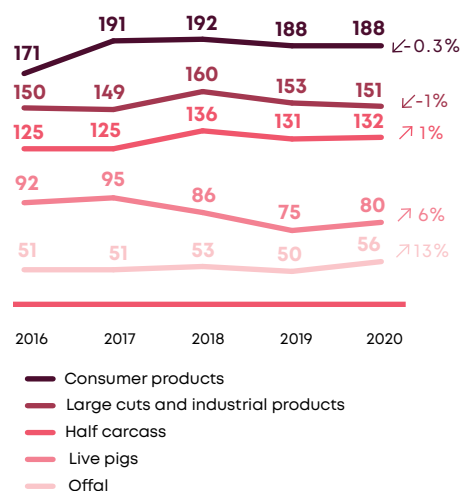
Rusagro's volumes of sales of live pigs and meat products, ths tonnes

Indicator	2016	2017	2018	2019	2020
Large cuts and industrial products	42	65	74	97	114
Half carcass	32	31	30	32	49
Live pigs	76	57	27	33	34
Offal	9	16	18	24	29
Semi-finished products	0	4	16	16	23
Waste recycling products	3	3	4	6	6

The increase in supply of the Company's products matched the growth of demand, which determined the product mix. The half carcasses together with industrial products and large cuts recorded the largest increase in sales of deboning products (+17 thousand tonnes, or +51%, and +16 thousand tonnes, or +16%, respectively). Semi-finished products also enjoyed a noticeable growth (+8 thousand tonnes, or +49%) – the volume of their sales went up to 23 thousand tonnes.

In 2020, the average annual sale price of pork in live weight grew by 6% and stood at RUB 80 per kg, exclusive of VAT. The main reasons behind this growth include the wider demand of the largest producers for live pigs with concurrent temporary restrictions on the supply of the same due to the epizootic situation. And yet, with larger slaughtering and deboning capacities available in the market, the selling prices for their products did not show any considerable advance. Offal is the only exception; the rise of its price was driven by the high export alternative in Hong Kong and Vietnam directions, as well as by the increased demand from Mars and Nestlé, animal feed companies.

Rusagro's sales prices for live pigs and meat products, RUB/kg, excl. of VAT



CONSUMER PRODUCTS

In 2020, consumer segment accounted for 25% of sales volumes and 37% of revenues of Rusagro's Meat Business (excluding export sales). A two p.p. increase in both figures is associated with higher consumption of the Russian households during the pandemic.

In pursuing its strategy to conquer the retail market, including product mix updates and TV promotion, Rusagro expanded the position of its own brand of meat products, *Slovo Myasnika* (Butcher's Word), on the Russian market. Sales of the products under this brand grew by 56% – from 13 to 20 thousand tonnes. The audit of retail trade in the Modern Retail channel conducted by AC Nielsen international agency showed that the market share of the Slovo Myasnika brand increased by 1.3 p.p. year-on-year and amounted to 8.1% (in 2017 – only 2%). According to Millward Brown, (prompted) brand awareness increased by 51 p.p. year-on-year – from 23% to 74% in the Central Federal District, which is the major sales market, and by 39 p.p. (from 19 to 58%) – in all Russia.

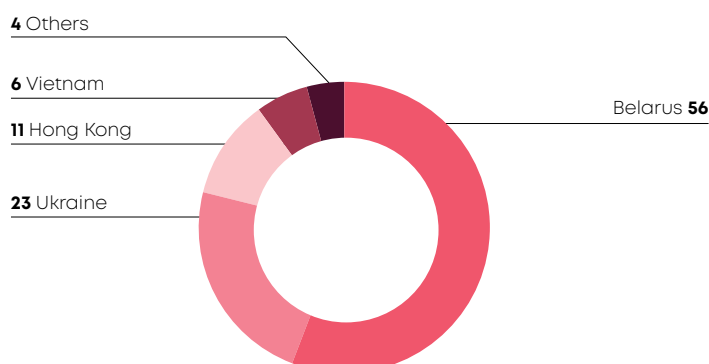
2020 witnessed a significant change in consumer habits amid restrictions and isolation, which drove up the consumption of the large cuts category and slowed down switching to value-added categories. With key partners working remotely, the consideration of issues on introducing new products and expanding the product mix was hindered. Despite these circumstances, we managed to timely agree on the listing of the new product mix for key customers and produce the desired results.

EXPORTS

In 2020, Rusagro stepped up exports of meat products by 105% (+16 thousand tonnes) – to 31 thousand tonnes. The key factors contributing to this growth were the qualification of the large cut category in Vietnam, product-line expansion, and the increased customer base.

Almost half (44%) of the exported products were taken by half carcasses, 37% – by large cuts and bulk products, and 19% – by offal. As in past years, Belarus is the main export destination with a share of 56%. In 2020, Rusagro increased export capacity in this direction from 5 to 18 thousand tonnes due to the better competitive pricing of Russian pork as compared with the local prices of the CIS countries. Another seven thousand tonnes (+15%) were sold to Ukraine. Deliveries to Asian countries – Hong Kong and Vietnam – rose by 43% from four to five thousand tonnes. In 2020, Rusagro made the first supplies of large cuts of meat to Vietnam (one thousand tonnes).

Export destinations of Rusagro's meat products in 2020, %



↑ 56%

20

ths tonnes

Slovo Myasnika sales volume in 2020

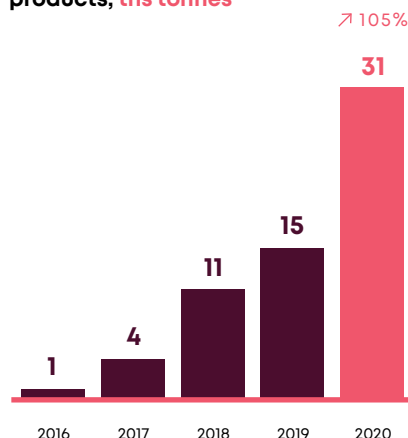
↑ 105%

31

ths tonnes

Rusagro's exports of meat products in 2020

Exports of Rusagro's Meat Business products, ths tonnes



- Agriculture Business
- Oil and Fats Business
- **Meat Business**
- Sugar Business
- Dairy Products Business

FINANCIAL RESULTS

In 2020, the revenues of Rusagro's Meat Business grew by 26% (+RUB 6.6 billion) to RUB 32.4 billion thanks to the full capacity operation of new pig farms and an increase in the productivity of the slaughterhouse and deboning workshop, and successful export sales of meat products. Despite the growth in prices for grain crops, the Business experienced the 1 p.p. increase in - in profit margin – up to 20%, earnings before interest taxes depreciation and amortisation (EBITDA) reached RUB 6.5 billion, up 34% (+RUB 1.7 billion) year-on-year

↑ 26 %

32.4

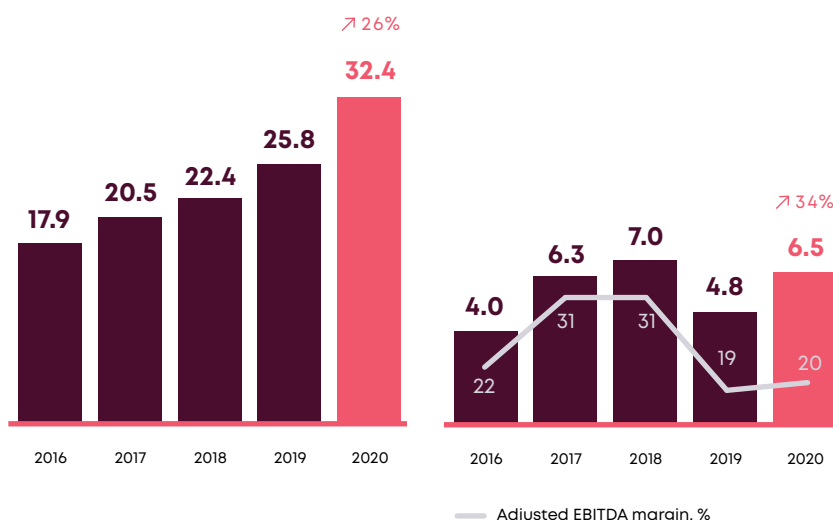
RUB bn

Sales of Rusagro's Meat Business in 2020

Financial results of Rusagro's Meat Business, RUB bn

Sales

Adjusted EBITDA



↑ 34 %

6.5

RUB bn

Adj. EBITDA of Rusagro's Meat Business in 2020

PLANS FOR 2021

In 2021, Rusagro plans to ramp up the production of pigs in live weight to about 2.8 million through higher utilisation of production capacities and increase in productivity. Improvements in herd management and genetic potential will be a boon to the production results of the Meat Business. On top of that, shipping commercial pigs from pig farms in the Primorye Territory is scheduled to commence in autumn. In the meantime, reaching the target indicators of the project to increase the efficiency of the slaughterhouse and deboning shop enabled by streamlining the production chain will preserve a high proportion of livestock sent to slaughter and deboning and step up the output of consumer meat products. The Company will further build up the potential of own brand sales and ramp up export deliveries in key markets, in particular to Vietnam. High prices for grain crops of the 2020 harvest and the low exchange rate of the rouble against key world currencies will have a detrimental effect on the Meat Business's income in 2021.