



# **RG Brands JSC & Subsidiaries**

## **NOTES**

**to the Interim Consolidated Financial Statements**

as at 31 March 2020

*(in KZT thousands unless stated otherwise)*

## 1. GENERAL

The principal activity of RG Brands JSC and its subsidiaries (“the Group”) is production, sale and distribution of juices, carbonated soft drinks, milk, chips, as well as the packing, sale and distribution of tea and other commercial products. The Group’s operations are primarily in the Republic of Kazakhstan (“Kazakhstan”).

**Ownership structure of the Company** – RG Brands JSC was initially registered on 22 June 1998 as a limited liability partnership and transformed into an open joint stock company on 27 March 2001. The Company was re-registered as a joint stock company on 17 February 2004.

As at 31 March 2020 and 31 December 2019 the registered share capital of RG Brands JSC was KZT 2 787 696 thousand. As at 31 March 2020 and 31 December 2019 the share capital comprised of 3 452 730 common shares amounting to KZT 1 840 296 thousand and 789 500 preferred shares amounting to KZT 947 400 thousand. The share capital was paid in full.

As at 31 March 2020 and 31 December 2019 shareholders of the Company were as follows:

Shareholders	Ownership interest		Number of shares		Amount	
	31.03.2020	31.12.2019	31.03.2020	31.12.2019	31.03.2020	31.12.2019
Mr. T.S. Kaltayev Mr. K.K.	0,957%	0,957%	30 000	30 000	33 400	33 400
Mazhibayev	62,042%	62,042%	1 944 771	1 944 771	944 726	944 726
Mr. A. Agybayev	0,606%	0,606%	19 000	19 000	21 125	21 125
Mr. R. Bayazerov	0,586%	0,586%	18 355	18 355	20 481	20 481
Mr. A.V. Khalyapin Mr. Y.Zh.	0,004%	0,004%	138	138	501	501
Koshkimbayev	35,805%	35,805%	1 122 352	1 122 352	656 699	656 699
<b>Total</b>	<b>100,0%</b>	<b>100,0%</b>	<b>3 134 616</b>	<b>3 134 616</b>	<b>1 676 932</b>	<b>1 676 932</b>

As at 31 March 2020 and 31 December 2019 repurchased common shares of the Group made KZT 163 364 thousand or 318 114 common shares.

**Group structure and transactions** – The Group consists of RG Brands JSC and subsidiaries as follows:

	Ownership interest		Voting power	
	31.03.2020 г.	31.12.2019 г.	31.03.2020 г.	31.12.2019 г.
«RG Brands Kazakhstan» LLP	100%	100%	100%	100%
«Uni Commerce Ltd.» LLP	100%	100%	100%	100%
«RG Brands Kyrgyzstan» LLC	100%	100%	100%	100%
«RG Brands Tashkent» LLP	100%	100%	100%	100%
«PRG Bottlers Kazakhstan» LLP	100%	100%	100%	100%
«RG Brands Sever» LLC	100%	100%	100%	100%

RG Brands began production and packing of juice and juice-containing drinks in November 1999. Today the Group has the following trade marks in its portfolio: Gracio, Da-Da and Nectar Solnechnyi, Da-Da Day and ASU.

The Group started up the first line for production of carbonated soft drinks under the trademarks of Pepsi, Seven Up, Mirinda and Aquafina in November 1999.

As at 31 March 2020 RG Brands owned 100% authorised capital of RG Brands Kyrgyzstan LLC registered on 11 March 2004. The interest of the minority shareholder was purchased on 7 October 2008.

RG Brands Kazakhstan LLP (hereinafter “RG Brands Kazakhstan”) was established on 4 April 2006 and comprised production facilities engaged in manufacture of juice, beverages, packaged milk under Moye trade mark, tea under Piala trade mark, bottled water under Asu trade mark, and Grizzly chips. This Company is also engaged in distribution of the Group products in the Republic of Kazakhstan.

In accordance with the decision of RG Brands JSC, a 100% subsidiary – RG Brands Tashkent LLC was registered on 29 August 2009 in the Republic of Uzbekistan.

RG Brands Tashkent LLC and RG Brands Kyrgyzstan LLC are engaged in sale and distribution of the Group products in the Republic of Uzbekistan and Kyrgyz Republic accordingly.

In accordance with the decision of RG Brands JSC, a 100% subsidiary – RG Brands Sever LLC was registered on 6 May 2016 in the Russian Federation.

The Head Office of the Company is located in Almaty; its production capacities are located in Almaty, Almaty Oblast, and Kostanai, Republic of Kazakhstan. As specified above, the Company is also present in Kyrgyz Republic, Republic of Uzbekistan and Russia to implement its sale and distribution strategies.

Legal address: 212b, Raimbek ave., Almaty, Republic of Kazakhstan

Form of ownership: Private

#### ***Bottling Agreements with PepsiCo and Seven-Up International***

The Group operates its carbonated soft drinks production and distribution under an exclusive bottling appointment agreement, concluded between RG Brands Kazakhstan and Seven-UpInternational. Under these agreements, RG Brands Kazakhstan received the rights for bottling, sale and distribution of PepsiCo and Seven-Up products in Kazakhstan until 21 July 2010 with automatic prolongation for 5 years and subsequently for another 5-year period at the end of each 5-year period.

The rights for distribution of Pepsico Inc., Pepsi Lipton International Limited and Seven-Up products in the Kyrgyz Republic are provided under agreements concluded with these companies till 31 December 2020, inclusive.

## **2. BASIS OF PREPARATION**

These consolidated interim financial statements of RG Brands JSC and its subsidiaries have been prepared in accordance with International Financial Reporting Standard (“IFRS”) 34 *Interim Financial Reporting*.

The reporting period is from 01 January to 31 March 2020.

The Group keeps accounts in Kazakhstan monetary units (KZT) in accordance with the effective laws of the Republic of Kazakhstan. These consolidated interim financial statements are presented in KZT thousands.

These consolidated interim financial statements have been prepared on the historical cost basis except for certain assets and liabilities measured at fair value.

These consolidated interim financial statements have been prepared based on two fundamental assumptions – accrual and going concern.

To calculate the book value of shares, the Group uses the following method: the carrying amount per common share equals the difference between the Company equity and the value of preferred shares divided by the number of common shares placed.

The carrying amount per preferred share equals the value of preferred shares placed divided by the number thereof.

### 3. KEY ACCOUNTING POLICIES

The Group applied IFRS 15 revenue from Contracts with Customers starting January 1, 2018. The main impact of adoption of IFRS 15 relates to consideration payable to a customer. Consideration payable to a customer includes cash amounts that the Group pays, or expects to pay, to the customer. The Group accounts for consideration payable to a customer as reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group.

In 2018 the Group applied IFRS 9 Financial Instruments. The Group changed incurred credit loss model for expected credit loss model, although the effect was not material.

In 2019 the Group applied IFRS 16 Leases which introduces new or amended requirements with respect of lease accounting. Adoption of IFRS 16 did not have material impact on the consolidated Statement of Financial position and consolidated Statement of Cash Flow.

As for other recognition and measurement policies, when preparing these interim financial statements, the Group used accounting policies applied in the latest annual financial statements.

### 4. REVENUE

Revenue was as follows:

	(thousands of Tenge)	
	<b>3 months of 2020</b>	<b>3 months of 2019</b>
Sales of carbonated soft drinks and juice containing drinks	10 463 530	7 642 245
Sale of packed tea, packed milk and food products	5 461 741	4 266 485
Sale of wholesale products	23 685	16 713
	<u>15 948 956</u>	<u>11 925 443</u>

### 5. COST OF SALES

Cost of sales were as follows:

	(thousands of Tenge)	
	<b>3 months of 2020</b>	<b>3 months of 2019</b>
Materials	8 193 784	6 557 778
Depreciation and amortisation	329 391	355 322
Payroll and related taxes	251 568	228 179
Utilities	118 621	105 291
Repairs	303 174	167 902
Cost of sale of wholesale products	49 309	67 314
Other costs	42 022	56 825
	<u>9 287 869</u>	<u>7 538 611</u>

## 6. SELLING EXPENSES

Selling expenses were as follows:

	<b>3 months of 2020</b>	(thousands of Tenge) <b>3 months of 2019</b>
Transportation	1 007 702	775 911
Payroll and related taxes	316 275	229 736
Advertising campaigns and market research	372 985	257 859
Sales agents expenses	926 325	459 883
Other selling costs	153 781	125 117
Amortisation	186 464	182 950
Lease of vehicles, warehouses and office premises	147 747	93 872
Business trip expenses	6 615	5 807
Write-off of materials	312	59
Reimbursement of selling expenses	(320 621)	(70 345)
	<b>2 797 585</b>	<b>2 060 849</b>

## 7. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were as follows:

	<b>3 months of 2020</b>	(thousands of Tenge) <b>3 months of 2019</b>
Payroll and related payments	613 950	542 330
Waste goods write-off	22 996	36 926
Consulting services	33 958	105 599
Penalties and fines	188	380
Depreciation and amortisation	56 442	33 911
Taxes other than income tax	58 180	61 073
Bank services	19 479	43 506
Transportation expenses	26 376	25 656
Utilities	21 256	20 829
Business trip expenses	72 451	26 632
Communication services	32 386	23 752
Insurance	212 364	29 176
Provision for doubtful debts	(4 064)	1 907
Others	204 065	212 525
	<b>1 370 027</b>	<b>1 164 202</b>

## 8. FINANCE COSTS

Finance costs were as follows:

	(thousands of Tenge)	
	<b>3 months of 2020</b>	<b>3 months of 2019</b>
Interest on borrowings	734 186	527 346
Interest on notes payable	-	-
Interest on letter of credit	18 812	11 668
Other	8	744
	<b>753 006</b>	<b>539 758</b>

## 9. OTHER EXPENSES / INCOME

Other income/ (expenses) were as follows:

	(thousands of Tenge)	
	<b>3 months of 2020</b>	<b>3 months of 2019</b>
Income from disposal of property, plant and equipment	1 750	(2 918)
Other operating expenses/income, net	107 095	52 250
Other	6 541	9 299
	<b>115 386</b>	<b>58 631</b>

## 10. EARNINGS PER SHARE AND BOOK VALUE PER SHARE

Earnings/(loss) per share is calculated by dividing net profit/(loss) for the year attributable to equity holders by the weighted average number of common shares outstanding during the year as shown below.

	(thousands of Tenge)	
	<b>3 months of 2020</b>	<b>3 months of 2019</b>
Net profit /loss for the year attributable to equity holders	5 949 133	65 774
Weighted average number of common shares	3 134 616	3 148 271
Basic loss/earnings per share, in Tenge	1 898	21

The Company uses the following calculation method to determine the book value of shares.

**Book value per common share** is a quotient of the net assets for common shares by the number of common shares.

$$9\ 092 = 28\ 498\ 777 / 3\ 134\ 616$$

Net assets for common shares are calculated using the following formula:

$$NAV = (TA - IA) - TL - PS, \text{ где}$$

- TA – issuer’s assets recognised in the issuer’s statement of financial position as at the calculation date;
- IA – intangible assets in the issuer’s statement of financial position as at the calculation date;
- TL – liabilities in the issuer’s statement of financial position as at the calculation date;
- PS – balance of Authorised Capital, Preferred Shares item in the issuer’s statement of financial position as at the calculation date.

$$28\ 498\ 777 = (80\ 650\ 432 - 82\ 728) - 52\ 068\ 927$$

	at 31.03.2020	(thousands of Tenge) at 31.12.2019
<b>Calculation of book value per common share</b>		
Net assets of the Group excluding intangible assets	28 498 777	22 509 869
Number of outstanding common shares	3 134 616	3 134 616
Book value per common share, Tenge	9 092	7 181

**Book value per preferred share is calculated using the following formula:**

$$BVPS2 = LPS / NOPS2, \text{ where}$$

- BVPS2 – book value per preferred share of the second group as at the calculation date;
- NOPS2 – number of outstanding preferred shares of the second group as at the calculation date;
- LPS – balance of preferred shares recorded as liabilities in the issuer’s statement of financial position as at the calculation date

$$1\ 200 = 947\ 400 / 789\ 500$$

	at 31.03.2020	(thousands of Tenge) at 31.12.2019
<b>Calculation of book value per preferred share</b>		
Balance of preferred shares held within the Group	947 400	947 400
Number of outstanding preferred shares	789 500	789 500
Book value per preferred share, Tenge	1 200	1 200

## 11. PROPERTY, PLANT AND EQUIPMENT

As at 31 March 2020 property, plant and equipment less accumulated depreciation were as follows:

	Land	Buildings and constructions	Machinery and equipment	Vehicles	Other	Construction in progress	Total
(thousands of Tenge)							
<b>Historical cost</b>							
At 1 January 2020	1 552 835	6 759 723	20 727 373	151 159	1 255 755	237 278	30 684 123
Additions	-	-	735 485	-	13 370	89 585	838 440
Internal transfers	-	-	72 147	-	(2 627)	(69 520)	-
Disposals	-	-	(3 309)	(19 734)	(633)	-	(23 676)
At 31 March 2020	<b>1 552 835</b>	<b>6 759 723</b>	<b>21 531 696</b>	<b>131 425</b>	<b>1 265 865</b>	<b>257 343</b>	<b>31 498 887</b>
<b>Accumulated depreciation</b>							
At 1 January 2020	-	(990 520)	(5 731 711)	(127 314)	(975 093)	-	(7 824 638)
Accrued for the period	-	(149 433)	(386 637)	(2 590)	(26 589)	-	(565 249)
Internal transfers	-	-	2	-	(2)	-	-
Disposals	-	-	460	19 734	633	-	20 827
At 31 March 2020	-	<b>(1 139 953)</b>	<b>(6 117 886)</b>	<b>(110 170)</b>	<b>(1 001 051)</b>	-	<b>(8 369 060)</b>
<b>Net book value at 31 March 2020</b>	<b>1 552 835</b>	<b>5 619 770</b>	<b>15 413 810</b>	<b>21 255</b>	<b>264 814</b>	<b>257 343</b>	<b>23 129 827</b>

## 12. INVENTORIES

	(thousands of Tenge)	
	at 31.03.2020	at 31.12.2019
Finished goods	4 271 746	3 182 477
Raw material	4 196 264	2 713 511
Packing materials	1 150 542	1 004 214
Other	729 531	433 102
Spare parts	367 065	563 799
Less provision for slow moving inventories	(70 785)	(68 676)
	<b>10 644 363</b>	<b>7 828 427</b>

## 13. ACCOUNTS RECEIVABLE

	(thousands of Tenge)	
	at 31.03.2020	at 31.12.2019
Trade accounts receivable	2 229 940	2 223 805
Less provision for doubtful debt	(117 150)	(136 942)
	<b>2 112 790</b>	<b>2 086 863</b>



As at 31 March 2020 trade accounts receivable were denominated in the following currencies:

	(thousands of Tenge)	
	<b>at 31.03.2020</b>	<b>at 31.12.2019</b>
In Tenge	1 682 154	1 662 024
In Russian Roubles	326 228	318 566
In Kyrgyz Soms	104 408	106 273
	<u>2 112 790</u>	<u>2 086 863</u>

#### 14. ADVANCES PAID

	(thousands of Tenge)	
	<b>at 31.03.2020</b>	<b>at 31.12.2019</b>
<b>Non-current</b>		
Advances paid for property, plant and equipment	80 732	48 139
Other	13 692	9 565
	<u>94 424</u>	<u>57 704</u>
<b>Current:</b>		
Advances paid for services and inventory	2 472 568	1 760 692
Less provision for doubtful debt	(133 191)	(134 612)
	<u>2 339 377</u>	<u>1 626 080</u>

#### 15. OTHER CURRENT ASSETS

	(thousands of Tenge)	
	<b>at 31.03.2020</b>	<b>at 31.12.2019</b>
Short-term accounts receivable from related parties	286 333	256 022
Receivables from employees	305 598	290 812
Other taxes receivable	617 070	329 702
Other receivables	629 892	403 021
Prepaid expenses	439 722	518 989
Less provision for doubtful debts	(15 625)	(15 625)
	<u>2 262 990</u>	<u>1 782 921</u>

## 16. BORROWINGS

	(thousands of Tenge)	
	at 31.03.2020	at 31.12.2019
<b>Borrowings:</b>		
Long-term loans	15 830 307	13 855 075
Short-term bank loans and current portion of long-term loans	18 450 353	17 644 228
	<u>34 280 660</u>	<u>31 499 303</u>
Interest payable	129 379	499 071
	<u>34 410 039</u>	<u>31 998 374</u>

As at 31 March 2020 and 31 December 2019 the borrowings are subject to repayment as follows:

	at 31.03.2020	at 31.12.2019
On demand or within one year	18 579 732	18 143 299
In the second to fifth year inclusive	15 830 307	13 855 075
	<u>34 410 039</u>	<u>31 998 374</u>

As at 31 March 2020 borrowings were denominated in the following currencies:

	at 31.03.2020	at 31.12.2019
In Tenge	25 552 023	22 329 295
In Russian Roubles	8 858 016	9 669 079
	<u>34 410 039</u>	<u>31 998 374</u>

## 17. ACCOUNTS PAYABLE

As at 31 March 2020 accounts payable were as follows:

	(thousands of Tenge)	
	at 31.03.2020	at 31.12.2019
Raw materials	6 200 915	4 647 423
Packing materials	4 872 168	3 651 562
Services	678 577	508 576
Property, plant and equipment	104 910	78 627
Goods	167 208	125 318
	<u>12 023 778</u>	<u>9 011 506</u>
Less long-term accounts payable	(1 031 832)	(876 772)
	<u>10 991 946</u>	<u>8 134 734</u>

As at 31 March 2020 trade accounts payable were denominated in the following currencies:

	(thousands of Tenge)	
	at 31.03.2020	at 31.12.2019
In Tenge	5 944 221	5 287 753
In US Dollars	3 735 298	2 021 625
In Chinese yuans	1 040 335	730 603
In Euro	479 725	349 052
In Kyrgyz Sums	273 038	123 317
In Russian Roubles	551 161	499 156
	<u>12 023 778</u>	<u>9 011 506</u>

## 18. TAXES PAYABLE

	(thousands of Tenge)	
	at 31.03.2020	at 31.12.2019
Value added tax	1 195 281	713 007
Personal income tax	29 273	30 501
Other taxes	24 653	44 941
Social tax	15 743	16 936
	<u>1 264 950</u>	<u>805 385</u>

## 19. OTHER ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	(thousands of Tenge)	
	at 31.03.2020	at 31.12.2019
Payable to employees	257 674	220 704
Accrued vacation and bonuses	252 595	227 924
Advances received	363 540	149 951
Other accrued liabilities	57 268	43 351
	<u>931 077</u>	<u>641 930</u>

## 20. BUSINESS AND GEOGRAPHICAL SEGMENTS

In view of the management's assessment of the business on a single geographic base, i.e. Kazakhstan where 84.85% of the business is done, the management determined that the Group segmentation base is best reflected by the following business lines:

- a. Production, distribution and sale of products under the home brands of the Group including juices (Gracio, Da-Da, Nectar Solnechnyi), juice-containing drinks (DaDa Day), Asu bottled water, and Yeti energy drink;

- b. Production, distribution and sale of other products under the home brands of the Group including Piala Tea and Moye milk;
- c. Production, distribution and sale of franchised products including carbonated alcohol-free beverages (Pepsi, Pepsi Light, Mirinda, Seven-Up and Lipton Ice Tea);
- d. Trade transactions including sale and distribution of imported goods of other manufacturers.

	(thousands of Tenge)			
	<b>Production of juice and juice-containing beverages</b>	<b>Food stuff</b>	<b>Trading</b>	<b>Consolidated</b>
<b>Period ended 31 March 2020</b>				
Revenue	10 463 530	5 461 741	23 685	15 948 956
Operating profit (loss) before tax	4 036 589	2 107 014	9 137	6 152 740
Income tax expense	(133 579)	(69 725)	(303)	(203 607)
Net profit/(loss)	3 903 010	2 037 288	8 835	5 949 133
Depreciation	375 463	195 984	850	572 297
Acquisition of property, plant and equipment and intangible assets	612 061	226 379	-	838 440

	<b>Production of juice and juice-containing beverages</b>	<b>Food stuff</b>	<b>Trading</b>	<b>Consolidated</b>
<b>Period ended 31 March 2020</b>				
Segment assets	52 553 927	27 432 036	118 962	80 104 925
Deferred income tax assets	-	-	-	-
Total assets	52 553 927	27 432 036	118 962	80 104 925
Segment liabilities	31 923 233	16 663 251	72 262	48 658 746
Deferred income tax liabilities	2 237 296	1 167 821	5 064	3 410 181
Total liabilities	34 160 529	17 831 072	77 326	52 068 927

The Group's revenue from sales to external companies by countries was as follows:

	(thousands of Tenge)	
	<b>3 months of 2020</b>	<b>3 months of 2019</b>
Republic of Kazakhstan	13 532 981	10 020 574
Kyrgyz Republic	1 941 472	1 442 272
Russian Federation	469 624	447 275
Tajikistan	-	11 822
China	4 879	3 500
	<b>15 948 956</b>	<b>11 925 443</b>

## 21. RETIREMENT BENEFITS

In accordance with the requirements of the laws of the Republic of Kazakhstan, the Group makes 10% pension contributions from the employee salaries. However, subject to the Republic of Kazakhstan laws, this amount per employee shall not exceed KZT 212 500 a month since 1 January 2020, previously monthly contributions per employee amounted to KZT 212 500. These amounts are expensed as incurred. Contributions to the pension funds are deducted from the employee salary and recognised in the total salaries paid in the consolidated statement of comprehensive income.

As of 31 March 2020 the Group had no liabilities to its current or former employees on additional pension contributions, postretirement medical benefits, insurance payments or other retirement benefits.

## 22. RELATED PARTIES

Related parties of the Group are companies controlled and related to the Company shareholders – Mr. K.K. Mazhibayev and Ye.Zh. Koshkinbayev.

Transactions between the Company and its subsidiaries are eliminated at consolidation and not disclosed in this note. Transactions entered by the Group with the related are disclosed below.

*Trading transactions* – as at 31 March 2020 and 31 December 2019

Related party transactions include:

- sale of carbonated alcohol-free beverages, natural juice, tea;
- sale/purchase of other materials, property, plant and equipment, securities and rendering of various services;
- loans and borrowings.

	(thousands of Tenge)			
	Sales		Purchases	
	3 months of 2020	3 months of 2019	3 months of 2020	3 months of 2019
<b>RESMI Direct Investments</b>				
<b>LLP</b>	2 241	3 367	30 579	64 022
<b>Jointly controlled companies</b>	-	-	2 938	477

	Related-party receivables		Related-party payables	
	31.03.2020	31.12.2019	31.03.2019	31.12.2019
	<b>Jointly controlled companies:</b>	<b>355 885</b>	<b>338 027</b>	-
<i>Money on broker's account</i>	69 552	82 005		
<i>Interest-free financial aid</i>	-	-		
<i>Liability on trade and other transactions</i>	286 333	256 022	-	-

*Key management benefits* – Key management benefits are determined by the shareholders' meeting and senior management of the companies in accordance with the staff policy, staff list, personal employment contracts, decisions of the shareholders, orders on accrual of bonuses, etc.

### 23. EVENTS AFTER THE REPORTING DATE

During the period after the reporting date and prior to the date of the financial statements approval, no events have happened to the Group which would require adjustments or disclosures in the notes to the consolidated interim financial statements.

**Chairman of the Management Board**



**Timur Kaltayev**

**Chief Financial Officer**

**Askat Agybayev**

**Chief accountant**



**Natalya Ivanova**