

## **Cherkizovo Group (LSE:CHE; MOEX:GCHE)**

### **Announces Financial Results for 2015**

Moscow, Russia — March 16, 2016 – Cherkizovo Group (LSE: CHE; MOEX: GCHE) (hereinafter “Cherkizovo”, “the Group” or “the Company”), the largest vertically integrated meat and feed producer in Russia, today announces its audited consolidated IFRS results for the year ending December 31, 2015.

#### **Key financial highlights**

- Revenue increased by 12% year-on-year to RUB 77.0 billion from RUB 68.7 billion in 2014;
- Gross profit decreased by 27% year-on-year to RUB 19.1 billion from RUB 26.1 billion in 2014;
- Gross margin fell to 24.9% year-on-year from 38.0% in 2014;
- Operating expenses increased by 23% year-on-year to RUB 11.6 billion, compared to RUB 9.5 billion in 2014;
- Adjusted EBITDA\* at RUB 12.6 billion, a 26% year-on-year drop from RUB 17.0 billion in 2014;
- Adjusted EBITDA margin at 16.4% compared to 24.7% in 2014;
- Net income down 60% year-on-year to RUB 6.0 billion from underlying net income\*\* of RUB 15.1 billion in 2014;
- Net operating cash flow was RUB 5.0 billion;
- CAPEX grew by 63% year-on-year to RUB 11.0 billion, compared to RUB 6.7 billion in 2014;
- Net debt\*\*\* for the year was RUB 35.0 billion;
- The effective cost of debt was 3.3 % (2014: 3.5%);
- EPS was RUB 136.98 (2014: underlying EPS\*\*\*\* was RUB 344.62);
- CCR (Cash Conversion Ratio) \*\*\*\*\* was 83%.

#### **Key corporate highlights**

- The first phase of the new poultry parent breeding complex is near completion (80% complete). This facility will significantly reduce dependency on imported parent eggs when fully operational;
- In Elets, Cherkizovo Group launched the largest grain storage facility in Europe (200,000 tons), as well as a new hatchery (240 million eggs p.a.);
- The pig slaughter plant in Dankov is now operating at full capacity after renovation. Cherkizovo Group will now slaughter 80% of pigs at its own facilities, compared to 40% before this renovation was complete;
- The first phase of the pork cluster project in Voronezh is complete, and the second phase is due to be completed in mid-2016. The first phase in Lipetsk is under way and is scheduled to be completed by the end of 2016. The project is due to be operational in 2017 and will boost production capacity by 70,000 tons per year;

- Cherkizovo Group launched one of Russia's largest feed production plants in Voronezh (500,000 ton capacity);
- Cherkizovo Group acquired a pork finisher in the Lipetsk region in March 2015;
- Together with Grupo Fuertes, Cherkizovo Group launched the first phase of construction of the facilities for the Tambov Turkey project. It includes buildings at rearing and fattening facilities as well as a modern hatchery (5.9 million eggs p.a.).

### **Key corporate events after the reporting period**

- In 1Q 2016, Cherkizovo Group received permission to export poultry products to the UAE;
- Tambov Turkey complex's hatchery is now fully operational and we have already seen our first batch of turkey chicks;
- Our new research laboratory is now complete. It is scheduled to be operational in mid-2016.

### **Sergei Mikhailov, CEO of Cherkizovo, commented:**

"2015 was a challenging year for the Company. Nonetheless, we pressed ahead with our ambitious development plans.

"We have successfully completed the construction of new state-of-the-art facilities, such as the Voronezh feed mill with production capacity of 500,000 tons and the Elets grain storage facility. The construction of new pork breeding complexes with capacity of 145,000 tons in the Voronezh and Lipetsk regions, as well as the first phase of the new poultry complex in the Lipetsk region, are on schedule and close to completion.

"Group revenue increased by 12% year-on-year and we continued to grow production volumes, particularly in the poultry and meat processing segments. Our main focus is on value-added lines, such as sausage and ready-to-cook products, which are key revenue drivers for the Group. Our ability to deliver from slaughter to store within 24 hours is one of our strategic advantages on the domestic market, and in 2015 it inspired us to launch the highly successful 24H brand, setting us aside from our competitors.

"Given the difficult market conditions and the weakness of the domestic currency, our strategy is clear: increase exports, where we have already made significant headway; reduce exposure to foreign currency-denominated expenditure by enhancing our vertical integration model and becoming more self-sufficient in feed components; increase the share of value-added lines in overall Group sales.

"Notwithstanding the challenges, the agricultural sector in Russia has shown continuous growth year after year, and has already proved to be a significant driver of the Russian economy. We believe that by building on our key strengths and competences, continuing to invest in infrastructure and new product development and growing our market share, Cherkizovo Group will emerge from the country-wide economic slowdown stronger than ever before."

## Financial summary

	2015	2014	Change	4Q 15	4Q 14	Change
	mln RUB	mln RUB	%	mln RUB	mln RUB	%
<b>Revenue</b>	77,032.6	68,668.4	12%	21,013.8	20,015.9	5%
<b>Gross profit</b>	19,148.7	26,126.8	-27%	4,705.7	5,849.1	-20%
<b>Operating expenses</b>	(11,614.7)	(9,469.7)	23%	(3,647.1)	(2,900.1)	26%
<b>Adjusted EBITDA*</b>	<b>12,630.4</b>	<b>16,962.6</b>	-26%	<b>2,700.3</b>	<b>5,521.7</b>	-56%
<i>Adjusted EBITDA margin</i>	16.4%	24.7%		12.9%	27.6%	
<b>Operating profit</b>	<b>7,534.0</b>	<b>16,657.2</b>	-55%	<b>1,407.5</b>	<b>2,949.0</b>	-52%
<i>Income before tax</i>	5,871.7	15,235.1	-61%	700.7	2,459.1	-72%
<b>Net Income</b>	<b>6,007.5</b>	<b>15,111.8</b>	-60%	<b>881.2</b>	<b>2,342.0</b>	-62%
<b>Net operating cash flow</b>	<b>4,992.3</b>	<b>11,372.9</b>	-56%	<b>(429.7)</b>	<b>2,409.6</b>	-118%
<b>Net debt</b>	<b>35,009.6</b>	<b>26,163.8</b>	34%	<b>35,009.6</b>	<b>26,163.8</b>	34%

### Revenue

Sales increased by 12% year-on-year in 2015 to RUB 77.0 billion, compared to RUB 68.7 billion in 2014. The main drivers behind this growth were the poultry and meat processing segments.

### Gross profit

Gross profit fell by 27% year-on-year to RUB 19.1 billion from RUB 26.1 billion in 2014. The majority of this decrease is due to a large amount of expenses in the poultry segment, including feed components, incubatory eggs and veterinary supplies, being denominated in foreign currencies. The gross margin reduced to 24.9% in 2015 from 38.0% in 2014.

### Operating expenses

Operating expenses increased by 23% year-on-year to RUB 11.6 billion, compared to RUB 9.5 billion in 2014, as a result of higher payroll, rent, transportation and repairs expenses. Operating expenses as percentage of sales increased to 15% in 2015 from 14% in 2014.

### Adjusted EBITDA

Adjusted EBITDA fell by 26% year-on-year in 2015 to RUB 12.6 billion from 17.0 billion in 2014. The adjusted EBITDA margin fell to 16.4% (2014: 24.7%).

### Interest expense

In 2015, interest expense was up 33% year-on-year to RUB 3.9 billion. The main drivers behind this growth were a 48% year-on-year increase in total borrowings to RUB 41.2 billion (2014: RUB 27.8 billion), as well as a rise of interest rates. Net interest expense for 2015 was RUB 1.4 billion, up 42% from the 2014 level of RUB 1.0 billion. To help offset higher interest expense, the Group accrued RUB 2.6 billion of subsidies in 2015, a year-on-year increase of 29%.

### Net income

Net income fell by 64% year-on-year to RUB 6.0 billion from RUB 16.5 billion in 2014 (underlying net income for 2014 RUB 15.1 billion\*\*). The net income margin fell to 7.8% from 24.0% in 2014.

## Cash flow

Operating cash flow for 2015 was RUB 5.0 billion, a year-on-year decrease of 56% (2014: RUB 11.4 billion). CAPEX for the year increased by 63% year-on-year to RUB 11.0 billion (2014: RUB 6.7 billion) driven by increased investments across all segments.

## Business segments

Divisions	Sales volume 2015, thousand tons	Sales volume 2014, thousand tons	Change %	Revenue 2015, mln RUB#	Revenue 2014, mln RUB#	Change %	Share in Group's revenue %
<b>Poultry</b>	470.4	416.6	12.9%	44,590.2	37,529.6	18.8%	54%
<b>Pork</b>	163.7	170.2	-3.8%	16 579.2	16,660.5	-0.5%	7%
<b>Meat processing</b>	191.2	144.2	32.6%	29,150.3	21,884.1	33.2%	38%
<b>Grain</b>	267.4	237.1	12.8%	2,580.7	1,738.9	48.4%	1%

# revenue for both years includes intersegments sales

### Poultry Division

Sales volumes grew by 12.9% year-on-year to 470.4 thousand tons of sellable weight in 2015 (2014: 416.6 thousand tons).

The average price continuously fell on a quarter-on-quarter basis during the course of 2015 as a result of increasing market supply, which was partly driven by a drop in consumers' real income. For 2015 as a whole, the average price increased by 4.2% year-on-year to 94.52 RUB/kg from 90.70 RUB/kg in the previous year.

Total sales for the division increased by 19% year-on-year to RUB 44.6 billion (2014: RUB 37.5 billion).

Gross profit fell by 32% year-on-year to RUB 8.4 billion from RUB 12.4 billion in 2014 as feed components, incubatory eggs and veterinary supplies are denominated in foreign currency. The gross margin for 2015 decreased to 18.9% from 33.2% in the previous year.

Operating expenses as a percentage of sales remained flat year-on-year at 11%.

Operating income fell by 59% year-on-year to RUB 3.3 billion from RUB 8.2 billion in 2014, while the operating margin fell to 7.5% from 21.8% in 2014. Net income for the division fell 61% year-on-year to RUB 3.5 billion as a result of costs for feed components and other direct materials pegged to foreign currencies.

Adjusted EBITDA dropped 38% year-on-year to RUB 5.5 billion (2014: RUB 8.8 billion), while the adjusted EBITDA margin fell to 12.3% from 23.5% in 2014.

### Pork Division

In 2015, sales volumes in the pork division fell by 3.8% year-on-year to 163.7 thousand tons, compared with 170.2 thousand tons in 2014, as Cherkizovo Group made a strategic move to depopulate the Orel sow farm to improve genetics for future production.

The average price for pork increased by 3.5% year-on-year to 99.57 RUB/kg, compared to 96.25 RUB/kg in 2014. However, there was a sharp drop of 20.5% in the fourth quarter to 85.39 RUB/kg from 107.44 RUB/kg in the third quarter. This decrease was driven largely by seasonality, as well as a reduction in consumers' real income.

Total sales in the pork division were flat year-on-year as a result of higher intercompany sales to the meat processing segment. Gross profit stood at RUB 4.7 billion, a year-on-year drop of 50%, as feed components and medication costs are denominated in foreign currencies. The segment's gross margin fell to 28.1% from 56.1% in 2014.

Operating expenses as a percentage of sales increased to 4% in 2015 from 2% in 2014 driven by the loss on sow cull sales, as well as other G&A expenses.

Operating income fell by 55% year-on-year to RUB 4.0 billion from RUB 8.9 billion in 2014. Net income decreased by 59% year-on-year to RUB 3.6 billion (2014: RUB 8.6 billion).

Adjusted EBITDA fell to RUB 6.3 billion, a year-on-year decrease of 22%. The adjusted EBITDA margin fell to 37.9% from 48.5% in 2014.

### **Meat Processing Division**

Sales volumes in the meat processing division increased to 191.2 thousand tons from 144.2 thousand tons in 2014, representing a year-on-year increase of 32.6%. This growth was driven by new Dankov pig slaughtering facility coming into operation and higher intercompany sales from the pork division.

In 2015, the average price of processed meat products increased by 3.0% year-on-year to 172.31 RUB/kg from 167.29 RUB/kg in 2014. In the fourth quarter of 2015, the average price fell 1.6% year-on-year to 170.5 RUB/kg, which was a result of overall market conditions and lower real income levels driving consumers to switch to more affordable ready-to-cook products.

Total sales were 33% higher in 2015 and reached RUB 29.2 billion (2014: RUB 21.9 billion).

Gross profit for the same period increased 38% year-on-year to RUB 4.3 billion, compared to RUB 3.1 billion in 2014. The gross margin for 2015 grew to 14.8% from 14.3% in the previous year.

In 2015, operating expenses as a percentage of sales dropped to 11% from 13% in 2014. This was due to the Group executing more efficient control of G&A expenses during the year.

Operating income increased four times compared to 2014 and reached RUB 1.3 billion. The operating margin rose to 4.3% from 1.5% in 2014. In 2015, the meat processing segment generated net profit of RUB 1.0 billion, a significant increase compared to a loss of RUB 0.1 billion in 2014.

Adjusted EBITDA increased almost three times in 2015 and reached RUB 1.8 billion (2014: RUB 0.7 billion). The adjusted EBITDA margin grew to 6.0% in 2015 from 3.3% in 2014.

### **Grain Division**

Sales volumes in the grain division grew to 267.4 thousand tons in 2015, a year-on-year rise of 12.8% due to a strong harvesting year (2014: 237.1 thousand tons). Cherkizovo Group harvested 332.9 thousand tons in 2015, up 37.3% from 2014. The average yield of land cultivated by Cherkizovo Group increased by 7% year-on-year to 41,9 tons/hectare, while the crop area increased by 32% year-on-year to 85,214 hectares.

The average selling price of the grain division grew by 30.4% year-on-year in 2015 to 9.4 RUB/kg (2014: 7.21 RUB/kg).

### **Financial Position**

The Group's Capital Expenditure on property, plants, equipment and maintenance amounted to RUB 11.0 billion in 2015, a year-on-year increase of 63%. Of that, RUB 4.4 billion was invested into the poultry division, primarily into the construction of the hatchery and grain storage facility in the Lipetsk region (the Eletsproj project), as well as the renovation of the slaughter plants. In the pork division, RUB 1.9 billion was invested into purchasing equipment for the new finisher complexes in the Voronezh region, as well as

constructing new finisher complexes in the Lipetsk region. The meat processing division received RUB 1.3 billion of investments for the renovation of the Dankov Meat Processing Plant, as well as the modernisation of the distribution centre in the Moscow region. In the grain division, RUB 0.8 billion was invested in new agricultural equipment. The feed processing division received RUB 2.0 billion of investments for the construction of the Voronezh feed mill. The Group invested RUB 0.8 billion into the construction of the Central Laboratory.

As at 31 December, 2015, net Debt\*\*\* amounted to RUB 35.0 billion, compared to RUB 26.2 billion at the end of 2014. Total debt stood at RUB 41.2 billion in 2015, compared to RUB 27.8 billion as at 31 December, 2014. In 2015, long-term debt represented 39% of the debt portfolio and was RUB 16.1 billion. Short-term debt stood at RUB 25.1 billion, or 61% of the portfolio. The cost of debt was 3.3% in 2015 (2014: 3.5%). The portion of subsidised loans and credit lines in the portfolio was 81% (2014: 90%). Cash and cash equivalents totalled RUB 5.6 billion as at 31 December, 2015.

## **Dividends**

The Group paid out dividends totalling RUB 3.4 billion (RUB 77.4 per ordinary share) for the fiscal year of 2015. Of that amount, RUB 2.4 billion was for 2014.

## **Subsidies**

In 2015, the Group accrued subsidies for interest reimbursement of RUB 2.6 billion, which offset interest expense (2014: RUB 2.0 billion). The Group received RUB 2.0 billion of subsidies in 2015, compared to RUB 2.6 billion in 2014.

## **Outlook**

2016 is set to be another challenging year for the Russian economy. Real incomes will continue to come under pressure from external factors which will likely result in lower consumption levels in 2016. The tough consumer market environment will accelerate the process of consolidation providing Cherkizovo Group an opportunity to increase its market share.

During the year ahead, the Group will increase production in the pork segment, as projects that are currently in the investment stage start to come into operation. Our target is to become the second largest pork producer in Russia in 2016 when our new pork breeding facility is launched later in the year. Meat processing is another segment where we see growth in 2016 and the Company will continue to focus on driving organic growth in this segment.

The weak local currency will continue to weigh on the Group's profitability, since a large portion of expenses are pegged to the US dollar and euro. Nonetheless, Cherkizovo Group will take advantage of the ruble weakness to grow the share of exports in overall sales. As we have recently received halal certification and licences to export our poultry products to the UAE, we will prioritise the halal segment and extend our sales to Egypt and Iraq. We are also actively pursuing export opportunities in Europe and Southeast Asia, where we are engaging with regulators and potential partners.

Despite the challenging macroeconomic environment, we are fairly optimistic about the year ahead. We view these testing times as new opportunities to further grow our Group's segments and strengthen our market position both domestically and in export markets.

For more information, please visit [www.cherkizovo.com](http://www.cherkizovo.com) or contact:

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**About Cherkizovo Group**

**Cherkizovo Group** is the largest meat and feed producer in Russia. The Group is a top-3 producer in the poultry, pork and processed meat markets and is the largest feed manufacturer in the country.

Cherkizovo Group encompasses 8 full cycle poultry production facilities, 15 modern pork production facilities, 6 meat processing plants, 6 feed mills and more than 140,000 hectares of agricultural land. In 2015, Cherkizovo Group produced more than 825,000 tons of meat products.

Thanks to its vertically integrated structure, which includes grain growing and storage, feed production, livestock breeding, fattening and slaughtering, and meat processing, alongside a distribution system, the Group has consistently delivered stable, long-term growth of both sales and revenue. The Company's consolidated revenue reached RUB 77.0 bn in 2015.

Cherkizovo Group shares are traded on the London Stock Exchange (LSE) and on the Moscow Exchange (MOEX).

*Some figures in this press-release are rounded for a reader's convenience.*

*Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of Cherkizovo Group. You can identify forward looking statements by terms such as "expect," "believe," "anticipate," "estimate," "intend," "will," "could," "may" or "might" the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, general economic conditions, our competitive environment, risks associated with operating in Russia, rapid technological and market change in our industry, as well as many other risks specifically related to Cherkizovo Group and its operations.*

*The Group's consolidated financial statements for the year ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the first time. The transition date to IFRS is 1 January 2014. Consequently, comparative data for 2014 is also shown under IFRS. The main difference between IFRS and the reporting standards the Group previously used - US GAAP - is the revaluation of biological assets, which are shown as a separate line 'Net change in fair value of biological assets and agricultural produce' in the consolidated statement of profit or loss and other comprehensive income.*

**\*Non-IFRS financial measures.** *This press release includes financial information prepared in accordance with international financial reporting standards, or IFRS, as well as other financial measures referred to as non-IFRS. The non-IFRS financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS.*

**Adjusted Earnings before Interest, Income Tax, Depreciation and Amortization ("Adjusted EBITDA").** *Adjusted Earnings before Interest, Income Tax, Depreciation and Amortization ("Adjusted EBITDA"). Adjusted EBITDA represents income before income tax and non-controlling interests adjusted for interest, depreciation and amortization, foreign exchange differences, other finance income and gains on bargain purchase, net change in fair value of biological assets and agricultural produce as shown in the reconciliation in Appendix 1. Adjusted EBITDA margin is defined as Adjusted EBITDA as a percentage of our net revenues. Our adjusted EBITDA may not be similar to adjusted EBITDA measures of other companies; is not a measurement under accounting principles generally accepted in the United States and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of operations. We believe that adjusted EBITDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including*

our ability to fund discretionary spending such as capital expenditures, acquisitions and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. Our adjusted EBITDA calculation is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies within our industry. Adjusted EBITDA is reconciled to our consolidated statements of operations in Appendix 1.

\*\* **Underlying Net income** is net income adjusted for the Gain from bargain purchase of Lisko Broiler in the amount of 1.4 billion roubles

\*\*\* **Net debt** is calculated as total debt minus cash and cash equivalents, short-term bank deposits and long-term bank deposits.

\*\*\*\* **Underlying EPS** is calculated as Underlying Net income divided by the total number of shares outstanding for the period

\*\*\*\*\* **Cash Conversion rate (CCR)** is calculated as Total net cash from operating activities divided by Net income attributable to Group Cherkizovo

## APPENDIX I: KEY DATA AND FIGURES

### 12 months ended December 31, 2015 Consolidated Selected Financial Data

(in thousands of rubles)	Meat-Processing	Poultry	Pork	Grain	Feed	Corporate assets/expenditures	Inter-division	Combined
<b>Total Sales</b>	29 150 254	44 590 211	16 579 185	2 580 713	27 855 810	27 205	(43 750 756)	77 032 622
including other sales	416 945	1 511 443	172 835	57 512	-	27 205	(647 109)	1 538 831
including sales volume discount	(3 954 954)	(1 388 201)	-	-	-	-	-	(5 343 155)
Interdivision Sales	(32 016)	(2 640 958)	(11 502 192)	(2 117 129)	(27 458 461)	-	43 750 756	-
Sales to external customers (Sales)	29 118 238	41 949 253	5 076 993	463 584	397 349	27 205	-	77 032 622
<i>% of Total sales</i>	37.8%	54.5%	6.6%	0.6%	0.5%	0.0%	0.0%	100.0%
Net change in fair value of biological assets and agricultural produce	-	(283 880)	(1 387 143)	326 376	-	-	180 920	(1 163 727)
Cost of Sales	(24 835 957)	(35 901 044)	(10 529 115)	(1 827 087)	(27 033 691)	(13 484)	43 420 162	(56 720 216)
<b>Gross profit</b>	<b>4 314 297</b>	<b>8 405 287</b>	<b>4 662 927</b>	<b>1 080 002</b>	<b>822 119</b>	<b>13 721</b>	<b>(149 674)</b>	<b>19 148 679</b>
Gross margin	14.8%	18.9%	28.1%	41.8%	3.0%	50.4%	0.3%	24.9%
Operating expenses	(3 060 987)	(5 061 999)	(662 041)	(242 294)	(590 873)	(2 089 879)	93 420	(11 614 653)
<b>Operating income / (expense)</b>	<b>1 253 310</b>	<b>3 343 288</b>	<b>4 000 886</b>	<b>837 708</b>	<b>231 246</b>	<b>(2 076 158)</b>	<b>(56 254)</b>	<b>7 534 026</b>
<i>Operating margin</i>	4.3%	7.5%	24.1%	32.5%	0.8%	-7631.5%	0.1%	9.8%
Other income and expenses. net	(163 317)	794 746	(73 852)	15 555	(96 885)	(314 189)	(459 569)	(297 511)
Financial expenses. net	(202 541)	(628 523)	(356 155)	(14 277)	(192 010)	(430 748)	459 488	(1 364 766)
<b>Division profit / (loss)</b>	<b>887 452</b>	<b>3 509 511</b>	<b>3 570 879</b>	<b>838 986</b>	<b>(57 649)</b>	<b>(2 821 095)</b>	<b>(56 335)</b>	<b>5 871 749</b>
<i>Division profit margin</i>	3.0%	7.9%	21.5%	32.5%	-0.2%	-10369.8%	0.1%	7.6%
Supplemental information:								
Income Tax expense	(110 423)	(8 040)	6 698	5 962	4 421	(47 678)	-	(149 060)
Depreciation expense	467 157	1 862 574	869 643	167 236	399 855	60 060	-	3 826 525
<b>Adjusted EBITDA reconciliation</b>								
<b>Division profit / (loss)</b>	<b>887 452</b>	<b>3 509 511</b>	<b>3 570 879</b>	<b>838 986</b>	<b>(57 649)</b>	<b>(2 821 095)</b>	<b>(56 335)</b>	<b>5 871 749</b>
Add:								
Interest expense. net	202 541	628 523	356 155	14 277	192 010	430 748	(459 488)	1 364 766
Interest income	(10 405)	(175 026)	(11 102)	(330)	(25 059)	(523 438)	459 598	(285 762)
Foreign exchange loss/(gain)	205 719	(614 651)	71 822	17 144	129 179	837 589	-	646 802
Depreciation and amortisation	467 157	1 862 574	869 643	167 236	399 855	60 060	-	3 826 525
Net change in fair value of biological assets and agricultural produce	-	283 880	1 387 143	(326 376)	-	-	(180 920)	1 163 727
Loss on disposal of subsidiaries	-	-	42 569	-	-	-	-	42 569
<b>Adjusted EBITDA*</b>	<b>1 752 464</b>	<b>5 494 811</b>	<b>6 287 109</b>	<b>710 937</b>	<b>638 336</b>	<b>(2 016 136)</b>	<b>(237 145)</b>	<b>12 630 376</b>
<i>Adjusted EBITDA Margin*</i>	6.0%	12.3%	37.9%	27.5%	2.3%	-7410.9%	0.5%	16.4%

#### Reconciliation between net division profit and income attributable to Cherkizovo Group

<b>Total net division profit</b>	<b>5 871 749</b>
Net income attributable to non-controlling interests	(13 327)
Income taxes	149 060
<b>Net income attributable to Cherkizovo Group</b>	<b>6 007 482</b>

## CONSOLIDATED INCOME STATEMENT DATA

(in thousands of rubles)	Year ended 31 December 2015	Year ended 31 December 2014
Sales	<b>77 032 622</b>	<b>68 668 409</b>
incl. Sales volume discount	(5 343 155)	(3 571 085)
incl. Sales returns	(1 034 171)	(679 903)
Net change in fair value of biological assets and agricultural produce	(1 163 727)	3 177 764
Cost of sales	(56 720 216)	(45 719 342)
<b>Gross profit</b>	<b>19 148 679</b>	<b>26 126 831</b>
Gross margin	24.9%	38.0%
Operating expenses	(11 614 653)	(9 469 666)
<b>Operating Income</b>	<b>7 534 026</b>	<b>16 657 165</b>
Operating margin	9.8%	24.3%
<b>Income before income tax and minority interest</b>	<b>5 871 749</b>	<b>16 613 516</b>
<b>Net income attributable to Group Cherkizovo</b>	<b>6 007 482</b>	<b>16 490 173</b>
<i>Net profit margin</i>	7.8%	24.0%
Weighted average number of shares outstanding	43 855 590	43 851 090
<b>Earnings per share</b>		
<b>Net income attributable to Cherkizovo Group per share – basic and diluted</b>	<b>136.98</b>	<b>376.05</b>
<b>Consolidated Adjusted EBITDA reconciliation*</b>		
<b>Income before income tax and minority interest</b>	<b>5 871 749</b>	<b>16 613 516</b>
Add:		
Gain from bargain purchase	-	(1 378 394)
Interest expense, net of subsidies	1 364 766	964 119
Interest income	(285 762)	(279 962)
Foreign exchange loss	646 802	739 117
Depreciation and amortisation	3 826 525	3 481 944
Net change in fair value of biological assets and agricultural produce	1 163 727	(3 177 764)
Loss on disposal of subsidiaries	42 569	-
<b>Consolidated Adjusted EBITDA*</b>	<b>12 630 376</b>	<b>16 962 576</b>
<i>Adjusted EBITDA Margin</i>	16.4%	24.7%

## POULTRY DIVISION INCOME STATEMENT DATA

(in thousands of rubles)	Year ended 31 December 2015	Year ended 31 December 2014
Total Sales	44 590 211	37 529 591
Interdivision sales	(2 640 958)	(1 344 655)
<b>Sales to external customers</b>	<b>41 949 253</b>	<b>36 184 936</b>
Net change in fair value of biological assets and agricultural produce	(283 880)	1 236 570
Cost of sales	(35 901 044)	(26 317 750)
<b>Gross profit</b>	<b>8 405 287</b>	<b>12 448 411</b>
<i>Gross margin</i>	<i>18.9%</i>	<i>33.2%</i>
Operating expenses	(5 061 999)	(4 257 893)
<b>Operating Income</b>	<b>3 343 288</b>	<b>8 190 518</b>
<i>Operating margin</i>	<i>7.5%</i>	<i>21.8%</i>
Other income and expenses, net	794 746	1 150 788
Interest expense, net	(628 523)	(389 830)
<b>Division profit</b>	<b>3 509 511</b>	<b>8 951 476</b>
<i>Division profit margin</i>	<i>7.9%</i>	<i>23.9%</i>
<b>Poultry division Adjusted EBITDA reconciliation*</b>		
<b>Division profit</b>	<b>3 509 511</b>	<b>8 951 476</b>
Add:		
Interest expense, net of subsidies	628 523	389 830
Interest income	(175 026)	(326 404)
Foreign exchange (gain)	(614 651)	(824 384)
Depreciation and amortisation	1 862 574	1 847 365
Net change in fair value of biological assets and agricultural produce	283 880	(1 236 570)
<b>Poultry division Adjusted EBITDA*</b>	<b>5 494 811</b>	<b>8 801 313</b>
<i>Adjusted EBITDA Margin</i>	<i>12.3%</i>	<i>23.5%</i>

## PORK DIVISION INCOME STATEMENT DATA

(in thousands of rubles)	Year ended 31 December 2015	Year ended 31 December 2014
Total Sales	16 579 185	16 660 455
Interdivision sales	(11 502 192)	(7 000 971)
<b>Sales to external customers</b>	<b>5 076 993</b>	<b>9 659 484</b>
Net change in fair value of biological assets and agricultural produce	(1 387 143)	1 832 835
Cost of sales	(10 529 115)	(9 155 043)
<b>Gross profit</b>	<b>4 662 927</b>	<b>9 338 247</b>
<i>Gross margin</i>	28.1%	56.1%
Operating expenses	(662 041)	(400 607)
<b>Operating Income</b>	<b>4 000 886</b>	<b>8 937 640</b>
<i>Operating margin</i>	24.1%	53.6%
Other income and expenses, net	(73 852)	114 530
Interest expense, net	(356 155)	(396 851)
<b>Division Profit</b>	<b>3 570 879</b>	<b>8 655 319</b>
<i>Division profit margin</i>	21.5%	52.0%
<b>Pork division Adjusted EBITDA reconciliation*</b>		
<b>Division Profit</b>	<b>3 570 879</b>	<b>8 655 319</b>
Add:		
Interest expense, net of subsidies	356 155	396 851
Interest income	(11 102)	(11 533)
Foreign exchange loss/(gain)	71 822	(102 997)
Depreciation and amortisation	869 643	976 236
Net change in fair value of biological assets and agricultural produce	1 387 143	(1 832 835)
Loss on disposal of subsidiaries	42 569	-
<b>Pork division Adjusted EBITDA*</b>	<b>6 287 109</b>	<b>8 081 041</b>
<i>Adjusted EBITDA Margin</i>	37.9%	48.5%

## MEAT PROCESSING DIVISION INCOME STATEMENT DATA

(in thousands of rubles)	Year ended 31 December 2015	Year ended 31 December 2014
Total Sales	29 150 254	21 884 134
Interdivision sales	(32 016)	(19 306)
<b>Sales to external customers</b>	<b>29 118 238</b>	<b>21 864 828</b>
Cost of sales	(24 835 957)	(18 755 203)
<b>Gross profit</b>	<b>4 314 297</b>	<b>3 128 931</b>
<i>Gross margin</i>	<i>14.8%</i>	<i>14.3%</i>
Operating expenses	(3 060 987)	(2 810 496)
<b>Operating Income</b>	<b>1 253 310</b>	<b>318 435</b>
<i>Operating margin</i>	<i>4.3%</i>	<i>1.5%</i>
Other income and expenses, net	(163 317)	(160 019)
Interest expense, net	(202 541)	(266 445)
<b>Division profit / (loss)</b>	<b>887 452</b>	<b>(108 029)</b>
<i>Division profit margin</i>	<i>3.0%</i>	<i>-0.5%</i>
<b>Meat processing division Adjusted EBITDA reconciliation*</b>		
<b>Division profit / (loss)</b>	<b>887 452</b>	<b>(108 029)</b>
Add:		
Interest expense, net of subsidies	202 541	266 445
Interest income	(10 405)	(4 477)
Foreign exchange loss	205 719	165 727
Depreciation and amortisation	467 157	392 941
<b>Meat processing division Adjusted EBITDA *</b>	<b>1 752 464</b>	<b>712 607</b>
<i>Adjusted EBITDA Margin</i>	<i>6.0%</i>	<i>3.3%</i>

## GRAIN DIVISION INCOME STATEMENT DATA

(in thousands of rubles)	Year ended 31 December 2015	Year ended 31 December 2014
Total Sales	2 580 713	1 738 937
Interdivision sales	(2 117 129)	(1 243 970)
<b>Sales to external customers</b>	<b>463 584</b>	<b>494 967</b>
Net change in fair value of biological assets and agricultural produce	326 376	-
Cost of sales	(1 827 087)	(966 698)
<b>Gross profit</b>	<b>1 080 002</b>	<b>772 239</b>
<i>Gross margin</i>	<i>41.8%</i>	<i>44.4%</i>
Operating expenses	(242 294)	(344 456)
<b>Operating Income</b>	<b>837 708</b>	<b>427 783</b>
<i>Operating margin</i>	<i>32.5%</i>	<i>24.6%</i>
Other income and expenses, net	15 555	627
Interest expense	(14 277)	(126 470)
<b>Division profit</b>	<b>838 986</b>	<b>301 940</b>
<i>Division profit margin</i>	<i>32.5%</i>	<i>17.4%</i>
<b>Grain division Adjusted EBITDA reconciliation*</b>		
<b>Division profit</b>	<b>838 986</b>	<b>301 940</b>
Add:		
Interest expense, net of subsidies	14 277	126 470
Interest income	(330)	(627)
Foreign exchange loss	17 144	-
Depreciation and amortisation	167 236	142 129
Net change in fair value of biological assets and agricultural produce	(326 376)	-
<b>Grain division Adjusted EBITDA*</b>	<b>710 937</b>	<b>569 912</b>
<i>Adjusted EBITDA Margin</i>	<i>27.5%</i>	<i>32.8%</i>

**FEED DIVISION INCOME STATEMENT DATA**

(in thousands of rubles)	Year ended 31 December 2015	Year ended 31 December 2014
Total Sales	27 855 810	19 379 873
Interdivision sales	(27 458 461)	(18 948 363)
<b>Sales to external customers</b>	<b>397 349</b>	<b>431 510</b>
Cost of sales	(27 033 691)	(18 581 210)
<b>Gross profit</b>	<b>822 119</b>	<b>798 663</b>
<i>Gross margin</i>	<i>3.0%</i>	<i>4.1%</i>
Operating expenses	(590 873)	(488 767)
<b>Operating Income</b>	<b>231 246</b>	<b>309 896</b>
<i>Operating margin</i>	<i>0.8%</i>	<i>1.6%</i>
Other income and expenses, net	(96 885)	(295 895)
Interest expense	(192 010)	(45 382)
<b>Division (loss)</b>	<b>(57 649)</b>	<b>(31 381)</b>
<i>Division profit margin</i>	<i>-0.2%</i>	<i>-0.2%</i>
<b>Grain division Adjusted EBITDA reconciliation*</b>		
<b>Division (loss)</b>	<b>(57 649)</b>	<b>(31 381)</b>
Add:		
Interest expense, net of subsidies	192 010	45 382
Interest income	(25 059)	(38 721)
Foreign exchange loss	129 179	334 616
Depreciation and amortisation	399 855	86 177
<b>Grain division Adjusted EBITDA*</b>	<b>638 336</b>	<b>396 073</b>
<i>Adjusted EBITDA Margin</i>	<i>2.3%</i>	<i>2.0%</i>

**APPENDIX II:****CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015**

(in thousands of rubles)	2015	2014
Revenue	77 032 622	68 668 409
Net change in fair value of biological assets and agricultural produce	(1 163 727)	3 177 764
Cost of sales	(56 720 216)	(45 719 342)
<b>Gross profit</b>	<b>19 148 679</b>	<b>26 126 831</b>
Selling, general and administrative expenses	(11 947 142)	(9 903 786)
Other operating income, net	332 489	434 120
<b>Operating profit</b>	<b>7 534 026</b>	<b>16 657 165</b>
Interest income	285 762	279 962
Interest expense, net	(1 364 766)	(964 119)
Other expenses, net	(583 273)	(737 886)
Gain from bargain purchase	-	1 378 394
<b>Profit before income tax</b>	<b>5 871 749</b>	<b>16 613 516</b>
Income tax benefit	149 060	10 211
<b>Profit for the year</b>	<b>6 020 809</b>	<b>16 623 727</b>
<b>Profit (loss) attributable to:</b>		
Cherkizovo Group	6 007 482	16 490 173
Non-controlling interests	13 327	133 554
<b>Earnings per share</b>		
Weighted average number of shares outstanding – basic:	43 855 590	43 851 090
Net income attributable to Cherkizovo Group per share – basic (in Russian rubles):	136.98	376.05
Weighted average number of shares outstanding – diluted:	43 855 590	43 851 090
Net income attributable to Cherkizovo Group per share – diluted (in Russian rubles):	136.98	376.05

**APPENDIX III:****CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2015**

<b>(in thousands of rubles)</b>	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>1 January 2014</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	60 436 029	53 758 354	45 475 577
Investment property	432 771	624 928	629 713
Goodwill	557 191	557 191	557 191
Intangible assets	1 603 903	1 512 738	1 380 721
Non-current biological assets	1 617 833	1 765 088	1 360 897
Notes receivable, net	300 000	-	56 312
Investments in joint venture	1 301 663	851 663	425 663
Long-term deposits in banks	641 365	671 365	671 365
Deferred tax assets	331 300	218 467	205 397
Other non-current receivables	430 811	90 904	89 634
<b>Total non-current assets</b>	<b>67 652 866</b>	<b>60 050 698</b>	<b>50 852 470</b>
<b>Current assets</b>			
Biological assets	9 829 675	9 337 667	6 135 960
Inventories	12 258 555	7 469 137	4 833 451
Taxes recoverable and prepaid	2 835 987	1 535 298	1 114 439
Trade receivables, net	4 444 991	3 953 085	2 705 276
Advances paid, net	2 733 842	2 246 624	1 304 538
Other receivables, net	1 782 019	1 186 673	1 416 830
Cash and cash equivalents	5 560 824	1 007 554	2 107 282
Other current assets	612 566	648 879	286 068
<b>Total current assets</b>	<b>40 058 459</b>	<b>27 384 917</b>	<b>19 903 844</b>
<b>TOTAL ASSETS</b>	<b>107 711 325</b>	<b>87 435 615</b>	<b>70 756 314</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2015  
CONTINUED**

(in thousands of rubles)	31 December 2015	31 December 2014	1 January 2014
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	440	440	440
Treasury shares	(78 033)	(78 033)	(83 920)
Additional paid-in capital	5 588 320	5 591 204	5 599 703
Retained earnings	46 582 955	43 968 239	28 991 797
<b>Total shareholder's equity</b>	<b>52 093 682</b>	<b>49 481 850</b>	<b>34 508 020</b>
Non-controlling interest	1 055 392	1 057 073	923 519
<b>Total equity</b>	<b>53 149 074</b>	<b>50 538 923</b>	<b>35 431 539</b>
<b>Non-current liabilities</b>			
Long-term borrowings	16 118 747	14 284 784	17 143 944
Provisions	67 131	67 487	73 339
Deferred tax liability	405 097	535 206	588 329
Other liabilities	96 185	177 787	74 316
<b>Total non-current liabilities</b>	<b>16 687 160</b>	<b>15 065 264</b>	<b>17 879 928</b>
<b>Current liabilities</b>			
Short-term borrowings	25 093 017	13 557 909	10 496 284
Trade payables	8 461 657	4 315 188	3 963 918
Advances received	443 018	1 099 337	813 620
Payables for non-current assets	1 445 128	574 073	318 822
Tax related liabilities	790 344	844 935	628 133
Payroll related liabilities	1 372 176	1 217 693	925 385
Other payables and accruals	269 751	222 293	298 685
<b>Total current liabilities</b>	<b>37 875 091</b>	<b>21 831 428</b>	<b>17 444 847</b>
<b>Total liabilities</b>	<b>54 562 251</b>	<b>36 896 692</b>	<b>35 324 775</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>107 711 325</b>	<b>87 435 615</b>	<b>70 756 314</b>

**APPENDIX IV:****CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER  
2015**

(in thousands of rubles)	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before income tax</b>	<b>5 871 749</b>	<b>16 613 516</b>
Adjustments for:		
Depreciation and amortization	3 826 525	3 481 944
Bad debt expense	32 062	121 804
Foreign exchange loss, net	646 802	739 117
Interest income	(285 762)	(279 962)
Interest expenses, net	1 364 766	964 119
Net change in fair value of biological assets and agricultural produce	1 163 727	(3 177 764)
(Gain) loss on disposal of property, plant and equipment, net	(49 793)	51 083
Gain on disposal of non-current biological assets, net	(282 827)	(485 267)
Gain on bargain purchase	-	(1 378 394)
Other adjustments, net	(108 612)	1 970
<b>Operating cash flows before working capital and other changes</b>	<b>12 178 637</b>	<b>16 652 166</b>
Increase in inventories	(4 648 048)	(1 961 626)
Increase in biological assets	(1 586 899)	(148 289)
Increase in trade receivables	(466 088)	(1 328 884)
Increase in advances paid	(522 982)	(1 113 979)
Increase in other receivables and other current assets	(1 450 027)	(435 192)
(Increase) decrease in other non-current receivables	(28 022)	2 294
Increase (decrease) in trade payables	3 607 415	(493 525)
(Decrease) increase in tax related liabilities (other than income tax)	17 693	175 953
(Decrease) increase in other current payables	(651 507)	556 199
<b>Operating cash flows before interest and income tax</b>	<b>6 450 172</b>	<b>11 905 117</b>
Interest received	219 758	243 860
Interest paid	(3 530 632)	(3 052 669)
Government grants for compensation of interest expense received	2 019 481	2 401 906
Income tax paid	(166 521)	(121 776)
<b>Net cash from operating activities</b>	<b>4 992 258</b>	<b>11 376 438</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(9 415 480)	(6 146 638)
Purchase of non-current biological assets	(432 481)	(429 047)
Purchase of intangible assets	(273 343)	(154 159)
Proceeds from sale of property, plant and equipment	220 832	246 394
Proceeds from disposal of non-current biological assets	537 051	820 375
Investments in joint venture	(450 000)	(426 000)
Placing of deposits and issuance of short-term loans	(156 855)	(239 210)
Placing of notes receivable	(300 000)	-
Repayment of short-term loans issued and redemption of deposits	183 895	105 198
Acquisition of subsidiaries, net of cash acquired	-	(3 048 288)
<b>Net cash used in investing activities</b>	<b>(10 086 381)</b>	<b>(9 271 375)</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER  
2015 CONTINUED**

<b>(in thousands of rubles)</b>	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term loans	9 218 443	1 957 281
Repayment of long-term loans	(5 110 160)	(4 986 462)
Proceeds from short-term loans	21 686 431	11 222 194
Repayment of short-term loans	(12 736 663)	(9 884 073)
Dividends paid	(3 392 766)	(1 513 731)
Acquisitions of non-controlling interests	(17 892)	-
<b>Net cash generated from (used in) financing activities</b>	<b>9 647 393</b>	<b>(3 204 791)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4 553 270</b>	<b>(1 099 728)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1 007 554</b>	<b>2 107 282</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>5 560 824</b>	<b>1 007 554</b>