

## **Cherkizovo Group announces financial results for the fourth quarter and full year 2016**

Moscow, Russia — March 1, 2017 – 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 fourth quarter and period ending December 31, 2016.

### **Fourth Quarter financial highlights**

- Net revenue rose 14% quarter-on-quarter and 10% year-on-year to RUB 23.2 billion;
- Gross profit increased by 2% year-on-year to RUB 4.8 billion from RUB 4.7 billion in the fourth quarter of 2015; on a quarter-on-quarter basis, gross profit dropped by 1%;
- Gross margin of 20.8% versus 24.0% in the third quarter of 2016 and 24.8% in the fourth quarter of 2015. Excluding the revaluation effect of the biological assets, gross margin in the fourth quarter was 28.5% versus 22.4% in the third quarter of 2016 and 27.2% in the fourth quarter of 2015;
- Operating expenses increased by 8% quarter-on-quarter to RUB 3.3 billion and fell by 8% year-on-year from RUB 3.6 billion in the fourth quarter of 2015;
- Adjusted EBITDA\* was 89% higher quarter-on-quarter and reached RUB 4.9 billion, compared to RUB 2.6 billion in the third quarter of 2016 and 83% higher year-on-year from RUB 2.7 billion in the fourth quarter of 2015;
- Adjusted EBITDA\* margin of 21.3% compared to 12.8% in the third quarter of 2016 and 12.9% in the fourth quarter of 2015.

### **Full Year 2016 financial highlights**

- Net revenue increased by 7% year-on-year to RUB 82.4 billion from RUB 77.0 billion in 2015;
- Gross profit decreased by 7% year-on-year to RUB 17.9 billion, compared to RUB 19.1 billion in 2015;
- Gross margin fell to 21.7% from 24.9% in 2015. Excluding the revaluation effect of the biological assets, gross margin fell to 22.1% from 26.4% in 2015;
- Operating expenses grew by 10% year-on-year to RUB 12.8 billion, compared to RUB 11.6 billion in 2015;
- Adjusted EBITDA\* of RUB 10.3 billion, compared to RUB 12.6 billion in 2015, a year-on-year drop of 19%;
- Adjusted EBITDA\* margin of 12.5%, compared to 16.4% in 2015;
- Net profit for the period was RUB 1.9 billion, down 68% year-on-year from RUB 6.0 billion in 2015;
- Net operating cash flow for the period was RUB 9.4 billion compared to RUB 5.0 billion in 2015;
- Net debt\*\* was RUB 36.9 billion as of December 31, 2016 compared to RUB 35.0 billion as of December 31, 2015;
- The effective cost of debt was 9.7% (versus 3.3% in 2015);
- Earnings per share of RUB 43.8 (2015: RUB 137.0).

## **Key corporate highlights for 2016**

- Cherkizovo Group started to export poultry meat to new markets, including Egypt, Tanzania and Angola. Shipments to Egypt and Tanzania began in August, while the first batch to Angola was dispatched in November. The Company is currently pursuing ways to enter new markets in the Middle East, Southeast Asia and Africa;
- A new Board of Directors and Chairman of the Board were elected. A new structure is now in place to give an increased role to the independent directors to support them in further enhancing corporate governance and formulating Cherkizovo's development strategy;
- The modernisation of the Mosselprom poultry production cluster was completed. 24 new poultry houses have been launched, boosting annual production volume by 12,000 tons;
- The second phase of the pork cluster project in Voronezh was completed in June. The first phase in Lipetsk is currently under way. Both sites will be fully completed in 2017, boosting production capacity by 70,000 tons per year;
- The first cluster of the new parent stock breeding farm was completed in Elets (Lipetsk region), which is a key step towards import substitution and will help the Group to achieve self-sufficiency in hatching eggs;
- The Tambov Turkey project became operational. In 2017 it will reach full production capacity of 50,000 tons of live weight;
- Cherkizovo Group implemented the SAP ERP solution on the HANA platform at the Petelino Trading House. The project was launched simultaneously across 14 sites and provides a centralised platform to help streamline operations and improve efficiency;
- A new research laboratory, the most advanced of its kind in Russia, was put into operation. Its ultimate goal is to increase the quality and biosafety of Cherkizovo's products.

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

“2016 was a milestone year for Cherkizovo Group. We reclaimed our status as Russia's top meat producer after increasing total meat product sales by 9% year-on-year to 903,000 tonnes.

“We completed a number of landmark projects during 2016 and achieved significant progress on our strategic initiatives, particularly around building our export portfolio. The Tambov Turkey Project, a joint venture between Cherkizovo Group and Fuertes, Europe's leading turkey producer, became operational in 2016, which boosts our live weight production capacity by approximately 50,000 tons per year. We also launched our new state-of-the-art, in-house laboratory, which is unique to the Russian agricultural sector and is critical for the company to maintain and improve its quality and innovation leadership.

“Financially, the year was mixed. Following a particularly challenging market environment with unusually low prices in early 2016, market conditions gradually improved throughout the year. Despite a disappointing first part of the year, we were able to deliver a strong set of operating results across all business divisions. Group revenue stood at RUB 82.4 billion, a year-on-year increase of 7%, which was largely driven by the poultry and meat processing segments. The latter performed particularly strongly and saw sales rise by 14% year-on-year to 218,085 tons in 2016.

“Our focus on enhanced operational efficiency across all segments has already helped to deliver an uptick in EBITDA, with an 83% year-on-year increase in fourth quarter EBITDA. We are confident that our continued efforts, combined with the anticipated improvement in Russia's macroeconomic situation, will help us perform well in the year ahead.”

## Financial summary

	2016	2015	Year-on-year change	4Q 16	4Q 15	Quarter-on-quarter change
	mln RUB	mln RUB	%	mln RUB	mln RUB	%
<b>Revenue</b>	82,417.2	77,032.6	7%	23,191.2	21,013.8	10%
<b>Gross profit</b>	17,854.8	19,148.7	(7%)	4,820.8	4,705.7	2%
<b>Operating expenses</b>	(12,798.3)	(11,614.7)	10%	(3,343.7)	(3,647.1)	(8%)
<b>Adjusted EBITDA</b>	<b>10,282.5</b>	<b>12,630.4</b>	(19%)	<b>4,936.9</b>	<b>2,700.3</b>	83%
<i>Adjusted EBITDA margin</i>	12.5%	16.4%		21.3%	12.9%	
<b>Operating profit / (loss)</b>	<b>5,056.5</b>	<b>7,534.0</b>	(33%)	<b>1,477.1</b>	<b>1,407.5</b>	5%
<i>Income / (Loss) before tax</i>	1,960.4	5,871.7	(67%)	(312.9)	700.7	(145%)
<b>Profit / (loss)</b>	<b>1,919.2</b>	<b>6,007.5</b>	(68%)	<b>(272.5)</b>	<b>881.2</b>	(131%)
<b>Net operating cash flow</b>	<b>9,368.5</b>	<b>4,992.3</b>	88%	<b>4,302.9</b>	<b>(429.7)</b>	
<b>Net debt</b>	<b>36,949.1</b>	<b>35,009.6</b>	6%	<b>36,949.1</b>	<b>35,009.6</b>	6%

### Revenue

Net sales increased by 7% year-on-year to RUB 82.4 billion, compared to RUB 77.0 billion in 2015. The main drivers behind this growth were the poultry and meat processing segments. We were able to achieve strong volume growth but experienced a challenging pricing environment in the first half of the year. In the fourth quarter, sales increased by 10% year-on-year to RUB 23.2 billion from RUB 21.0 billion in the corresponding period of 2015.

### Gross Profit

Gross profit fell by 7% year-on-year to RUB 17.9 billion from RUB 19.1 billion in 2015. The majority of this decrease can be attributed to the poultry and pork segments, where a significant share of expenses is pegged to foreign currency. As a result of higher costs, the gross margin consequently fell to 21.7% in 2016 from 24.9% in 2015. In the fourth quarter of 2016, gross profit demonstrated year-on-year growth of 2% and reached RUB 4.8 billion, compared to RUB 4.7 billion in the fourth quarter of 2015.

### Operating Expenses

Operating expenses increased by 10% year-on-year to RUB 12.8 billion, compared to RUB 11.6 billion in 2015, as a result of higher payroll, taxes (transportation, property) and other selling expenses. In the fourth quarter of 2016, operating expenses fell by 8% year-on-year to RUB 3.3 billion from RUB 3.6 billion in the fourth quarter of 2015. Operating expenses as percentage of sales increased to 15.5% in 2016 from 15.1% in 2015.

### Adjusted EBITDA

In 2016, adjusted EBITDA fell by 19% year-on-year to RUB 10.3 billion from RUB 12.6 billion in 2015. The adjusted EBITDA margin fell to 12.5% in 2016. Nonetheless, in the fourth quarter of 2016, EBITDA demonstrated growth of 83% and reached RUB 4.9 billion (4Q 2015: RUB 2.7 billion).

### Interest Expense

Interest expense was up 14% year-on-year to RUB 4.5 billion in 2016. The Group's loan portfolio decreased by 6% to RUB 38.6 billion (2015: RUB 41.2 billion). Net interest expense for 2016 was RUB 3.7 billion, up 174% from the 2015 level of RUB 1.4. The Group accrued RUB 0.7 billion of subsidies in

2016 included in the net interest expense above, a year-on-year decrease of 71% due to the change in the management estimate regarding subsidy recognition and related write-off of subsidies receivable that are not expected to be recovered. In the fourth quarter of 2016 the Russian Government announced a new policy on subsidy assignment to agricultural producers - starting from 1 January 2017 accredited banks will provide loans to agricultural producers at reduced rates not exceeding 5% per annum on RUR-denominated loans. The Government will then provide a subsidy to the banks compensating the difference between market and actual rates. Considering the uncertainty regarding collectability of subsidies accrued under the previous policy, management determined that only subsidies on qualifying loans that are confirmed by Ministry of Agriculture shall be recognized. The change in estimate resulted in decrease of subsidies receivable balance and increase in interest expense for RUB 1.3 billion.

### Net Profit

Net profit for the Group came in at RUB 1.9 billion, a decrease of 68% year-on-year from RUB 6.0 billion in 2015. As a result of write off of RUB 1.3 billion of interest subsidies that are not expected to be recovered and RUB 0.3 billion of receivables from insurance company on ASF compensation, the net profit margin fell to 2.3% from 7.8% in 2015.

### Cash Flow

Net operating cash flow for 2016 was RUB 9.4 billion, up materially compared with RUB 5.0 billion in 2015 as a result of improvement in working capital (revision of payment terms with suppliers and inventory management).

### Business segments

Divisions	Sales volume 2016, thousand tons	Sales volume 2015, thousand tons	Year-on- year change %	Revenue 2016, RUB# mln	Revenue 2015, RUB# mln	Year-on- year change %	Share of Group revenue %
<b>Poultry</b>	500.3	470.4	6%	47,724.0	44,590.2	7%	49%
<b>Pork</b>	184.8	169.6	9%	15,920.1	16,579.2	(4%)	16%
<b>Meat processing</b>	218.1	191.2	14%	31,667.4	29,150.3	9%	32%
<b>Grain Farming</b>	338.8	267.4	27%	3,055.8	2,580.7	18%	3%

# Includes intersegment sales

### Poultry Division

In 2016, sales volume increased by 6% year-on-year to 500,321 tons of sellable weight, from 470,432 in 2015. This growth was driven by higher production levels, which were a result of improvements in efficiency and the launch of new poultry houses at the Mosselprom production facility. On a quarter-on-quarter basis, sales volume increased by 7% to 128,250 tons of sellable weight. This growth was due to higher sales of branded, deep processing and ready-to-cook products, which were aided by the diversification of the geographies these products are sold in.

The average price during 2016 was flat compared to the previous year and stood at 94.94 RUB/kg<sup>1</sup>. In the fourth quarter, the average price grew by 6% quarter-on-quarter to 102.72 RUB/kg from 96.89 RUB/kg in the third quarter.

Total sales for the division increased 7% year-on-year to RUB 47.7 billion (2015: RUB 44.6 billion). Sales increased 6% in the fourth quarter of the year and reached RUB 13.3 billion (4Q 2015: RUB 12.5 billion)

Gross profit fell by 12% year-on-year to RUB 7.4 billion from RUB 8.4 billion in 2015 as costs for feed components, hatching eggs and veterinary supplies are denominated in foreign currency. The negative effect was mostly evident in the first quarter of the year when the Russian ruble hit a new record low. The currency situation has since stabilised, although the average real exchange rate for 2016 was still 10%

<sup>1</sup> Here and below, all average prices exclude VAT

lower year-on-year. The gross margin for 2016 decreased to 15.5% from 18.9% in 2015. The segment's gross profit delivered growth of 4% in the fourth quarter compared with the corresponding period of 2015 (4Q 2015: RUB 2.3 billion).

Operating expenses as a percentage of sales were slightly lower at 10.6%, compared to 11.4% in 2015.

Operating income fell by 30% year-on-year to RUB 2.4 billion from RUB 3.3 billion in 2015, while the operating margin fell to 4.9% from 7.5% in the corresponding period of last year. Net profit for the division came in at RUB 1.2 billion, a year-on-year drop of 67%. This was mainly a result of the costs of feed components and other direct materials being pegged to foreign currencies.

Adjusted EBITDA dropped 16% year-on-year to RUB 4.6 billion (2015: RUB 5.5 billion), while the adjusted EBITDA margin fell to 9.7% from 12.3% in 2015. However, in the fourth quarter of 2016, the segment's EBITDA almost doubled compared with the corresponding period of 2015 and grew by 83.5% to RUB 2.4 billion (4Q 2015: RUB 1.3 billion).

## **Pork Division**

For the full year of 2016, sales volume in the pork division increased by 9% year-on-year to 184,766 tons. This was primarily due to a new genetics improvement strategy launched by the management at the beginning of the year to improve pigs' health status and efficiency by increasing livability and weekly farrows. The launch of two new wean-to-finish sites in the Voronezh region also helped to boost sales. On a quarter-on-quarter basis, sales volume grew by 19% to 53,184 tons and was driven by higher production levels, which the Group started to see in the fourth quarter of 2015, and additional market hog sales from new wean-to-finish sites in September and October 2016.

In 2016, the average price decreased by 10% year-on-year to 88.28 RUB/kg; on a quarter-on-quarter basis, it fell by 1% to 92.46 RUB/kg. This drop was a result of Russian consumers' lower purchasing power and an overall increase in pork production across the country.

Total sales in the pork division fell 4% year-on-year to RUB 15.9 billion (2015: RUB 16.6 billion). This dip in sales was expected as the average price fell by 10% year-on-year. In the fourth quarter of the year, sales increased by 22% and reached RUB 4.7 billion, compared with RUB 3.9 billion in the corresponding period of 2015.

Gross profit in 2016 stood at RUB 4.6 billion, a decrease of 1% from 2015 (2015: RUB 4.7 billion). The segment's gross margin rose to 28.9% from 28.1% in 2015. The segment's gross profit increased by 60% in the fourth quarter to RUB 1.3 billion compared to the 4Q 2015 level of RUB 0.8 billion.

Operating expenses as a percentage of sales in 2016 were slightly higher compared to 2015 and stood at 4.9% (2015: 4.0%). Transportation tax was the main driver of the expense growth.

Operating income fell by 5% year-on-year to RUB 3.8 billion from RUB 4.0 billion in 2015. The operating margin decreased to 24.0% from 24.1% in the previous year. Net profit decreased by 28% year-on-year to RUB 2.6 billion (2015: RUB 3.6 billion).

Adjusted EBITDA decreased to RUB 4.0 billion, a year-on-year decrease of 37%. The adjusted EBITDA margin fell to 24.9% in 2016 from 37.9% in 2015. On a quarter-on-quarter basis, adjusted EBITDA demonstrated growth of 66%.

## **Meat Processing Division**

During 2016, sales volume in the meat processing division grew by 14% year-on-year to 218,085 tons from 191,200 tons in 2015. This increase was a result of production growth of non-sausage products. In the fourth quarter, sales volume increased by 7% year-on-year to 59,438 tons.

In 2016, the average price fell by 3% year-on-year to 167.84 RUB/kg due to non-sausage products representing a greater share of sales. The average price decreased by 1% quarter-on-quarter to 170.33 RUB/kg due to sausages and B2B/B2C products representing a lower share of the product mix in the fourth quarter.

Total sales were 9% higher in 2016 and reached RUB 31.7 billion (2015: RUB 29.2 billion). In the fourth quarter of the year, sales grew by 7% and reached RUB 8.8 billion (4Q 2015: RUB 8.3 billion).

Gross profit increased by 28% year-on-year to RUB 5.5 billion, compared to RUB 4.3 billion in 2015. The gross margin rose to 17.4% in 2016 from 14.8% in 2015. In the fourth quarter, gross profit grew by 25% year-on-year to RUB 1.6 billion (4Q 2015: RUB 1.3 billion).

In 2016, operating expenses as a percentage of sales grew to 11.8%, compared to 10.5% in 2015. This was a result of higher transportation and payroll expenses.

Operating income increased by 42% year-on-year to RUB 1.8 billion from RUB 1.3 billion in 2015. The operating margin rose to 5.6% from 4.3% in 2015. In 2016, the meat processing segment generated net profit of RUB 1.7 billion, an increase of 96% from 2015 (2015: RUB 0.9 billion).

In 2016, adjusted EBITDA demonstrated growth of 38% and reached RUB 2.4 billion (2015: RUB 1.8 billion). The adjusted EBITDA margin reached 7.7% in 2016, compared to 6.0% in 2015. Adjusted EBITDA increased by 40% in the fourth quarter to RUB 0.8 billion (4Q 2015: RUB 0.6 billion).

### **Grain Division**

Sales in the grain division grew by 27% in 2016 to 338,808 tons of various crops, compared to 267,371 tons in 2015. This positive dynamic was driven by a 41% increase in the Group's harvest to 467,916 tons, versus 332,866 tons in 2015. The average crop yield of the Group's cultivated land increased by 47% to 57.5 t/ha, while the Group's tillable land area grew by 4% year-on-year to 94,814 ha.

The average grain price for 2016 fell by 6% year-on-year to 8.83 RUB/kg as a result of a record harvest in the country.

### **Financial Position**

The Group's capital expenditure on property, plants, equipment and maintenance amounted to RUB 9.9 billion in 2016, a year-on-year decrease of 12%. Of that, RUB 2.9 billion was invested into the poultry division, primarily into the construction of the hatchery and grain storage facility in the Lipetsk region (Eletsprom Project). In the pork division, RUB 3.8 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 1.5 billion of investments for the construction of the Kashira meat processing plant in the Moscow Region. In the grain division, RUB 1.2 billion was invested into the construction of a new grain drying facility. The feed division received RUB 0.2 billion of investments. Cherkizovo Group also invested RUB 1.1 billion into the Tambov Turkey project in 2016.

As of 31 December, 2016, net debt amounted to RUB 36.9 billion, compared to RUB 35.0 billion at the end of 2015. Total debt stood at RUB 38.6 billion as of 31 December 2016, a decrease of 6% from the end of 2015. As of 31 December 2016, long-term debt represented 63% of the debt portfolio and amounted to RUB 24.5 billion. Short-term debt stood at RUB 14.1 billion, or 37% of the portfolio. The effective cost of debt was 9.7% in 2016 (2015: 3.3%). Subsidised loans and credit lines made up 35% of the debt portfolio in 2016 (2015: 81%). Cash and cash equivalents totaled RUB 1.0 billion as of 31 December, 2016.

### **Subsidies**

In 2016, the Group accrued subsidies for interest reimbursement of RUB 0.7 billion, which offset interest expense (2015: RUB 2.6 billion). The Group received RUB 1.4 billion of subsidies in 2016, compared to RUB 2.0 billion in 2015

## 2017 Outlook

Following signs that the macroeconomic situation in Russia is starting to recover, GDP is expected to return to moderate growth during 2017. Consumer spending is forecast to rise as inflation is forecast to be at a record low level. The investment climate is also improving and foreign direct investment is expected to continue its rebound from pre-recession levels.

It is anticipated that the first quarter of the year will be soft, as is often the case for Cherkizovo's business. The Company's first quarter margins tend to be the lowest in the year as a result of the typical post-holiday drop in consumer spending and seasonally low meat consumption at the beginning of the year.

The Company has completed the majority of its capital intensive development phase and is now looking at a more modest capex in 2017. Cherkizovo is shifting its investment focus from development to maintenance, operational efficiency and production of higher-margin value-added products. Cherkizovo Group will continue building on its competitive advantages, adding extra emphasis on the quality and biosafety of its products, as well as capitalising on domestic market consolidation and selectively on international opportunities.

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, 9 feed mills and more than 140,000 hectares of agricultural land. In 2016, Cherkizovo Group produced 903,000 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 sales growth and profitability. The Company's consolidated revenue reached RUB 82.4 bn in 2016.

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 the 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.

**\*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 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 and agricultural produce, write-off of receivables from insurance company, share of loss of a joint venture and loss on disposal of subsidiaries 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 IFRS accounting principles 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.

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



## APPENDIX I: KEY DATA AND FIGURES

### 12 Months 2016 ended December 31, 2016 Consolidated Selected Financial Data (RUB 000)

(in thousands of rubles)	Meat-processing	Pork	Poultry	Grain	Feed	Corporate assets/expenditure	Inter-division	Combined
Total sales	31 667 448	15 920 146	47 724 031	3 055 762	28 727 843	126 251	(44 804 288)	82 417 193
including other sales	526 538	171 106	1 331 875	47 426	-	126 251	(783 561)	1 419 635
including sales volume discounts	(4 545 908)	-	(1 340 206)	-	-	-	-	(5 886 114)
Intersegment sales	(22 795)	(12 634 006)	(1 961 921)	(1 956 712)	(28 146 309)	(82 545)	44 804 288	-
Sales to external customers	31 644 653	3 286 140	45 762 110	1 099 050	581 534	43 706	-	82 417 193
Net change in fair value of biological assets and agricultural produce	-	861 422	(288 114)	(477 482)	-	-	(435 889)	(340 063)
Cost of sales	(26 141 947)	(12 182 666)	(40 049 212)	(2 873 596)	(28 109 353)	(78 511)	45 212 941	(64 222 344)
<b>Gross profit / (loss)</b>	<b>5 525 501</b>	<b>4 598 902</b>	<b>7 386 705</b>	<b>(295 316)</b>	<b>618 490</b>	<b>47 740</b>	<b>(27 236)</b>	<b>17 854 786</b>
Operating expense	(3 743 467)	(782 106)	(5 035 890)	(267 828)	(404 658)	(2 645 471)	81 107	(12 798 313)
<b>Operating income / (expense)</b>	<b>1 782 034</b>	<b>3 816 796</b>	<b>2 350 815</b>	<b>(563 144)</b>	<b>213 832</b>	<b>(2 597 731)</b>	<b>53 871</b>	<b>5 056 473</b>
Other income (expense), net	207 378	(289 198)	(114 744)	4 885	319 704	820 560	(306 364)	642 221
Interest expense, net	(245 885)	(964 742)	(1 076 908)	(94 361)	(930 799)	(731 984)	306 364	(3 738 315)
<b>Profit before income tax (division profit)</b>	<b>1 743 527</b>	<b>2 562 856</b>	<b>1 159 163</b>	<b>(652 620)</b>	<b>(397 263)</b>	<b>(2 509 155)</b>	<b>53 871</b>	<b>1 960 379</b>
Adjustments for:								
Interest expense, net	245 885	964 742	1 076 908	94 361	930 799	731 984	(306 364)	3 738 315
Interest income	(9 561)	(33 764)	(173 895)	(1 710)	(10 723)	(420 448)	306 364	(343 737)
Foreign exchange loss/(gain)	(192 501)	(22 285)	304 147	(3 026)	(307 559)	(399 863)	-	(621 087)
Depreciation and amortisation expense	639 237	1 010 334	1 969 279	295 430	590 646	155 439	-	4 660 365
Net change in fair value of biological assets and agricultural produce	-	(861 422)	288 114	477 482	-	-	435 889	340 063
Share of loss of a joint venture	-	-	-	-	-	200 191	-	200 191
Write-off of receivables from insurance company	-	347 975	-	-	-	-	-	347 975
<b>Adjusted EBITDA</b>	<b>2 426 587</b>	<b>3 968 436</b>	<b>4 623 716</b>	<b>209 917</b>	<b>805 900</b>	<b>(2 241 852)</b>	<b>489 760</b>	<b>10 282 464</b>

<b>Total net division profit</b>	<b>1 960 379</b>
Profit attributable to non-controlling interests	31 709
Income taxes	(72 861)
<b>Profit attributable to Cherkizovo Group</b>	<b>1 919 227</b>

## CONSOLIDATED INCOME STATEMENT DATA

(in thousands of rubles)	Year ended 31 December 2016	Year ended 31 December 2015
<b>Sales</b>	<b>82 417 193</b>	<b>77 032 622</b>
incl. Sales volume discounts	(5 886 114)	(5 343 155)
incl. Sales returns	(952 321)	(1 034 171)
Net change in fair value of biological assets and agricultural produce	(340 063)	(1 163 727)
Cost of sales	(64 222 344)	(56 720 216)
<b>Gross profit</b>	<b>17 854 786</b>	<b>19 148 679</b>
<i>Gross margin</i>	<i>21.7%</i>	<i>24.9%</i>
Operating expenses	(12 798 313)	(11 614 653)
<b>Operating Income</b>	<b>5 056 473</b>	<b>7 534 026</b>
<i>Operating margin</i>	<i>6.1%</i>	<i>9.8%</i>
<b>Profit before income tax and non-controlling interests</b>	<b>1 960 379</b>	<b>5 871 749</b>
<b>Profit attributable to Group Cherkizovo</b>	<b>1 919 227</b>	<b>6 007 482</b>
<i>Net profit margin</i>	<i>2.3%</i>	<i>7.8%</i>
<b>Weighted average number of shares outstanding</b>	43 855 590	43 855 590
<b>Earnings per share</b>		
<b>Profit attributable to Cherkizovo Group per share – basic and diluted (rubles)</b>	<b>43.8</b>	<b>137.0</b>
Consolidated Adjusted EBITDA reconciliation*		
<b>Profit before income tax and non-controlling interests</b>	<b>1 960 379</b>	<b>5 871 749</b>
Add:		
Interest expense, net of subsidies	3 738 315	1 364 766
Interest income	(343 737)	(285 762)
Foreign exchange (gain)/loss, net	(621 087)	646 802
Depreciation and amortisation	4 660 365	3 826 525
Net change in fair value of biological assets and agricultural produce	340 063	1 163 727
Share of loss of a joint venture	200 191	-
Write-off of receivables from insurance company	347 975	-
Loss on disposal of subsidiaries	-	42 569
<b>Consolidated Adjusted EBITDA*</b>	<b>10 282 464</b>	<b>12 630 376</b>
<i>Adjusted EBITDA Margin</i>	<i>12.5%</i>	<i>16.4%</i>

**POULTRY DIVISION INCOME STATEMENT DATA**

(in thousands of rubles)	Year ended 31 December 2016	Year ended 31 December 2015
Total Sales	47 724 031	44 590 211
Interdivision sales	(1 961 921)	(2 640 958)
<b>Sales to external customers</b>	<b>45 762 110</b>	<b>41 949 253</b>
Net change in fair value of biological assets and agricultural produce	(288 114)	(283 880)
Cost of sales	(40 049 212)	(35 901 044)
<b>Gross profit</b>	<b>7 386 705</b>	<b>8 405 287</b>
<i>Gross margin</i>	15.5%	18.9%
Operating expenses	(5 035 890)	(5 061 999)
<b>Operating Income</b>	<b>2 350 815</b>	<b>3 343 288</b>
<i>Operating margin</i>	4.9%	7.5%
Interest income	173 895	175 026
Interest expense. net	(1 076 908)	(628 523)
Other (expenses) income. net	(288 639)	619 720
<b>Division profit</b>	<b>1 159 163</b>	<b>3 509 511</b>
<i>Division profit margin</i>	2.4%	7.9%
<b>Poultry processing division Adjusted EBITDA reconciliation*</b>		
<b>Division profit</b>	<b>1 159 163</b>	<b>3 509 511</b>
Add:		
Interest expense. net of subsidies	1 076 908	628 523
Interest income	(173 895)	(175 026)
Foreign exchange loss/(gain)	304 147	(614 651)
Depreciation and amortisation	1 969 279	1 862 574
Net change in fair value of biological assets and agricultural produce	288 114	283 880
<b>Poultry processing division Adjusted EBITDA*</b>	<b>4 623 716</b>	<b>5 494 811</b>
<i>Adjusted EBITDA Margin</i>	9.7%	12.3%

## PORK DIVISION INCOME STATEMENT DATA

(in thousands of rubles)	Year ended 31 December 2016	Year ended 31 December 2015
Total Sales	15 920 146	16 579 185
Interdivision sales	(12 634 006)	(11 502 192)
<b>Sales to external customers</b>	<b>3 286 140</b>	<b>5 076 993</b>
Net change in fair value of biological assets and agricultural produce	861 422	(1 387 143)
Cost of sales	(12 182 666)	(10 529 115)
<b>Gross profit</b>	<b>4 598 902</b>	<b>4 662 927</b>
<i>Gross margin</i>	28.9%	28.1%
Operating expenses	(782 106)	(662 041)
<b>Operating Income</b>	<b>3 816 796</b>	<b>4 000 886</b>
<i>Operating margin</i>	24,0%	24.1%
Interest income	33 764	11 102
Interest expense. net	(964 742)	(356 155)
Other (expenses)/income. net	(322 962)	(84 954)
<b>Division profit</b>	<b>2 562 856</b>	<b>3 570 879</b>
<i>Division profit margin</i>	16.1%	21.5%
<b>Pork division Adjusted EBITDA reconciliation*</b>		
<b>Division profit</b>	<b>2 562 856</b>	<b>3 570 879</b>
Add:		
Interest expense. net of subsidiaries	964 742	356 155
Interest income	(33 764)	(11 102)
Foreign exchange (gain)/loss	(22 285)	71 822
Depreciation and amortisation	1 010 334	869 643
Net change in fair value of biological assets and agricultural produce	(861 422)	1 387 143
Write-off of receivables from insurance company	347 975	-
Loss on disposal of subsidiaries	-	42 569
<b>Pork division Adjusted EBITDA*</b>	<b>3 968 436</b>	<b>6 287 109</b>
<i>Adjusted EBITDA Margin</i>	24.9%	37.9%

## MEAT PROCESSING DIVISION INCOME STATEMENT DATA

(in thousands of rubles)	Year ended 31 December 2016	Year ended 31 December 2015
Total Sales	31 667 448	29 150 254
Interdivision sales	(22 795)	(32 016)
<b>Sales to external customers</b>	<b>31 644 653</b>	<b>29 118 238</b>
Cost of sales	(26 141 947)	(24 835 957)
<b>Gross profit</b>	<b>5 525 501</b>	<b>4 314 297</b>
<i>Gross margin</i>	17.4%	14.8%
Operating expenses	(3 743 467)	(3 060 987)
<b>Operating Income</b>	<b>1 782 034</b>	<b>1 253 310</b>
<i>Operating margin</i>	5.6%	4.3%
Interest income	9 561	10 405
Interest expense. net	(245 885)	(202 541)
Other (expenses)/income. net	197 817	(173 722)
<b>Division profit</b>	<b>1 743 527</b>	<b>887 452</b>
<i>Division profit margin</i>	5.5%	3.0%
<b>Meat processing division Adjusted EBITDA reconciliation*</b>		
<b>Division profit</b>	<b>1 743 527</b>	<b>887 452</b>
Add:		
Interest expense. net of subsidies	245 885	202 541
Interest income	(9 561)	(10 405)
Foreign exchange (gain)/loss	(192 501)	205 719
Depreciation and amortisation	639 237	467 157
<b>Meat processing division Adjusted EBITDA*</b>	<b>2 426 587</b>	<b>1 752 464</b>
<i>Adjusted EBITDA Margin</i>	7.7%	6.0%

## GRAIN DIVISION INCOME STATEMENT DATA

(in thousands of rubles)	Year ended 31 December 2016	Year ended 31 December 2015
Total Sales	3 055 762	2 580 713
Interdivision sales	(1 956 712)	(2 117 129)
<b>Sales to external customers</b>	<b>1 099 050</b>	<b>463 584</b>
Net change in fair value of biological assets and agricultural produce	(477 482)	326 376
Cost of sales	(2 873 596)	(1 827 087)
<b>Gross (loss)/profit</b>	<b>(295 316)</b>	<b>1 080 002</b>
<i>Gross margin</i>	-9.7%	41.8%
Operating expenses	(267 828)	(242 294)
<b>Operating (Loss)/Income</b>	<b>(563 144)</b>	<b>837 708</b>
<i>Operating margin</i>	-18.4%	32.5%
Interest income	1 710	330
Interest expense. net	(94 361)	(14 277)
Other (expenses)/income. net	3 175	15 225
<b>Division (loss)/ profit</b>	<b>(652 620)</b>	<b>838 986</b>
<i>Division profit margin</i>	-21.4%	32.5%
<b>Grain processing division Adjusted EBITDA reconciliation*</b>		
<b>Division (loss)/profit</b>	<b>(652 620)</b>	<b>838 986</b>
Add:		
Interest expense. net of subsidies	94 361	14 277
Interest income	(1 710)	(330)
Foreign exchange (gain)/loss	(3 026)	17 144
Depreciation and amortisation	295 430	167 236
Net change in fair value of biological assets and agricultural produce	477 482	(326 376)
<b>Grain processing division Adjusted EBITDA*</b>	<b>209 917</b>	<b>710 937</b>
<i>Adjusted EBITDA Margin</i>	6.9%	27.5%

## FEED DIVISION INCOME STATEMENT DATA

(in thousands of rubles)	Year ended 31 December 2016	Year ended 31 December 2015
Total Sales	28 727 843	27 855 810
Interdivision sales	(28 146 309)	(27 458 461)
<b>Sales to external customers</b>	<b>581 534</b>	<b>397 349</b>
Cost of sales	(28 109 353)	(27 033 691)
<b>Gross profit</b>	<b>618 490</b>	<b>822 119</b>
<i>Gross margin</i>	2.2%	3.0%
Operating expenses	(404 658)	(590 873)
<b>Operating Income</b>	<b>213 832</b>	<b>231 246</b>
<i>Operating margin</i>	0.7%	0.8%
Interest income	10 723	25 059
Interest expense. net	(930 799)	(192 010)
Other expenses. net	308 981	(121 944)
<b>Division loss</b>	<b>(397 263)</b>	<b>(57 649)</b>
<i>Division profit margin</i>	-1.4%	-0.2%
<b>Feed division Adjusted EBITDA reconciliation*</b>		
<b>Division loss</b>	<b>(397 263)</b>	<b>(57 649)</b>
Add:		
Interest expense. net of subsidies	930 799	192 010
Interest income	(10 723)	(25 059)
Foreign exchange (gain)/loss	(307 559)	129 179
Depreciation and amortisation	590 646	399 855
<b>Feed division Adjusted EBITDA*</b>	<b>805 900</b>	<b>638 336</b>
<i>Adjusted EBITDA Margin</i>	2.8%	2.3%

## APPENDIX II:

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER  
COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016**

(in thousands of rubles)	Year ended 31 December 2016	Year ended 31 December 2015
Sales	82 417 193	77 032 622
Net change in fair value of biological assets and agricultural produce	(340 063)	(1 163 727)
Cost of sales	(64 222 344)	(56 720 216)
<b>Gross profit</b>	<b>17 854 786</b>	<b>19 148 679</b>
Selling, general and administrative expense	(13 008 713)	(11 947 142)
Other operating income , net	410 591	332 489
Share of loss of a joint venture	(200 191)	-
<b>Operating Profit</b>	<b>5 056 473</b>	<b>7 534 026</b>
Interest income	343 737	285 762
Interest expense, net	(3 738 315)	(1 364 766)
Other income (expenses), net	298 484	(583 273)
<b>Profit before income tax</b>	<b>1 960 379</b>	<b>5 871 749</b>
Income tax (expense) benefit	(72 861)	149 060
<b>Profit for the year and total comprehensive income</b>	<b>1 887 518</b>	<b>6 020 809</b>
<b>Profit and total comprehensive income attributable to Cherkizovo</b>	<b>1 919 227</b>	<b>6 007 482</b>
Non-controlling interests	(31 709)	13 327





**APPENDIX III:****CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2016**

(in thousands of rubles)	31 December 2016	31 December 2015
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	64 445 256	60 436 029
Investment property	443 676	432 771
Goodwill	557 191	557 191
Intangible assets	1 949 663	1 603 903
Non-current biological assets	1 926 714	1 617 833
Notes receivable, net	510 000	300 000
Investments in joint venture	2 061 472	1 301 663
Long-term deposits in banks	641 657	641 365
Deferred tax assets	479 624	331 300
Other non-current receivables	508 140	430 811
<b>Total non-current assets</b>	<b>73 523 101</b>	<b>67 652 866</b>
<b>Current assets</b>		
Biological assets	10 712 481	9 829 675
Inventories	10 602 118	12 258 555
Taxes recoverable and prepaid	1 904 786	2 835 987
Trade receivables, net	4 942 884	4 444 991
Advances paid, net	1 721 691	2 733 842
Other receivables, net	1 393 473	1 782 019
Cash and cash equivalents	1 002 203	5 560 824
Other current assets	534 838	612 566
<b>Total current assets</b>	<b>32 814 474</b>	<b>40 058 459</b>
<b>TOTAL ASSETS</b>	<b>106 337 575</b>	<b>107 711 325</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2016**  
**Continued**

	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	440	440
Treasury shares	(78 033)	(78 033)
Additional paid-in capital	5 588 320	5 588 320
Retained earnings	47 503 411	46 582 955
<b>Total shareholder's equity</b>	<b>53 014 138</b>	<b>52 093 682</b>
Non-controlling interest	1 026 280	1 055 392
<b>Total equity</b>	<b>54 040 418</b>	<b>53 149 074</b>
<b>Non-current liabilities</b>		
Long-term borrowings	24 469 704	16 118 747
Provisions	58 131	67 131
Deferred tax liability	420 299	405 097
Other liabilities	14 379	96 185
<b>Total non-current liabilities</b>	<b>24 962 513</b>	<b>16 687 160</b>

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**Current liabilities**

Short-term borrowings	14 122 997	25 093 017
Trade payables	8 608 271	8 461 657
Advances received	562 584	443 018
Payables for non-current assets	1 061 629	1 445 128
Tax related liabilities	849 400	790 344
Payroll related liabilities	1 394 940	1 372 176
Other payables and accruals	734 823	269 751
<b>Total current liabilities</b>	<b>27 334 644</b>	<b>37 875 091</b>
	-	
<b>Total liabilities</b>	<b>52 297 157</b>	<b>54 562 251</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>106 337 575</b>	<b>107 711 325</b>

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**APPENDIX IV:****CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED  
31 DECEMBER 2016**

	Year ended 31 December 2016	Year ended 31 December 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before income tax</b>	<b>1 960 379</b>	<b>5 871 749</b>
Adjustments for:		
Depreciation and amortization	4 660 365	3 826 525
Bad debt expense	231 981	32 062
Foreign exchange (gain) loss, net	(621 087)	646 802
Interest income	(343 737)	(285 762)
Interest expense, net	3 738 315	1 364 766
Net change in fair value of biological assets and agricultural produce	340 063	1 163 727
Gain on disposal of property, plant and equipment, net	(8 054)	(49 793)

Gain on disposal of non-current biological assets, net	(402 456)	(282 827)
Write-off of receivables from insurance company	347 975	-
Share of loss of a joint venture	200 191	-
Other adjustments, net	(28 059)	(108 612)
<b>Operating cash flows before working capital changes</b>	<b>10 075 876</b>	<b>12 178 637</b>
Decrease (increase) in inventories	770 364	(4 648 048)
Increase in biological assets	(202 031)	(1 586 899)
Increase in trade receivables	(477 366)	(466 088)
Decrease (increase) in advances paid	796 090	(522 982)
Decrease (increase) in other receivables and other current assets	947 250	(1 450 027)
Increase in other non-current assets	(70 105)	(28 022)
Increase in trade payables	675 348	3 607 415
Increase in tax related liabilities (other than income tax)	41 155	17 693
Increase (decrease) in other current payables	142 585	(651 507)
<b>Operating cash flows before interest and income tax</b>	<b>12 699 166</b>	<b>6 450 172</b>
Interest received	255 850	219 758
Interest paid	(4 895 763)	(3 530 632)
Government grants for compensation of interest expense received	1 433 471	2 019 481
Income tax paid	(124 186)	(166 521)
<b>Net cash from operating activities</b>	<b>9 368 538</b>	<b>4 992 258</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(8 347 006)	(9 415 480)
Purchases of non-current biological assets	(1 110 778)	(432 481)
Purchases of intangible assets	(555 633)	(273 343)
Proceeds from sale of property, plant and equipment	60 679	220 832
Proceeds from disposal of non-current biological assets	755 422	537 051
Investments in joint venture	(960 000)	(450 000)
Placing of deposits and issuance of short-term loans	-	(156 855)
Purchases of notes receivable	(210 000)	(300 000)
Repayment of short-term loans issued and redemption of deposits	6 273	183 895
<b>Net cash used in investing activities</b>	<b>(10 610 343)</b>	<b>(10 086 381)</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED  
DECEMBER 2016 Continued**

**31**

	<b>Year ended 31 December 2016</b>	<b>Year ended 31 December 2015</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term loans	11 862 021	9 218 443
Repayment of long-term loans	(5 363 445)	(5 110 160)
Proceeds from short-term loans	21 834 999	21 686 431
Repayment of short-term loans	(30 652 746)	(12 736 663)
Dividends paid	(998 771)	(3 392 766)
Disposal (acquisition) of non-controlling interests	1 127	(17 892)
<b>Net cash (used in) generated from financing activities</b>	<b>(3 316 815)</b>	<b>9 647 393</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(4 558 621)</b>	<b>4 553 270</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>5 560 824</b>	<b>1 007 554</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>1 002 203</b>	<b>5 560 824</b>