



## **Cherkizovo Group Announces Financial Results for the fourth quarter and full year 2017**

**Moscow, Russia – 15 February 2018 – PJSC Cherkizovo Group (MOEX: GCHE), the largest vertically integrated meat producer in Russia, today announces its audited consolidated IFRS results for the fourth quarter and full year ending December 31, 2017.**

### **Fourth quarter financial highlights**

- Revenue increased by 5% year-on-year (y-o-y) and 7% quarter-on-quarter (q-o-q) and amounted to RUB 24.3 billion
- Gross profit increased by 19% y-o-y and 17% q-o-q to RUB 5.8 billion
- Gross profit margin improved by 2.8 percentage points (p.p.) y-o-y to 23.6%, with sequential rise by 2 p.p. q-o-q.
- Adjusted EBITDA\* decreased by 26% y-o-y and was flat q-o-q to RUB 3.6 billion
- Adjusted EBITDA\* margin of 15.0%

### **Full Year 2017 financial highlights**

- Revenue increased by 10% year-on-year (y-o-y) to RUB 90.5 billion from RUB 82.4 billion in 2016
- Gross profit jumped 32% y-o-y to RUB 23.6 billion from RUB 17.9 billion in 2016
- Gross profit margin surged to 26.0%, compared to 21.7% in 2016
- Operating expenses increased to RUB 13.8 billion, including Share of loss of a joint venture in the amount of 0.2 billion
- Adjusted EBITDA\* increased to RUB 15.3 billion, compared to RUB 10.3 billion in 2016
- Adjusted EBITDA\* margin jumped to 17.0% compared to 12.5% in 2016
- Net profit for the period grew 202% y-o-y to RUB 5.8 billion, versus RUB 1.9 billion in 2016
- Net operating cash flow was RUB 13.0 billion for 2017
- Net debt\*\* was RUB 48.7 billion as of December 31, 2017
- Earnings per share (EPS) reached RUB 135.6 ( 2016: EPS was RUB 43.8)

### **Key corporate highlights for 2017**

- In April, Cherkizovo Group acquired NAPKO, one of Russia's leading grain producers with 147,000 hectares of land located in Lipetsk, Tambov and Penza regions, which are strategically important areas for Cherkizovo Group. Following the acquisition,



company's total operating land bank reached 287,000 hectares and allowed the company to increase grain self-sufficiency.

- In July, the Group launched new pork fattening sites in Lipetsk and Voronezh regions, with total production capacity of more than 126,000 live market hogs annually.
- In August, the controlling shareholder of Cherkizovo Group, together with its affiliates, completed the acquisition of 21.05% of the Group's ordinary shares and GDRs from funds and portfolios under the management of Prosperity Capital Management, for a total consideration of RUB 12.0 billion.
- In October, the Tambov Turkey project, a 50-50 joint venture between Cherkizovo Group and Grupo Fuertes, Spain's leading agricultural producer, reached total installed capacity of 45,000 tonnes per annum and its Pava-Pava brand is already visible on the shelves of the federal modern retail trade.

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

- On February 14 2018, Group GDRs were delisted from London Stock Exchange. Our current intention is that the GDR programme will remain operative for a limited period with a view that it may be terminated in the near future. Having considered the limited trading liquidity of its GDRs on the London Stock Exchange, the company has decided to consolidate the free-float and trading of its ordinary shares on the Moscow Exchange. In the context of its new capital markets strategy the company is also evaluating a range of alternatives available to it, including a potential equity offering of ordinary shares on the Moscow Exchange.

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

"We are pleased to report the Company's solid sales growth and improved profitability for 2017, as our focus on implementing strategic initiatives delivered value to shareholders and positioned us for a favourable medium-term outlook.

In 2017 our revenues rose by 10% and reached RUB 90.5 billion. Strict cost control, focus on efficiency, and benefits from our vertically integrated business model lifted our adjusted EBITDA to RUB 15.3 billion, a growth of 49% y-o-y, while adjusted EBITDA margin improved to 17%."

Our overall strong operational performance during 2017 was offset in part by softening of domestic prices for pork and poultry in 4Q 2017; however, prices stabilized in December 2017.

In order to sustain and extend our leadership positions in the Russian meat sector, we ramped up production across all segments, bringing overall production to c.1 mn tons of meat products, and moving us up to #2 in the ranking of domestic pork producers.

Tambov Turkey, Russia-Spanish joint venture facility reached its target capacity, which is quickly gaining consumer appreciation for the quality of turkey product. In the pork division, the newest addition of the fattening capacity coupled with genetics improvements allowed us to expand production by 15% to 212 thousand tons. Both initiatives allowed us to further diversify our sales mix across meat types. The only major investment project left, to complete our current investment cycle, is our state-of-the-art processed sausage meat factory in Kashira, Moscow region, which will be the



largest of its kind in Europe, and which is expected to be launched by the middle of 2018.

With heightened attention to our customers, and to better serve evolving consumer preferences, we focused on expanding our branded, value-added offering, including fresh processed poultry, pork and ready-to-eat products. We also broadened our distribution network to new regions, and our poultry products are now available in St Petersburg, and our processed meat products have entered the Urals and North-West Federal regions.”

### Financial summary

RUB mln	2017	2016	y-o-y, %	4Q 2017	3Q 2017	q-o-q, %
<b>Revenue</b>	<b>90,465</b>	<b>82,417</b>	<b>10%</b>	<b>24,336</b>	<b>22,780</b>	<b>7%</b>
Gross profit	23,559	17,855	32%	5,752	4,927	17%
Operating expenses	(13,833)	(12,798)	8%	(4,148)	(3,428)	21%
<b>Adjusted EBITDA,</b>	<b>15,338</b>	<b>10,282</b>	<b>49%</b>	<b>3,641</b>	<b>3,654</b>	<b>-</b>
<i>EBITDA margin, adjusted</i>	<i>17%</i>	<i>13%</i>		<i>15%</i>	<i>16%</i>	
Operating profit	9,726	5,056	92%	1,603	1,499	7%
Profit before tax	5,956	1,960	204%	245	690	-65%
<b>Profit</b>	<b>5,800</b>	<b>1,919</b>	<b>202%</b>	<b>151</b>	<b>543</b>	<b>-72%</b>
<b>Net operating cash flow</b>	<b>13,016</b>	<b>9,369</b>	<b>39%</b>	<b>3,177</b>	<b>3,372</b>	<b>-6%</b>
<b>Net debt</b>	<b>48,669</b>	<b>36,949</b>	<b>32%</b>	<b>48,669</b>	<b>47,214</b>	<b>3%</b>

### Revenue

Net sales increased by 10% y-o-y to RUB 90.5 billion, compared to RUB 82.4 billion in 2016. Our pork and meat processing segments all delivered significant growth, with respective y-o-y rises in revenue during the year of 17% and 7% respectively. Poultry segment sales had slightly decreased by 1% during the year. Sales increase in the pork and meat processing segments was 9% and 8% in 4Q2017 as compared to 4Q 2016. At the same time sales declined by 10% in the poultry segment in respective period. Average prices were flat to moderately low y-o-y, and were flat to negative q-o-q.

### Gross profit

Gross profit increased by 32% y-o-y to RUB 23.6 billion from RUB 17.9 billion in 2016. Strong year-on-year performance was driven by higher level of production across all divisions, coupled with favourable price environment for key feed inputs, predominantly grains, and operational efficiency gains in poultry and pork divisions. The combination of lower costs and higher sales lifted gross margin to 26.0% in 2017.

### Operating expenses

Operating expenses increased by 8% y-o-y to RUB 13.8 billion, compared to RUB 12.8 billion in 2016, as a result of higher selling expenses. In the fourth quarter, operating



expenses increased by 21% q-o-q. Operating expenses as percentage of sales decreased to 15.3% in 2017 from 15.5% in 2016.

### Adjusted EBITDA

In 2017, adjusted EBITDA reached RUB 15.3 billion, a 49% increase compared to 2016. Adjusted EBITDA margin jumped to 17.0% (2016: 12.5%). Adjusted EBITDA margin for the 4Q 2017 stood at 15.0%, compared to 21.3% 4Q 2016.

### Interest expense

Although total borrowings increased by 30% y-o-y to RUB 50.0 billion (2016: RUB 38.6 billion), net interest expense for 2017 was flat and amounted to RUB 3.7 billion due to lower interest rates on debt. The Group accrued RUB 6 million of subsidies in 2017 which is included in the net interest expense.

### Net profit

Net profit for the Group increased three-fold to RUB 5.8 billion in 2017, compared to RUB 1.9 billion in 2016. Net profit margin in 2017 amounted to 6.4%, compared to 2.3% in 2016.

### Cash flow

Operating cash flow for 2017 was RUB 13.0 billion compared to RUB 9.4 billion in 2016, primarily due to the increase in operating income.

### Business segments

Divisions	Sales volume		Change y-o-y, %	Revenue		Change y-o-y, %	Share of Group revenue, %
	2017, k tonnes	2016, k tonnes		2017, RUB mln#	2016, RUB mln#		
Poultry	522.5	500.3	4%	47,401	47,724	-1%	46%
Pork	211.8	184.8	15%	18,688	15,920	17%	18%
Meat processing	236.6	218.1	9%	34,020	31,667	7%	33%

# Revenue for both years includes intersegment sales

### Poultry Division

Sales volumes in 2017 increased by 4% and amounted to 522,500 tonnes compared to 500,321 tonnes in 2016, with similar growth dynamics in 4Q 2017 compared to 3Q 2017 – up 5% q-o-q to 137,123 tonnes. The growth was driven by improvement in a number of operational metrics across core assets of the division.

In 2017 the average selling price weakened by 4% y-o-y to 88.84 RUB/kg mostly due to the higher base effect of 2016 and low summer season. In 4Q 2017 average selling price decreased by 3% q-o-q to 85.20 RUB/kg.

Revenue for the division decreased by 1% y-o-y to RUB 47.4 billion (2016: RUB 47.7 billion), mostly driven by deterioration of the average selling price, a result of elevated level of production across all producers, and despite our efforts to increase the share of



branded value-added products. While prices remained under pressure during 4Q 2017, revenue remained flat compared to 3Q 2017, due to higher sales volumes.

Gross profit increased by 42% y-o-y to RUB 10.5 billion, from RUB 7.4 billion in 2016. Profitability uplift is predominantly attributed to the higher share of Petelinka products in the sales mix, lower cost for the feed inputs, and the Group's ongoing efforts to improve feed composition. Gross margin for 2017 reached 22.1%, compared to 15.5% in 2016. Segment's gross profit declined by 3% in 4Q 2017 as compared to 3Q 2017, with gross profit margin decreasing to 19.4% from 20.4% respectively.

Operating expenses as a percentage of sales amounted to 11.3%, an increase from 10.6% in 2016.

Operating income for 2017 almost doubled and stood at RUB 5.1 billion, compared to RUB 2.4 billion in 2016, with a decrease of 24% in 4Q2017 as compared to 3Q 2017. Operating margin in 2017 increased to 10.8% from 4.9% in 2016, while in 4Q 2017 margin deteriorated to 6.6% from 8.8% in 3Q 2017.

Net profit for the division came in at RUB 4.0 billion, compared to RUB 1.2 billion in 2016.

Adjusted EBITDA grew 54% y-o-y and amounted to RUB 7.1 billion (2016: RUB 4.6 billion), while adjusted EBITDA margin expanded to 15.0% from 9.7% in 2016. Quarterly Adjusted EBITDA margin weakened to 11.6% in 4Q 2017 from 14.1% in 3Q 2017.

### **Pork Division**

Production volumes in 2017 increased by 15% y-o-y to 211,750 tonnes (2016: 184,766 tonnes), while 4Q17 production volumes were up 25% q-o-q and amounted to 63,028 tonnes compared to 50,353 tonnes in 3Q17. Positive dynamics both on y-o-y and q-o-q basis is attributed to the launch of new fattening facilities that the Group completed and populated over the course of the last two years.

Sales volume in 2017 increased by 13% and amounted to 200,308 tonnes, compared to 177,153 tonnes in 2016. In 2017 the average selling price rose by 4% y-o-y to 92.12 RUB/kg mostly due to the higher purchasing power of domestic consumers. In 4Q17 average selling price declined by 10% q-o-q to 84.74 RUB/kg.

Total sales in the pork division grew 17% y-o-y to RUB 18.7 billion (2016: RUB 15.9 billion). Sales growth is attributed to both volume and average price increase y-o-y. Sales rose by 14% in 4Q2017 as compared to 3Q 2017.

Gross profit for 2017 increased by 51% y-o-y to RUB 6.9 billion (2016: RUB 4.6 billion) due to higher sales volumes, lower feed costs, and ongoing improvement of our operational metrics driven by long term genetics improvement and animal health programs launched in prior years. The segment's gross margin soared to 37.1% in 2017 from 28.9% in 2016. The pork segment's gross profit grew 55% between the third and fourth quarter of the year.

Operating expenses as a percentage of sales amounted to 3.4%, compared to 4.9% in 2016.

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Operating income grew 65% y-o-y to RUB 6.3 billion from RUB 3.8 billion in 2016. The segment's operating margin increased to 33.8% from 24.0% in the previous year.

Net profit doubled y-o-y to RUB 5.6 billion (2016: RUB 2.6 billion).

Adjusted EBITDA increased by 72% y-o-y and amounted to RUB 6.8 billion (2016: RUB 4.0 billion). Adjusted EBITDA margin increased to 36.4% in 2017 from 24.9% in 2016. Adjusted EBITDA margin declined from 37.8% in 3Q2017 to 33.2% in 4Q 2017.

### **Meat Processing Division**

Sales volumes in 2017 rose by 9% y-o-y to 236,638 tonnes from 218,085 tonnes in 2016, in 4Q17 volumes increased by 15% q-o-q to 69,293 tonnes, driven by growth of our branded offering of sausages and pork meat products.

In 2017 the average selling price remained flat compared to previous year and amounted to 147.65 RUB/kg. Average price was supported by our efforts to increase value added products in the sales mix. In the 4Q17 average selling price declined by 6% q-o-q to 141.51 RUB/kg.

In 2017 total sales increased by 7% and reached RUB 34.0 billion (2016: RUB 31.7 billion). Sales growth was driven by unchanged average price and higher volume of sales. Sales grew 9% in 4Q2017 as compared to 3Q 2017.

Gross profit for the reporting year rose by 8% y-o-y to RUB 6.0 billion, compared to RUB 5.5 billion in 2016. The gross margin increased to 17.5% from 17.4% in 2016. Gross profit increased by 21% in 4Q2017 as compared to 3Q 2017.

In 2017, operating expenses as a percentage of sales amounted to 12.5%, as compared to 11.8% in 2016.

Operating income decreased by 4% y-o-y to RUB 1.7 billion from RUB 1.8 billion in 2016. The operating margin decreased to 5.0% from 5.6% in 2016.

During the reporting period, the meat processing segment generated net profit of RUB 1.4 billion, a decrease of 18% y-o-y.

In 2017, adjusted EBITDA was flat and amounted to RUB 2.4 billion. Adjusted EBITDA decreased by 15% on a q-o-q basis. The adjusted EBITDA margin decreased to 7.1% in 2017 (2016: 7.7%).

### **Grain Division**

In 2017 total sales increased by 6% and reached RUB 3.2 billion (2016: RUB 3.1 billion). Sales volumes in the segment were positively impacted by NAPKO consolidation, while average sales price declined by 21% y-o-y to 7.01 RUB/kg reflecting elevated levels of supply on the domestic market. The segment was loss making for the year.

### **Financial Position**

The Group's capital expenditure on property, plant, equipment and maintenance amounted to RUB 12.3 billion in 2017, a y-o-y increase of 27%. RUB 5.1 billion was

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invested in the construction of new pork finisher complexes in Lipetsk region, the development of sites in Voronezh region and the building of two wean-to-finish sites in Penza region. RUB 1.5 billion was invested into the poultry division. The meat processing division received RUB 4.8 billion of investments for the construction of the Kashira meat processing plant in Moscow region. In the grain division, RUB 0.4 billion was invested into the construction of a new grain drying facility.

As of 31 December 2017, net debt\*\* amounted to RUB 48.7 billion, compared to RUB 36.9 billion at the end of 2016. Total debt increased to RUB 50.0 billion as of 31 December 2017 compared to the level of total debt of 38.6 billion at the end of 2016. As of 31 December 2017, long-term debt represented 61% of the debt portfolio and was RUB 30.6 billion. Short-term debt stood at RUB 19.4 billion, or 39% of the portfolio. The effective cost of debt was 7.3% in 2017 (2016: 9.7%). Subsidised loans and credit lines made up 35% of the debt portfolio in 2017 (2016: 35%). Cash and cash equivalents totalled RUB 0.7 billion as of 31 December 2017.

### **Subsidies**

In 2017, the Group accrued subsidies for interest reimbursement of RUB 6 million, which offset interest expense (2016: RUB 0.7 billion). The Group received RUB 541 million of subsidies in 2017, compared to RUB 1.4 billion in 2016.

During 2017 the Group wrote-off 571 million of subsidies, adjusting for the change in legislation that prohibits the use of 2018 funds for settlement of 2016 liabilities.

### **Outlook**

The macroeconomic outlook for Russia continues its improvement: GDP is growing, Rouble remains stable, inflation has been reduced to historically low levels and gradual easing of monetary policy by the Central bank is expected to continue; taken together, the factors should have a positive effect on consumer Russian spending in 2018 and beyond.

We anticipate that pricing pressure experienced in the poultry market in the latter part of 2017 will subside going forward, as overproduction should be absorbed by improving demand.

We remain confident in our strategy to grow sales and improve margins through our continued focus on value-added products and operational efficiency across our production supply chain and distribution network. Given the strong harvest in Russia in 2017, we anticipate prices for grains – a key component in our cost structure, will remain at current low levels at least until the new harvest campaign. Moreover, as we reach completion of a major capex cycle in the first half of 2018, our cash generation should be further strengthened for the medium term.

We intend to increase targeted marketing efforts to reach the end consumer, strengthen relations with leading modern retail chains, further penetrate HoReCa clients, and selectively open new regions in Russia and abroad. We also expect to selectively explore M&A opportunities, which support our business strategy and offer attractive return on investment.



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 each of the Russian poultry, pork and processed meat markets.

Cherkizovo Group encompasses eight full cycle poultry production facilities, 16 modern pork production facilities, six meat processing plants, eight feed mills and 287,000 hectares of agricultural land. The Group also includes Tambov Turkey facility, a joint Russian-Spanish venture. In 2017, Cherkizovo Group produced c. 1 mn tonnes of meat and 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 delivered long-term sales growth and profitability. The Group's consolidated revenue was RUB 90.5 billion in 2017.

#### **Cherkizovo Group shares are traded 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.*





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**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 2017 ended December 31, 2017 Consolidated Selected Financial Data (RUB 000)

(in thousands of rubles)	<b>Meat-Processing</b>	<b>Poultry</b>	<b>Pork</b>	<b>Grain</b>	<b>Feed</b>	<b>Total reportable segments</b>	<b>Corporate</b>	<b>Inter-segment</b>	<b>Total without Turkey</b>	<b>Turkey</b>	<b>Total consolidated</b>
<b>Total Sales</b>	<b>34 020 373</b>	<b>47 401 429</b>	<b>18 688 379</b>	<b>3 238 261</b>	<b>28 169 777</b>	<b>131 518 219</b>	<b>560 007</b>	<b>(45 511 637)</b>	<b>86 566 589</b>	<b>3 898 480</b>	<b>90 465 069</b>
including other sales	680 431	901 885	235 960	75 115	-	1 893 391	560 007	(799 076)	1 654 322	-	1 654 322
including sales volume discount	(827 045)	(523 618)	-	-	-	(1 350 663)	-	-	(1 350 663)	(29 696)	(1 380 359)
Intersegment sales	(39 539)	(1 902 802)	(14 622 070)	(1 468 597)	(27 186 212)	(45 219 220)	(292 417)	45 511 637	-	-	-
Sales to external customers	33 980 834	45 498 627	4 066 309	1 769 664	983 565	86 298 999	267 590	-	86 566 589	3 898 480	90 465 069
<i>% of Total sales</i>	<i>37.5%</i>	<i>50.3%</i>	<i>4.5%</i>	<i>2.0%</i>	<i>1.1%</i>	<i>95.4%</i>	<i>0.3%</i>	<i>-</i>	<i>-</i>	<i>4.3%</i>	<i>100%</i>
Net change in fair value of biological assets and agricultural produce	-	(71 239)	651 235	(736 614)	-	(156 618)	-	8 500	(148 118)	-	(148 118)
Cost of Sales	(28 058 310)	(36 875 483)	(12 399 563)	(3 823 384)	(26 735 838)	(107 892 578)	(440 325)	45 327 432	(63 005 471)	(3 752 869)	(66 758 340)
<b>Gross profit / (loss)</b>	<b>5 962 063</b>	<b>10 454 707</b>	<b>6 940 051</b>	<b>(1 321 737)</b>	<b>1 433 939</b>	<b>23 469 023</b>	<b>119 682</b>	<b>(175 705)</b>	<b>23 413 000</b>	<b>145 611</b>	<b>23 558 611</b>
<i>Gross margin</i>	<i>17.5%</i>	<i>22.1%</i>	<i>37.1%</i>	<i>-40.8%</i>	<i>5.1%</i>	<i>17.8%</i>	<i>21.4%</i>	<i>-</i>	<i>-</i>	<i>3.7%</i>	<i>26.0%</i>
Operating expense	(4 249 598)	(5 342 484)	(627 148)	(270 124)	(368 585)	(10 857 939)	(2 825 222)	283 836	(13 399 325)	(212 339)	(13 611 664)
Share of loss of a joint venture	-	-	-	-	-	-	-	-	-	(221 325)	(221 325)
<b>Operating income / (loss)</b>	<b>1 712 465</b>	<b>5 112 223</b>	<b>6 312 903</b>	<b>(1 591 861)</b>	<b>1 065 354</b>	<b>12 611 084</b>	<b>(2 705 540)</b>	<b>108 131</b>	<b>10 013 675</b>	<b>(288 053)</b>	<b>9 725 622</b>
<i>Operating margin</i>	<i>5.0%</i>	<i>10.8%</i>	<i>33.8%</i>	<i>-49.2%</i>	<i>3.8%</i>	<i>9.6%</i>	<i>-483.1%</i>	<i>-</i>	<i>-</i>	<i>-7.4%</i>	<i>10.8%</i>
Other income (expense), net	(106 781)	3 102	38 664	2 967	(103 986)	(166 034)	156 258	(97 078)	(106 854)	-	(106 854)
Interest expense, net	(181 389)	(1 112 968)	(713 729)	(175 685)	(942 325)	(3 126 096)	(634 075)	97 078	(3 663 093)	-	(3 663 093)
<b>Division profit / (loss) before income tax</b>	<b>1 424 295</b>	<b>4 002 357</b>	<b>5 637 838</b>	<b>(1 764 579)</b>	<b>19 043</b>	<b>9 318 954</b>	<b>(3 183 357)</b>	<b>108 131</b>	<b>6 243 728</b>	<b>(288 053)</b>	<b>5 955 675</b>
<i>Division profit margin</i>	<i>4.2%</i>	<i>8.4%</i>	<i>30.2%</i>	<i>-54.5%</i>	<i>0.1%</i>	<i>7.1%</i>	<i>-568.5%</i>	<i>-</i>	<i>-</i>	<i>-7.4%</i>	<i>6.6%</i>
Supplemental information:											
Income tax expense / (benefit)	100 185	48 452	(19 580)	12 224	3 401	144 682	162 918	-	307 600	-	307 600
Depreciation expense	697 189	1 936 437	1 140 851	464 492	595 260	4 834 299	319 257	-	5 153 486	-	5 153 486

## 12 Months 2017 ended December 31, 2017 Consolidated Selected Financial Data (RUB 000)

(in thousands of rubles)	Meat-Processing	Poultry	Pork	Grain	Feed	Total reportable segments	Corporate	Inter-segment	Total without Turkey	Turkey	Total consolidated
<b>Division profit / (loss) before income tax</b>	<b>1 424 295</b>	<b>4 002 357</b>	<b>5 637 838</b>	<b>(1 764 579)</b>	<b>19 043</b>	<b>9 318 954</b>	<b>(3 183 357)</b>	<b>108 131</b>	<b>6 243 728</b>	<b>(288 053)</b>	<b>5 955 675</b>
Add:											
Interest expense, net	181 389	1 112 968	713 729	175 685	942 325	3 126 096	634 075	(97 078)	3 663 093	-	3 663 093
Interest income	(16 845)	(164 917)	(41 178)	(1 649)	(2 567)	(227 156)	(147 070)	97 078	(277 148)	-	(277 148)
Foreign exchange loss / (gain)	122 422	164 118	6 272	(859)	107 279	399 232	(8 806)	-	390 426	-	390 426
Depreciation and amortization	697 189	1 936 437	1 140 851	464 492	595 260	4 834 229	319 257	-	5 153 486	-	5 153 486
Net change in fair value of biological assets and agricultural produce	-	71 239	(651 235)	736 614	-	156 618	-	(8 500)	148 118	-	148 118
Share of loss of a joint venture	-	-	-	-	-	-	-	-	-	221 325	221 325
Share of adjusted EBITDA of a joint venture****	-	-	-	-	-	-	-	-	-	83 448	83 448
<b>Adjusted EBITDA*</b>	<b>2 408 450</b>	<b>7 122 202</b>	<b>6 806 277</b>	<b>(390 296)</b>	<b>1 661 340</b>	<b>17 607 973</b>	<b>(2 385 901)</b>	<b>99 631</b>	<b>15 321 703</b>	<b>16 720</b>	<b>15 338 423</b>
<i>Adjusted EBITDA Margin*</i>	<i>7.1%</i>	<i>15.0%</i>	<i>36.4%</i>	<i>-12.1%</i>	<i>5.9%</i>		<i>-426.0%</i>	<i>-0.2%</i>	<i>17.7%</i>	<i>0.4%</i>	<i>17.0%</i>

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

<b>Total division profit</b>	<b>5 955 675</b>
Non-controlling interests	152 296
Income taxes	(307 600)
<b>Profit attributable to Cherkizovo Group</b>	<b>5 800 371</b>

\*\*\*\* Adjusted EBITDA of a joint venture is calculated consistently to that of the Group and reported to the CODM as part of segment reporting.

## CONSOLIDATED INCOME STATEMENT DATA

(in thousands of rubles)	Year ended 31 December 2017	Year ended 31 December 2016
Sales	<b>90 465 069</b>	<b>82 417 193</b>
incl. Sales volume discounts	(1 380 359)	(5 886 114)
incl. Sales returns	(1 000 200)	(952 321)
Net change in fair value of biological assets and agricultural produce	(148 118)	(340 063)
Cost of sales	(66 758 340)	(64 222 344)
<b>Gross profit</b>	<b>23 558 611</b>	<b>17 854 786</b>
<i>Gross margin</i>	26.0%	21.7%
Operating expenses	(13 611 664)	(12 598 122)
Share of loss of a joint venture	(221 325)	(200 191)
<b>Operating profit</b>	<b>9 725 622</b>	<b>5 056 473</b>
Operating margin	10.8%	6.1%
<b>Profit before income tax</b>	<b>5 955 675</b>	<b>1 960 379</b>
<b>Profit attributable to Cherkizovo Group</b>	<b>5 800 371</b>	<b>1 919 227</b>
<i>Net profit margin</i>	6.4%	2.3%
Weighted average number of shares outstanding	42 760 328	43 855 590
<b>Earnings per share</b>		
<b>Profit attributable to Cherkizovo Group per share – basic and diluted (rubles)</b>	<b>135.7</b>	<b>43.8</b>
<b>Consolidated Adjusted EBITDA reconciliation*</b>		
<b>Profit before income tax</b>	<b>5 955 675</b>	<b>1 960 379</b>
Add:		
Interest expense, net of subsidies	3 663 093	3 738 315
Interest income	(277 148)	(343 737)
Foreign exchange loss/(gain), net	390 426	(621 087)
Depreciation and amortisation	5 153 486	4 660 365
Net change in fair value of biological assets and agricultural produce	148 118	340 063
Share of loss of a joint venture	221 325	200 191
Write-off of receivables from insurance company	-	347 975
Share of adjusted EBITDA of a joint venture	83 448	-
<b>Consolidated Adjusted EBITDA*</b>	<b>15 338 423</b>	<b>10 282 464</b>
<i>Adjusted EBITDA Margin</i>	17.0%	12.5%



**POULTRY DIVISION INCOME STATEMENT DATA**

(in thousands of rubles)	<b>Year ended 31 December 2017</b>	<b>Year ended 31 December 2016</b>
Total Sales	47 401 429	47 724 031
Interdivision sales	(1 902 802)	(1 961 921)
<b>Sales to external customers</b>	<b>45 498 627</b>	<b>45 762 110</b>
Net change in fair value of biological assets and agricultural produce	(71 239)	(288 114)
Cost of sales	(36 875 483)	(40 049 212)
<b>Gross profit</b>	<b>10 454 707</b>	<b>7 386 705</b>
<i>Gross margin</i>	22.1%	15.5%
Operating expenses	(5 342 484)	(5 035 890)
<b>Operating profit</b>	<b>5 112 223</b>	<b>2 350 815</b>
<i>Operating margin</i>	10.8%	4.9%
Interest income	164 917	173 895
Interest expense, net	(1 112 968)	(1 076 908)
Other expenses, net	(161 815)	(288 639)
<b>Division profit</b>	<b>4 002 357</b>	<b>1 159 163</b>
<i>Division profit margin</i>	8.4%	2.4%
<b>Poultry division Adjusted EBITDA reconciliation*</b>		
<b>Division profit</b>	<b>4 002 357</b>	<b>1 159 163</b>
Add:		
Interest expense, net of subsidies	1 112 968	1 076 908
Interest income	(164 917)	(173 895)
Foreign exchange loss, net	164 118	304 147
Depreciation and amortisation	1 936 437	1 969 279
Net change in fair value of biological assets and agricultural produce	71 239	288 114
<b>Poultry division Adjusted EBITDA*</b>	<b>7 122 202</b>	<b>4 623 716</b>
<i>Adjusted EBITDA Margin</i>	15.0%	9.7%

## PORK DIVISION INCOME STATEMENT DATA

(in thousands of rubles)	Year ended 31 December 2017	Year ended 31 December 2016
Total Sales	18 688 379	15 920 146
Interdivision sales	(14 622 070)	(12 634 006)
<b>Sales to external customers</b>	<b>4 066 309</b>	<b>3 286 140</b>
Net change in fair value of biological assets and agricultural produce	651 235	861 422
Cost of sales	(12 399 563)	(12 182 666)
<b>Gross profit</b>	<b>6 940 051</b>	<b>4 598 902</b>
<i>Gross margin</i>	37.1%	28.9%
Operating expenses	(627 148)	(782 106)
<b>Operating profit</b>	<b>6 312 903</b>	<b>3 816 796</b>
<i>Operating margin</i>	33.8%	24.0%
Interest income	41 178	33 764
Interest expense, net	(713 729)	(964 742)
Other expenses, net	(2 514)	(322 962)
<b>Division profit</b>	<b>5 637 838</b>	<b>2 562 856</b>
<i>Division profit margin</i>	30.2%	16.1%
<b>Pork division Adjusted EBITDA reconciliation*</b>		
<b>Division profit</b>	<b>5 637 838</b>	<b>2 562 856</b>
Add:		
Interest expense, net of subsidies	713 729	964 742
Interest income	(41 178)	(33 764)
Foreign exchange loss/(gain), net	6 272	(22 285)
Depreciation and amortisation	1 140 851	1 010 334
Net change in fair value of biological assets and agricultural produce	(651 235)	(861 422)
Write-off of receivables from insurance company	-	347 975
<b>Pork division Adjusted EBITDA*</b>	<b>6 806 277</b>	<b>3 968 436</b>
<i>Adjusted EBITDA Margin</i>	36.4%	24.9%



**MEAT PROCESSING DIVISION INCOME STATEMENT DATA**

(in thousands of rubles)	Year ended 31 December 2017	Year ended 31 December 2016
Total Sales	34 020 373	31 667 448
Interdivision sales	(39 539)	(22 795)
<b>Sales to external customers</b>	<b>33 980 834</b>	<b>31 644 653</b>
Cost of sales	(28 058 310)	(26 141 947)
<b>Gross profit</b>	<b>5 962 063</b>	<b>5 525 501</b>
<i>Gross margin</i>	17.5%	17.4%
Operating expenses	(4 249 598)	(3 743 467)
<b>Operating profit</b>	<b>1 712 465</b>	<b>1 782 034</b>
<i>Operating margin</i>	5.0%	5.6%
Interest income	16 845	9 561
Interest expense, net	(181 389)	(245 885)
Other (expenses)/income, net	(123 626)	197 817
<b>Division profit</b>	<b>1 424 295</b>	<b>1 743 527</b>
<i>Division profit margin</i>	4.2%	5.5%
<b>Meat processing division Adjusted EBITDA reconciliation*</b>		
<b>Division profit</b>	<b>1 424 295</b>	<b>1 743 527</b>
Add:		
Interest expense, net of subsidies	181 389	245 885
Interest income	(16 845)	(9 561)
Foreign exchange loss/(gain), net	122 422	(192 501)
Depreciation and amortisation	697 189	639 237
<b>Meat processing division Adjusted EBITDA*</b>	<b>2 408 450</b>	<b>2 426 587</b>
<i>Adjusted EBITDA Margin</i>	7.1%	7.7%

**GRAIN DIVISION INCOME STATEMENT DATA**

(in thousands of rubles)	Year ended 31 December 2017	Year ended 31 December 2016
Total Sales	3 238 261	3 055 762
Interdivision sales	(1 468 597)	(1 956 712)
<b>Sales to external customers</b>	<b>1 769 664</b>	<b>1 099 050</b>
Net change in fair value of biological assets and agricultural produce	(736 614)	(477 482)
Cost of sales	(3 823 384)	(2 873 596)
<b>Gross loss</b>	<b>(1 321 737)</b>	<b>(295 316)</b>
<i>Gross margin</i>	-40.8%	-9.7%
Operating expenses	(270 124)	(267 828)
<b>Operating loss</b>	<b>(1 591 861)</b>	<b>(563 144)</b>
<i>Operating margin</i>	-49.2%	-18.4%
Interest income	1 649	1 710
Interest expense, net	(175 685)	(94 361)
Other (expenses) / income, net	1 318	3 175
<b>Division loss</b>	<b>(1 764 579)</b>	<b>(652 620)</b>
<i>Division profit margin</i>	-54.5%	-21.4%
<b>Grain division Adjusted EBITDA reconciliation*</b>		
<b>Division loss</b>	<b>(1 764 579)</b>	<b>(652 620)</b>
Add:		
Interest expense, net of subsidies	175 685	94 361
Interest income	(1 649)	(1 710)
Foreign exchange gain, net	(859)	(3 026)
Depreciation and amortisation	464 492	295 430
Net change in fair value of biological assets and agricultural produce	736 614	477 482
<b>Grain division Adjusted EBITDA*</b>	<b>(390 296)</b>	<b>209 917</b>
<i>Adjusted EBITDA Margin</i>	-12.1%	6.9%





**FEED DIVISION INCOME STATEMENT DATA**

(in thousands of rubles)	<b>Year ended 31 December 2017</b>	<b>Year ended 31 December 2016</b>
Total Sales	28 169 777	28 727 843
Interdivision sales	(27 186 212)	(28 146 309)
<b>Sales to external customers</b>	<b>983 565</b>	<b>581 534</b>
Cost of sales	(26 735 838)	(28 109 353)
<b>Gross profit</b>	<b>1 433 939</b>	<b>618 490</b>
<i>Gross margin</i>	5.1%	2.2%
Operating expenses	(368 585)	(404 658)
<b>Operating profit</b>	<b>1 065 354</b>	<b>213 832</b>
<i>Operating margin</i>	3.8%	0.7%
Interest income	2 567	10 723
Interest expense, net	(942 325)	(930 799)
Other (expenses) / income, net	(106 553)	308 981
<b>Division profit / (loss)</b>	<b>19 043</b>	<b>(397 263)</b>
<i>Division profit margin</i>	0.1%	-1.4%
<b>Feed division Adjusted EBITDA reconciliation*</b>		
<b>Division profit / (loss)</b>	<b>19 043</b>	<b>(397 263)</b>
Add:		
Interest expense, net of subsidies	942 325	930 799
Interest income	(2 567)	(10 723)
Foreign exchange loss/(gain), net	107 279	(307 559)
Depreciation and amortisation	595 260	590 646
<b>Feed division Adjusted EBITDA*</b>	<b>1 661 340</b>	<b>805 900</b>
<i>Adjusted EBITDA Margin</i>	5.9%	2.8%



**APPENDIX II:**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>Year ended 31 December 2017</b>	<b>Year ended 31 December 2016</b>
(in thousands of rubles)		
Revenue	90 465 069	82 417 193
Net change in fair value of biological assets and agricultural produce	(148 118)	(340 063)
Cost of sales	(66 758 340)	(64 222 344)
<b>Gross profit</b>	<b>23 558 611</b>	<b>17 854 786</b>
Selling, general and administrative expense	(13 936 562)	(13 008 713)
Other operating income, net	324 898	410 591
Share of loss of a joint venture	(221 325)	(200 191)
<b>Operating profit</b>	<b>9 725 622</b>	<b>5 056 473</b>
Interest income	277 148	343 737
Interest expense, net	(3 663 093)	(3 738 315)
Other (expenses) income, net	(384 002)	298 484
<b>Profit before income tax</b>	<b>5 955 675</b>	<b>1 960 379</b>
Income tax expense	(307 600)	(72 861)
<b>Profit for the year and total comprehensive income</b>	<b>5 648 075</b>	<b>1 887 518</b>
<b>Profit and total comprehensive income, attributable to Cherkizovo Group</b>	<b>5 800 371</b>	<b>1 919 227</b>
<b>Non-controlling interests</b>	<b>(152 296)</b>	<b>(31 709)</b>



### **APPENDIX III:**

#### **CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2017**

(in thousands of rubles)	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	75 318 770	64 445 256
Investment property	589 411	443 676
Goodwill	1 254 572	557 191
Intangible assets	2 014 358	1 949 663
Non-current biological assets	2 288 524	1 926 714
Notes receivable, net	310 000	510 000
Investments in joint venture	2 185 147	2 061 472
Long-term deposits in banks	641 365	641 365
Restricted cash**	740 848	-
Deferred tax assets	754 192	479 624
Other non-current receivables	804 322	508 140
<b>Total non-current assets</b>	<b>86 901 509</b>	<b>73 523 101</b>
<b>Current assets</b>		
Biological assets	11 566 300	10 712 481
Inventories	9 971 811	10 602 118
Taxes recoverable and prepaid	2 264 482	1 904 786
Trade receivables, net	4 448 735	4 942 884
Advances paid, net	1 415 099	1 721 691
Other receivables, net	836 563	1 393 473
Cash and cash equivalents	704 676	1 002 203
Other current assets	535 087	534 838
<b>Total current assets</b>	<b>31 742 753</b>	<b>32 814 474</b>
<b>TOTAL ASSETS</b>	<b>118 644 262</b>	<b>106 337 575</b>

\*\* Starting from 2017 the Group uses special bank accounts as a guarantee for fulfillment of the Group's obligations under the purchase contracts with foreign suppliers of machinery and equipment.



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2017**  
**Continued**

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	440	440
Treasury shares	(3 724 561)	(78 033)
Additional paid-in capital	5 588 320	5 588 320
Retained earnings	49 849 812	47 503 411
<b>Total shareholder's equity</b>	<b>51 714 011</b>	<b>53 014 138</b>
Non-controlling interest	1 065 846	1 026 280
<b>Total equity</b>	<b>52 779 857</b>	<b>54 040 418</b>
<b>Non-current liabilities</b>		
Long-term borrowings	30 603 110	24 469 704
Provisions	58 131	58 131
Deferred tax liability	1 064 814	420 299
Other liabilities	3 272	14 379
<b>Total non-current liabilities</b>	<b>31 729 327</b>	<b>24 962 513</b>
<b>Current liabilities</b>		
Short-term borrowings	19 411 621	14 122 997
Trade payables	9 018 376	8 608 271
Advances received	616 371	562 584
Payables for non-current assets	1 912 620	1 061 629
Tax related liabilities	964 123	849 400
Payroll related liabilities	1 816 396	1 394 940
Other payables and accruals	395 571	734 823
<b>Total current liabilities</b>	<b>34 135 078</b>	<b>27 334 644</b>
<b>Total liabilities</b>	<b>65 864 405</b>	<b>52 297 157</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>118 644 262</b>	<b>106 337 575</b>



## **APPENDIX IV:**

### **CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>Year ended 31 December 2017</b>	<b>Year ended 31 December 2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before income tax</b>	<b>5 955 675</b>	<b>1 960 379</b>
Adjustments for:		
Depreciation and amortization	5 153 486	4 660 365
Bad debt expense	282 148	231 981
Foreign exchange loss (gain), net	390 426	(621 087)
Interest income	(277 148)	(343 737)
Interest expense, net	3 663 093	3 738 315
Net change in fair value of biological assets and agricultural produce	148 118	340 063
Loss (gain) on disposal of property, plant and equipment, net	106 321	(8 054)
Gain on disposal of non-current biological assets, net	(423 512)	(402 456)
Write-off of receivables from insurance company	-	347 975
Share of loss of a joint venture	221 325	200 191
Other adjustments, net	(14 392)	(28 059)
<b>Operating cash flows before working capital and other changes</b>	<b>15 205 540</b>	<b>10 075 876</b>
Decrease in inventories	1 259 252	770 364
Increase in biological assets	(489 539)	(202 031)
Decrease (increase) in trade receivables	384 564	(477 366)
(Increase) decrease in advances paid	(169 281)	796 090
(Increase) decrease in other receivables and other current assets	(333 616)	947 249
Increase in other non-current assets	(113 739)	(70 105)
Increase in trade payables	48 691	675 348
Increase in tax related liabilities (other than income tax)	50 889	41 155
Increase in other current payables	445 491	142 585
<b>Operating cash flows before interest and income tax</b>	<b>16 288 252</b>	<b>12 699 165</b>
Interest received	143 745	255 850
Interest paid	(3 444 545)	(4 895 763)
Government grants for compensation of interest expense received	541 187	1 433 471
Income tax paid	(512 430)	(124 186)
<b>Net cash from operating activities</b>	<b>13 016 209</b>	<b>9 368 537</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(9 881 600)	(8 569 640)
Purchases of non-current biological assets	(1 017 577)	(1 110 778)
Purchases of intangible assets	(372 470)	(555 633)
Proceeds from sale of property, plant and equipment	30 880	34 013
Proceeds from disposal of non-current biological assets	1 028 836	755 422
Acquisitions of subsidiaries, net of cash acquired	(4 768 059)	-
Investments in joint venture	(345 000)	(960 000)
Placing of deposits and issuance of short-term loans	(412 470)	-
Placing of notes receivable	(100 000)	(210 000)
Proceeds from redemption of deposits and short-term loans receivables	150 050	6 273
<b>Net cash used in investing activities</b>	<b>(15 687 410)</b>	<b>(10 610 343)</b>



**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017**  
Continued

	<b>Year ended 31 December 2017</b>	<b>Year ended 31 December 2016</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term loans	20 542 792	11 862 021
Repayment of long-term loans	(10 378 936)	(5 363 445)
Proceeds from short-term loans	11 555 329	21 834 999
Repayment of short-term loans	(12 246 483)	(30 652 746)
Purchase of treasury shares	(3 646 528)	-
Dividends paid	(3 453 970)	(998 771)
Disposal of non-controlling interests	1 470	1 127
<b>Net cash from (used in) financing activities</b>	<b>2 373 674</b>	<b>(3 316 815)</b>
Net decrease in cash and cash equivalents	<b>(297 527)</b>	<b>(4 558 621)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1 002 203</b>	<b>5 560 824</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>704 676</b>	<b>1 002 203</b>