CHERKIZOVO GROUP QUALITY FROM FARM TO FORK

Annual Report 2015

ONE BIG FAMILY

CHERKIZOVO GROUP IS THE LARGEST VERTICALLY INTEGRATED MEAT AND FEED PRODUCER IN RUSSIA

CHERKIZOVO GROUP IS RUSSIA'S TOP PRODUCER OF POULTRY, PORK, MEAT PRODUCTS, GRAIN, AS WELL AS THE COUNTRY'S LARGEST FEED MANUFACTURER.

CHERKIZOVO'S ROBUST BUSINESS MODEL IS BASED ON THE SYNERGIES GAINED FROM ITS VERTICALLY INTEGRATED STRUCTURE AND DIVERSIFICATION. THE GROUP'S ASSETS INCLUDE AGRICULTURAL LAND, FEED MILLS, GRAIN ELEVATORS, POULTRY FARMS, PORK COMPLEXES, MEAT PROCESSING PLANTS, AS WELL AS LOGISTICS AND DISTRIBUTION INFRASTRUCTURE.

THIS ALLOWS CHERKIZOVO TO SUSTAIN HIGH ANNUAL GROWTH RATES AND RETAIN A STRONG POSITION IN ANY MARKET ENVIRONMENT.

№1
RUSSIAN
FEED PRODUCER

№2
RUSSIAN
POULTRY PRODUCER

№3
RUSSIAN
PORK PRODUCER

A LEADER IN EMPLOYING INNOVATIVE TECHNOLOGIES IN RUSSIA'S AGRO-INDUSTRIAL COMPLEX

ONE OF THE BEST EQUITY CASES IN RUSSIA'S AGRICULTURAL SECTOR

A MAJOR INVESTOR IN RUSSIAN AGRICULTURE

POULTRY DIVISION

44.6
REVENUE, RUB BILLION

470
SALES THOUSAND TONNES

MEAT PROCESSING DIVISION

29.2
REVENUE, RUB BILLION

191
SALES THOUSAND TONNES

77.0
CONSOLIDATED REVENUE
RUB BILLION

12.6
EBITDA
RUB BILLION

825
SALES
THOUSAND TONNES

PORK DIVISION

16.6
REVENUE, RUB BILLION

164
SALES THOUSAND TONNES

GRAIN DIVISION

2.6
REVENUE, RUB BILLION

140
LAND BANK THOUSAND HA

Company
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CHERKIZOVO GROUP'S COMPETITIVE ADVANTAGES

LEVERAGING ITS COMPETITIVE ADVANTAGES HAS BEEN THE CORNERSTONE OF CHERKIZOVO GROUP'S TEN YEAR SOLID GROWTH.

1 Development strategy, organic growth and M&A

The Company's strategy encompasses organic growth through investment in new production facilities, as well as appropriate M&A opportunities that fit with Cherkizovo Group's business model and can help increase the Group's market share. As part of this strategy, the Company acquired the poultry facilities of Chicken Kingdom (2007), Mosselprom (2011) and Lisko-Broiler (2014). All Cherkizovo Group assets are equipped with the latest production technologies and are fully up-to-date with biosecurity standards. This approach to the Company's development has been one of the key drivers behind the Group achieving the leading market position it enjoys today.

2 Vertically integrated business model

Its vertically integrated business model enables Cherkizovo Group to be confident in any market environment. The profitability of the meat processing segment is inversely related to that of poultry and pork. When meat prices fall, the profitability of meat processing rises. Cherkizovo Group's income from animal farming is well diversified, with half of the Company's revenues and profits derived from poultry. The Company is consistently growing the volume of value-added products it produces, which, in turn, delivers higher margins.

3 Strong brands

Cherkizovo Group has built a portfolio of strong brands across the poultry and meat processing segments. We are particularly proud of our Petelinka poultry brand, which enjoys the highest levels of brand recognition and consumer loyalty, primarily in the strategically important market of Moscow and the Moscow Region, home to approximately 10% of the country's population. Another poultry brand we actively market across Russia is Chicken Kingdom (Kurinoe Tsarstvo).

In 2014, the Company updated it's flagship meat processing brand, developing a more modern and dynamic brand identity.

In 2015, the Company launched a new line of ready-to-cook pork products under the Cherkizovo brand distinctively marked with '24H' to signify how we deliver goods from slaughter to store within 24 hours.

4 Distribution and logistics

Cherkizovo Group's 'production belt' is located in the most densely-populated area of the Russian Federation, c. 350–500 km from the Moscow Metropolitan Area (MMA), the country's largest market with the highest purchasing power.

Our own logistics complexes and refrigerator fleet of over 1,000 vehicles ensure our chilled products can be delivered promptly to 80% of Russia's population.

5 Our team

Cherkizovo Group has a strong management team, both at senior and middle management levels, employing experts professionally trained both in Russia and abroad with excellent track records in leading Russian and foreign companies. In particular, we have engaged a number of senior foreign managers with extensive experience at all levels of operations in some of the leading animal breeding companies of the US and Brazil.

6 Favourable regulatory environment

The agro-industrial sector and national food safety are key focuses of Russia's domestic policy, with producers benefiting from favourable local regulations and tax environment. In particular, agricultural manufacturers are not subject to income tax under Russia's Tax Code, and an interest rate subsidy system is in place to help reduce debt servicing costs. Following Russia's accession to the World Trade Organisation (WTO) in 2012, import quotas were preserved, while imports exceeding quotas are subject to high customs duties.

7 Leader in innovation

Cherkizovo Group is an established leader in innovation among Russian agro-industrial companies. Our technology investments help enhance efficiency and ensure all our products are of the highest quality and meet biosecurity standards.

8 Stable financial position

Steady cash flow and access to low borrowing rates have enabled Cherkizovo Group to invest over RUB 57 billion in production development. The Company also maintains a comfortable debt/EBITDA ratio due to the majority of debt being denominated in rubles. Moody's Investors Service has confirmed the stability of Cherkizovo Group's financial position after upgrading the Company's credit rating to B1 with a stable outlook in August 2015. While the Company has historically reinvested all of its profits, the Group has been paying dividends of at least 20% of its net profit since 2014.

STRONG BUSINESS MODEL BENEFITING OUR STAKEHOLDERS

Cherkizovo Group is a major agro-industrial holding and the largest producer of meat, meat products and feed, operating efficiently and effectively for the benefit of our stakeholders.

GRAIN DIVISION	FEED PRODUCTION	PORK DIVISION	POULTRY DIVISION	MEAT PROCESSING DIVISION	DISTRIBUTION	CONSUMERS	FINANCIAL HIGHLIGHTS
Land bank	Self-sufficiency in feed	Pork	Broiler meat	Production output	Refrigerated trucks	Cover up to	Revenue
140 thousand ha	100%	164 thousand tonnes	470 thousand tonnes	191 thousand tonnes	1,000	80% of the Russian population	77.0 RUB billion

Contributing to national food security

For over 10 years, we have proudly carried out our mission to provide Russia with high-quality meat and meat products.

Bringing food products to 80% of the population

Our production facilities are located c. 350–500 km from the Moscow Metropolitan Area (MMA) – the largest market in the country with the highest purchasing power.

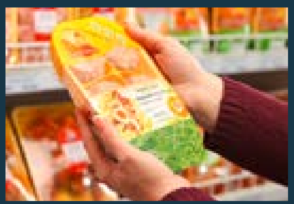
Building on export potential

High-quality products certified to international standards and an ability to leverage insight in local consumption patterns across meat and meat products mean Cherkizovo Group enjoys access to export markets.

Introducing the latest technologies across the entire production chain

Cherkizovo Group is an established leader in innovation among Russian agro-industrial companies.

Promoting healthy eating



We continuously enhance our product mix. In 2015, we launched a unique line of ready-to-cook chilled chicken products for food steamers or multicookers. Steamed food is an excellent option for health conscious consumers.

A major employer committed to best practices

Cherkizovo Group's leading position in the meat market reflects the good work of our people. We strive to excel in recruitment, professional development and career enhancement, and take a comprehensive approach to employee development and training.

PERFORMANCE OVERVIEW

SALES GROWTH IN THE MEAT PROCESSING SEGMENT

+33% IN 2015

SALES VOLUME OF MEAT PRODUCTS

825 THOUSAND TONNES

CHAIRMAN'S STATEMENT

Developments in 2014 and 2015 have prompted the Russian government to recognise the importance of using Russia's land resources more efficiently to limit the economy's dependency on hydrocarbon exports.

Efforts to develop the Russian agricultural industry over the past ten years have guaranteed Russia's food security at a time of economic and geopolitical instability.

The weakening ruble has made our pork, poultry and grain products more competitive in the global markets and these segments are well-positioned to become the key drivers of Russian food exports in the near future. We have been focused on these key segments for over ten years and we have made great progress, growing to become Russia's leading meat producer. Today, our focus has expanded to include grain farming. We see this segment as one of the most promising future growth areas for the Company, offering massive export potential.

Corporate Governance

We remain fully committed to best practices in corporate governance. Four members of our Board of seven are independent, ensuring balanced decision-making which takes into account the interests of all shareholders. Our independent directors bring a wealth of expertise and lead all our Board Committees. During 2015, we amended a number of our corporate governance procedures to reflect legislative changes and improve the effectiveness of the Company's management system. In 2015, we continued to strengthen our management team, reinforcing its

Dividends

In 2015, our Board of Directors approved the Company's new dividend policy. During 2015, we paid RUB 2.4 billion in dividends for 2014. In addition, in November 2015, the Company distributed another RUB 1 billion to shareholders as dividends for the first six months of 2015. The Board also recommended the payment of a final dividend for 2015. We expect to maintain a steady dividend flow to shareholders at the level of at least 20% of our net profit.

WE HAVE BEEN FOCUSED ON OUR KEY SEGMENTS FOR OVER 10 YEARS AND HAVE MADE GREAT PROGRESS, GROWING TO BECOME RUSSIA'S LEADING MEAT PRODUCER. TODAY, OUR FOCUS HAS EXPANDED TO INCLUDE GRAIN FARMING. WE SEE THIS SEGMENT AS ONE OF THE MOST PROMISING FUTURE GROWTH AREAS FOR THE COMPANY AND AN OPPORTUNITY TO BOOST OUR PROFILE IN INTERNATIONAL MARKETS.

Our performance

Against an adverse macroeconomic backdrop, in 2015, the Company achieved yet another milestone when it launched a joint project with Spain's Grupo Fuertes to build a turkey production facility with a capacity of 50,000 tonnes per annum. We have successfully completed the construction phase of the project, which has invigorated both us and our partners, who regard our project as one of the best of its kind globally and are willing to invest in expanding production capacity.

Today, meat processing is one of our priority areas and we are committed to taking this segment to a new level. Our plans include the construction of new, fully automated production facilities to provide Russian consumers with better, healthier products. The first project – a fully automated meat processing plant featuring state-of-the-art production equipment – will come online in Kashira. The launch of this plant, unique in Russia, is scheduled for early 2017.

reputation as the best in the market. I would like to thank all employees of Cherkizovo Group for their hard work, excellent performance and the impressive results achieved in 2015.

Outlook

Cherkizovo Group's potential is enormous. I believe we are well-positioned to capture the opportunities presented by the market and Russia's vast land resources. I am proud of the commitment, expertise and achievements of our team. They are our key success driver and I am confident that, together, we will deliver on our ambitious growth programme.

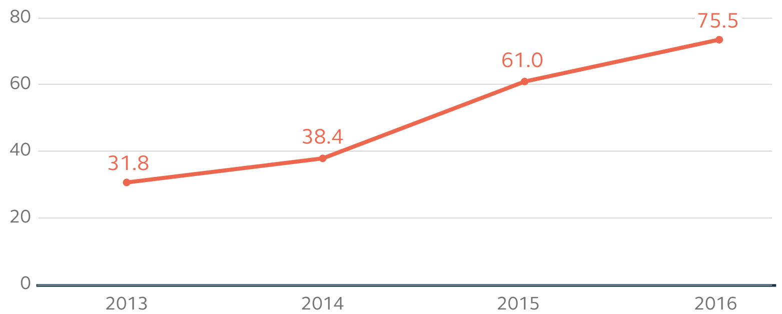
Igor Babaev
Chairman
Cherkizovo Group

2. PERFORMANCE OVERVIEW

SNAPSHOT OF RUSSIA'S AGRO-INDUSTRIAL MARKET

Russian ruble exchange rate

US Dollar to Russian Ruble exchange rate, 2013-2016*

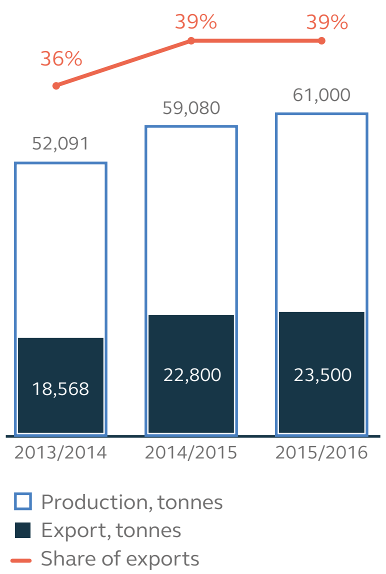


Source: OANDA
* Bloomberg forecast

The depreciation of the Russian ruble has had a direct effect on the entire agricultural market. Since this trend stimulates exports and restricts imports, the available resources and the ruble's value are interdependent, with the weakening ruble supporting exports in the grain segment and restricting imports in the key meat segments.

Government regulation

Wheat production and export in 2013/2014–2015/2016*



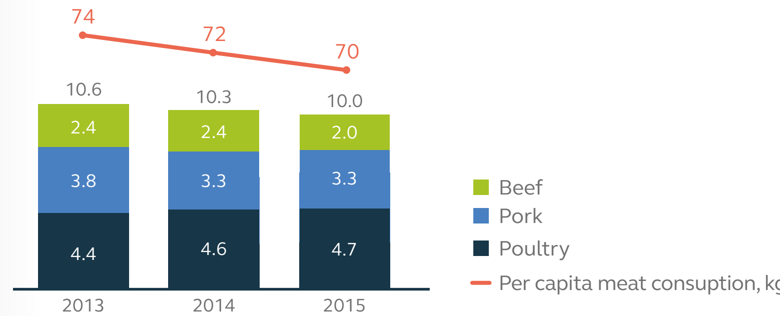
Source: USDA,
* Forecast

An equally important market driver is the national government, regulating the flows of food exports (grain) and imports (meat, fish, dairy products, fruits and vegetables, and so on). Customs duties were imposed on grain to regulate exports, helping to contain the growth of costs for meat producers. The US Department of Agriculture estimates that during the 2015/2016 season, Russia's wheat export-production ratio will be 0.39, the same level as it was in the 2014/2015 season. Lower yields and the higher ratio will most likely lead to tougher regulation of the grain market.

Prohibition imposed in August 2014 on certain imports supported prices for key meat products. The ruble's depreciation combined with administrative measures prompted a sharp decline in imports from overseas and further reduction of their share in available resources.

Available meat resources (supply)

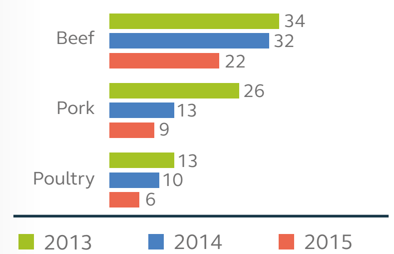
Consumption in the key meat categories, million tonnes



Source: Federal State Statistics Service, Belstat, Federal Custom Service, EEU, the company's data

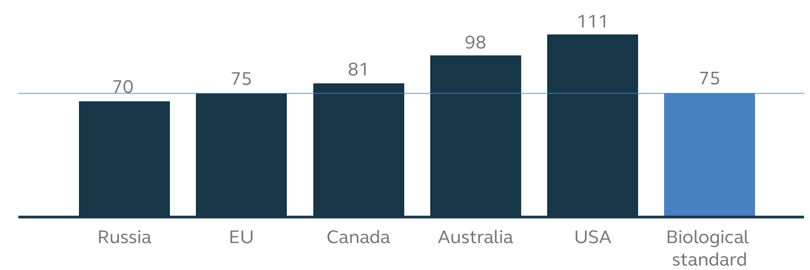
Despite the unexpectedly high growth rates of meat production in 2015, "missing" imports led to cut backs in per capita consumption of meat in the Russian market. The only exception was the poultry segment, which demonstrated a slight increase in consumption levels. A likely scenario for 2016 is that consumption in the key meat categories will remain flat throughout the year.

Declines in the share of imports, %



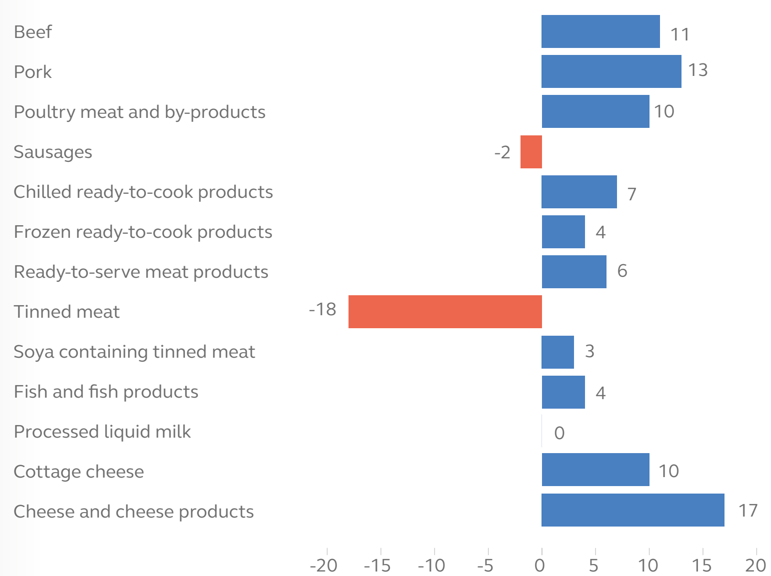
The company's data

Per capita meat consumption, 2015, kg/year



Source: USDA, IMF, Eurostat, Federal State Statistics Service, the company's data

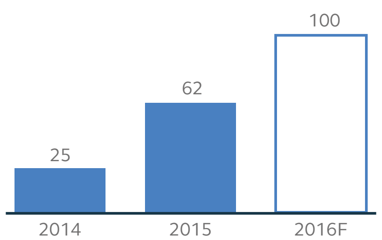
Change in output of meat products and key substitutes in 2014–2015 (agricultural industry), %



The sausage market, the key segment of the meat processing market, has seen a decline in consumption as consumers have shifted towards chilled meat and/or less obvious substitutes (soya-based products and palm oil-based cheese products). Interestingly, the segment of cooked (ready-to-serve) meat products has made solid gains. The consumption of sausages is likely to continue to decline during 2016 since it correlates closely with GDP. Nevertheless, the Group plans to increase sales through enhanced engagement with federal retail chains, improved category management (product mix optimisation) and by maintaining the current level of marketing spending (both in ATL and BTL).

Cherkizovo Group's prospects on the international market

Russian exports in 2014–2016*, thousand tonnes



Source: Federal State Statistics Service, EEU, the company's data
* Chicken without feet

The Group has an extensive track-record as an exporter of meat, by-products and sausages. However, this distribution channel still accounts for a comparatively small share of overall sales. Growing this share to 10%–20% requires significant efforts to adjust the product mix and adapt the structure of the sales force. The Group is preparing to increase shipments to China and Central Asia and launch sales in the Middle East. With producers from Latin American countries remaining competitive due to accelerated depreciation of their local currencies in 2016, this competition will be a significant growth-limiting factor for sales in overseas markets. Overall, meat exports by Russian companies in 2016 are unlikely to have material impact on the available resources in the Russian market.

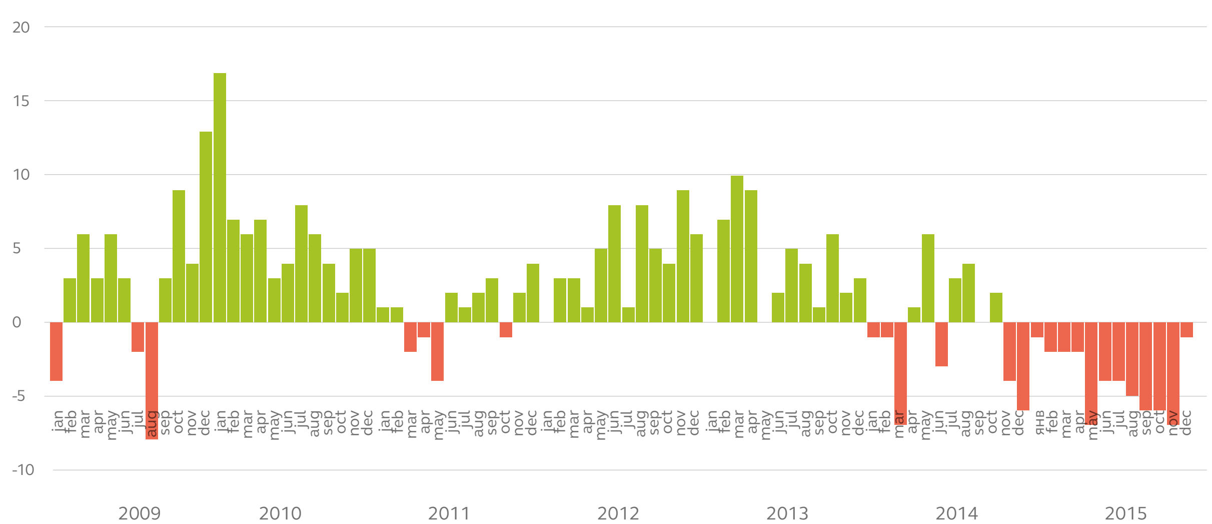
Factors influencing consumer choice

With real household incomes steadily in decline since November 2014, and retail price movements becoming a key driver of consumer choice, food products that demonstrate smaller price increases are the winners among products of comparable nutritional value. The below comparison of changes in retail prices explains why meat producers are facing less pressure than sausage producers.

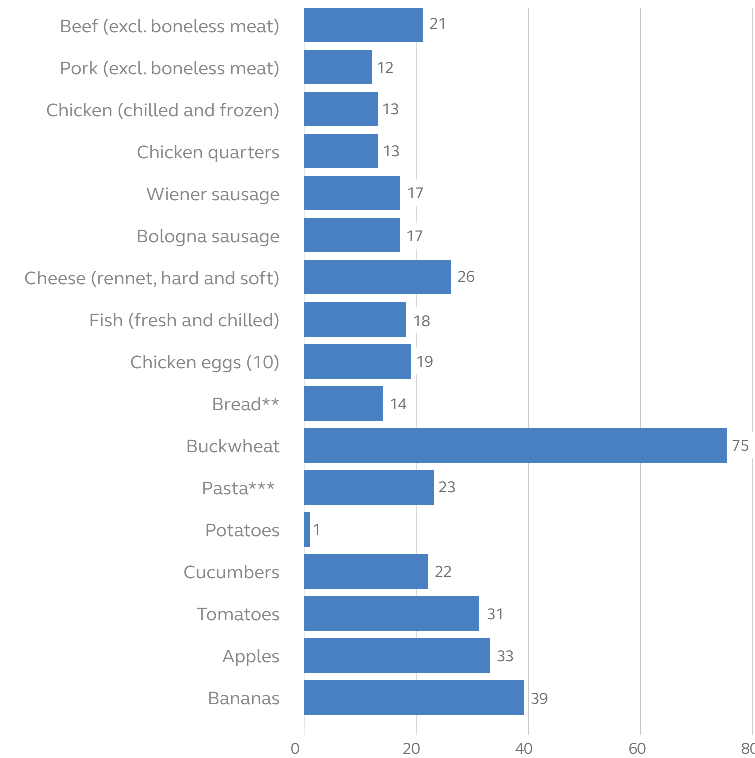
825 thousand tonnes

of meat products sold in 2015

Monthly changes in real incomes, %, Y-o-Y, 2009–2015



Average annual changes in retail prices for key food categories in 2014–2015, %

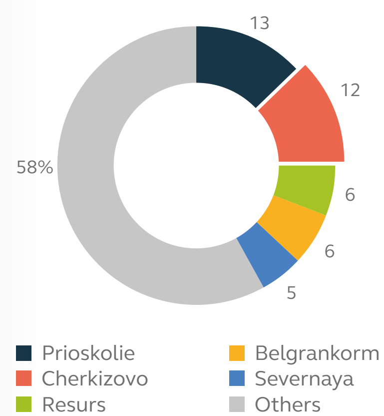


** from rye flour and mixed rye-wheat flour
*** from premium wheat flour

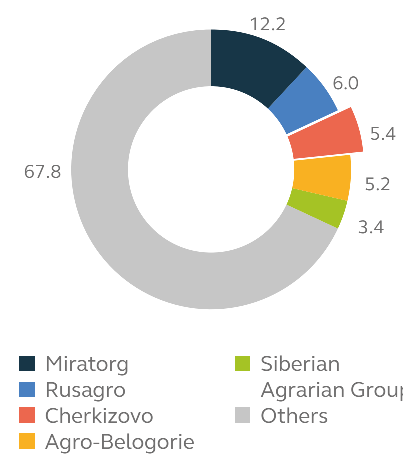
Source: Federal State Statistics Service

The Group's market position and prospects for changes in market share

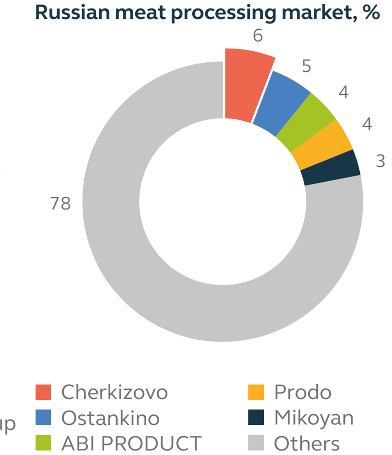
Russian poultry market, %



Russian pork market, %



Russian meat processing market, %



In 2015, the Group increased its market shares in sausages and poultry. Its share of the pork market remained flat year-on-year. The Group's strategy is to expand its market share across segments to benefit from its economy of scale and offset the growing influence of federal retail chains on the food market.

Source: Russian Poultry Union, National Union of Pork Producers, the company's data

CHIEF EXECUTIVE'S REVIEW

Group performance

We had a very successful year in 2015, with sales of meat products reaching 825 thousand tonnes and revenues rising by 12% year-on-year to RUB 77 billion.

During 2015, we rapidly expanded the production capacity of our poultry division by commissioning the largest and most advanced hatchery in Europe, with capacity of 240 million eggs per annum, and we are now making significant efforts to improve the health of parent flock. Going forward, we expect to cease imports of hatching eggs and day-old chicks.

In 2016, as part of the Eletsprom project, we will be launching our first broiler sites, which will greatly strengthen our market position in this segment. Improving efficiency across our poultry processing plants also remains a key focus for the Group.

Tambov Turkey, our joint project with Spain's Grupo Fuertes, has entered the homestretch and our new turkey products are expected to hit the shelves at major retail chains as early as autumn 2016. We anticipate that demand for turkey in the Russian market will continue to grow and we believe this segment has vast growth potential.

the higher value-added product mix. These efforts have helped to boost our sales in the segment by 33% year-on-year. This impressive growth has enabled us to consolidate our market position against the backdrop of a waning market. We will continue to invest significant effort in developing the meat processing division and growing its share of the Group's total sales. We see our existing capacity for high-quality, high value-added products as our key competitive edge, differentiating us from our peers in the agricultural industry.

As at the end of 2015, Cherkizovo Group's operational land bank totalled 90,000 hectares and our gross yields

countries enabled domestic producers to step in and fill the gap in the market.

The Russian government's programme to support the meat industry gave it a strong impetus and today the country is self-sufficient in poultry and is on track to achieving self-sufficiency in pork. Cherkizovo Group has acted incisively to take full advantage of the government support measures, making infrastructure investments in a number of regions where we operate. However, these support measures for the market's major players need to be in place for several more years if a lasting positive effect is to be achieved.

THE COMPANY'S HISTORY IS MADE UP OF THE MANY STEPS IT HAS TAKEN TO BUILD UP HIGH-TECH AND SAFE AGRO-INDUSTRIAL INFRASTRUCTURE IN RUSSIA, AND, TODAY, CHERKIZOVO GROUP IS ONE OF THE BIGGEST SUCCESS STORIES IN RUSSIAN AGRICULTURE.

We have also established a strong platform for future growth in our pork division, as we have started building a major interregional pig-breeding cluster, with the first finisher sites coming online in the Voronezh Region. In late 2015, a production site in Orel resumed operations, after we populated it with purebred parent stock of high breeding-value from Norway. It was an important step in the further development of the Company's pork division and, above all, in the genetic improvement of our breeding herds during the next production cycle. In 2016, we expect to fully restore our pork production levels.

For our meat processing division, the focus has been on the expansion of production capacity and the renewal of

grew by 37%. We have commissioned a grain elevator in Elets and feed mills in the Bryansk and Voronezh Regions. Our total storage capacity is now approaching 900,000 tonnes. Around 1.5 million tonnes of high-quality feed were produced over the past year, bringing our self-sufficiency in feed to almost 100% and placing us at the top of Russia's leading feed producers.

Government regulation and macroeconomic developments

Our impressive achievements were, to a large extent, thanks to the measures taken by the Russian government to stimulate agricultural development. The current duties on imported pork meat coupled with restrictions on certain food imports from a number of

In 2015, Russian President Vladimir Putin set the government the task of achieving full self-sufficiency in food by 2020. We believe that Cherkizovo Group has a role to play in achieving this goal.

Export operations

In 2015, we decided to make exports a priority area for Cherkizovo Group. The weakening Russian ruble has given us a pricing advantage on export markets and we intend to take full advantage of this opportunity. As such, we are currently targeting markets in the Middle East, Southeast Asia, and North Africa.

Cherkizovo Group has traditionally focused most of its exports on the CIS region. However, given the favourable market situation we are seeing at the moment, we intend to make ground on this front and expand the geographies we export to. Today, we are actively engaging with relevant agencies in Russia and regulators in our target markets with a view to opening up these markets for Russian producers.

A number of our production facilities have already been certified and have obtained export licences for poultry supplies to the United Arab Emirates and Egypt. Similar efforts are being made to engage with other prospective partners in the region, including Iraq. We believe that within the next two years, our export supplies could represent up to 20% of the Company's total sales.

Our new shareholders

Today, the agro-industrial sector is one of the fastest-growing segments of the Russian economy. The considerable potential for further growth and a favourable regulatory environment make it highly attractive to investors. In 2015, Grupo Fuertes, a major European agricultural company based in Spain, purchased a stake in our Company.

Our strategic partnership dates back to 2012, when we launched our joint project, Tambov Turkey. In 2015, our Spanish partners purchased 5.06% of Cherkizovo Group shares on the open market as a sign of confidence in our team, our business model and production assets. We welcome our new shareholder and will make every effort to promote their interests.

Outlook

In 2016, we will continue to focus on financial stability and operating efficiency. While we will ensure continued financing for our ongoing capex projects, we will take a more conservative approach as far as new project launches are concerned. Nevertheless, the implementation of our current initiatives will provide us with a solid production base and support further market expansion.

We intend to grow pork sales in the year ahead as the sites previously affected by the African swine fever (ASF) outbreak return to their full capacity and new production facilities come online. We expect to double the pork division's production capacity by 2018 and further strengthen our market position. Amid low pork prices, we will continue selling the bulk of our pork output to the Group's meat processing division to grow the sales of value-added products and enhance our offering of diverse, high-quality products to meet market demand. Over the next three to five years, we expect to double Cherkizovo Group's market share in the meat processing market.

The Company will maintain its focus on grain farming, a relatively new segment for the Group's business. If conditions are favourable, in 2016, we expect to increase our grain harvest by 50% year-on-year, taking it to 524 thousand tonnes, mostly through yield improvements. We plan to grow our land bank and improve soil fertility and health. Over the next three to five years, we will continue to focus on improving our self-sufficiency in grain, bringing it to at least 50%, reducing our dependence on third-party suppliers who quote their prices in hard currencies.

Our outlook for 2016 is generally positive. We see the current challenges in Russia's agro-industrial sector and economy more broadly as an opportunity to further consolidate our market position. We intend to achieve that through both organic growth and M&A activity, where appropriate.

THE WEAKENING RUSSIAN RUBLE HAS GIVEN US A PRICING ADVANTAGE ON EXPORT MARKETS AND WE INTEND TO TAKE FULL ADVANTAGE OF THIS OPPORTUNITY. AS SUCH, WE ARE CURRENTLY TARGETING MARKETS IN THE MIDDLE EAST, SOUTHEAST ASIA, AND NORTH AFRICA.

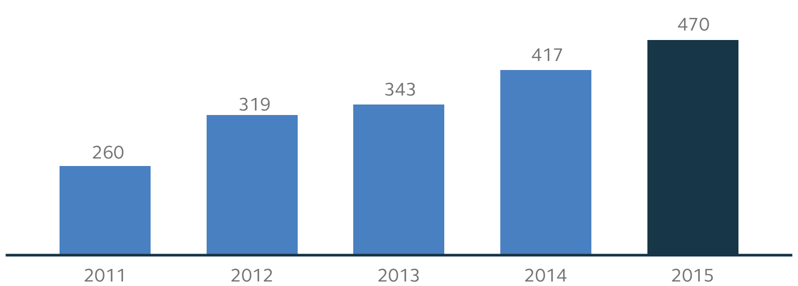
Sergey Mikhailov
Chief Executive Officer, Cherkizovo Group

POULTRY

CHERKIZOVO GROUP OPERATES EIGHT POULTRY FARMS LOCATED IN THE CENTRAL AND VOLGA FEDERAL DISTRICTS.

Performance

Sales of finished products, thousand tonnes



During 2015, the poultry division demonstrated its strongest operating performance, with poultry sales of finished products up 13% to 470,000 tonnes. The increase is largely attributable to growing consumer demand for poultry meat as the most affordable meat product, as well as the commissioning of new production facilities.

Performance indicators, 2013-2015

	2013	2014	2015	2015 vs. 2014, %
Meat yield, % of live weight	73.9	74.3	75.2	0.88
Feed conversion rate per kg of live weight	1.8	1.8	1.7	–0.07
Average growing period, days	36.6	37.1	37.2	0.07
Average daily gain, g	54.2	54.5	56.9	2.45
Liveability, %	94.1	92.9	93.4	0.54

Petelinka is Russia's leading brand of chilled poultry products. There are more than 100 products in the Petelinka's portfolio.

Chicken Kingdom is one of the nation's favourite chilled and frozen poultry brands. The chickens used for Chicken Kingdom products are raised in the ecologically clean Bryansk and Lipetsk regions.

Investments and development

Eletsprom, Russia's largest poultry breeding facility, located in the Lipetsk Region, was a key project developed by the Company during the reporting period. In 2015, Cherkizovo Group commissioned a hatchery, the largest in Europe and the most advanced in Russia, with capacity of 240 million eggs per annum, at the Eletsprom site. The hatchery uses the latest technology and equipment in line with international best practice and is designed to the strictest standards of biological safety and hygiene. As part of the Eletsprom project, the Company began the construction of a large poultry breeding facility in 2015. The facility, comprising reproduction and parent flock sites, will have a capacity of 128 million eggs per annum.

These projects will reduce the Group's dependency on imported hatching eggs and almost entirely satisfy its demand for day-old chicks.

All the facilities of our poultry division were fully certified during the reporting period according to FSSC 22000, a food safety and quality certification scheme, another milestone towards better business relations with large international retail chains and fine-tuning the corporate management system. FSSC 22000 supports the production of high-quality food with highest safety standards.

Cherkizovo Group has continued to strengthen its brand portfolio in the poultry division. In 2015, the Group organised a large-scale campaign for the updated Chicken Kingdom brand, targeting the Russian regions outside MMA. Awareness of the Petelinka brand, which is well-known in the Moscow Metropolitan Area, reached a record high of 94%.

Ongoing efforts of the Company to increase output, improve product quality and set new industry standards in efficiency and safety have won international recognition. In 2015, Cherkizovo Group was included in the international list of top-rated poultry producers by WATT Poultry USA.

The weakening ruble opens new prospects for poultry exports. Potential export markets for Russian products include the Middle East, South-East and Central Asia, Africa and the CIS.

In 2015, Cherkizovo Group's poultry farms were inspected by international veterinary experts. In December, Vasilievskaya Poultry Farm was visited by veterinary officials from the United Arab Emirates (UAE) to audit its sanitary conditions and quality standards and examine the veterinary control procedures adopted in Russia.

470 thousand tonnes of poultry products sold

TAMBOV TURKEY

Tambov Turkey, a joint project of Cherkizovo Group and Grupo Fuertes, a major European agricultural company based in Spain, grew nearer to completion in 2015. The project is for the construction of a turkey breeding and processing facility in the Tambov Region with a live weight capacity of 50,000 tonnes per annum. The first phase of the project, including a state-of-the-art hatchery with an annual capacity of 5.9 million eggs, was put into operation in September. Approximately RUB 8 billion has been invested in the project.

The first products from this facility are expected in autumn 2016 when Grade Maker breed turkey meat, currently unavailable on the Russian market, will be supplied to retail chains. Cherkizovo's turkey will differ from that currently available in Russia in its compact size and relatively small weight (7–9 kg), perfect for home cooking. Cherkizovo's turkey meat also contains half the fat of breeds commonly available on the Russian market, making it the leanest poultry meat on the market.

For over 10 years we have been proudly carrying out our mission of providing the Russian population with high-quality meat products.

OVERALL INVESTMENT INTO THE PROJECT

8 RUB BILLION

IN SEPTEMBER 2015, A NEW STATE-OF-THE-ART HATCHERY WITH A CAPACITY OF

5.9 MILLION EGGS PER ANNUM WAS PUT INTO OPERATION

PORK

CHERKIZOVO GROUP IS A TOP 3 RUSSIAN PORK PRODUCER.

Assets

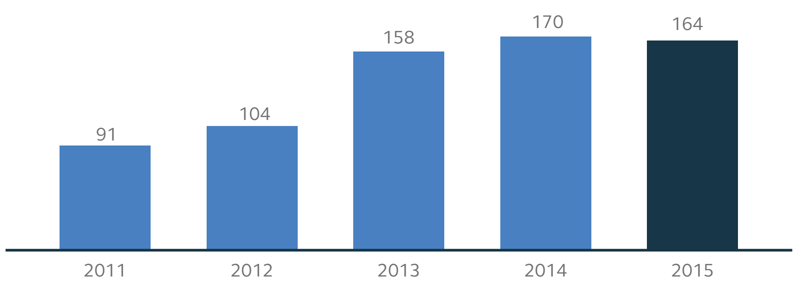
The Group operates 15 major pig breeding facilities in the Central and Volga Federal Districts, all located in close proximity to the Group's grain elevators and feed mills and constructed in line with the highest international standards. The excellent location of the pig breeding facilities contributes to veterinary and biological safety, as well as the high quality of the pork. Each facility consists of a multiplication site for 5,700 sows, a nursery site for 18,000 animals and two finisher sites for 18,000 pigs each.

Having started its pig business from scratch, the Company has grown to producing almost 1.5 million animals per annum.

1.5 million pigs raised by the Company in 2015

Performance

Sales, thousand tonnes, 2013-2015



In 2015, the pork division demonstrated strong performance, with the best feed conversion rates at key finisher sites in Lipetsk, Penza and Tambov, while the weekly insemination rate reached 300 sows per commercial sow farm. These figures lay a solid foundation for organic production growth in 2016.

Performance indicators, 2013-2015

	2013	2014	2015	2015 vs. 2014, %
Pigs weaned per crate per year	107.9	109.4	115.9	5.9
Average hog weight, kg	110.5	117.3	121.4	3.5
Feed conversion rate	2.95	2.68	2.61	–2.6
Finisher loss, %	10.9	7.1	8.0	0.9
Products sold/sow, kg	2,035	2,131	2,138	0.3

Investments and development

In 2015, Cherkizovo Group offered its customers a new range of Cherkizovo branded ready-to-cook pork products marked with '24H' to denote that they are delivered from slaughter to store within 24 hours.

The Group continued its investments in the pork division throughout 2015. During the reporting period, Cherkizovo began its new pig-breeding cluster project that is set to bring together the pork production facilities in the Lipetsk and Voronezh Regions. The project will employ the latest technology, which has never been used in Russia before, to cut construction costs by almost 30%. As part of this RUB 9 billion project, two facilities, each with 14 finisher sites and annual production capacity of 294,000 animals (35,000 tonnes of live weight), are being constructed. Construction is scheduled to be completed in late 2017 or early 2018.

A specific feature of the new cluster will be the absence of dedicated nursery. At present, 28-day old piglets are sent to the nursery and finisher site and kept there for 6 months before slaughtering. The absence of dedicated nurseries will reduce risks inherent in animal transportation between the sites and improve the overall performance of the division.

As part of the project, Russia's largest feed mill was commissioned in the Voronezh Region in 2015. Once the mill reaches its full capacity of 500,000 tonnes of feed per annum, Cherkizovo Group will fully satisfy its internal demand for feed. The key ingredient of feed will be grain produced in the Voronezh Region. This serves as an excellent example of how the Group's vertically integrated business model guarantees the high quality of the pork offered to end consumers.

Completion of the project will increase Cherkizovo Group's output capacity by 70,000 tonnes of pork per annum and secure its leading position on the Russian market.

In an effort to optimise the production process and improve operations management practices, Cherkizovo Group reorganised the pork division by reducing the number of legal entities and merging them into a single company, Cherkizovo Pig Breeding.

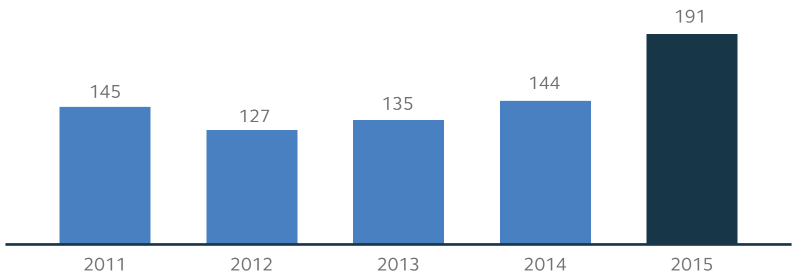
1.9 RUB billion Investments in the pork division in 2015

MEAT PROCESSING

THE MEAT PROCESSING DIVISION IS VIEWED BY CHERKIZOVO GROUP AS A STRATEGIC BUSINESS AREA.

Performance

Product sales, thousand tonnes



Performance indicators, 2013-2015

	2013	2014	2015	2015 vs. 2014, %
Bone-in-meat, % of live weight	70.6	73.0	73.0	0
Product sales per employee, tonnes	28.2	31.3	40.7	30.0
Output per workshop employee, tonnes	30.0	40.6	51.7	27.3

+33%
Sales growth in the segment

The Company plans to increase the share of high value-added products in its sales and expand its footprint in the sausage and ready-to-cook products market.

The meat processing division demonstrated impressive growth of 33% in 2015 despite the challenging market conditions. The new slaughtering capacity commissioned during the reporting period, a strong focus on product marketing and an improvement of the Group's market offering in terms of product range and volumes were the key drivers behind this growth during 2015. Cherkizovo Group demonstrated, yet again, that it is quick to capture market demand and react with the best meat products amid strengthening competition.

With its own upstream link in the production chain, the Company has a strong advantage over its competitors in the meat processing market. The meat processing division increased its share of intra-group procurement during 2015, thus securing high product quality and uninterrupted supplies. In 2015, supplies from other Group companies accounted for 74% of raw materials sourced by the meat processing facilities, compared to 55% in the previous year.

Investments and development

In 2015, Cherkizovo Group continued to invest in new production facilities, with the Dankovsky Meat Processing Plant in the Lipetsk Region put into operation in the reporting period to become a key supplier of bone-in-meat for the Company's meat processing facilities. Following upgrades, the slaughtering line capacity at the plant was increased to 220 animals per hour, or 124,000 tonnes of live weight per year. The upgraded facility features state-of-the-art equipment meeting the highest global standards of efficiency and safety. Total investments in the project exceeded RUB 1.5 billion.

In addition, in 2015, the Company launched the large-scale Monoplant project at the Penza, Ulyanovsk, Dankov and Otechestvennyi Product sites in order to focus production on a narrower range of products. This approach will increase labour efficiency, speed up staff training, cut down on switch-over losses and improve operations management.

Following a retrofit, Cherkizovsky Meat Processing Plant expanded its sausage production capacity.

In 2015, Cherkizovo Group continued to develop and strengthen its Cherkizovo brand with a strong focus on the promotion of chilled meat products. This effort was supported by a major advertising campaign across national media outlets.

Cherkizovo has been one of Russia's most popular brands for 40 years. Its portfolio includes nearly 250 types of sausage products, as well as chilled and frozen meat, ready-to-cook products, ham and deli meats.

In the chilled meat and ready-to-cook products segment, Cherkizovo has a unique advantage – its 24H brand. Cherkizovo products marked '24H' are delivered from slaughter to store within 24 hours.

191 thousand tonnes
Product sales

GRAIN

THANKS TO THE EXPANSION OF CROP AREAS AND INVESTMENTS IN SOIL IMPROVEMENT AND INFRASTRUCTURE, THE GRAIN DIVISION DEMONSTRATED YIELD GROWTH OF 37% IN 2015.

Assets, 2013-2015

Assets	2013	2014	2015	2015 vs. 2014, %
Land bank, thousand ha	140	140	140	-
Crop areas, thousand ha	40	58	85	48
Feed mills, pcs	7	8	9	13
Grain elevator capacity, thousand tonnes	398	588	854	45

Following this success, in 2015, Cherkizovo Group strengthened its leading position on the feed market, producing more than 1.5 million tonnes of high-quality feed.

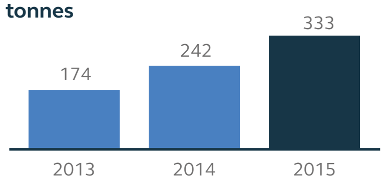
Performance

Grain yield in 2013–2015

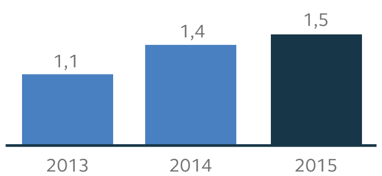
	2013		2014		2015	
Crop	Yield, thousand tonnes	Cultivated area, thousand ha	Yield, thousand tonnes	Cultivated area, thousand ha	Yield, thousand tonnes	Cultivated area, thousand ha
Wheat	78	16	125	21	150	43
Corn	43	5	42	10	116	16
Barley	23	7	25	5	6	2
Peas	13	6	23	7	17	6
Sunflower	14	4	19	8	23	7
Others	3	2	8	8	20	11
Total	**175**	**40**	**242**	**58**	**333**	**85**

In 2015, new technology, improving soil fertility, investing in advanced machinery and modernising grain elevators were the key development areas of the grain division. The division demonstrated excellent performance in the reporting year, with yield growth of 37%, reaching a record high of 333,000 tonnes.

Gross yield, 2013-2015, thousand tonnes



Feed output, 2013-2015, thousand tonnes



One of the growth drivers was the integration of a new company in Tambov (with crop area of 15,000 hectares) into the grain division, which led to the gross yield of grain crops increasing by almost 50,000 tonnes.

In 2015, Cherkizovo Group launched a soil improvement (lime treatment) project in the Voronezh, Lipetsk and Orel Regions, reducing soil acidity and increasing soil nutrients in order to secure higher yields in the future.

37%
Cherkizovo group increased grain yield

Investments and development

In 2015, the Company launched a corn production project (AHI) in the Lipetsk Region, to enable high corn yields to be maintained on the same fields for 4–5 consecutive years.

Another key area of focus for the grain division during the reporting period was the development of infrastructure. For instance, the Group put the first grain storage facility of the Eletsprom project in the Lipetsk Region into operation in 2015. With this new 200,000 tonne elevator, the Company's aggregate storage capacity is now more than 850,000 tonnes of grain. Investments in the grain elevator exceeded RUB 1.4 billion.

The neighbouring Voronezh Region received one of Russia's largest feed mills, with a capacity of 500,000 tonnes per annum. The feed mill features the latest equipment by Ottevanger Milling Engineers and PTN. Once the mill reaches full capacity, it will be able to fully meet the Voronezh cluster's demand for high-quality feed. In-house feed production facilities and innovative feed improve the biological safety of pigs and poultry and reduce production costs.

Cherkizovo Group will continue its efforts to use advanced technologies to enhance crop yields, both in gross terms and per hectare. Feed production is expected to rise once the feed mills in Voronezh and Bryansk reach their full capacity.

FINANCIAL REVIEW

IN 2015, CHERKIZOVO'S RUBLE REVENUE INCREASED BY 12% YEAR-ON-YEAR TO RUB 77.0 BILLION, WITH ITS EBITDA MARGIN AT 16%.

LUDMILA MIKHAILOVA
Chief Financial Officer

2015 was a challenging year for Cherkizovo Group. Facing tough market conditions, a depreciating ruble and a decline in consumers' real income, agricultural enterprises found themselves in a challenging environment.

Despite a slight rise year-on year, average poultry and pork prices slipped in Q4. In the face of these adverse circumstances, Cherkizovo Group continued to pursue its large-scale investment programme. The Company's revenues climbed 12% year-on-year to RUB 77 billion, with output of meat products exceeding 825 thousand tonnes. At the same time, gross profit slid 27% year-on-year due to higher foreign currency denominated costs. The poultry and meat processing segments posted the highest production growth. During 2015, the Company also focused on ramping up its sausage and ready-to-cook production volumes, an area seen as an additional revenue driver. Reduced consumer purchasing power will inevitably lead to consolidation in the consumer sector, enabling Cherkizovo Group to seize the opportunity and expand market share.

Revenue of RUB
77.0 billion

Business review

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

Our principal operations include: the production and sale of processed meat products, primarily in the European part of Russia; breeding of broilers; the processing and sale of chilled and frozen poultry products produced at facilities in the Bryansk, Voronezh, Kursk, Lipetsk, Moscow, Penza, and Tula Regions; breeding of pigs at our facilities in the Vologda, Voronezh, Lipetsk, Moscow, Orel, Penza, and Tambov Regions; the sale of live pigs; production of grain on the Company's land bank. We also carry out trading and distribution activities and produce feed, which is used by our poultry and pork facilities.

The Company's operations are structured into four business divisions: poultry, pork, meat processing and grain. The poultry division consists of eight poultry breeding facilities and their associated trading company. The pork division operates 15 state-of-the-art breeding facilities. The meat processing division is made up of six processing plants producing sausages, hams, ready-to-cook meats and other meat products. This division also carries out associated sales and trading operations. In 2015, the grain division cultivated 85,000 hectares of land. Cherkizovo Group operates nine feed mills to meet the needs of its divisions. All our operating divisions are also involved in other non-core activities. The expenses of our management company are recorded under Corporate Expenditure.

In 2015, we sold over 825 thousand tonnes of meat products, outperforming all our industry peers. According to the Russian Poultry Union and our own estimates, we have the largest sales of poultry in Moscow and the Moscow Region, and we are the second largest producer in Russia. According to the National Pig Farmers Union, we are also the third largest producer in Russia's highly-fragmented pork market. According to our management team's estimates, which are based on a number of market surveys, Cherkizovo ranks first in the meat processing market. In 2015, total sales reached 470 thousand tonnes of sellable weight in the poultry division, 164 thousand tonnes of live weight in the pork division and 191 thousand tonnes in the meat processing division. Grain sales totalled 267 thousand tonnes. The Group also produced approximately 1.5 million tonnes of feed for internal consumption.

Market and regulatory review

INCOME TAX BENEFIT

In line with the Tax Code of the Russian Federation, agricultural producers benefit from a zero income tax rate. For Cherkizovo Group, this rate applies to the poultry, pork and grain operations. However, the zero tax rate does not apply to our trading, distribution, feed production and meat processing segments. As a result of this tax benefit, our effective tax rate was 2.5% in 2015 (2014: 0.1%), whereas the general income tax rate in Russia is 20%.

REIMBURSEMENT OF INTEREST EXPENSE

Agricultural enterprises are also eligible for reimbursement of interest expense on investment loans equal to the official Central Bank of Russia (CBR) refinancing rate (the "refinancing rate"), and on working capital loans as per the state support (subsidising) rate, that equals the refinancing rate multiplied by 1.1 plus the CBR key rate (key rate) minus the 2014 inflation rate (11.4 %). They are also entitled to receive reimbursement of up to one-third of the refinancing rate from regional authorities. In 2015, the refinancing rate was 8.25%; between 1 January and 1 August 2015, the key rate was fixed at 17%; from 1 August to 31 December 2015, the key rate was fixed as of the date of a loan agreement or an addendum thereto changing the interest rate amount.

We account for such subsidies on a net basis, together with accrued interest. As at 31 December 2015, the portion of subsidised loans in the portfolio was 81% (2014: 90%), which offset our interest expense by RUB 2.6 billion (2014: RUB 2.0 billion). As at 31 December 2015, our effective interest rate on loans and borrowings adjusted for accrued subsidies ranged from 4.71% to 6.70%, while the interest rate on loans outstanding as at the end of the year was between 12.54% and 13.49%. As at 31 December 2015, the effective cost of debt in ruble terms was 3.3% (2014: 3.5%). The interest expense subsidies do not apply to non-production agriculture-related operations, such as trading and distribution, M&A transactions, and meat processing operations.

Seasonality

Sales volumes and average selling prices in each of our divisions are generally the highest in Q2, at the start of the summer season, and in Q4, at the beginning of the New Year holiday season. The typical post-holiday drop in consumer spending, along with lower meat consumption due to the Orthodox Great Lent, make Q1 sales and margins the lowest of the year.

Seasonality also affects average selling prices, as retail consumers generally buy more high-end and high-quality products in Q4. In addition, lower feed costs during the harvest season drive higher profit margins for pork and poultry production in 2H.

Interest rates and foreign exchange differences

Our products are typically priced in rubles, and our direct costs, including raw materials (other than some feed components and veterinary supplies), payroll, and transportation expenses are also largely ruble-denominated. Other costs, such as interest expense, are incurred in rubles and a very minor portion is in euros. In 2015, the ruble continued to depreciate against global currencies. According to the Central Bank of Russia, the official exchange rates as at 1 January 2015 were 56.26 rubles per US dollar and 68.34 rubles per euro; as at 31 December 2015, these exchange rates were 72.88 and 79.70, respectively. Thus, in 2015, the ruble depreciated against the US dollar by 30%, and against the euro by 17%.

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 debt to RUB 41.2 billion (2014: RUB 27.8 billion), as well as a rise in interest rates on bank loans and credit facilities. Net interest expense for 2015 was RUB 1.4 billion, up 42% from RUB 1.0 billion in 2014. To help offset the higher interest expense, the Group accrued RUB 2.6 billion of subsidies in 2015, a year-on-year increase of 29%.

As at 31 December 2015, 99% of our long-term and 100% of our short-term outstanding debt (excluding finance leases) consisted of ruble-denominated loans.

FINANCIAL REVIEW

Key highlights

PJSC Cherkizovo Group results

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 being 1 January 2014. Consequently, comparative data for 2014 is also shown under IFRS.
The main difference between IFRS and the reporting standards 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.

The Company's consolidated revenue increased by 12% year-on-year and reached RUB 77.0 billion in 2015 (2014: RUB 68.7 billion). Gross profit fell by 27% year-on-year to RUB 19.1 billion (2014: RUB 26.1 billion). Operating expenses as a percentage of sales increased to 15% in 2015 from 14% in 2014. In 2015, net income was RUB 6.0 billion (2014: RUB 16.5 billion). The majority of this decrease is due to the large amount of expenses pegged to foreign currencies, higher interest expense and the revaluation of biological assets, which drove our net income down by RUB 1.2 billion in 2015 (compared to gain of RUB 3.2 billion in 2014). Adjusted EBITDA decreased by 26% year-on-year in 2015 to RUB 12.6 billion (2014: RUB 17.0 billion). The adjusted EBITDA margin for 2015 fell to 16% (2014: 25%). Earnings per share dropped by 64% to RUB 136.98.

Consolidated income statement data

(in thousands of rubles)	Year ended 31 December 2015	Year ended 31 December 2014
Sales	77,032,622	68,668,409
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)
Gross profit	**19,148,679**	**26,126,831**
Gross margin	*24.9%*	*38.0%*
Operating expenses	(11,614,653)	(9,469,666)
Operating Income	**7,534,026**	**16,657,165**
Operating margin	*9.8%*	*24.3%*
Income before income tax and minority interest	**5,871,749**	**16,613,516**
Net income attributable to Cherkizovo Group	**6,007,482**	**16,490,173**
Net profit margin	*7.8%*	*24.0%*
Weighted average number of shares outstanding	43,855,590	43,851,090
Earnings per share		
Net income attributable to Cherkizovo Group per share – basic and diluted	**136.98**	**376.05**
Consolidated Adjusted EBITDA reconciliation*		
Income before income tax and minority interest	**5,871,749**	**16,613,516**
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	–
Consolidated Adjusted EBITDA*	**12,630,376**	**16,962,576**
Adjusted EBITDA Margin	*16.4%*	*24.7%*

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
Total Sales	**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**
% of Total sales	*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)
Gross profit	**4,314,297**	**8,405,287**	**4,662,927**	**1,080,002**	**822,119**	**13,721**	**(149,674)**	**19,148,679**
Gross margin	*14.8%*	*18.9%*	*28.1%*	*41.8%*	*3.0%*	*n/a*	*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)
Operating income / (expense)	**1,253,310**	**3,343,288**	**4,000,886**	**837,708**	**231,246**	**(2,076,158)**	**(56,254)**	**7,534,026**
Operating margin	*4.3%*	*7.5%*	*24.1%*	*32.5%*	*0.8%*	*n/a*	*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)
Division profit / (loss)	**887,452**	**3,509,511**	**3,570,879**	**838,986**	**(57,649)**	**(2,821,095)**	**(56,335)**	**5,871,749**
Division profit margin	*3.0%*	*7.9%*	*21.5%*	*32.5%*	*– 0.2%*	*n/a*	*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
Adjusted EBITDA reconciliation								
Division profit / (loss)	887,452	3,509,511	3,570,879	838,986	(57,649)	(2,821,095)	(56,335)	5,871,749
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
Adjusted EBITDA*	**1,752,464**	**5,494,811**	**6,287,109**	**710,937**	**638,336**	**(2,016,136)**	**(237,145)**	**12,630,376**
Adjusted EBITDA Margin	*6.0%*	*12.3%*	*37.9%*	*27.5%*	*2.3%*	*n/a*	*0.5%*	*16.4%*

Reconciliation between net division profit and income attributable to Cherkizovo Group

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

FINANCIAL REVIEW

Poultry Division

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

During the course of 2015, the average price of poultry products continuously fell on a quarter-on-quarter basis 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 due to the increased costs of feed components, hatching eggs and veterinary supplies, which are pegged to foreign currencies. 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 the increased costs of feed components and other raw materials pegged to foreign currencies.

In 2015, 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.

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)
Sales to external customers	**41,949,253**	**36,184,936**
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)
Gross profit	**8,405,287**	**12,448,411**
Gross margin	*18.9%*	*33.2%*
Operating expenses	(5,061,999)	(4,257,893)
Operating Income	**3,343,288**	**8,190,518**
Operating margin	*7.5%*	*21.8%*
Other income and expenses, net	794,746	1,150,788
Interest expense, net	(628,523)	(389,830)
Division profit	**3,509,511**	**8,951,476**
Division profit margin	*7.9%*	*23.9%*
Poultry division Adjusted EBITDA reconciliation*		
Division profit	**3,509,511**	**8,951,476**
Add:		
Interest expense, net of subsidies	628,523	389,830
Interest income	(175,026)	(326,404)
Foreign exchange	(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)
Poultry division Adjusted EBITDA*	**5,494,811**	**8,801,313**
Adjusted EBITDA Margin	*12.3%*	*23.5%*

Pork Division

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

The average price of pork produced by the Company 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 in Q4 to 85.39 RUB/kg from 107.44 RUB/kg in Q3, a decrease 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 inter-company sales to the meat processing segment. In 2015, 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).

In 2015, 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.

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)
Sales to external customers	**5,076,993**	**9,659,484**
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)
Gross profit	**4,662,927**	**9,338,247**
Gross margin	*28.1%*	*56.1%*
Operating expenses	(662,041)	(400,607)
Operating Income	**4,000,886**	**8,937,640**
Operating margin	*24.1%*	*53.6%*
Other income and expenses, net	(73,852)	114,530
Interest expense, net	(356,155)	(396,851)
Division Profit	**3,570,879**	**8,655,319**
Division profit margin	*21.5%*	*52.0%*
Pork division Adjusted EBITDA reconciliation*		
Division Profit	**3,570,879**	**8,655,319**
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	–
Pork division Adjusted EBITDA*	**6,287,109**	**8,081,041**
Adjusted EBITDA Margin	*37.9%*	*48.5%*

FINANCIAL REVIEW

Meat Processing Division

In 2015, sales volumes in the meat processing division increased to 191.2 thousand tonnes from 144.2 thousand tonnes in 2014, representing a year-on-year increase of 32.6%. This growth was driven by the new Dankov pig slaughtering facility coming into operation and higher inter-company 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 Q4 2015, the average price fell 1.6% year-on-year to 170.50 RUB/kg, due to 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 climbed 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 to reach RUB 1.3 billion. The operating margin rose to 4.3% from 1.5% in 2014. In 2015, the meat processing segment generated net income of RUB 1.0 billion, a significant increase compared to a loss of RUB 0.1 billion in 2014.

Adjusted EBITDA increased almost threefold 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.

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)
Sales to external customers	**29,118,238**	**21,864,828**
Cost of sales	(24,835,957)	(18,755,203)
Gross profit	**4,314,297**	**3,128,931**
Gross margin	*14.8%*	*14.3%*
Operating expenses	(3,060,987)	(2,810,496)
Operating Income	**1,253,310**	**318,435**
Operating margin	*4.3%*	*1.5%*
Other income and expenses, net	(163,317)	(160,019)
Interest expense, net	(202,541)	(266,445)
Division profit / (loss)	**887,452**	**(108,029)**
Division profit margin	**3.0%**	**-0.5%**
Meat processing division Adjusted EBITDA reconciliation*		
Division profit / (loss)	**887,452**	**(108,029)**
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
Meat processing division Adjusted EBITDA*	**1,752,464**	**712,607**
Adjusted EBITDA Margin	*6.0%*	*3.3%*

Grain Division

Sales volumes in the grain division grew to 267.4 thousand tonnes in 2015, a year-on-year rise of 12.8% thanks to a strong harvest year (2014: 237.1 thousand tonnes). Cherkizovo Group harvested 332.9 thousand tonnes 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 tonnes/hectare, while the crop area increased by 32% year-on-year to 85.2 thousand hectares.

In 2015, the average selling price of grain grew by 30.4% year-on-year to 9.40 RUB/kg (2014: 7.21 RUB/kg).

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)
Sales to external customers	**463,584**	**494,967**
Net change in fair value of biological assets and agricultural produce	326,376	-
Cost of sales	(1,827,087)	(966,698)
Gross profit	**1 080,002**	**772,239**
Gross margin	*41.8%*	*44.4%*
Operating expenses	(242,294)	(344,456)
Operating Income	**837,708**	**427,783**
Operating margin	*32.5%*	*24.6%*
Other income and expenses, net	15,555	627
Interest expense	(14,277)	(126,470)
Division profit	**838,986**	**301,940**
Division profit margin	*32.5%*	*17.4%*
Grain division Adjusted EBITDA reconciliation*		
Division profit	**838,986**	**301,940**
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)	-
Grain division Adjusted EBITDA*	**710,937**	**569,912**
Adjusted EBITDA Margin	*27.5%*	*32.8%*

FINANCIAL REVIEW

Liquidity and Capital Resources

Capital requirements

In addition to our working capital requirements, we need capital to finance the following:

- capital expenditure, primarily to further enhance our production segments;
- potential acquisitions;
- repayment of debt.

We anticipate capital expenditure, potential acquisitions and repayment of our long-term debt to be the most significant expense items over the next few years.

We generally rely on operating cash flows and bank loans to finance capital expenditure. In 2015, our major funding sources were cash from operating activities, as well as short-term and long-term bank loans. We financed our capital expenditure primarily with long-term loans and own funds.

Debt

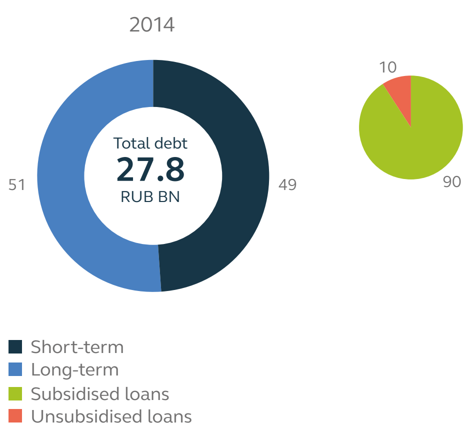
As at 31 December 2015, Cherkizovo Group's net debt** amounted to RUB 35.0 billion, compared to RUB 26.2 billion at the end of 2014. Our total debt stood at RUB 41.2 billion in 2015 (2014: RUB 27.8 billion). In 2015, long-term debt represented 39% of our debt portfolio, or RUB 16.1 billion (RUB 15.8 billion excluding finance leases). Short-term debt stood at 61%, or RUB 25.1 billion. The cost of debt was 3.3% in 2015 (2014: 3.5%). The portion of subsidised loans and credit facilities in the portfolio was 81% (2014: 90%). As of 31 December 2015, cash and cash equivalents totalled RUB 5.6 billion.

Maturities of long-term loans and borrowings (excluding finance leases) are detailed in the table below.

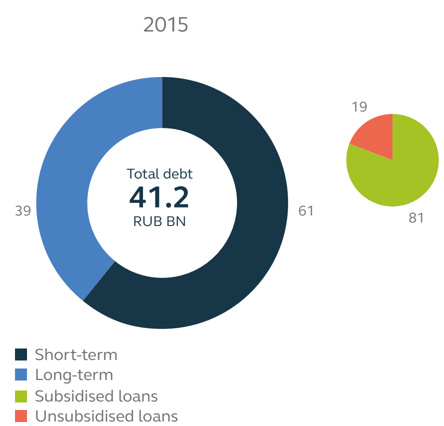
Maturities of long-term loans and borrowings (excluding finance leases)

Maturities of long-term loans and borrowings	1H 2016, RUB bn	2H 2016, RUB bn	2017, RUB bn	2018, RUB bn	2019, RUB bn	2020, RUB bn	2021, RUB bn	>2021, RUB bn	Total, RUB bn
Total loans and borrowings	4.8	1.9	3.1	2.2	1.5	6.3	1.1	1.6	22.5

Total debt 2014, %



Total debt 2015, %



Capital expenditure

The Group's capital expenditure amounted to RUB 11.0 billion in 2015, a year-on-year increase of 63%. Of this amount, 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 Eletsprom project), as well as the renovation of slaughtering facilities. In the pork division, RUB 1.9 billion was invested into purchasing equipment for the new finisher sites in the Voronezh Region, as well as constructing new finisher sites 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 upgrade 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 segment received RUB 2.0 billion of investments for the construction of the Voronezh feed mill.
The Group also invested RUB 0.8 billion into the construction of its new Central Laboratory.

Subsidies

In 2015, the Group accrued subsidies for interest rate reimbursement of RUB 2.6 billion, which offset the interest expense (2014: RUB 2.0 billion). The Group received RUB 2.0 billion of subsidies in 2015 (2014: RUB 2.4 billion).

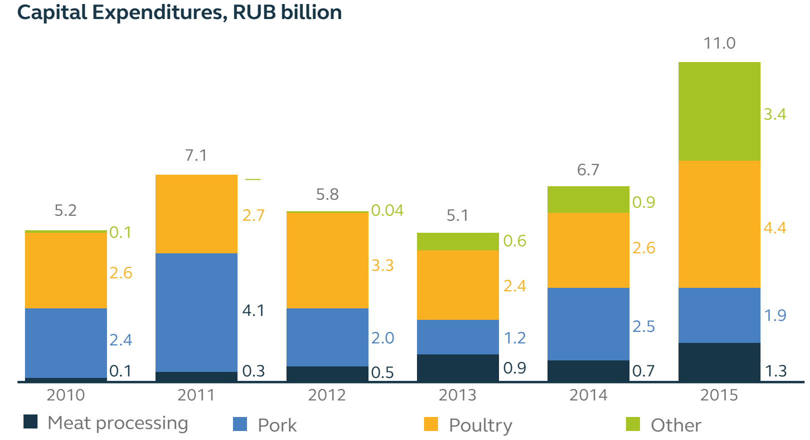
Cash flows

The table below shows cash flows from continuing operations for the two years ending 31 December 2015 and 31 December 2014, respectively.

Cash flows, RUB billion

	2014	2015
Net cash generated from operating activities	11.4	5.0
Net cash used in investing activities	(9.3)	(10.1)
Net cash (used in) / generated from financing activities	(3.2)	9.6
Net (decrease)/increase in cash and cash equivalents	(1.1)	4.6

Capital Expenditures, RUB billion



FINANCIAL REVIEW

Operating activities

Net cash from operating activities was RUB 5.0 billion in 2015.

In 2015, the Company increased its working capital by RUB 5.7 billion year-on-year (2014: RUB 4.7 billion). Key factors driving the change in working capital include:
- a RUB 6.2 billion increase in inventories (2014: an increase of RUB 2.1 billion);
- a RUB 1.5 billion rise in other receivables (2014: growth of RUB 0.4 billion);
- a RUB 3.6 billion increase in trade payables (2014: a decrease of RUB 0.5 billion).

A significant year-on-year change in inventory was due to increased stock of grain, soybean meal and premixes.

The increase in other receivables was driven by higher subsidies from the government.

Higher trade payables resulted from the increased procurement of inputs and materials, higher procurement prices and more favourable payment terms.

Notwithstanding a small difference in the change in working capital, the Company recorded a significant reduction in cash from operating activities in 2015, as a result of decrease in net income which totalled RUB 6.0 billion, compared to RUB 16.5 billion in 2014.

Investing activities

Net cash used in investing activities was RUB 10.1 billion in 2015, compared to RUB 9.3 billion in 2014.

Financing activities

In 2015, net cash generated from financing activities was reported at RUB 9.6 billion, whereas the net cash used in financing activities in 2014 amounted to RUB 3.2 billion.

Liquidity

As at 31 December 2015, cash and cash equivalents totalled RUB 5.6 billion (2014: RUB 1.0 billion), and working capital stood at RUB 2.2 billion (2014: RUB 5.6 billion). Following 31 December 2015, we continue to meet our payment obligations to trade creditors using cash generated from operating activities and debt financing.

As at 31 December 2015, our trade working capital, calculated as current assets less current liabilities, excluding short-term loans and the current portion of long-term debt, was RUB 27.3 billion (2014: RUB 19.1 billion).

In 2015, our trade receivables climbed to RUB 4.4 billion (2014: RUB 4.0 billion). As at 31 December 2015, our trade receivables from related parties totalled RUB 0.2 billion (2014: RUB 0.2 billion). As at 31 December 2015, trade receivables turnover averaged 20 days (2014: 18 days) and allowance for doubtful accounts was RUB 0.05 billion (2014: RUB 0.1 billion). A decision to create a provision is made for each counterparty on a case-by-case basis.

As at 31 December 2015, our trade payables increased to RUB 8.5 billion (2014: RUB 4.3 billion). Our payables to related parties was RUB 0.02 billion (2014: RUB 0.02 billion). As at the reporting date, our trade payables turnover averaged 30 days (2014: 22 days).

As at 31 December 2015, advances paid, excluding the allowance for doubtful accounts, amounted to RUB 2.7 billion (2014: RUB 2.2 billion). Of our total advances paid, RUB 0.1 billion was given to related parties (2014: RUB 0.2 billion). As at 31 December 2015, the allowance for doubtful accounts on advances paid was RUB 0.1 billion (2014: RUB 0.08 billion).

Our inventory consists primarily of raw materials and goods for resale, work in progress, livestock and finished goods. As at 31 December 2015, inventory amounted to RUB 22.1 billion (2014: RUB 16.8 billion).

As at 31 December 2015, the value of our livestock amounted to RUB 9.8 billion (2014: RUB 9.3 billion).

Other trade receivables primarily include subsidies from the government, which increased to RUB 1.4 billion in 2015 (2014: RUB 0.9 billion).

Outlook

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

During the year ahead, the Group will ramp up 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. Another segment where we fully expect to see growth is meat processing, and the Company will continue to focus on driving organic growth in this segment in 2016.

The weak local currency will continue to weigh on the Group's profitability, since a large portion of its expenses is 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 and Egypt, we will prioritise the halal segment. We are also actively pursuing export opportunities in Iraq, Europe and Southeast Asia, where we are now engaging with regulators and potential partners.

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

Ludmila Mikhailova
Chief Financial Officer

** Non-IFRS financial measures. This review 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 Amortisation ("Adjusted EBITDA"). Adjusted EBITDA represents income before income tax, non-controlling interests and extraordinary income (costs) adjusted for interest, depreciation and amortisation, foreign exchange differences, other finance income and gains on acquisitions, and net change in fair value of biological assets and agricultural produce, as shown in the table containing consolidated financials for twelve months. Adjusted EBITDA margin is defined as adjusted EBITDA as a percentage of net revenues. Our adjusted EBITDA may not be similar to adjusted EBITDA measures of other companies. It is not a measure under IFRS and should be considered in addition to, but not as a substitute for, net income, operating performance or cash from operating activities commonly used as liquidity measures. We include such measures in our financial statements as we believe they provide useful information on our ability to incur and service debt, fund capital expenditure, help assess compliance with working capital requirements and serve to measure returns. While depreciation and amortisation are considered operating costs in financial statements prepared under IFRS, 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 and analysts to assess operating performance of companies. Adjusted EBITDA is reconciled to our consolidated financial measures as shown in the table containing consolidated financials for twelve months.

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

EMPLOYMENT POLICIES

RECRUITMENT AND EMPLOYEE DEVELOPMENT

The recruitment and retention of qualified personnel are key to ensuring the Company's continued success and strong market position. The Company relies on its active and talented workforce that strives for personal development in order to sustain its dynamic growth.
Cherkizovo Group has developed a set of dedicated training programmes for new hires, operating personnel and sales teams, and has introduced on-the-job mentoring. Employees are offered a variety of self-development programmes including seminars, training sessions and other advanced teaching formats, as well as the chance to participate in industry conferences and secondments to leading foreign companies. The Company also dedicates significant attention to management training. A corporate management competency model has been developed for this purpose, which will underpin a uniform approach to the selection of talented managers and strategic continuity in key positions. This project is due to be rolled out in 2016.
In recent years, the Company has focused on developing its corporate culture and improving overall efficiency. A number of group-wide and local projects and initiatives were launched in 2015 to set the stage for a new round of future growth.
These projects are presented below.

Your Opinion Counts Survey

In September 2015, Cherkizovo Group organised the first 'Your Opinion Counts' survey, which covered 77% of the Group's employees from all business and administrative units.
The survey was designed to measure and improve employees' engagement with the business as a whole, and social initiatives within the Company.

The findings were benchmarked against the results of similar surveys run by top-performing peers to allow the management team to better assess employees' satisfaction levels. The survey also helped to identify the Company's key strengths, as well as areas for improvement, which could not be done effectively without the direct input of employees. Following the results of the survey, improving the situation is our major task for 2016-17.

Cross-Cultural Communications

Cherkizovo Group strives to follow international best practice in production and management by engaging national and international experts. To facilitate efficient communications between Russian employees and expatriates, the Company has developed the 'Cross-Cultural Communication and Expat Induction Programme', which was first introduced in the grain farming division. As part of the project, expatriates are trained in the local specifics of negotiation, HR management and business communications in Russia, and are provided with materials on cross-cultural communications. A Russian language course for expats is also in development. Most employees who work with expatriates are involved in the programme'. The programme's effectiveness is regularly monitored and there are plans to extend it to other business divisions.

OUR EMPLOYEES ARE OUR MOST VALUABLE ASSET AND THE COMPANY STRIVES TO EXCEL IN MOTIVATING, TRAINING AND DEVELOPING ITS PERSONNEL IN ORDER TO ATTRACT AND RETAIN THE BEST TALENT.

Engaging young talent

In 2015, the meat processing division launched the Foreman's School project aimed at the professional development of production supervisors. This project also trains production employees to become line managers.
The goal is to nurture management potential in line managers, encourage them to develop their teams, enhance on-site manageability and efficiency in individual business units and, consequently, across the entire Group.
The programme, piloted at Cherkizovsky Meat Processing Plant, has already involved 75 supervisors. Based on the results of the Foreman's School project, the Company plans to develop other corporate programmes for on-the-job technical training for production employees.

Distance Learning

In 2015, Cherkizovo Group piloted a distance learning programme in the meat processing division.

Cherkizovo Group's distance learning courses are delivered via multimedia courseware. The Company currently offers its employees over 250 self-instructional courses for different positions and work areas. A dedicated software application regularly monitors learning progress. In addition, there are 16 courses available for office employees to improve their skills and competencies.

As part of the induction process, new employees embark on an onboarding programme, which covers topics such as Me and My Company, Occupational Health and Safety and Lean Manufacturing Tools.

In 2016, corporate training opportunities will be expanded to respond to the challenges faced by the Company, and there are plans for the distance learning courses to be gradually rolled out more broadly across the Group.

1st "Cherkizovo time" Strategic Management Conference

In April 2015, the Company held its first conference on strategic planning for its key managers. Managers from across various business units and divisions gathered in Sochi to discuss long-term development trends and current opportunities to strengthen the Group's market leadership.

The conference participants were briefed on the Company's strategic goals and objectives and discussed development plans and project progress, witnessing, and playing a part in, the formation of a new corporate culture.

The conference became a starting point for identifying areas for improvement in communications and cross-divisional collaboration, and enabled the participants to join key projects and contribute to the Company's development as members of company-wide project teams.
In 2016, work will continue on projects such as the Bank of Ideas, Communication Platforms, Corporate Culture, Recognition and Cutting Red Tape.

ENGAGING YOUNG TALENT

Cherkizovo Group continues to engage with Russia's leading agricultural universities. Stiff competition on the market and a shortage of skilled employees make recruitment of young talent a strategic priority for Cherkizovo Group.

In 2015, the Company arranged a series of meetings with academic staff and 450 students at the industry-related departments of Voronezh State Agricultural University.

The focus of this initiative is to enhance Cherkizovo Group's efforts to recruit the required number of young employees whose competencies meet the high standards of Cherkizovo Group. Would-be employees are offered internship opportunities at industry-leading companies and the chance to plan their future career.

ENVIRONMENTAL RESPONSIBILITY

IN ITS BUSINESS ACTIVITIES, CHERKIZOVO GROUP HAS TO ADHERE TO CONSERVATION LAWS WHEN CONSTRUCTING NEW SITES AND OPERATING EXISTING FACILITIES.

Cherkizovo Group recognises the scale of its business, its impact on the environment, as well as its environmental responsibility.
The Group is committed to:
- adhering to all applicable Russian laws and regulations in natural resource management, environment protection and environmental safety;
- reducing environmental impact;
- preventing environmental pollution.

Each of the Group's companies:
- Sets limits for air pollution, waste generation and energy consumption;
- Complies with buffer zones around production facilities and water wells;
- Monitors environmental conditions at production facilities;
- Analyses monitoring results to assess environmental impact.

Environmental management systems implemented by the Group's companies ensure compliance with applicable laws and regulations. As required by environmental legislation, each Group company maintains a set of regulatory documents defining acceptable levels of impact on the environment. Through regular monitoring, the Group assesses its environmental impact and, when required, plans preventive measures. The Group's environmental management efforts are transparent and are disclosed in regular reports.

A forward-looking approach to planning business activities is aimed at preventing and minimising potential risks of negative environmental effects.

As part of the zero-waste production programme, manure from pig breeding facilities has been certified to be used as an organic fertiliser to increase yields and restore soil fertility.

CHARITABLE PROGRAMMES

IN 2015, CHERKIZOVO GROUP RAN PETELINKA: HELP FOR CHILDREN, A LARGE-SCALE CHARITABLE PROGRAMME. WE RAISED OVER RUB 6 MILLION AND HELPED 525 CHILDREN FROM ORPHANAGES.

As part of the programme, we made a commitment to donate one ruble for every Petelinka product sold over a 35 day period. We were supported by consumers all over Russia and the campaign was unparalleled in terms of scale and format. The money raised was used to help specific recipients, with Cherkizovo representatives visiting orphanages and discussing the needs of the orphanages' inhabitants.

Five orphanages covered by the programme used the funds to build playgrounds and purchase exercise machines for the children. Two orphan schools were provided with sensory rooms, weather stations and Montessori materials. Other orphanages constructed dedicated flats to help children adapt to independent living in a social environment.

These were not just gift-giving ceremonies – we staged special events for the children, giving them sweet treats, inviting professional entertainers, organising educational shows, cooking classes and picnics and educating them about agriculture and the different professions working within Cherkizovo Group. These events provided an environment for the children to socialise, and we hope they also helped them to explore possible future career paths.

To show their gratitude, the children made a heart-warming gift for us, a Friendship Tree made of colourful hand prints on a large canvas and with warm wishes to us and all the children in the world. The Friendship Tree has become a symbol of this charitable programme and will remind us of the importance of doing good.

Children in these orphanages can now live, play and study in comfort. Through this programme, we have proved that one can always find time in the daily routine to contribute to better conditions in orphanages.

CORPORATE GOVERNANCE

3. CORPORATE GOVERNANCE

CORPORATE GOVERNANCE SYSTEM

Cherkizovo Group's shares are listed on the Moscow Exchange (Quotation List A) and the London Stock Exchange.

We comply with all applicable corporate governance standards in the Russian Federation and the United Kingdom, as detailed below.

- **A Board of Directors with at least three independent members**

The Group's Board of Directors includes four independent directors as required by the Corporate Governance Code recommended by the Central Bank of the Russian Federation (the "Bank of Russia"). Mr Musheg Mamikonian, Mr Samuel Lipman, Mr Marcus Rhodes and Mr Vitaliy Podolskiy meet the independent director requirement of the Bank of Russia and the UK Corporate Governance Code.

- **Executive Board**

The Group's Executive Board was established in June 2010 and included 10 members as at the end of 2015.

- **Audit Committee**

The Audit Committee was established by the Board of Directors in April 2006. Its exclusive functions are to assess candidates to act as the Group's auditors, review auditors' reports and evaluate the effectiveness of internal control procedures and suggest areas where these procedures could be improved. Membership of the Committee is reviewed annually, with members selected from the independent directors. In 2015, we updated the Regulation on the Audit Committee to bring it in line with the latest amendments to Russian legislation.

- **Personnel and Remuneration Committee**

The Personnel and Remuneration Committee was established in July 2010 as part of the Board of Directors. Membership is reviewed annually. In 2012, the Group updated its Regulation on the Personnel and Remuneration Committee to incorporate the latest regulatory requirements.

- **Investment and Strategic Planning Committee**

The Investment and Strategic Planning Committee was established in June 2012 as part of the Board of Directors in accordance with the relevant corporate regulation. Membership is reviewed annually.

- The corporate policies of Cherkizovo Group oblige its Directors, members of the Executive Board and the Chief Executive Officer to disclose any information on the possession and transactions of securities.
- Disclosure procedures within Cherkizovo Group follow the guidelines set in the relevant corporate regulation approved on 25 April 2011.
- Cherkizovo Group protects inside information in accordance with the Regulation on Insider Information adopted on 28 December 2011. This regulation contains a list of inside information relating to the Company and was updated in 2015.

- **Corporate Audit and Risk Management**

The Corporate Audit and Risk Management Department of Cherkizovo Group is responsible for the development, maintenance and validation of internal controls. Its other areas of responsibility include risk management, internal audit procedures and managing the anonymous reporting system. The department operates in accordance with Russian legislation and adheres to corporate procedures and regulations, the orders of Cherkizovo's CEO and the Regulation on the Corporate Audit and Risk Management Department, which was updated in 2015.

The role of the Board

The Board of Directors is responsible for the general management of the Company and is exclusively authorised to:

- Set the business priorities for the Company;
- Convene Annual and Extraordinary General Shareholders' Meetings, except as provided by Paragraph 8, Article 55 of the Federal Law on Joint Stock Companies;
- Approve the agenda of the General Shareholders' Meetings;
- Set the date for preparing a list of persons entitled to participate in the General Shareholders' Meetings and decide on other matters referred to the Board of Directors in accordance with Chapter 7 of the Federal Law on Joint Stock Companies and related to convening and holding the General Shareholders' Meeting;
- Increase the share capital of the Group by selling shares in a secondary offering as permitted by the number and categories/types of authorised shares;
- Issue bonds and other securities as stipulated by the Federal Law on Joint Stock Companies;
- Set property prices (in monetary terms), as well as offer and redemption prices for securities as stipulated by the Federal Law on Joint Stock Companies;
- Repurchase shares, bonds and other securities issued by the Group as stipulated by the Federal Law on Joint Stock Companies;
- Establish and dissolve executive bodies and appoint members of the Executive Board;
- Approve remuneration and compensation plans for the chairman and members of the Executive Board;
- Recommend remuneration and compensation plans for members of the Revision Committee and approve auditors' fees;
- Recommend dividend distribution and a procedure thereof;
- Dispose of reserves and other Company funds;
- Approve the Group's internal documents, except for documents referred either to the General Shareholders' Meeting by the Federal Law on Joint Stock Companies or to executive bodies by the charter;
- Establish branches and representative offices of the Group;
- Approve major transactions as provided for in Chapter 10 of the Federal Law on Joint Stock Companies;
- Approve transactions specified in Chapter 11 of the Federal Law on Joint Stock Companies;
- Approve the Group's registrar and terms of contract therewith, as well as terminating such contracts;
- Decide on the participation in other organisations, except as provided by Subparagraph 18, Paragraph 1, Article 48 of the Federal Law on Joint Stock Companies;
- Approve the Group's strategic plans going beyond three years;
- Approve business plans, annual budgets and investment programmes;
- Approve the Group's capital investments in excess of USD 10,000,000 or an equivalent amount in rubles if such investments are not provided for in the annual budget;
- Approve the terms of share option programmes for the Company's employees;
- Approve mergers and acquisitions in excess of USD 10,000,000 or an equivalent amount in rubles if such transactions are not provided for in the annual budget;
- Consider other matters stipulated in the Federal Law on Joint Stock Companies. According to the Federal Law, the Board of Directors may not decide on matters that fall within the exclusive competence of the General Shareholders' Meeting.

According to the Charter, resolutions of the Board are deemed to be adopted upon their approval by a majority vote of the Directors present at a board meeting. Exceptions to this rule are matters, such as major transactions, that require approval by unanimous vote in accordance with Russian law. Meetings of the Board are considered to be duly convened and quorate if the majority of the Directors are present. Meetings of the Board are held as per the annual schedule and when necessary, but no fewer than five times a year. The Board held ten meetings during 2015.

Disclosure to auditors

As far as each of the Directors is aware, there is no material information undisclosed to the Company's auditors. Each of the Directors has taken all steps required of them to obtain all material information and provide it to the Company's auditors

Corporate Secretary

In line with the best international corporate governance practices, the Board of Directors appointed a Corporate Secretary in 2012 to support the Board's functions and document flow. Mr. Valery Kuprienko was appointed Corporate Secretary for the current term of the Board (April 2015 – April 2016).

Chief Executive Officer

The Chief Executive Officer (CEO) of Cherkizovo Group is responsible for all the day-to-day operations of the Company, except for issues referred to the General Shareholders' Meeting, Board of Directors and Executive Board.

The CEO also acts as Chairman of the Executive Board.

The CEO arranges for the resolutions made by the General Shareholders' Meeting, Board of Directors and Executive Board to be implemented.

The CEO acts on behalf of Cherkizovo Group without power of attorney and, without limitation, represents the interests of the Company, concludes transactions on its behalf, approves personnel appointments, issues orders and gives instructions to all employees of the Company.

The CEO is elected by the Board of Directors for a period of up to five years. The labour contract with the CEO is signed by the Chairman of the Board of Directors or a person authorised by the Board. The terms of the contract are approved by the Board of Directors. The CEO may combine his/her position with management functions in other organisations only if he/she receives the consent of the Board of Directors.

If the CEO is not able to perform his/her duties, the Board of Directors may terminate their powers early and elect a new CEO.

Executive Board

The Chairman of the Executive Board proposes, and the Board of Directors approves, nominees for, and the composition of, the Executive Board to ensure it is optimised for conducive discussions, as well as timely and effective decision-making.

The powers of Cherkizovo Group's Executive Board are set out in the Charter. The Executive Board is authorised to:

- Approve the strategic plans and business priorities of the Company, its subsidiaries and affiliates;
- Review the business performance of the Company's subsidiaries and affiliates;
- Approve incentive programmes for employees of Cherkizovo Group, its subsidiaries and affiliates;
- Decide on the signing of collective bargaining agreements by the Company, its subsidiaries and affiliates;
- Consider other issues proposed by members of the Executive Board.

The Executive Board has the right to request information from employees of the Company and receive technical, financial, business and other data on the activities of the Company, its subsidiaries and affiliates, as well as performing other duties within the remit of the Executive Board.

Internal Control and Risk Management

The Board of Directors has overall responsibility for maintaining an adequate internal control and risk management system at the Company, as well as reviewing its effectiveness.

Internal control is also exercised by the Revision Committee in compliance with the Charter and the Regulation on the Revision Committee. The Revision Committee coordinates financial and business audits in the Company, the key task being to ensure that the business operations of Cherkizovo Group comply with Russian law, meet the interests of shareholders, and that financial statements and audit reports do not contain material misstatements. Members of the Revision Committee are elected by the General Shareholders' Meeting for one year. The CEO or other members of the Board of Directors are not permitted to be members of the Revision Committee.

Audit Committee

In 2015, the members of the Audit Committee were Mr Musheg Mamikonian, Mr Samuel Lipman and Mr Marcus Rhodes, who acted as Chairman. As a chartered accountant and a former E&Y audit partner, Marcus Rhodes holds relevant financial expertise.

The Audit Committee adheres to a formal list of items to be considered at each Committee meeting within the financial year.

IN TERMS OF FUNCTIONS, THE AUDIT COMMITTEE SERVES TO:

- Control the completeness, accuracy and consistency of financial statements;
- Control the reliability and efficiency of risk management and internal control systems;
- Ensure the independence and integrity of internal and external audits;
- Maintain an efficient system of reporting on internal and external frauds (including unauthorised use of insider or confidential information) and other violations, and control the implementation of any related measures approved by the Company's management.

In addition, the Audit Committee is tasked with:

ACCOUNTING AND FINANCIAL REPORTING:

- Controlling the completeness, accuracy and consistency of financial statements;
- Analysing material aspects of the accounting policy;
- Participating in the discussion of material issues and judgements in relation to financial statements;

RISK MANAGEMENT, INTERNAL CONTROL AND CORPORATE GOVERNANCE:

- Controlling the reliability and efficiency of risk management, internal control and corporate governance systems, assessing the efficiency of risk management and internal control procedures and corporate management practices, and proposing improvements where necessary;
- Analysing and assessing corporate documents related to risk management and internal control, and approving the Regulation on Risks;
- Monitoring processes that ensure compliance with applicable laws, as well as the standards, rules, procedures and requirements of the stock market;

INTERNAL AND EXTERNAL AUDITS:

- Ensuring the independence and integrity of internal audits;
- Approving the Regulation on Internal Audit;
- Approving action plans of the Internal Audit Department;
- Appointing/dismissing the head of the Internal Audit Department and approving their remuneration;
- Identifying the limitations on powers or budget of the Internal Audit Department that can affect the efficiency of internal audits;
- Assessing the efficiency of internal audits;
- Analysing the independence, fairness and absence of any conflicts of interest on the part of external auditors, approving nominees for auditors, making proposals for appointment, changing and dismissing Cherkizovo Group's external auditors, agreeing auditors' remuneration and terms of employment;
- Supervising external audits and analysing audit quality and auditors' opinions;
- Ensuring smooth interaction between the Internal Audit Department and external auditors;
- Developing the Group's external audit policy and controlling the implementation thereof;

IN THE AREA OF INTERNAL AND EXTERNAL FRAUD PREVENTION:

- Maintaining an efficient system of reporting on internal and external frauds and other violations;
- Supervising investigations of frauds and unauthorised use of insider or confidential information;
- Controlling the implementation of measures approved by the Company's management in response to reports on potential frauds or other violations by employees.

Personnel and Remuneration Committee

In 2015, the members of the Personnel and Remuneration Committee were Mr Musheg Mamikonian, Mr Marcus Rhodes and Mr Vitaliy Podolskiy, who acted as Chairman.

The Committee adheres to a formal list of items to be considered at each Committee meeting within the financial year.

IN TERMS OF FUNCTIONS, THE COMMITTEE SERVES TO RECOMMEND THE BOARD OF DIRECTORS ON:

- Formulating key aspects of the corporate HR policy;
- Approval of performance targets for the remuneration of Directors, members of the Executive Board and the Chief Executive Officer ("the Management Bodies").

OTHER TASKS OF THE COMMITTEE ARE TO GIVE RECOMMENDATIONS TO THE BOARD OF DIRECTORS ON:

- The Group's policy on the recruitment of highly-qualified employees for the Management Bodies;
- Remuneration of the Management Bodies;
- Development and monitoring of the HR policy for affiliates and subsidiaries;
- Establishment of the Executive Board;
- Appointment of the Chief Executive Officer, Chairman and members of the Executive Board;
- Recruitment and appointment of non-executive directors;
- Remuneration of the Company's key management staff;
- Corporate management structure;
- Training policies for employees and key managers; other issues subject to the decision of the Board of Directors or instructions of the Board's Chairman.

Investment and Strategic Planning Committee

In 2015, the members of the Investment and Strategic Planning Committee were Mr Sergey Mikhailov, Mr Samuel Lipman, Mr Evgeny Mikhailov and Mr Musheg Mamikonian, who served as Chairman.

The Committee adheres to a formal list of items to be considered at each Committee meeting within the financial year.

IN TERMS OF FUNCTIONS, THE COMMITTEE SERVES TO RECOMMEND THE BOARD OF DIRECTORS ON:

- The business priorities of Cherkizovo Group;
- The development strategy and long-term strategic goals and objectives of the Group, as well as annual and long-term investment programs.

AS REQUIRED BY THE FUNCTIONS LISTED ABOVE, THE COMMITTEE ALSO PROVIDES:

- Recommendations to the Board of Directors on the strategic planning and investment policy;
- Assessment of the efficiency of the interaction between the Board of Directors and the Company's units responsible for strategic planning and investment management in accordance with internal documents of the Company, as well as assessment-based recommendations to the Board;
- Assessment of Cherkizovo Group's long-term performance and recommendations to the Board of Directors on the Company's development strategy and specific business areas with a view to improving overall efficiency based on the latest product and capital market trends, Group performance, competitive environment and other factors.

Acting within the scope of its competence, the Committee cooperates with the CEO, Executive Board and relevant business divisions of the Group.

DIRECTORS' REPORT

The Board of Directors presents their annual report and audited financial statements for the year ending 31 December 2015.

Core operations and business overview

Cherkizovo Group is a leading integrated and diversified meat producer in Russia. The Company's operations are structured into four business divisions: poultry, pork, meat processing and grain farming. Each of them, with the exception of grain farming, incorporates a distribution unit, a sales unit, a retail network, warehouses and a marketing department, along with other non-core operations, such as related services.

The **poultry division** consists of eight poultry breeding facilities.

The **pork division** includes 15 pig farms.

The **meat processing division** is made up of six processing plants producing ready-to-cook and fresh meat products, as well as a wide selection of sausages, wieners, hams and delicatessen meats.

The **grain division** cultivates nearly 90,000 operational hectares of land.

Detailed information on Cherkizovo Group's business operations is presented in the Chairman's Statement (page 8), Chief Executive Officer's Review (page 14) and in the overview of the business divisions (page 18-27).

Future developments

The Group aims to become an unrivalled leader among vertically-integrated diversified producers in every business segment. To this end, the Group will continue to upgrade its existing meat processing plants, invest in its poultry breeding facilities and consider mergers where appropriate. We will develop our retail network and build new warehouses, expanding the geographic coverage of the Group and maintaining investment across all divisions.

The management believes that the Company has every opportunity to expand its footprint considerably on this somewhat fragmented market both through acquisitions and organic growth.

Going concern

The Board of Directors is satisfied with the fact that the Group's financial statements have been prepared by applying the going concern principle, and that the same principle is embedded in the 2016 budget and long-term plans of the Group.

Dividends

In 2015, Cherkizovo Group distributed a total of RUB 3.4 billion in dividends (RUB 77.4 per ordinary share), including RUB 2.4 billion paid as dividends for 2014.

Board of Directors in the reporting year

The persons listed below served on the Board of Directors in the year ended 31 December 2015 (in alphabetical order):

- **Igor Babaev,** Chairman of the Board;
- **Samuel Lipman,** independent non-executive director;
- **Musheg Mamikonian,** independent non-executive director and Chairman of the Investment and Strategic Planning Committee;
- **Evgeny Mikhailov,** executive director and Head of Business Development;
- **Sergey Mikhailov,** executive director and Chief Executive Officer;
- **Vitaliy Podolskiy,** independent non-executive director and Chairman of the Personnel and Remuneration Committee;
- **Marcus Rhodes,** independent non-executive director and Chairman of the Audit Committee.

Election and re-election of directors

According to the Company's Charter, the entire Board of Directors is re-elected at every Annual General Shareholders' Meeting. Directors are elected by cumulative voting where each shareholder may cast all of their votes equal to the number of voting shares held, multiplied by the number of directors to be elected to the Board. Each shareholder may either cast all of their votes for one nominee or distribute votes across two or more nominees. Directors may be removed from office by a majority vote at the shareholders' meeting at any time and without explanation.

MEMBERS OF THE BOARD

IGOR BABAEV
Chairman of the Board

In 1988, Igor Babaev was appointed Chief Engineer of the Cherkizovsky Meat Processing Plant (CMPP) in Moscow and, in 1993, he became President and Member of the Board of Directors of the company. From there, in 2005 he founded Cherkizovo Group, the biggest meat and feed producer in Russia and, in 2006, he took the company public on the LSE. In the 1980s, he worked in different cities in the southern part of Russia, holding various senior positions in meat processing factories. He began his career as a production engineer at a cannery in Essentuki. Igor Babaev was one of the pioneers who transformed the Russian agricultural sector. He was a key player in shaping the current government support system of agricultural producers in Russia. Mr. Babaev has been awarded the Russian Federation's 'Medal of Honour'. He also holds the honorary title, 'Honored Worker of the Food Industry of the Russian Federation.' He is a graduate of Krasnodar State Polytechnic Institute and holds a Ph. D from the Moscow Technological Institute of the Food Industry.

SERGEY MIKHAILOV
executive director, Chief Executive Officer

Sergei Mikhailov has been CEO of Cherkizovo Group since 2006. Previously, he was Deputy President and Chief Operating Officer of Cherkizovsky MPP from 2000 before joining AIC Cherkizovsky as Deputy President of Marketing and Sales in 2004. In the same year, he was appointed General Director of the Cherkizovsky Trade House. He founded the aTelo, Inc Telecommunications Company in 1998 in the United States, serving as a director until 2001. He was an intern at Goldman Sachs in 1997, moving to become a financial analyst at Morgan Stanley in 1999. He graduated with a BSc in Finance from Georgetown University (Washington DC) in 2000.

EVGENY MIKHAILOV
executive director, Head of Business Development

Evgeny Mikhailov has been the Head of buisness development since 2006 and has served on the Board of AIC Mikhaylovskiy since joining as the first Deputy General Director in 2004. He was a financial analyst at Morgan Stanley in 2002, following a period in 2001 as assistant to the vice-president at Washington DC's aTelo, Inc. He received a BSc in Economics from the University of California, Los Angeles in 2004.

SAMUEL LIPMAN
independent non-executive director

Samuel Lipman joined the Board of Directors in April 2006. He also currently serves as founder and President of The Lipman Company, which has been providing management consulting services to the broiler industry since 1997. He has served as Chief Executive Officer of Broiler of the Future LLC since 2007 and as President of Stromyn Breeders LLC, an investment holding company, since 2003. Mr. Lipman founded and was President and Chief Executive Officer of Golden Rooster in Lipetsk, Russia from 1996 to 2000. He graduated from Colby College, USA in 1972.

MUSHEG MAMIKONIAN
independent non-executive director, Chairman of the Investment and Strategic Planning Committee

Musheg Mamikonian joined the Board of Directors in 2006. Since 1997, Mr. Mamikonian has held senior positions in such meat processing companies as OJSC Lianozovsky Sausage Plant, OJSC Dmitrovsky Meat Plant, and OJSC CMPP. Since 2013, he has been the President of the Meat Council of the Common Economic Space (CES). Mr. Mamikonian graduated from Yerevan Polytechnic Institute in 1981 and received a PhD from Moscow Technological Institute of Meat and Dairy Processing Industry in 1986. He holds over 100 patents for technical and technological inventions, and in 1999 received a Russian Federation State award for achievements in Science and Technology.

VITALIY PODOLSKIY
independent non-executive director, Chairman of the Personnel and Remuneration Committee

Vitaliy Podolskiy joined the Board of Directors of Cherkizovo Group in June 2012. He has 17 years of experience in the financial and retail/FMCG sectors in the USA, UK, Germany and Russia. He has held the position of Chief Financial Officer (CFO) at Perekrestok and X5 Retail Group NV. Between 2008 and 2013, Mr. Podolskiy held senior management positions in companies working in the food retail markets in Russia and Central Asia and served on the board of directors at Caesar Satellite, Rosinter Restaurants Holding, Kukhni Marii, Uyuterra, and Kazakhstan Kagazy. He graduated from the Moscow State University named after M. V. Lomonosov in 1991. In 1995, he received an MBA in International Business and Finance from the University of Chicago.

MARCUS RHODES
independent non-executive director, Chairman of the Audit Committee≈

Marcus Rhodes joined the Board of Directors of Cherkizovo Group in February 2009. He has 30 years' experience in auditing and accounting and has spent the last 20 years in Russia. From 1996 to 2008, he was an audit partner in the practices of Arthur Andersen and Ernst & Young, and also a director of Spartacus Private Equity Group Ltd. He has served as an independent director on the boards of directors of Phosagro Group, Rosinter Restaurants Holding and Tethys Petroleum. Mr. Rhodes earned a BA degree (Hons) in Economics from Loughborough University in England in 1982 and has been a member of the Institute of Chartered Accountants in England and Wales since 1986. He is also a member of the non-executive group of the Institute in London.

MEMBERS OF THE EXECUTIVE BOARD

SERGEY MIKHAILOV
Chief Executive Officer, Chairman of the Executive Board

Sergei Mikhailov has been CEO of Cherkizovo Group since 2006. Previously, he was Deputy President and Chief Operating Officer of Cherkizovsky MPP from 2000 before joining AIC Cherkizovsky as Deputy President of Marketing and Sales in 2004. In the same year, he was appointed General Director of the Cherkizovsky Trade House. He founded the aTelo, Inc Telecommunications Company in 1998 in the United States, serving as a director until 2001. He was an intern at Goldman Sachs in 1997, moving to become a financial analyst at Morgan Stanley in 1999. He graduated with a BSc in Finance from Georgetown University (Washington DC) in 2000.

LUDMILA MIKHAILOVA
Chief Financial Officer

Ludmila Mikhailova has been CFO since 2006, having previously held the posts of Deputy General Director of the Company and first Deputy President of AIC Cherkizovsky. In 2005, she was Deputy General Director of Cherkizovo Group. Mrs. Mikhailova worked as a financial analyst at General Mills Corporation Canada (Toronto) in 2004, joining from ING Barings (London) and also served at McFarlane Gordon Inc. (Toronto). Before this, she served as financial analyst at Cherkizovsky MPP for two years until 1998. Mrs. Mikhailova graduated from the Financial Academy of the Government of the Russian Federation in 1998 and also completed a Canadian Securities Course at the Canadian Securities Institute. She holds an MBA from York University (Canada), 1999.

YURY DYACHUK
Head of the Legal Department

Yury Dyachuk has been Head of Cherkizovo Group's Legal Department since 2006. He has 20 years' legal practice experience and, in 2005, he led the legal support team during the restructuring of Cherkizovo Group. He has also served as Head of the Legal Department of AIC Cherkizovsky and was head of the Legal Department at CMPP. Mr. Dyachuk has a degree in Civil Law from the Moscow State Law Academy (1995).

SERGEI POLYAKOV
Head of the Poultry Division

Sergey Polyakov has been the Head of the Poultry Division Management Company since 2014. From 2000 to 2009 he held management positions at Sodrugestvo Group. From 2009 to 2011 he was CEO in PRODO. Before joining Cherkizovo Group, Sergei Polyakov worked at the United Grain Company OJSC, where he served as CEO and was in charge of the company's business activities. Sergei Polyakov graduated with honours from the economics department of the European Humanities University.

VLADISLAV BELYAEV
Head of IT

Vladislav Belyaev has been Head of IT since February 2012. Prior to joining Cherkizovo, from 2008 to 2012 he was Head of the Enterprise Management Systems department at OJSC VimpelCom. He previously held senior positions at JSC CafeMax and OJSC Moscow Industrial Bank. He graduated from the Moscow Institute of Radio Engineering, Electronics and Automation, and also the Moscow State University named after M. V. Lomonosov.

MARINA KAGAN
Head of Communications

Marina Kagan has been Head of Communications at Cherkizovo Group since 2015. Her core responsibilities include engagement with government bodies, public relations, investor relations and stakeholder communications. Prior to joining Cherkizovo Group, she was Director of External Relations and member of the Management Board at Wimm-Bill-Dann Foods since 2004. As the company was acquired by PepsiCo in 2010, she was appointed Vice President of Corporate Communications, Eastern Europe at PepsiCo. More recently, she has held a position of Head of Communications at O'Key Group. Before moving in corporate and financial communications Marina had a successful career in journalism, spending many years at the BBC radio and television in London. Marina Kagan has in-depth knowledge of the Russian consumer market and a unique professional experience in media and communications. She graduated from Westminster University, London.

ANDREI KHIZHNYAK
Head of Sales and Marketing Strategy

Andrei Khizhnyak took the post of Head of Commercial and Marketing Strategy in 2013. He has 17 years of management experience in marketing and sales in various markets. Prior to joining Cherkizovo Group, he worked for such companies as OJSC United Confectioners, Razgulyay-Market LLC, and the OST Group of Enterprises. From 2001 to 2004, he led the marketing activities of Cherkizovsky MPP and AIC Cherkizovsky. In 2010, he was recognised as one of the five best commercial directors in Russia, having previously also been acknowledged as one of the best directors for food marketing in 2007 by the Managers' Association of the Russian Federation. He graduated from the Moscow State Law Academy with a specialisation in Law.

ALEXEI SKOROBOGATOV
Head of Procurement and Logistics

Alexey Skorobogatov has been Cherkizovo Group's Head of Procurement since October 2011, having spent the previous three years as Procurement Director at the Danone Nutricia Baby Food Company, responsible for Eastern Europe. Before joining Danone in 2009, he was Head of Procurement at OJSC Wimm-Bill-Dann Foods. Prior to this, he founded and headed the procurement and logistics department at OJSC MTS. He is a graduate of the Pyatigorsk State Linguistic University.

ANDREI CHOLOKYAN
Head of the Meat Processing Division

Andrey Cholokyan has been Cherkizovo Group's Head of Meat Processing since 2010, and was formerly Deputy Director for Development and Marketing at the Lianozovo Sausage Plant. Before this, he held senior positions at the Ostankinsky, Biryulyovsky and Cherkizovsky meat processing plants. He is a graduate of the Moscow Technological Institute of the Meat and Dairy Processing Industry and holds a PhD in Economics.

SERGEI CHUMAK
Head of Strategic and Organisational Development

Sergey Chumak has been the Head of Strategic and Organisational Development since 2014. He has 15 years of international experience in strategic consulting. Sergey participated in projects associated with changes in restructuring, strategy development, and the establishment of management systems for Russian and international companies in various industries (engineering, car distributing, FMCG, retail, hospitality and restaurant business, pharmacological sector, media). He has gained consulting experience in IPO launch, mergers and acquisitions. Sergey graduated from Harvard Business School (Executive programs), as well as Loyola College and the Sellinger School of Business and Management (MBA).

DISCLOSURE TO AUDITORS

As far as each of the Directors is aware, there is no material information undisclosed to the Company's auditors. Each of the Directors has taken all steps required of them to obtain all material information and provide it to the Company's auditors.

Investor and shareholder information

Share capital and shares

Ownership of the Company: Igor Babaev's family controls a 65 % stake in the Company, with a 35% free float on the London and Moscow stock exchanges.

- **Ordinary or preferred shares:** all issued shares are ordinary.
- **Free float calculation:** the free float ratio of 35% was calculated based on information disclosed by the issuer and other publicly available data about the (beneficiary) owners of ordinary shares and/or depositary receipts. The total number of shares is the number of outstanding shares and/or shares represented by depositary receipts within the same category (type) as of the calculation date. The free float is calculated as the total number of outstanding shares minus the number of shares that are not in free float. The free float ratio is the ratio between the number of shares in free float and the total number of outstanding shares, expressed as a percentage.

GDRs

Global depositary receipts: Cherkizovo Group GDRs have been traded on the London Stock Exchange (LSE) since 2006. In 2015, they rose in value by 17%.

Bonds

- **Bonds:** on 13 October 2015, the Company issued BO-001P-01 series semi-annual coupon bonds for a total amount of RUB 5,000,000,000 (registration number 4B02-01-10797-A-001P), all of which are currently outstanding.
- **Historical reference:** on 16 March 2013, the Company issued BO-04 series semi-annual coupon bonds for a total amount of RUB 3,000,000,000 (registration number 4B02-04-10797-A), all of which are currently outstanding.
- **Debt ratio (Debt/EBITDA, payments by year):** coupon payments are made semi-annually, with bonds redeemed at final maturity. BO-04 bonds will be redeemed in March 2016 and BO-001P-01 bonds will be redeemed in October 2020. The debt/EBITDA ratio will be available immediately after the financial statement disclosure.

Shareholder and investor relations

IR HIGHLIGHTS

- On 30 October 2015, Grupo Fuertes, a major European agricultural company based in Spain, purchased 5.06% of Cherkizovo Group shares on the open market.
- In 2015, Cherkizovo Group shares traded on the London Stock Exchange appreciated by 17% from USD 8.22 to USD 9.62 per share.
- In 2015, Cherkizovo Group shares traded on the Moscow Stock Exchange increased in value by 48% from RUB 702 to RUB 1,040 per share.

Dividend policy

In 2015, Cherkizovo Group distributed a total of RUB 3.4 billion in dividends (RUB 77.4 per ordinary share), including RUB 2.4 billion paid as dividends for 2014.

Shareholder and investor relations

Two shareholders' meetings (annual and extraordinary) were held in 2015.

Stock exchanges and share price performance

MOEX

On 15 August 2006, shares of Cherkizovo Group were listed on the Moscow Exchange (MOEX).

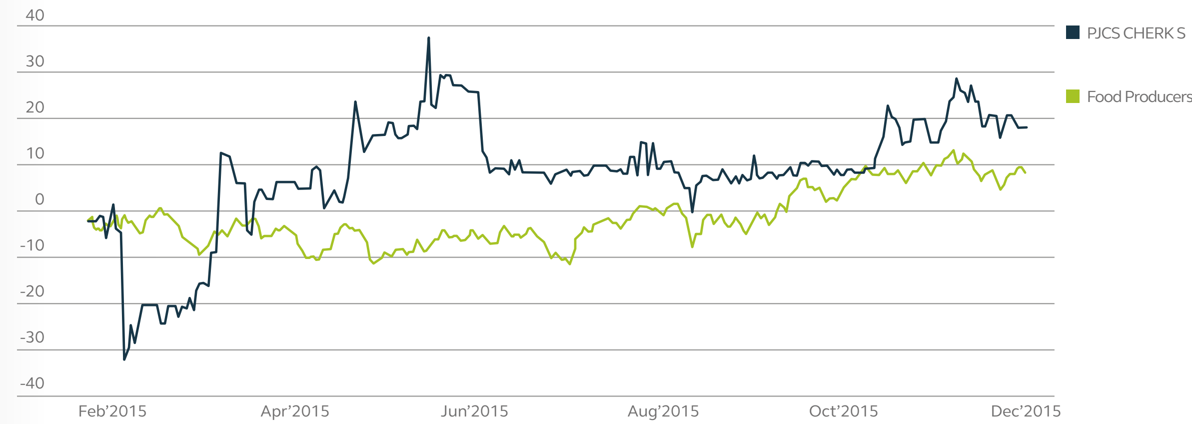
As of 31 December 2014	702
12-month low	639
12-month high	1,077
As of 31 December 2015	1,040

LSE

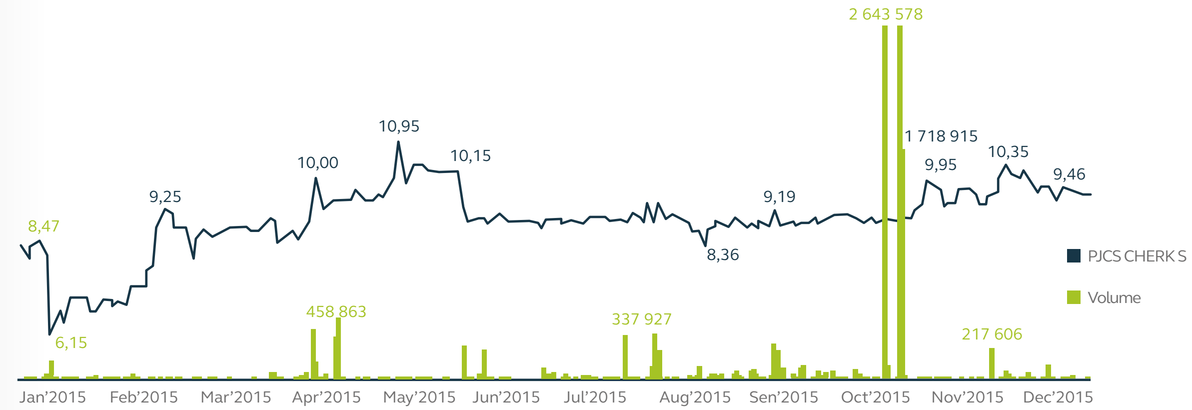
Cherkizovo Group GDRs have been traded on the London Stock Exchange (LSE) since 16 May 2006.

As of 31 December 2014	8.22
12-month low	6.15
12-month high	10.95
As of 31 December 2015	9.62

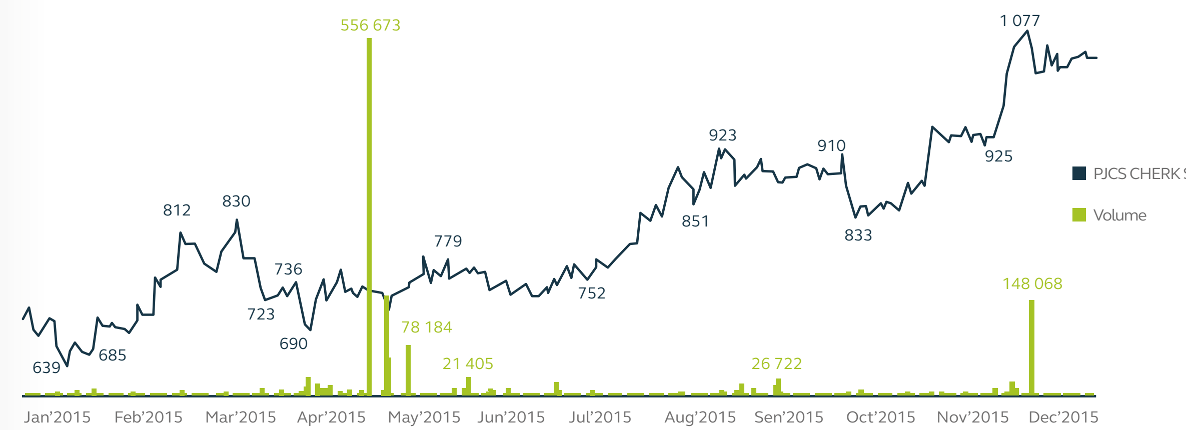
Share price vs. LSE industry index



GDR price on LSE



GDR price on MOEX



CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
AND AUDITOR'S REPORT

STATEMENT OF MANAGEMENT RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of PJSC Cherkizovo Group (the "Company") and its subsidiaries (the "Group") as at 31 December 2015, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2015 were approved by Management on 16 March 2016.

On behalf of the Management:

Sergei Mikhailov
Chief Executive Officer

Ludmila Mikhailova
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

of the Board of Directors and Shareholders of PJSC Cherkizovo Group:

We have audited the accompanying consolidated financial statements of PJSC Cherkizovo Group and subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

16 March 2016
Moscow, Russian Federation

Sedov Andrew, Partner
(license no. 01-000487)
ZAO Deloitte & Touche CIS

The Entity: PJSC Cherkizovo Group

Certificate of registration in the Unified State Register № 1057748318473 of 22.09.2005, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 46.

Address: 5B, Lesnaya street, Moscow, Russian Federation, 125047

Independent Auditor: ZAO "Deloitte & Touche CIS"

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Primary State Registration Number: 1027700425444

Certificate of registration in the Unified State Register

№ 77,004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Certificate of membership in «NP «Audit Chamber of Russia» (auditors' SRO) of 20.05.2009 № 3026, ORNZ 10201017407.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2015

(in thousands of Russian rubles, unless otherwise indicated)

	Notes	2015	2014
Revenue	6	77,032,622	68,668,409
Net change in fair value of biological assets and agricultural produce	16	(1,163,727)	3,177,764
Cost of sales	7	(56,720,216)	(45,719,342)
Gross profit		**19,148,679**	**26,126,831**
Selling, general and administrative expenses	8	(11,947,142)	(9,903,786)
Other operating income, net		332,489	434,120
Operating profit		**7,534,026**	**16,657,165**
Interest income		285,762	279,962
Interest expense, net	9	(1,364,766)	(964,119)
Other expenses, net	10	(583,273)	(737,886)
Gain from bargain purchase	1	-	1,378,394
Profit before income tax		**5,871,749**	**16,613,516**
Income tax benefit	11	149,060	10,211
Profit for the year		**6,020,809**	**16,623,727**
Profit attributable to:			
Cherkizovo Group		6,007,482	16,490,173
Non-controlling interests		13,327	133,554
Earnings per share			
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

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

(in thousands of Russian rubles, unless otherwise indicated)

	Notes	31 December 2015	31 December 2014	1 January
ASSETS		2014		
Non-current assets				
Property, plant and equipment	12	60,436,029	53,758,354	45,475,577
Investment property	13	432,771	624,928	629,713
Goodwill	14	557,191	557,191	557,191
Intangible assets	15	1,603,903	1,512,738	1,380,721
Non-current biological assets	16	1,617,833	1,765,088	1,360,897
Notes receivable, net		300,000	-	56,312
Investments in joint venture	17	1,301,663	851,663	425,663
Long-term deposits in banks	18	641,365	671,365	671,365
Deferred tax assets	11	331,300	218,467	205,397
Other non-current assets		430,811	90,904	89,634
Total non-current assets		**67,652,866**	**60,050,698**	**50,852,470**
Current assets				
Biological assets	16	9,829,675	9,337,667	6,135,960
Inventories	19	12,258,555	7,469,137	4,833,451
Taxes recoverable and prepaid	20	2,835,987	1,535,298	1,114,439
Trade receivables, net	21	4,444,991	3,953,085	2,705,276
Advances paid, net		2,733,842	2,246,624	1,304,538
Other receivables, net	22	1,782,019	1,186,673	1,416,830
Cash and cash equivalents	23	5,560,824	1,007,554	2,107,282
Other current assets	24	612,566	648,879	286,068
Total current assets		**40,058,459**	**27,384,917**	**19,903,844**
TOTAL ASSETS		**107,711,325**	**87,435,615**	**70,756,314**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015 (continued)

(in thousands of Russian rubles, unless otherwise indicated)

	Notes	31 December 2015	31 December 2014	1 January
EQUITY AND LIABILITIES				
Equity				
Share capital	25	440	440	440
Treasury shares	25	(78,033)	(78,033)	(83,920)
Additional paid-in capital	25	5,588,320	5,591,204	5,599,703
Retained earnings		46,582,955	43,968,239	28,991,797
Total shareholder's equity		52,093,682	49,481,850	34,508,020
Non-controlling interest	**26**	**1,055,392**	**1,057,073**	**923,519**
Total equity		**53,149,074**	**50,538,923**	**35,431,539**
Non-current liabilities				
Long-term borrowings	27	16,118,747	14,284,784	17,143,944
Provisions		67,131	67,487	73,339
Deferred tax liability	11	405,097	535,206	588,329
Other liabilities		**96,185**	**177,787**	**74,316**
Total non-current liabilities		**16,687,160**	**15,065,264**	**17,879,928**
Current liabilities				
Short-term borrowings	27	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	28	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**
Total current liabilities		**37,875,091**	**21,831,428**	**17,444,847**
Total liabilities		**54,562,251**	**36,896,692**	**35,324,775**
TOTAL EQUITY AND LIABILITIES		**107,711,325**	**87,435,615**	**70,756,314**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 December 2015

(in thousands of Russian rubles, unless otherwise indicated)

	Share capital		Treasury shares						
	Amount	Number of shares	Amount	Number of shares	Additional paid-in capital	Retained earnings	Total share-holder's equity	Non-controlling interests	Total equity
Balances at 1 January 2014	**440**	**43,963,773**	**(83,920)**	**(117,183)**	**5,599,703**	**28,991,797**	**34,508,020**	**923,519**	**35,431,539**
Profit for the year and total comprehensive income	–	–	–	–	–	16,490,173	16,490,173	133,554	16,623,727
Share based compensation	–	–	5,887	9,000	(8,499)	–	(2,612)	–	(2,612)
Dividends	–	–	–	–	–	(1,513,731)	(1,513,731)	–	(1,513,731)
Balances at 31 December 2014	**440**	**43,963,773**	**(78,033)**	**(108,183)**	**5,591,204**	**43,968,239**	**49,481,850**	**1,057,073**	**50,538,923**
Profit for the year and total comprehensive income	–	–	–	–	–	6,007,482	6,007,482	13,327	6,020,809
Acquisition of non-controlling interests	–	–	–	–	(2,884)	–	(2,884)	(15,008)	(17,892)
Dividends	–	–	–	–	–	(3,392,766)	(3,392,766)	–	(3,392,766)
Balances at 31 December 2015	**440**	**43,963,773**	**(78,033)**	**(108,183)**	**5,588,320**	**46,582,955**	**52,093,682**	**1,055,392**	**53,149,074**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

(in thousands of Russian rubles, unless otherwise indicated)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	**5,871,749**	**16,613,516**
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 expense, 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 from bargain purchase	–	(1,378,394)
Other adjustments, net	(108,612)	1,970
Operating cash flows before working capital and other changes	**12,178,637**	**16,652,166**
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 assets	(28,022)	2,294
Increase (decrease) in trade payables	3,607,415	(493,525)
Increase in tax related liabilities (other than income tax)	17,693	175,953
(Decrease) increase in other current payables	(651,507)	556,199
Operating cash flows before interest and income tax	**6,450,172**	**11,905,117**
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)
Net cash from operating activities	**4,992,258**	**11,376,438**
CASH FLOWS FROM INVESTING ACTIVITIES		
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)
Net cash used in investing activities	**(10,086,381)**	**(9,271,375)**

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2015 (continued)

(in thousands of Russian rubles, unless otherwise indicated)

	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
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)
Acquisition of non-controlling interests	(17,892)	–
Net cash generated from (used in) financing activities	**9,647,393**	**(3,204,791)**
Net increase (decrease) in cash and cash equivalents	**4,553,270**	**(1,099,728)**
Cash and cash equivalents at the beginning of the year	**1,007,554**	**2,107,282**
Cash and cash equivalents at the end of the year	**5,560,824**	**1,007,554**

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2015

(in thousands of Russian rubles, unless otherwise indicated)

1. Nature of the business

General information

PJSC Cherkizovo Group (the "Company") is a public joint stock company incorporated in Russia. The registered office of the Company is 5, Lesnaya st., building B, Moscow, 125047, Russia.

The Company's parent is MB Capital Europe Ltd., which is registered in Cyprus and owned approximately 61% of the Company's shares at 31 December 2015 and 2014. The ultimate controlling party of PJSC Cherkizovo Group is Babaev / Mikhailov family who jointly control MB Capital Europe Ltd.

At 31 December 2015, 2014 and 1 January 2014 the Group included the following principal companies:

Name of company	Legal form	Nature of business	31.12.2015, %	31.12.2014, %	01.01.2014, %
OJSC Cherkizovsky Meat Processing Plant (JSC CMPP)	Open Joint Stock Company	Meat processing plant	95%	95%	95%
LLC PKO Otechestvennyi Product	Limited Liability Company	Meat processing plant	95%	95%	95%
LLC Cherkizovo-Kashira (Cherkizovo-Kashira Ltd.)	Limited Liability Company	Meat processing plant	95%	95%	95%
TPC Cherkizovo Ltd. (Cherkizovo-2)	Limited Liability Company	Procurement company	95%	95%	95%
CJSC Petelinskaya	Closed Joint Stock Company	Raising poultry	88%	88%	88%
OJSC Vasiljevskaya	Open Joint Stock Company	Raising poultry	100%	100%	100%
OJSC Kurinoe Tsarstvo	Open Joint Stock Company	Raising poultry	100%	100%	100%
CJSC Kurinoe Tsarstvo Bryansk	Closed Joint Stock Company	Raising poultry	100%	100%	100%
CJSC Mosselprom	Closed Joint Stock Company	Raising poultry	100%	100%	100%
LLC Lisko Broiler	Limited Liability Company	Raising poultry	100%	100%	-
LLC Petelino Trade House	Limited Liability Company	Trading company: distribution of poultry	88%	88%	88%
CJSC Botovo	Closed Joint Stock Company	Pig breeding	76%	76%	76%
LLC Cherkizovo-Pork*	Limited Liability Company	Pig breeding	100%	100%	100%
LLC Kuznetsovsky Kombinat	Limited Liability Company	Pig breeding	100%	100%	100%
LLC Cherkizovo-Feed Production	Limited Liability Company	Mixed fodder production	100%	100%	100%
LLC Voronezhmyasoprom	Limited Liability Company	Genetic pig breading and grain crops cultivation	100%	100%	100%
LLC Cherkizovo-Grain Production	Limited Liability Company	Grain crops cultivation	100%	100%	100%

* In December 2015, 7 companies of pork segment: LLC Lipetskmyaso, LLC RAO Penzenskaya Grain Company (PZK), LLC Orelselprom, LLC Resurs, LLC Agroresurs-Voronezh, LLC TD Myasnoe Tsarstvo and LLC Tambovmyasoprom were merged into Cherkizovo-Pork LLC.

The business of the Group

The Group's operations are spread over the full production cycle from grain and feed production and breeding to meat processing and distribution. The operational facilities of the Group include six meat processing plants, fifteen pig production complexes,

eight poultry production complexes, six combined fodder production plants and four grain farming complexes and a swine nucleus unit. The Group also operates three trading houses with subsidiaries in several major Russian cities.

The Group's geographical reach covers Moscow, the Moscow region, the regions of Saint Petersburg, Kaliningrad, Penza, Lipetsk, Vologda, Ulyanovsk, Chelyabinsk, Tambov, Krasnodar, Ekaterinburg, Rostov-na-Donu, Briansk, Voronezh, Belgorod, Kursk, Orel and Kazan. The Group is represented in the European part of Russia through its own distribution network.

The Group owns locally recognised brands, which include Cherkizovo ("Черкизово"), Pyat Zvezd ("Пять Звезд"), Petelinka ("Петелинка"), Kurinoe Tsarstvo ("Куриное Царство") and Imperia Vkusa ("Империя вкуса") and has a diverse customer base.

At 31 December 2015, 2014 and 1 January 2014 the number of staff employed by the Group approximated 21,690, 21,303 and 20,349, respectively.

Operating environment

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly; tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2015, the oil price decreased significantly, which led to substantial decrease of the Russian Ruble exchange rate.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. In the first quarter of 2015 two international credit agencies downgraded Russia's long-term foreign currency sovereign rating to the speculative level with the negative outlook.

The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, slackening of the economic growth rates and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is difficult to determine at this stage.

Acquisitions and divestitures

Acquisition of "Lisko Broiler"

On 24 March 2014, the Group completed an acquisition of 100% of the share capital of ZAO LISKO Broiler ("LISKO") for cash consideration of 3,306,158 of which 3,227,025 has been paid as of 31 December 2014 (presented in the cash flow statement net of cash acquired of 178,737) and 79,133 is payable upon completion of ownership registration of certain land plots.

Allocation of the purchase price of LISKO Broiler in the consolidated financial statements for the year ended 31 December 2014:

Purchase price	**3,306,158**
Inventory	530,671
Biological assets	398,685
Cash and cash equivalents	178,737
Other current assets	216,252
Property, plant and equipment	5,390,363
Trademarks	34,837
Short-term loans and finance leases	(445,000)
Other current liabilities	(288,717)
Long-term loans and finance leases	(1,331,276)
Total assets acquired and liabilities assumed	**4,684,552**
Gain from bargain purchase recognized on acquisition	**(1,378,394)**

A bargain purchase gain arose because the seller was acting under pressure of changing business environment in Russia (see operating environment section above) and was selling non-core business to a strategic investor.

The following pro forma financial information presents consolidated income statements as if the acquisition occurred as of the beginning of the prior annual reporting period (1 January 2014). In determining proforma amounts, all non-recurring costs were determined to be immaterial.

Pro forma Information	For the year ended 31 December 2014 RUR'000
Sales	69,734,300
Operating income	13,596,827
Profit for the year	**13,547,457**

2. Significant accounting policies

Statement of compliance

These consolidated financial statements of the Group for the year ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") for the first time. The Group's transition date to IFRS is 1 January 2014.

For all periods up to and including the year ended 31 December 2014 the Group prepared its consolidated financial statements in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). Certain disclosures required by IFRS 1 "First-Time Adoption of International Financial Reporting Standards" ("IFRS 1") in relation to the Group's transition from US GAAP to IFRS are provided in Note 5.

IFRS 1 sets out the procedures that the Group must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements. The Group is required to develop an accounting policy to comply with IFRS effective at the reporting date of its first annual IFRS consolidated financial statements (i.e. at 31 December 2015) and in general, apply it retrospectively to determine the IFRS opening statement of financial position at its date of transition (i.e. at 1 January 2014). In preparing the consolidated financial statements in accordance with IFRS 1 the Group has applied the mandatory exemptions and has applied the following optional exemptions by electing to:

- Measure certain land plots classified as property, plant and equipment at the date of transition to IFRS at its fair value and used that measurement as its deemed cost at that date.
- Measure all land plots classified as investment property at the date of transition to IFRS at its fair value and used that measurement as its deemed cost at that date.
- Not to apply IFRS 3 "Business Combinations" retrospectively to past business combinations that occurred before the date of transition to IFRSs.
- Not to apply IFRS 2 "Share-based Payment" retrospectively to equity instruments that were granted and vested before the date of transition to IFRSs.

Basis of preparation

The entities of the Group maintain their accounting records in accordance with laws, accounting and reporting regulations of the jurisdictions in which they are incorporated and registered. Accounting policies and financial reporting procedures in these jurisdictions may differ substantially from those generally accepted under IFRS. Accordingly, the consolidated financial statements, which have been prepared from the Group's statutory basis accounting records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

The consolidated financial statements have been prepared under the historical cost convention, except for biological assets measured at fair value less estimated point-of-sale costs; and assets and liabilities of subsidiaries acquired and recorded in accordance with IFRS 3 "Business combinations" ("IFRS 3").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Functional and presentation currency

The functional currency of the Company, and each of its subsidiaries, is the Russian ruble. These consolidated financial statements are also presented in Russian rubles which is the presentation currency used by the Group.

2. Significant accounting policies continued

Foreign currency transactions

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Going concern

These consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future, which implies the realization of assets and settlement of liabilities in the normal course of business.

The Group continues to monitor its existing liquidity needs on an on-going basis. Management believes that the Group will have sufficient operating cash flows and borrowing capacity to continue as a going concern in the foreseeable future.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations (from third parties)

Acquisitions of businesses from third parties are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except for:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit and loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Acquisitions of entities under common control

Acquisitions of entities under common control are accounted for on the basis of predecessor carrying values, which results in the historical book value of assets and liabilities of the acquired entity being combined with that of the Group. For common control transactions the consolidated historical financial statements of the Group are retrospectively restated to reflect the effect of the acquisition as if it occurred at the beginning of the earliest period presented. Consideration paid is reflected as a decrease in additional paid in capital.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see accounting policy on Business combinations (from third parties) above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group reports its interests in joint venture using the equity method of accounting, whereby an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Property, plant and equipment

Owned assets

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site in which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property, plant and equipment are recognized net in other income in profit or loss.

Repairs and maintenance

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is recognized to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Land	indefinite life
Buildings, infrastructure and lease hold improvements	20-40 years
Machinery and equipment	3-22 years
Vehicles	3-10 years
Other	3-10 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date, with the effect of any changes in accounting estimate recognized on a prospective basis.

Investment property

Investment properties represent buildings and land held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured at cost, including transaction costs, less accumulated depreciation and impairment losses. Land is not depreciated.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives (10-40 years) of each building.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets represent acquired trademarks and computer software. All trademarks have been determined to have an indefinite life.

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Impairment of tangible and intangible assets other than goodwill

The carrying amounts of the Group's non-current assets are reviewed at each reporting date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination acquisition, for the purposes of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs included in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Biological assets and agricultural produce

Biological assets of the Group consist of livestock (pigs and poultry) and unharvested crops (grain crops and other plantations).

The Group recognizes a biological asset or agricultural produce when the Group controls the asset as a result of past events, it is probable that future economic benefits associated with the asset will flow to the Group, and the fair value or cost of the asset can be measured reliably.

Biological assets are stated at fair value less estimated costs to sell at both initial recognition and as of the reporting date, with any results recognized in profit or loss. Costs to sell include all costs that would be necessary to sell the assets, including costs necessary to get the assets to market.

The difference between fair value less costs to sell and total production costs is allocated to biological assets held in stock as of each reporting date as a fair value adjustment.
The change in this adjustment from one period to another is recognized as "Net change in fair value of biological assets and agricultural produce" in profit or loss.

Agricultural produce harvested from biological assets is recognised in inventory and measured at its fair value less costs to sell at the point of harvest. A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell is recognized as "Net change in fair value of biological assets and agricultural produce" in profit or loss and for items sold is presented on net basis as a reduction of the line "Cost of sales".

Based on the above policy, the principal groups of biological assets and agricultural produce are stated as follows:

Biological assets

(i) Broilers
Broilers comprise poultry held for chicken meat production. The fair value of broilers is determined by reference to the cash flows that will be obtained from sales of finished chickens, with an allowance for costs to be incurred and risks to be faced during the remaining transformation process.

(ii) Breeders (laying hens and replacement flock)
Breeders comprise poultry held for regeneration of broilers. The fair value of breeders is determined by reference to the cash flows that will be obtained from sales of hatchery eggs, with an allowance for costs to be incurred and risks to be faced during the remaining productive period.

(iii) Market hogs
Market hogs comprise of pigs held for pork meat production. The fair value of broilers is determined by reference to the cash flows that will be obtained from sales of finished pigs, with an allowance for costs to be incurred and risks to be faced during the remaining transformation process.

(iv) Sows
Sows comprise pigs held for regeneration of market hogs population. The fair value of sows is determined by reference to the cash flows that will be obtained from sales of weaned piglets, with an allowance for costs to be incurred and risks to be faced during the remaining productive period.

(v) Unharvested crops (wheat, corn, sunflower, barley, pea and others).
At the year-end unharvested crops are carried at the accumulated costs incurred, which approximate the fair value since little biological transformation has taken place due to the seasonal nature of the crops. Subsequent to the year-end unharvested crops in fields are measured at fair value, which is determined by reference to the cash flows that will be obtained from sales of harvested crops, with an allowance for costs to be incurred at the point of sale and risks to be faced during the remaining transformation process.

Agricultural produce

(i) Dressed poultry and pork
The fair value of dressed poultry and pork is determined by reference to market prices at the point of harvest.

(ii) Crops

The fair value of crops is determined by reference to market prices at the point of harvest.

The Group's biological assets are classified into bearer and consumable biological assets depending upon the function of a particular group of biological assets in the Group's production process. Consumable biological assets are those that are to be harvested as agricultural produce, and include boilers, market hogs and unharvested crops. Bearer biological assets include poultry breeders and sows.

Revenue recognition

The Group derives its revenue from four main sources: sale of processed meat, poultry, pork and grain crops. Revenue is recognised when the products are shipped or when goods are received by its customer, title and risk of ownership has passed, the price to the buyer is fixed or determinable and recoverability is reasonably assured.

In accordance with the Group's standard sales terms, title is transferred and the customer assumes the risks and rewards of ownership upon shipment. However, on contracts with certain large retail chains, title transfers upon acceptance of goods by the customer at delivery. Sales made under these contracts are recognized upon acceptance by customer.

Sales are recognised at the fair value of the consideration received or receivable, net of VAT, discounts and returns. The Group grants discounts to customers primarily based on the volume of goods purchased. Discounts are based on monthly, quarterly, or annual target sales. Discounts range up to 31% for the meat processing segment and 12.5% for the poultry segment. No discounts are offered in the pork and grain segments. The discounts are graduated to increase when actual sales exceed target sales.

The Group offers product guarantees to its customers, providing them with an option to return damaged and non conforming goods and goods of initial improper quality. The period that goods may be returned is set to a maximum of one month from the date of shipment. Returns are accounted for as deductions to sales in the period to which sales relate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

In accordance with Russian legislation, enterprises engaged in agricultural activities receive certain government grants. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

The largest of such government grants relate to reimbursement of interest expense on qualifying loans ("interest subsidies"). The Group records interest subsidies as an offset to interest expense during the period to which they relate.

The Group also receives government grants based on square of cultivated land and volumes of meat or eggs produced and fodder purchased. These grants are less systematic and therefore in general the Group recognizes them only when receives the grant or it is highly probable that the grant will be received. These grants are recorded as reductions to cost of sales during the period to which they relate.

In addition to that, from time to time the Group receives government grants for compensation of certain capital expenditures. These grants are non-systematic and therefore the Group recognizes them only when receives the grant. These grants are recorded as reductions to costs capitalized during the period to which they relate.

Employee benefits

Remuneration to employees in respect of services rendered during the reporting period is recognized as an expense in that reporting period. The Group does not have any material long-term employee benefits.

The Group contributes to the State Pension Fund of the Russian Federation. The only obligation of the Group with respect to these defined contribution plans is to make the specified contributions in the period in which they arise. These contributions to the State Pension Fund of the Russian Federation are recognized in the consolidated statement of profit or loss and other comprehensive income when employees have rendered services entitling them to the contribution. The Group does not maintain any supplemental post-retirement benefit plans for its employees.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at inception of the lease. The corresponding liability is included in the balance sheet as lease liability. Lease payments are apportioned between interest expense and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Interest expense is charged directly against income, unless it is directly attributable to qualifying assets, in which case it is capitalised in accordance with the Group's general policy on interest costs (see Borrowing cost above).

Cash and cash equivalents

Cash and cash equivalents represent cash on hand and in bank accounts and short-term highly liquid investments having original maturities of less than three months.

Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Share capital

Ordinary shares are classified as equity and are recorded at the par value of proceeds received. Where shares are issued above par value, the proceeds in excess of par value are recorded in additional paid-in capital, net of direct issue costs.

Treasury shares

Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's owners until the equity instruments are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date by the shareholders at a general meeting. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorized for issue.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. At the reporting dates, the Group had only financial assets classified as 'loans and receivables'.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. At the reporting dates, the Group had only financial liabilities classified as 'other financial liabilities'.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are initially recognised at fair value less transaction costs. Subsequently they are measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. New and revised international financial reporting standards

IFRS and IFRIC interpretations adopted in the current year

In accordance with IFRS 1, the Group has adopted all IFRS and Interpretations that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2015.

IFRS and IFRIC interpretations in issue but not yet effective

At the date of authorization of these consolidated financial statements, the following standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2016 or later periods and which the entity has not early adopted:

Standards and Interpretations	Effective for annual periods beginning on or after
IFRS 9 "Financial Instruments"	1 January 2018
IFRS 14 "Regulatory Deferral Accounts"	1 January 2016
IFRS 15 "Revenue from Contracts with Customers"	1 January 2018
IFRS 16 "Leases"	1 January 2019
Amendments to IFRS 11 – Accounting for Acquisition of Interests in Joint Operations	1 January 2016
Amendments to IAS 1 – Disclosure Initiative	1 January 2016
Amendments to IAS 7 – Disclosure Initiative	1 January 2017
Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants	1 January 2016
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined by the IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to IAS 27 – Equity Method in Separate Financial Statements	1 January 2016
Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016

IFRS 9 "Financial Instruments"

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets.

IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and

b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets.** All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- **Classification and measurement of financial liabilities.** With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- **Impairment.** In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- **Hedge accounting.** The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The standard is effective from 1 January 2018 with early application permitted. The impact of adoption of these standards and interpretations in the preparation of the consolidated financial statements in future periods is currently being assessed by management.

IFRS 15 Revenue from Contracts with Customers

- In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The impact of adoption of these standards and interpretations in the preparation of the consolidated financial statements in future periods is currently being assessed by management.

IFRS 16 Leases

IFRS 16 Leases brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained.

Under IFRS 16 a lessee recognises a right-of-use asset and the lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease, or if that cannot be readily determined, the lessee shall use their incremental borrowing rate.

As with IAS 17, lessors classify leases as operating of finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease. For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

The management of the Group anticipates that the application of IFRS 16 in the future may have a significant impact on the amount of assets and liabilities due to recognition of all leases for contracts where the Group is a lessee. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until a detailed review has been completed.

4. Key sources of estimation uncertainty

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRSs. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from those estimates. Additional information relating to contingencies and commitments is disclosed in Note 31.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Biological assets

Biological assets are recorded at fair values less costs to sell. Fair value of the Group's biological assets was determined by using valuation techniques, as there were no observable market prices near the reporting date for biological assets of the same physical conditions. Fair value is determined using

Level 3 of fair value hierarchy and the following key unobservable inputs:

Description	Fair value as at 31 December 2015	Valuation technique	Unobservable inputs	Value of unobservable inputs	Relationship of unobservable inputs to fair value
Broilers	1,728,769	Discounted cash flows	Average weight of one broiler – kg	2.2	The higher the weight, the higher the fair value
			Poultry meat price – rubles	90.2	The higher the price, the higher the fair value
			Projected production costs – rubles per kg	80.1	The higher the costs, the lower the fair value
Breeders held for hatchery eggs production	2,602,867	Discounted cash flows	Number of hatchery eggs produced by one breeder	153	The higher the number, the higher the fair value
			Hatchery egg price – rubles	19.7	The higher the price, the higher the fair value
			Projected production costs of hatchery egg – rubles	7.3	The higher the costs, the lower the fair value
Sows	1,597,495	Discounted cash flows	Average number of piglets produced by one sow	27.7	The higher the number, the higher the fair value
			Market price of weaned piglet – rubles	2,063	The higher the price, the higher the fair value
			Discount rate	13%	The higher the discount rate, the lower the fair value
Market hogs	4,232,255	Discounted cash flows	Average weight of one market hog – kg	118.7	The higher the weight, the higher the fair value
			Pork meat price – rubles per kg	83.3	The higher the price, the higher the fair value
			Projected production costs – rubles per kg	67.4	The higher the costs, the lower the fair value
Unharvested crops (except for year-end)	948,080	Discounted cash flows	Crops yield – tonne/Ha	Not applicable for year-end	The higher the yield, the higher the fair value
			Selling price	Not applicable for year-end	The higher the price, the higher the fair value
			Projected production costs	Not applicable for year-end	The higher the costs, the lower the fair value

Among the unobservable inputs stated above, there are several key assumptions that the Group estimates to determine the fair values of biological assets:

- Expected crops yield (except for year-end);
- Expected selling prices;
- Projected production costs and costs to sell;
- Discount rate.

Although some of these assumptions are obtained from published market data, a majority of these assumptions are estimated based on the Group's historical and projected results.

Should key assumptions used in determination of fair value of biological assets have been 10% higher or lower with all other variables held constant, the fair value of biological assets at the reporting date would be higher or (lower) by the following amounts:

	31 December 2015	
	10% increase	10% decrease
Expected selling prices	1,792,307	(1,805,074)
Projected production costs and costs to sell	(1,255,978)	1,233,528
Discount rate	(36,988)	37,633

Useful lives of property, plant and equipment

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors". These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation expense for the period. There have been no significant changes in estimates of useful lives of property, plant and equipment during the periods included in these consolidated financial statements.

Impairment of trademarks

All trademarks owned by the Group have been determined to have an indefinite life because the patent securing the Group's title can be renewed an unlimited number of times and therefore are tested for impairment annually, or more frequently when there is an indication that they may be impaired. Determining whether a trademark is impaired requires an estimation of the recoverable value of the asset, being higher of fair value of value in use. Fair value, which is determined using a relief from royalty method based on expected sales by trademark. This approach requires the management to estimate the future sales by trademark, royalty rate and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Where the recoverable amount determined on a fair value basis indicates impairment, the Group must also compute a value in use in order to determine if the asset is impaired.
The carrying amount of trademarks at 31 December 2015 was 1,215,509 (31 December 2014: 1,215,509, 1 January 2014: 1,180,672).

No impairment loss was recognised during 2015 and 2014. Details are set out in Note 15.

Impairment of property, plant and equipment

The Group reviews at each reporting date the carrying amounts of property, plant and equipment to determine whether there is any indication that assets are impaired. This process involves judgment in evaluating the cause for any possible reduction in value, including a number of factors such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate impairment exists. Whenever such indications exist, management makes an estimate of the asset's recoverable amount to ensure that it is not less than its carrying value. If the asset's fair value is not readily determinable or is less than asset's carrying value plus costs to sell, management necessarily applies its judgment in determining the appropriate cash-generating unit to be evaluated, estimating the appropriate discount rate and the timing and value of the relevant cash flows for the value in-use calculation.

Allowance for impairment of receivables and advances to suppliers

Management maintains an allowance for impairment of receivables and advances to suppliers in the form of an allowance account equal to estimated losses resulting from the inability of customers and other debtors to make required payments. When evaluating the adequacy of this allowance account, management bases its estimates on the ageing of accounts receivable balances and historical write-off experience, customer creditworthiness and changes in customer payment patterns. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected. As of 31 December 2015, 2014 and 1 January 2014 the allowance for impairment of receivables was recognized in the amount of 77,840, 107,341 and 190,571, respectively (see Notes 21, 22) and the allowance of advances to suppliers was recognized in the amount of 113,686, 77,848 and 83,471, respectively.

5. Reconciliation of US GAAP with IFRS

Reconciliation of the consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2014 is as follows:

	US GAAP 2014	Valuation of biological assets	Valuation of agricultural produce	Other	IFRS 2014
Revenue	68,668,409	–	–	–	68,668,409
Net change in fair value of biological assets and agricultural produce	–	3,061,499	116,265	–	3,177,764
Cost of sales	(45,719,342)	–	–	–	(45,719,342)
Gross profit	**22,949,067**	**3,061,499**	**116,265**	**–**	**26,126,831**
Selling, general and administrative expenses	(9,903,786)	–	–	–	(9,903,786)
Other operating expenses, net	446,905	–	–	(12,785)	434,120
Operating profit	**13,492,186**	**3,061,499**	**116,265**	**(12,785)**	**16,657,165**
Interest income	279,962	–	–	–	279,962
Interest expense, net	(964,119)	–	–	–	(964,119)
Other expenses, net	(737,886)	–	–	–	(737,886)
Gain from bargain purchase	1,378,394	–	–	–	1,378,394
Profit / (loss) before income tax	**13,448,537**	**3,061,499**	**116,265**	**(12,785)**	**16,613,516**
Income tax benefit	7,654			2,557	10,211
Profit / (loss) for the year	**13,456,191**	**3,061,499**	**116,265**	**(10,228)**	**16,623,727**

Reconciliation of consolidated statement of financial position as at 31 December 2014 are as follows:

	US GAAP balance	Reclassification of biological assets	Valuation of biological assets	Revaluation of land	Valuation of agricultural produce	Reclassification of investment property	Other	IFRS balance
ASSETS								
Non-current assets								
Property, plant and equipment	53,156,568	(570,738)	–	1,797,452	–	(624,928)	–	53,758,354
Investment property	–	–	–	–	–	624,928	–	624,928
Goodwill	557,191	–	–	–	–	–	–	557,191
Intangible assets	1,493,939	–	–	–	–	–	18,799	1,512,738
Non-current biological assets	–	570,738	1,194,350	–	–	–	–	1,765,088
Notes receivable, net	555,700	–	–	–	–	–	(555,700)	–
Investments in joint venture	295,963	–	–	–	–	–	555,700	851,663
Long-term deposits in banks	671,365	–	–	–	–	–	–	671,365
Deferred tax assets	68,232	–	–	–	–	–	150,235	218,467
Other non-current assets	90,904	–	–	–	–	–	–	90,904
Total non-current assets	**56,889,862**	**–**	**1,194,350**	**1,797,452**	**–**	**–**	**169,034**	**60,050,698**
Current assets								
Biological assets	–	5,557,233	3,780,434	–	–	–		9,337,667
Inventories	12,387,623	(5,557,233)	–	–	174,349	–	464,398	7,469,137
Taxes recoverable and prepaid, net	–	–	–	–	–	–	1,535,298	1,535,298
Trade receivables, net	3,953,085	–	–	–	–	–	–	3,953,085
Advances paid, net	2,246,624	–	–	–	–	–	–	2,246,624
Other receivables, net	1,186,673	–	–	–	–	–	–	1,186,673
Deferred tax assets	150,235	–	–	–	–	–	(150,235)	–
Cash and cash equivalents	1,007,554	–	–	–	–	–	–	1,007,554
Other current assets	2,667,374	–	–	–	–	–	(2,018,495)	648,879
Total current assets	**23,599,168**	**–**	**3,780,434**	**–**	**174,349**	**–**	**(169,034)**	**27,384,917**
TOTAL ASSETS	**80,489,030**	**–**	**4,974,784**	**1,797,452**	**174,349**	**–**	**–**	**87,435,615**

	US GAAP balance	Reclassification of biological assets	Valuation of biological assets	Revaluation of land	Valuation of agricultural produce	Reclassification of investment property	Other	IFRS balance
EQUITY AND LIABILITIES								
Equity								
Share capital	440	–	–	–	–	–	–	440
Treasury shares	(78,033)	–	–	–	–	–	–	(78,033)
Additional paid-in capital	5,591,204	–	–	–	–	–	–	5,591,204
Retained earnings	37,422,831	–	4,974,784	1,437,962	174,349	–	(41,687)	43,968,239
Total shareholder's equity	**42,936,442**	**–**	**4,974,784**	**1,437,962**	**174,349**	**–**	**(41,687)**	**49,481,850**
Non-controlling interests	1,015,386	–	–	–	–	–	41,687	1,057,073
Total equity	**43,951,828**	**–**	**4,974,784**	**1,437,962**	**174,349**	**–**	**–**	**50,538,923**
Non-current liabilities								
Long-term borrowings	14,284,784	–	–	–	–	–	–	14,284,784
Provisions	–	–	–	–	–	–	67,487	67,487
Deferred tax liability	111,373	–	–	359,490	–	–	64,343	535,206
Tax related liabilities	67,487	–	–	–	–	–	(67,487)	–
Payable to shareholders	10,886	–	–	–	–	–	(10,886)	–
Other liabilities	166,901	–	–	–	–	–	10,886	177,787
Total non-current liabilities	**14,641,431**	**–**	**–**	**359,490**	**–**	**–**	**64,343**	**15,065,264**
Current liabilities								
Short-term borrowings	13,467,709	–	–	–	–	–	90,200	13,557,909
Trade payables	4,315,188	–	–	–	–	–	–	4,315,188
Advances received	1,099,337	–	–	–	–	–	–	1,099,337
Payables for non-current assets	574,073	–	–	–	–	–	–	574,073
Deferred tax liability	64,343	–	–	–	–	–	(64,343)	–
Tax related liabilities	844,935	–	–	–	–	–	–	844,935
Payroll related liabilities	1,217,693	–	–	–	–	–	–	1,217,693
Interest payable	90,200	–	–	–	–	–	(90,200)	–
Other payables and accruals	222,293	–	–	–	–	–	–	222,293
Total current liabilities	**21,895,771**	**–**	**–**	**–**	**–**	**–**	**(64,343)**	**21,831,428**
Total liabilities	**36,537,202**	**–**	**–**	**359,490**	**–**	**–**	**–**	**36,896,692**
TOTAL EQUITY AND LIABILITIES	**80,489,030**	**–**	**4,974,784**	**1,797,452**	**174,349**	**–**	**–**	**87,435,615**

Reconciliation of the consolidated statement of financial position as at 1 January 2014 is as follows:

	US GAAP balance	Reclassification of biological assets	Valuation of biological assets	Revaluation of land	Valuation of agricultural produce	Reclassification of investment property	Other	IFRS balance
ASSETS								
Non-current assets								
Property, plant and equipment	45,090,091	(795,039)	–	1,810,238	–	(629,713)	–	45,475,577
Investment property	–	–	–	–	–	629,713	–	629,713
Goodwill	568,433	–	–	–	–	–	(11,242)	557,191
Intangible assets	1,362,678	–	–	–	–	–	18,043	1,380,721
Non-current biological assets	–	795,039	565,858	–	–	–	–	1,360,897
Notes receivable, net	56,312	–	–	–	–	–	–	56,312
Investments in joint venture	425,663	–	–	–	–	–	–	425,663
Long-term deposits in banks	671,365	–	–	–	–	–	–	671,365
Deferred tax assets	113,959	–	–	–	–	–	91,438	205,397
Other non-current assets	89,634	–	–	–	–	–	–	89,634
Total non-current assets	**48,378,135**	**–**	**565,858**	**1,810,238**	**–**	**–**	**98,239**	**50,852,470**
Current assets								
Biological assets	–	4,788,533	1,347,427	–	–	–	–	6,135,960
Inventories	9,215,267	(4,788,533)	–	–	58,084	–	348,633	4,833,451
Taxes recoverable and prepaid, net	–	–	–	–	–	–	1,114,439	1,114,439
Trade receivables, net	2,705,276	–	–	–	–	–	–	2,705,276
Advances paid, net	1,304,538	–	–	–	–	–	–	1,304,538
Other receivables, net	1,416,830	–	–	–	–	–	–	1,416,830
Deferred tax assets	91,438	–	–	–	–	–	(91,438)	–
Cash and cash equivalents	2,107,282	–	–	–	–	–	–	2,107,282
Other current assets	1,767,183	–	–	–	–	–	(1,481,115)	286,068
Total current assets	**18,607,814**	**–**	**1,347,427**	**–**	**58,084**	**–**	**(109,481)**	**19,903,844**
TOTAL ASSETS	**66,985,949**	**–**	**1,913,285**	**1,810,238**	**58,084**	**–**	**(11,242)**	**70,756,314**
EQUITY AND LIABILITIES								
Equity								
Share capital	440	–	–	–	–	–	–	440
Treasury shares	(83,920)	–	–	–	–	–	–	(83,920)
Additional paid-in capital	5,599,703	–	–	–	–	–	–	5,599,703
Retained earnings	25,618,771	–	1,913,285	1,448,190	58,084	–	(46,533)	28,991,797
Total shareholder's equity	**31,134,994**	**–**	**1,913,285**	**1,448,190**	**58,084**	**–**	**(46,533)**	**34,508,020**
Non-controlling interests	876,986	–	–	–	–	–	46,533	923,519
Total equity	**32,011,980**	**–**	**1,913,285**	**1,448,190**	**58,084**	**–**	**–**	**35,431,539**
Non-current liabilities								
Long-term borrowings	17,143,944	–	–	–	–	–	–	17,143,944
Provisions	–	–	–	–	–	–	73,339	73,339
Deferred tax liability	5,023	–	–	362,048	–	–	221,258	588,329
Tax related liabilities	73,339	–	–	–	–	–	(73,339)	–
Payable to shareholders	10,886	–	–	–	–	–	(10,886)	–
Other liabilities	63,430	–	–	–	–	–	10,886	74,316
Total non-current liabilities	**17,296,622**	**–**	**–**	**362,048**	**–**	**–**	**221,258**	**17,879,928**
Current liabilities								
Short-term borrowings	10,382,441	–	–	–	–	–	113,843	10,496,284
Trade payables	3,963,918	–	–	–	–	–	–	3,963,918
Advances received	813,620	–	–	–	–	–	–	813,620
Payables for non-current assets	318,822	–	–	–	–	–	–	318,822
Deferred tax liability	221,258	–	–	–	–	–	(221,258)	–
Tax related liabilities	628,133	–	–	–	–	–	–	628,133
Payroll related liabilities	925,385	–	–	–	–	–	–	925,385
Interest payable	113,843	–	–	–	–	–	(113,843)	–
Other payables and accruals	309,927	–	–	–	–	–	(11,242)	298,685
Total current liabilities	**17,677,347**	**–**	**–**	**–**	**–**	**–**	**(232,500)**	**17,444,847**
Total liabilities	**34,973,969**	**–**	**–**	**362,048**	**–**	**–**	**(11,242)**	**35,324,775**
TOTAL EQUITY AND LIABILITIES	**66,985,949**	**–**	**1,913,285**	**1,810,238**	**58,084**	**–**	**(11,242)**	**70,756,314**

- **Reclassification of biological assets –** under US GAAP the balance was presented within Inventories, while IFRS requires separate presentation, if material.
- **Valuation of biological assets and agricultural produce –** under US GAAP both balances are measured at cost. Under IFRS, biological assets were stated at fair value less costs to sell at the reporting dates and agricultural produce was stated at fair value less costs to sell at the harvest date.
- **Revaluation of land –** as stated in Note 2, the Group applied an exemption allowed by IFRS 1 and measured certain land plots classified as property, plant and equipment and investment property at the date of transition to IFRS at its fair value and used that measurement as its deemed cost at that date.
- **Reclassification of investment property –** under US GAAP the balance was presented within Property, plant and equipment, while IFRS requires separate presentation, if material.
- **Other adjustments –** under these heading the Group accumulated various individually not significant adjustments and reclassifications, such as deferred taxes and other assets reclassifications.

6. Operating segments

The Group's operations are divided into five segments by types of products produced: poultry, pork, meat processing, grain and feed. Substantially all of the Group's operations are located within the Russian Federation. All segments have different segment managers responsible for the segments' operations. The chief operating decision maker (the Chief Executive Officer) is individual responsible for allocating resources to and assessing the performance of each segment of the business.

The meat processing segment is involved in the production of a wide range of meat products, including sausages, ham and raw meat. The pork and poultry segments produce and offer distinctive products, such as semi-finished poultry products, raw meat and other poultry meat products in the poultry segment and raw pork meat in the pork segment. The grain segment is involved in the farming of wheat and other crops. The feed segment is involved in the production of feed for internal use by pork and poultry segments. All five segments are involved in other business activities, including production of dairy, sale of non-hatchery eggs and other services, which are non-core business activities.

The Group evaluates segment performance based on adjusted EBITDA. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.
The Group accounts for inter-segment sales and transfers as if the sales or transfers were to third parties. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.

Segment information for the year ended at 31 December 2015 comprised:

	Meat-processing	Pork	Poultry	Grain	Feed	Total operating segments	Corporate	Intersegment	Total consolidated
Total sales	29,150,254	16,579,185	44,590,211	2,580,713	27,855,810	120,756,173	27,205	(43,750,756)	77,032,622
including other sales	416,945	172,835	1,511,443	57,512	–	2,158,734	27,205	(647,109)	1,538,831
including sales volume discounts	(3,954,954)	–	(1,388,201)	–	–	(5,343,155)	–	–	(5,343,155)
Intersegment sales	(32,016)	(11,502,192)	(2,640,958)	(2,117,129)	(27,458,461)	(43,750,756)	–	43,750,756	–
Sales to external customers	29,118,238	5,076,993	41,949,253	463,584	397,349	77,005,417	27,205	–	77,032,622
Net change in fair value of biological assets and agricultural produce	–	(1,387,143)	(283,880)	326,376	–	(1,344,647)	–	180,920	(1,163,727)
Cost of sales	(24,835,957)	(10,529,115)	(35,901,044)	(1,827,087)	(27,033,691)	(100,126,894)	(13,484)	43,420,162	(56,720,216)
Gross profit / (loss)	**4,314,297**	**4,662,927**	**8,405,287**	**1,080,002**	**822,119**	**19,284,632**	**13,721**	**(149,674)**	**19,148,679**
Operating expense	(3,060,987)	(662,041)	(5,061,999)	(242,294)	(590,873)	(9,618,194)	(2,089,879)	93,420	(11,614,653)
Operating income / (expense)	**1,253,310**	**4,000,886**	**3,343,288**	**837,708**	**231,246**	**9,666,438**	**(2,076,158)**	**(56,254)**	**7,534,026**
Other income (expense), net	(163,317)	(73,852)	794,746	15,555	(96,885)	476,247	(314,189)	(459,569)	(297,511)
Interest expense, net	(202,541)	(356,155)	(628,523)	(14,277)	(192,010)	(1,393,506)	(430,748)	459,488	(1,364,766)
Profit before income tax (division profit)	**887,452**	**3,570,879**	**3,509,511**	**838,986**	**(57,649)**	**8,749,179**	**(2,821,095)**	**(56,335)**	**5,871,749**
Adjustments for:									
Interest expense, net	202,541	356,155	628,523	14,277	192,010	1,393,506	430,748	(459,488)	1,364,766
Interest income	(10,405)	(11,102)	(175,026)	(330)	(25,059)	(221,922)	(523,438)	459,598	(285,762)
Foreign exchange loss/gain	205,719	71,822	(614,651)	17,144	129,179	(190,787)	837,589	–	646,802
Depreciation and amortisation expense	467,157	869,643	1,862,574	167,236	399,855	3,766,465	60,060	–	3,826,525
Net change in fair value of biological assets and agricultural produce	–	1,387,143	283,880	(326,376)	–	1,344,647	–	(180,920)	1,163,727
Loss on disposal of subsidiaries	–	42,569	–	–	–	42,569	–	–	42,569
Adjusted EBITDA	**1,752,464**	**6,287,109**	**5,494,811**	**710,937**	**638,336**	**14,883,657**	**(2,016,136)**	**(237,145)**	**12,630,376**
Supplemental information:									
Expenditure for segment property, plant and equipment	1,339,934	1,932,674	4,390,494	812,359	2,034,685	10,510,146	459,969	–	10,970,115
Income tax expense (benefit)	(110,423)	6,698	(8,040)	5,962	4,421	(101,382)	(47,678)	–	(149,060)

Segment information for the year ended at 31 December 2014 comprised:

	Meat-processing	Pork	Poultry	Grain	Feed	Total operating segments	Corporate	Intersegment	Total consolidated
Total sales	21,884,134	16,660,455	37,529,591	1,738,937	19,379,873	97,192,990	32,684	(28,557,265)	68,668,409
including other sales	43,119	149,478	1,005,931	31,261	–	1,229,790	32,684	(14,486)	1,247,989
including sales volume discounts	(2,272,910)	–	(1,298,175)	–	–	(3,571,085)	–	–	(3,571,085)
Intersegment sales	(19,306)	(7,000,971)	(1,344,655)	(1,243,970)	(18,948,363)	(28,557,265)	–	28,557,265	–
Sales to external customers	21,864,828	9,659,484	36,184,936	494,967	431,510	68,635,725	32,684	–	68,668,409
Net change in fair value of biological assets and agricultural produce	–	1,832,835	1,236,570	–	–	3,069,405	–	108,359	3,177,764
Cost of sales	(18,755,203)	(9,155,043)	(26,317,750)	(966,698)	(18,581,210)	(73,775,904)	(39,631)	28,096,193	(45,719,342)
Gross profit / (loss)	**3,128,931**	**9,338,247**	**12,448,411**	**772,239**	**798,663**	**26,486,491**	**(6,947)**	**(352,713)**	**26,126,831**
Operating expense	(2,810,496)	(400,607)	(4,257,893)	(344,456)	(488,767)	(8,302,219)	(1,336,555)	169,108	(9,469,666)
Operating income / (expense)	**318,435**	**8,937,640**	**8,190,518**	**427,783**	**309,896**	**18,184,272**	**(1,343,502)**	**(183,605)**	**16,657,165**
Other income (expense), net	(160,019)	114,530	1,150,788	627	(295,895)	810,031	(637,045)	(630,910)	(457,924)
Interest expense, net	(266,445)	(396,851)	(389,830)	(126,470)	(45,382)	(1,224,978)	(370,051)	630,910	(964,119)
Gain from bargain purchase	–	–	–	–	–	–	1,378,394	–	1,378,394
Profit before income tax (division profit)	**(108,029)**	**8,655,319**	**8,951,476**	**301,940**	**(31,381)**	**17,769,325**	**(972,204)**	**(183,605)**	**16,613,516**
Adjustments for:									
Interest expense, net	266,445	396,851	389,830	126,470	45,382	1,224,978	370,051	(630,910)	964,119
Interest income	(4,477)	(11,533)	(326,404)	(627)	(38,721)	(381,762)	(529,110)	630,910	(279,962)
Foreign exchange loss/gain	165,727	(102,997)	(824,384)	–	334,616	(427,038)	1,166,155	–	739,117
Depreciation and amortisation expense	392,941	976,236	1,847,365	142,129	86,177	3,444,848	37,096	–	3,481,944
Net change in fair value of biological assets and agricultural produce	–	(1,832,835)	(1,236,570)	–	–	(3,069,405)	–	(108,359)	(3,177,764)
Gain from bargain purchase	–	–	–	–	–	–	(1,378,394)	–	(1,378,394)
Adjusted EBITDA	**712,607**	**8,081,041**	**8,801,313**	**569,912**	**396,073**	**18,560,946**	**(1,306,406)**	**(291,964)**	**16,962,576**
Supplemental information									
Expenditure for segment property, plant and equipment	733,335	2,525,966	2,607,449	408,572	296,190	6,571,512	149,688	–	6,721,200
Income tax expense (benefit)	(16,651)	23,350	17,173	1,219	(5,710)	19,381	(29,592)	–	(10,211)

Operating expenses include selling, general and administrative expense and other operating expense, net. Items included within Corporate mainly include payroll and other expenses of the holding company.

No single customer contributed 10% or more to the Group's revenue for both 2015 and 2014.

Segment assets and liabilities are not disclosed, as this information is not provided to the chief operating decision maker.

7. Cost of sales

Cost of sales for the years ended 31 December 2015 and 2014 comprised:

	2015	2014
Raw materials and goods for resale	39,911,889	32,187,794
Personnel (excluding pension costs)	6,962,848	5,499,369
Depreciation	3,454,254	3,156,465
Utilities	3,174,341	2,805,909
Pension costs	1,286,236	967,537
Other	1,930,648	1,102,268
Total cost of sales	**56,720,216**	**45,719,342**

Raw materials and goods for resale include as an offset subsidies received from local governments in the amount of 33,902 and 82,759 for the years ended 31 December 2015 and 2014, respectively. These subsidies were received based on the amount of meat produced.

8. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended 31 December 2015 and 2014 comprised:

	2015	2014
Personnel (excluding pension costs)	4,216,641	3,653,708
Transportation	1,442,255	1,118,105
Materials and supplies	902,606	624,026
Taxes (other than income tax)	687,737	539,837
Pension costs	675,212	675,623
Rent expenses	673,789	576,573
Advertising and marketing	657,163	531,910
Security services	427,248	415,067
Depreciation and amortization	372,271	325,479
Information technology and communication services	231,153	139,243
Utilities	222,247	109,748
Audit, consulting and legal fees	191,010	184,737
Veterinary services	126,251	109,934
Repairs and maintenance	106,012	43,739
Insurance	103,208	91,970
Bank charges	100,828	39,012
Change in bad debt allowance and other write-off	32,063	121,804
Other	779,448	603,271
Total selling, general and administrative expenses	**11,947,142**	**9,903,786**

9. Interest expense, net

Interest expense, net for the years ended 31 December 2015 and 2014 comprised:

	2015	2014
Interest on bank overdrafts and loans	3,976,055	3,187,868
Interest on obligations under finance leases	49,231	38,913
Less: amounts included in the cost of qualifying assets	(92,545)	(279,087)
Total interest expense	**3,932,741**	**2,947,694**
Government grants for compensation of interest expenses	(2,616,550)	(2,151,444)
Less: amounts included in the cost of qualifying assets	48,575	167,869
Total government grants for compensation of interest expenses	**(2,567,975)**	**(1,983,575)**
Total interest expense, net	**1,364,766**	**964,119**

10. Other expenses, net

Other expenses, net for the years ended 31 December 2015 and 2014 comprised:

	2015	2014
Foreign exchange loss	(646,802)	(739,117)
Other income, net	63,529	1,231
Total other expense, net	**(583,273)**	**(737,886)**

11. Income tax

All of the Group's taxes are levied and paid in the Russian Federation.

Under Russian legislation, the statutory income tax rate for entities designated as agricultural entities is 0%. The statutory tax rate for non-agricultural entities is 20%.

The main components of income tax for the years ended 31 December 2015 and 2014 were as follows:

	2015	2014
Current tax expense	(93,882)	(55,982)
Deferred tax benefit	242,942	66,193
Total income tax benefit	**149,060**	**10,211**

The income tax benefit (expense) can be reconciled to the theoretical tax provision at the statutory rate for the years ended 31 December 2015 and 2014 as follows:

	2015	2014
Profit before income tax	5,871,749	16,613,516
Profit before income tax of entities taxed at zero rates (agricultural entities and other tax regimes)	7,495,350	16,135,484
(Loss) profit before income tax of generally taxed entities	(1,623,601)	478,032
Statutory income tax rate (agricultural entities and other tax regimes)	0%	0%
Statutory income tax rate (general)	20%	20%
Theoretical income tax (benefit) expense at the statutory tax rates	(324,720)	95,606
Expenses not deductible for Russian statutory taxation purposes	103,359	165,875
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	47,953	–
Gain from bargain purchase	–	(275,678)
Other permanent differences	24,348	3,986
Income tax benefit	**(149,060)**	**(10,211)**

The following amounts, determined after appropriate offsetting, are presented in the consolidated statement of financial position as of 31 December 2015, 2014 and 1 January 2014:

	31 December 2015	31 December 2014	1 January 2014
Deferred tax asset	2014	218,467	205,397
Deferred tax liability	(405,097)	(535,206)	(588,329)
Net deferred tax liability	**(73,797)**	**(316,739)**	**(382,932)**

The movement in the net deferred tax liability for the year ended 31 December 2015 comprised:

	31 December 2014	Recognised in profit or loss	31 December 2015
Property, plant and equipment and investment property	(610,486)	47,393	(563,093)
Trade receivables	(120,498)	27,658	(92,840)
Other assets and liabilities	172,978	(28,393)	144,585
Tax loss carry forward	241,267	196,284	437,551
Net deferred tax liability	**(316,739)**	**242,942**	**(73,797)**

The movement in the net deferred tax liability for the year ended 31 December 2014 comprised:

	1 January 2014	Recognised in profit or loss	31 December 2014
Property, plant and equipment and investment property	(562,787)	(47,699)	(610,486)
Trade receivables	37,058	(157,556)	(120,498)
Other assets and liabilities	19,964	153,014	172,978
Tax loss carry forward	122,833	118,434	241,267
Net deferred tax liability	**(382,932)**	**66,193**	**(316,739)**

At 31 December 2015 and 2014, temporary differences associated with undistributed earnings of subsidiaries were not recognized in these consolidated financial statements, because the Group is in a position to control the timing of the reversal of such temporary differences and it is probable that such differences will not reverse in the foreseeable future.

The Group has certain tax loss carry forwards, that are not expected to be utilised by management. As the Group does not have a legal right to offset deferred tax assets and deferred tax liabilities between different legal entities, management expects that the Group will not be able to utilize all of the tax loss carry forwards as certain of the Group's subsidiaries are expected to have operating losses in the future. Total amount of unrecognised tax loss carry forwards equalled nil as of 31 December 2015 and 47,155 as of 31 December 2014.

The Group's tax loss carry forwards expire as follows:

	31 December 2015	31 December 2014	1 January 2014
Not later than 1 year	–	–	–
Later than 1 year and not later than 5 years	26,050	26,498	18,819
Later than 5 years	2,161,705	1,226,939	638,710
Total	**2,187,755**	**1,253,437**	**657,529**

12. Property, plant and equipment, net

The following table represents movements in property, plant and equipment for the years ended 31 December 2015 and 2014:

	Land	Buildings, infrastructure and leasehold improvements	Machinery and equipment	Vehicles	Other	Construction in progress	Total
COST							
Balance as at 1 January 2014	**2,586,076**	**31,525,407**	**16,079,407**	**2,893,776**	**132,251**	**5,588,561**	**58,805,478**
Additions	61,438	1,292,920	2,592,407	742,171	16,696	1,953,214	6,658,846
Acquired through business combinations	71,902	4,189,099	951,852	104,716	–	72,793	5,390,362
Disposals	(155,811)	(35,880)	(267,204)	(192,680)	(2,900)	(24,533)	(679,008)
As at 31 December 2014	**2,563,605**	**36,971,546**	**19,356,462**	**3,547,983**	**146,047**	**7,590,035**	**70,175,678**
Additions	82,969	4,769,768	3,567,109	837,617	61,177	1,268,643	10,587,283
Disposals	(29,344)	(59,216)	(268,031)	(151,602)	(1,931)	(17,596)	(527,720)
Disposal of subsidiary	(188)	(96,188)	(22,159)	(11,473)	(81)	(39,210)	(169,299)
As at 31 December 2015	**2,617,042**	**41,585,910**	**22,633,381**	**4,222,525**	**205,212**	**8,801,872**	**80,065,942**
ACCUMULATED DEPRECIATION OR IMPAIRMENT LOSS							
Balance as at 1 January 2014	**–**	**(5,331,048)**	**(6,719,715)**	**(1,197,849)**	**(81,289)**	**–**	**(13,329,901)**
Depreciation charge	–	(1,239,687)	(1,720,077)	(408,290)	(7,059)	–	(3,375,113)
Eliminated on disposals	–	18,155	180,870	85,765	2,900	–	287,690
As at 31 December 2014	**–**	**(6,552,580)**	**(8,258,922)**	**(1,520,374)**	**(85,448)**	**–**	**(16,417,324)**
Depreciation charge	–	(1,321,935)	(1,872,860)	(429,257)	(25,554)	–	(3,649,606)
Eliminated on disposals	–	8,027	201,937	147,349	1,931	–	359,244
Eliminated on disposal of subsidiary	–	62,408	10,305	4,987	73	–	77,773
As at 31 December 2015	**–**	**(7,804,080)**	**(9,919,540)**	**(1,797,295)**	**(108,998)**	**–**	**(19,629,913)**
CARRYING AMOUNTS							
At 1 January 2014	**2,586,076**	**26,194,359**	**9,359,692**	**1,695,927**	**50,962**	**5,588,561**	**45,475,577**
At 31 December 2014	**2,563,605**	**30,418,966**	**11,097,540**	**2,027,609**	**60,599**	**7,590,035**	**53,758,354**
At 31 December 2015	**2,617,042**	**33,781,830**	**12,713,841**	**2,425,230**	**96,214**	**8,801,872**	**60,436,029**

Net book values of buildings, infrastructure and leasehold improvements include 122,484, 153,830 and 191,296 of leased buildings and infrastructure as of 31 December 2015, 2014 and 1 January 2014, respectively. Net book values of vehicles and machinery and equipment include 349,636, 281,673 and 184,899 of leased equipment as of 31 December 2015, 2014 and 1 January 2014, respectively.

Advances paid for acquisition and construction of property, plant and equipment are included in construction in progress in the amount of 2,611,365, 1,858,072 and 1,151,368 as at 31 December 2015, 2014 and 1 January 2014, respectively.

13. Investment property

The Group's investment property consists of commercial units located in Vostochnoe Biryulevo region of Moscow and land plots. The changes in the carrying amount of investment property for the years ended 31 December 2015 and 2014 were as follows:

	Land	Buildings	Total
COST			
Balance as at 1 January 2014	**489,679**	**183,159**	**672,838**
Reconstruction and modernisation	–	655	655
As at 31 December 2014	**489,679**	**183,814**	**673,493**
Reconstruction and modernisation	–	28,232	28,232
Transfer into other non-current assets	(100,801)	–	(100,801)
Sale of land plots	(113,929)	–	(113,929)
As at 31 December 2015	**274,949**	**212,046**	**486,995**
ACCUMULATED DEPRECIATION OR IMPAIRMENT LOSS			
Balance as at 1 January 2014	–	(43,125)	(43,125)
Depreciation charge	–	(5,440)	(5,440)
As at 31 December 2014	**–**	**(48,565)**	**(48,565)**
Depreciation charge	–	(5,659)	(5,659)
As at 31 December 2015	**–**	**(54,224)**	**(54,224)**
CARRYING AMOUNTS			
At 1 January 2014	**489,679**	**140,034**	**629,713**
At 31 December 2014	**489,679**	**135,249**	**624,928**
At 31 December 2015	**274,949**	**157,822**	**432,771**

The Group measured buildings within investment property at the date of transition to IFRS (1 January 2014) at its cost and land at its fair value.

For disclosure purpose only, the Group determined the fair value of the buildings as at 31 December 2015, 2014 and 1 January 2014 based on the income approach. The fair value is equal to 988,685 and it did not significantly change during 2014 and 2015.

The Group recognised the following amounts in respect of the investment property in profit or loss:

	2015	2014
Rental income from investment property	188,009	167,138
Direct operating expenses arising from investment property that generated rental income during the year	(90,018)	(61,263)
Operating profit from investment property	**97,991**	**105,875**

14. Goodwill

There have been no changes in the carrying amount of goodwill for the years ended 31 December 2015 and 2014.

Goodwill has been allocated for impairment testing purposes to the following cash-generating units, being also operating segments of the Group, and represents the lowest level at which goodwill is monitored for impairment by management:

- Meat-processing – 250,247 thousand rubles;
- Poultry – 306,944 thousand rubles.

The recoverable amount of both cash-generating units is determined based on a value in use calculation, which uses cash flow projections based on financial budgets approved by the management.

The management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

15. Intangible assets

The following table represents movements of intangible assets for the years ended 31 December 2015 and 2014:

	Computer software	Indefinite life trademarks	Other intangible assets	Total
COST				
Balance at 1 January 2014	**241,469**	**1,180,672**	**9,630**	**1,431,771**
Additions	142,833	–	21,217	164,050
Acquisitions through business combinations	–	34,837	–	34,837
Balance at 31 December 2014	**384,302**	**1,215,509**	**30,847**	**1,630,658**
Additions	230,845	–	42,498	273,343
Balance at 31 December 2015	**615,147**	**1,215,509**	**73,345**	**1,904,001**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS				
Balance at 1 January 2014	(44,766)	–	(6,284)	(51,050)
Amortisation expense	(56,663)	–	(10,207)	(66,870)
Balance at 31 December 2014	**(101,429)**	**–**	**(16,491)**	**(117,920)**
Amortisation expense	(147,371)	–	(34,807)	(182,178)
Balance at 31 December 2015	**(248,800)**	**–**	**(51,298)**	**(300,098)**
CARRYING AMOUNTS				
At 1 January 2014	**196,703**	**1,180,672**	**3,346**	**1,380,721**
At 31 December 2014	**282,873**	**1,215,509**	**14,356**	**1,512,738**
At 31 December 2015	**366,347**	**1,215,509**	**22,047**	**1,603,903**

Computer software

Software is amortised over its useful life ranging from 2 to 10 years.

Indefinite life trademarks

Kurinoe Tsarstvo ("Куриное Царство") trademark

The carrying value of the Kurinoe Tsarstvo trademark was 744,935 as of 31 December 2015, 2014 and 1 January 2014.

As of 31 December 2015, 2014 and 1 January 2014, management tested the Kurinoe Tsarstvo trademark for impairment and determined that the trademark was not impaired. The fair value was determined using a relief from royalty method based on expected sales by trademark derived from the segment business plan approved by the management covering a five-year period. The cash flows beyond that period have been extrapolated using a steady 5% per annum growth rate, which is the projected long-term average general inflation in Russia.

The key assumptions used for impairment testing purposes are set out below.

In percent	31 December 2015	31 December 2014	1 January 2014
Discount rate	18%	16.9%	16.3%
Terminal value growth rate	5%	5%	5%
Royalty rate	3.3%	3.3%	3.3%
Trademark revenue growth rate (average of next five years)	8%	25%	21%

The Group expected and achieved a major increase in sales under that trademark in 2015 driven by massive advertising campaign in Central part of Russia and increase in production capacity after Lisko acquisition.

The values assigned to the key assumptions represented management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources.

The management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the trademark.

Cherkizovo ("Черкизово") trademark

The carrying value of the Cherkizovo trademark was 435,737 as of 31 December 2015, 2014 and 1 January 2014.

As of 31 December 2015, 2014 and 1 January 2014, management tested the Cherkizovo trademark for impairment and determined that the trademark was not impaired. The fair value was determined using a relief from royalty method based on current year actual sales by trademark and royalty rate of 3.3%. Potential royalty from one-year sales covers the carrying value of the trademark and therefore the Group did not make a detailed calculation for the whole life of the trademark.

The management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the trademark.

16. Biological assets

Non-current biological asset

The balances of non-current biological assets were as follows:

	31 December 2015		31 December 2014		1 January 2014	
	Units	Carrying amount	Units	Carrying amount	Units	Carrying amount
Sows, heads	76,640	1,597,495	77,461	1,749,344	83,505	1,348,909
Cattle, heads	423	20,338	367	15,744	343	11,988
Total bearer non-current biological assets	**77,063**	**1,617,833**	**77,828**	**1,765,088**	**83,848**	**1,360,897**

The following table represents movements in sows:

	Amount
Balance at 1 January 2014	**1,348,909**
Increase due to purchases and breeding costs of growing livestock	425,736
Decrease due to sale	(820,889)
Deprecation of sows recognized during the year	(219,914)
Gain arising from changes in fair value less estimated point-of-sales costs	1,015,502
Balance at 31 December 2014	**1,749,344**
Increase due to purchases and breeding costs of growing livestock	432,481
Decrease due to sale	(537,051)
Deprecation of sows recognized during the year	(186,394)
Gain arising from changes in fair value less estimated point-of-sales costs	139,115
Balance at 31 December 2015	**1,597,495**

Current biological asset

All current biological assets are consumable except for breeders, which are bearer biological assets. The balances of current biological assets were as follows:

	31 December 2015		31 December 2014		1 January 2014	
	Units	Carrying amount	Units	Carrying amount	Units	Carrying amount
PORK						
Market hogs, heads	799,184	4,232,255	793,138	4,870,838	792,247	3,711,406
	799,184	4,232,255	793,138	4,870,838	792,247	3,711,406
POULTRY						
Broilers, heads	29,890,640	1,728,769	27,445,928	1,860,688	21,981,250	1,119,364
Breeders, heads (bearer biological assets)	2,174,496	2,602,867	2,318,997	1,892,419	1,765,654	755,916
	32,065,136	4,331,636	29,764,925	3,753,107	23,746,904	1,875,280
HATCHERY EGGS, QUANTITY	**21,195,577**	**287,676**	**22,552,268**	**241,819**	**16,338,212**	**136,747**
Other	**435**	**30,028**	**412**	**27,369**	**518**	**28,609**
Unharvested crops, hectares	**26,482**	**948,080**	**28,892**	**444,534**	**16,848**	**383,918**
Total current biological assets		**9,829,675**		**9,337,667**		**6,135,960**

16. Biological assets continued

The following table represents movements in the most material classes of the current biological assets:

	Pork	Broilers	Breeders	Unharvested crops	Total
Balance at 1 January 2014	**3,711,406**	**1,119,364**	**755,916**	**383,918**	**5,970,604**
Acquisitions through business combinations	–	119,763	228,255	–	348,018
Increase due to purchases and gain arising from cost inputs	9,108,907	25,248,957	606,164	1,009,935	35,973,963
Transfer to consumable biological assets	–	571,968	(571,968)	–	–
Decrease due to sale or harvest of assets	(16,510,977)	(34,115,719)	–	(1,707,676)	(52,334,372)
Disposal of pigs due to African Swine Fever	(149,942)	–	–	–	(149,942)
Gain arising from changes in fair value less estimated point-of-sales costs	8,711,444	8,916,355	874,052	758,357	19,260,208
Balance at 31 December 2014	**4,870,838**	**1,860,688**	**1,892,419**	**444,534**	**9,068,479**
Increase due to purchases and gain arising from cost inputs	11,154,812	33,041,422	1,083,897	2,293,804	47,573,935
Transfer to consumable biological assets	–	810,452	(810,452)	–	–
Decrease due to sale or harvest of assets	(16,406,350)	(38,968,269)	–	(2,523,201)	(57,897,820)
Disposal of pigs due to African Swine Fever	(271,610)	–	–	–	(271,610)
Gain arising from changes in fair value less estimated point-of-sales costs	4,884,565	4,984,476	437,003	732,943	11,038,987
Balance at 31 December 2015	**4,232,255**	**1,728,769**	**2,602,867**	**948,080**	**9,511,971**

Reconciliation of net change in fair value of biological assets and agricultural produce as of year ended 31 December 2014 and 2015 are as follows:

	2015	2014
Fair value adjustment at the beginning of the year (biological assets transferred to inventory and subsequently sold)	(4,974,784)	(1,913,285)
Fair value adjustment at the beginning of the year (agricultural produce subsequently sold)	(174,349)	(58,084)
Fair value adjustment at the end of the year (biological assets)	3,303,761	4,974,784
Fair value adjustment at the end of the year (agricultural produce)	681,645	174,349
Net change in fair value of biological assets and agricultural produce	**(1,163,727)**	**3,177,764**

The main crops of the Group's agricultural production and output were as follows (in thousands of tonnes):

	2015	2014
Winter wheat	106	105
Corn	111	42
Barley	6	25
Pea	17	23
Spring wheat	42	20
Sunflower	22	19
Soya bean	17	7

The production output of pork and poultry segments of the Group were as follows (in thousands of tonnes):

	2015	2014
Pork meat	164	170
Poultry meat	470	417

Key inputs in fair value measurement of biological assets together with sensitivity to reasonably possible changes in those inputs are disclosed in Note 4.

17. Investments in joint venture

During the year ended 31 December 2012 the Group, together with Grupo Corporativo Fuertes, S.L., established a joint venture, LLC Tambovskaya Indeika. The joint venture's primary business is breeding of turkey. The joint venture started construction of an integrated full cycle turkey production complex in 2013 and expects to start operations in 2016.

Summarised financial information in respect of the Group's joint venture and its reconciliation to the carrying amount of the interest in the joint venture are set out below.
The summary contains only financial position data, because financial results are immaterial due to construction process. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

	31 December 2015	31 December 2014	1 January 2014
Cash and cash equivalents	195,016	107,823	62,347
Other current assets	1,707,620	586,040	346,602
Non-current assets	6,178,274	3,419,251	918,234
Current liabilities	(146,611)	(159,431)	(356,894)
Non-current liabilities	(7,342,373)	(3,361,757)	(118,963)
Net assets of the joint venture	**591,926**	**591,926**	**851,326**
Proportion of the Group's ownership interest in the joint venture	50%	50%	50%
The Group's equity interest in the joint venture	**295,963**	**295,963**	**425,663**
Notes receivable classified as net investment in the joint venture	1,005,700	555,700	-
Carrying amount of the Group's interest in the joint venture	**1,301,663**	**851,663**	**425,663**

18. Long-term deposits in banks

	CCY	Effective rate, %	Maturity	31 December 2015	31 December 2014	1 January 2014
Deposits in Gazprombank	RUR	8%	2019	641,365	641,365	641,365
Deposits in Odinbank	RUR	10.5%	2017	–	30,000	30,000
Long-term deposits in banks				**641,365**	**671,365**	**671,365**

19. Inventories

	31 December 2015	31 December 2014	1 January 2014
Raw materials	9,655,054	6,069,555	3,609,188
Spare parts	742,454	464,398	348,633
Work in-process	311,393	310,307	229,744
Finished goods	1,549,654	624,877	645,886
Total inventory	**12,258,555**	**7,469,137**	**4,833,451**

20. Taxes recoverable and prepaid

	31 December 2015	31 December 2014	1 January 2014
Value added tax	2,570,134	1,374,489	992,773
Other taxes	265,853	160,809	121,666
Total tax recoverable and prepaid, net	**2,835,987**	**1,535,298**	**1,114,439**

21. Trade receivables, net

	31 December 2015	31 December 2014	1 January 2014
Trade receivables	4,492,507	4,052,156	2,880,611
Less: allowance for doubtful trade receivables	(47,516)	(99,071)	(175,335)
Total trade receivables, net	**4,444,991**	**3,953,085**	**2,705,276**

The following table summarizes the changes in the allowance for doubtful trade receivables for the years ended 31 December 2015 and 2014:

	2015	2014
Balance at beginning of the year	**99,071**	**175,335**
Additional allowance, recognized during the year	20,239	21,986
Trade receivables written off during the year	(71,794)	(98,250)
Balance at end of the year	**47,516**	**99,071**

22. Other receivables, net

	31 December 2015	31 December 2014	1 January 2014
Subsidies receivable for interest expense reimbursement	1,417,074	907,361	1,201,642
Subsidies receivable for purchase of fodder	4,916	30,462	5,671
Other receivables	390,353	257,120	224,753
Less: allowance for doubtful other receivables	(30,324)	(8,270)	(15,236)
Total other receivables, net	**1,782,019**	**1,186,673**	**1,416,830**

The following table summarizes the changes in the allowance for doubtful other receivables for the years ended 31 December 2015 and 2014:

	2015	2014
Balance at beginning of the year	**8,270**	**15,236**
Additional allowance, recognized during the year	23,163	1,655
Other receivables written off during the year	(1,109)	(8,621)
Balance at end of the year	**30,324**	**8,270**

23. Cash and cash equivalents

	31 December 2015	31 December 2014	1 January 2014
RUR-denominated cash at banks	468,173	845,757	337,523
EURO-denominated cash at banks	74	–	–
USD-denominated cash at banks	84,997	27,069	101,314
Bank deposits	5,002,812	129,286	1,661,739
Cash in hand	4,768	5,442	6,706
Total	**5,560,824**	**1,007,554**	**2,107,282**

Bank deposits are denominated in rubles and have original maturity of less than 3 months.

24. Other current assets

	31 December 2015	31 December 2014	1 January 2014
Prepaid expenses	182,551	215,729	79,184
Receivables from insurance company	319,987	221,054	–
Loans receivable	105,919	197,483	33,675
Other assets	4,109	14,613	173,209
Total other current assets	**612,566**	**648,879**	**286,068**

In the last week of December 2014 and in January 2015, African Swine Fever (further – ASF) was discovered at Group's units in Orel region, which has a big population of wide boars and high ASF risks. Pigs from that unit were sent to Voronezh unit for fattening, which caused a transmission of the disease. As a result of the ASF outbreak, the Group closed two units in the Orel and Voronezh regions and slaughtered and disposed of approximately 50,000 heads of pigs. All of the destroyed animals were insured and the Group expects to receive full compensation equal to their cost within the 12 months. The amount of expected compensation was accrued and included in receivables from insurance company.

25. Shareholder's equity

Share capital

As of 31 December 2015, 2014 and 1 January 2014, issued shares of the Company had a par value of 0.01 rubles. The total number of authorized shares was 54,702,600 and the number of issued shares was 43,963,773. All issued and outstanding shares have equal voting rights. The Company is authorized to issue preferred shares not exceeding 25% of its ordinary share capital. No such shares are currently issued.

Dividends

In accordance with Russian legislation, earnings available for dividends are limited to retained earnings of the Company, calculated in accordance with statutory rules in local currency. On 10 November 2014 dividends of approximately 34.44 rubles per share (1,513,731 in total) were approved at the extraordinary shareholders' meeting and have been fully paid during the year ended 31 December 2014. On 6 April 2015 and 29 September 2015 dividends of approximately 54.60 and 22.75 rubles per share, respectively (3,392,766 in total) were approved at the extraordinary shareholders' meeting and have been fully paid during the year ended 31 December 2015.

26. Non-controlling interests

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations:

As at 31 December 2015 and for 2015	CJSC Petelinskaya	CJSC CMPP	Total
NCI percentage	**11.8%**	**4.9%**	
Non-current assets	1,914,873	5,614,060	7,528,933
Current assets	5,269,449	5,128,212	10,397,661
Non-current liabilities	(144,241)	(196,629)	(340,870)
Current liabilities	(2,098,165)	(8,610,891)	(10,709,056)
Net assets	4,941,916	1,934,752	6,876,668
Carrying amount of NCI	**583,146**	**95,554**	**678,700**
Revenue	5,323,190	29,643,821	34,967,011
Profit	321,251	(777,751)	(456,500)
Total comprehensive income	321,251	(777,751)	(456,500)
Profit allocated to NCI	**37,908**	**(38,412)**	**(504)**
Cash flows from operating activities	(681,980)	75,628	(606,352)
Cash flows from investment activities	(358,562)	(424,768)	(783,330)
Cash flows from financing activities (dividends to NCI: nil)	1,041,352	469,749	1,511,101
Net increase in cash and cash equivalents	**810**	**120,609**	**121,419**

As at 31 December 2014 and for 2014	CJSC Petelinskaya	CJSC CMPP	Total
NCI percentage	**11.8%**	**4.9%**	
Non-current assets	1,750,243	6,095,819	7,846,062
Current assets	3,768,957	4,601,141	8,370,098
Non-current liabilities	(10,420)	(88,327)	(98,747)
Current liabilities	(930,977)	(7,640,639)	(8,571,616)
Net assets	4,577,803	2,967,994	7,545,797
Carrying amount of NCI	**540,181**	**146,583**	**686,764**
Revenue	5,339,578	24,864,859	30,204,437
Profit	629,860	(733,737)	(103,877)
Total comprehensive income	629,860	(733,737)	(103,877)
Profit allocated to NCI	**74,323**	**(36,238)**	**38,085**
Cash flows from operating activities	6,595	(369,555)	(362,960)
Cash flows from investment activities	(227,848)	73,332	(154,516)
Cash flows from financing activities (dividends to NCI: nil)	220,000	244,000	464,000
Net decrease in cash and cash equivalents	**(1,253)**	**(52,223)**	**(53,476)**

As at 1 January 2014	CJSC Petelinskaya	CJSC CMPP	Total
NCI percentage	**11.8%**	**4.9%**	
Non-current assets	1,764,104	4,978,374	6,742,488
Current assets	2,715,949	4,130,941	6,846,980
Non-current liabilities	(40,272)	(1,133,608)	(1,173,880)
Current liabilities	(576,107)	(4,233,660)	(4,809,767)
Net assets	3,863,674	3,742,057	7,605,731
Carrying amount of NCI	**455,914**	**184,787**	**640,701**

27. Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 29. Terms and conditions of outstanding loans were as follows:

	Nominal interest rate	EIR[1]	Adjusted EIR[2]	Year of maturity	31 December 2015		31 December 2014		1 January 2014	
					Current	Non-current	Current	Non-current	Current	Non-current
Bonds	9.75%–12.50%	11.58%	11.58%	2016–2020	2,500,000	5,000,000	–	2,500,000	–	2,500,000
Bank loans	3.39%–16.50%	12.54%	6.70%	2016–2023	1,805,224	1,685,587	2,541,709	3,047,518	3,008,108	68,699
Credit lines	9.50%–22.00%	13.49%	4.71%	2016–2023	20,343,233	9,145,226	10,857,646	8,402,530	7,348,038	14,251,642
Other borrowings	–	–	–	2023	–	10,947	–	75,611	–	92,035
Interest payable					363,084	–	90,200	–	113,832	–
Finance lease liabilities	8.5%–16.62%	14.5%	14.5%	2016–2024	81,476	276,987	68,354	259,125	26,306	231,568
Total borrowings					**25,093,017**	**16,118,747**	**13,557,909**	**14,284,784**	**10,496,284**	**17,143,944**

[1] EIR represents the weighted average interest rate on outstanding loans.

[2] Adjusted EIR represents the effective rate on borrowings at year end, adjusted by government subsidies for certain qualifying debt. Since approvals for subsidies are submitted annually by the Group as required by law, the existence of such subsidies in any given year is not necessarily indicative of their existence in future periods. See Note 10 for further disclosure of government subsidies related to interest on borrowings.

As of 31 December 2015, the Group's borrowings were denominated in the following currencies: 40,874,513 in Russian rubles, 337,251 in Euro. As of 31 December 2014, the Group's borrowings were denominated in the following currencies: 27,825,534 in Russian rubles, 17,159 in Euro. As 1 January 2014, the Group's borrowings were denominated in the following currencies: 27,426,964 in Russian rubles, 85,947 in Euro and 127,317 in US dollars.

Interest on the majority of borrowings is paid on a monthly or quarterly basis, with the exception of bonds, for which the interest is paid on a semi-annual basis.

Bonds

Bonds due in April 2016

In April 2013, the Group placed 3,000,000 bonds in rubles at par value (1,000 rubles at the issuance date) with a maturity date in April 2016. The Group accounts for these instruments at amortized cost. 500,000 of these bonds were purchased by a Group company upon issuance, for the purpose of selling on the market when funds are required; such bonds have not, to date, been sold on the market. The remaining 2,500,000 bonds held by third parties are presented as current debt as of 31 December 2015. The coupon rate on the bonds, payable semi-annually, is set at 9.75% per annum.

Bonds due in October 2020

In October 2015, the Group placed 5,000,000 bonds in rubles at par value (1,000 rubles at the issuance date) with a maturity date in October 2020. The coupon rate on the bonds, payable semi-annually, is set at 12.5% per annum. The Group accounts for these instruments at amortized cost.

Bank loans

Gazprombank

Borrowings from Gazprombank consist of two long-term euro denominated loans with interest ranging from 3.39% to 4.92% per annum and one short-term ruble denominated loans with interest ranging in 13.00% per annum. Principal of the long-term loan is due on maturity from 2018 to 2019. The amount outstanding of loans was 829,493, 2,707,886 and 2,126,383 RUR as of 31 December 2015, 31 December 2014 and 01 January 2014, respectively.

Savings Bank of Russia

Borrowings from Savings Bank of Russia consist of one long-term and two short-term ruble denominated loan with an interest ranging from 12.00% to 13.60% per annum. Principal of the long-term loan is due on maturity in 2017. The amount outstanding of loans was 987,302, 588,575 and 694,906 RUR as of 31 December 2015, 31 December 2014 and 1 January 2014, respectively.

Rosselhozbank

Borrowings from Rosselhozbank consist of eight long-term ruble denominated loans with interest ranging from 12.0% to 16.5% per annum. Principal of the long-term loan is due on maturity from 2018 to 2023. The amount outstanding of loans was 1,532,155, 2,292,642 and 255,582 RUR as of 31 December 2015, 31 December 2014 and 1 January 2014, respectively.

Alfa bank

Borrowings from Alfa Bank consist of two long-term euro denominated loan with an interest rate of 4.1% per annum. The amount outstanding was 141,648 RUR as of 31 December 2015.

27. Borrowings continued

Lines of credit

Sberbank of Russia

Borrowings from the Sberbank of Russia consist of twelve long-term and eighteen short-term ruble denominated lines of credit with interest ranging from 9.74% to 18.00%per annum. Principal payments are due from 2016 to 2023. The amount outstanding was 14,963,631, 11,396,095 and 12,285,953 RUR as of 31 December 2015, 31 December 2014 and 1 January 2014, respectively.

Gazprombank

Borrowings from Gazprombank consist of six long-term and eight short-term ruble denominated lines of credit with interest ranging from 9.5% to 15.94% per annum. Principal payments are due from 2016 to 2022. Amount outstanding was 8,361,308, 3,552,324 and 3,595,008 RUR as of 31 December 2015, 31 December 2014 and 1 January 2014, respectively.

Bank Zenith

Borrowings from Bank Zenith consist of four long-term ruble denominated lines of credit with interest ranging 13.00% per annum. Principal is due upon maturity in 2016. The amount outstanding was 45,174, 587,281 and 1,129,354 RUR as of 31 December 2015, 31 December 2014 and 1 January 2014, respectively.

Rosselkhozbank

Borrowings from Rosselkhozbank consist of nineteen ruble and one Euro denominated long-term lines of credit with fixed interest rates ranging from 10.5% to 15% per annum. Principal payments are due from 2016 to 2020. The amount outstanding was 1,674,497, 1,766,064 and 4,508,382 RUR for ruble denominated and 11,982, 17,159 and 81,005 for Euro denominated lines of credit as of 31 December 2015, 31 December 2014 and 1 January 2014, respectively.

Bank VTB

Borrowings from Bank VTB consist of fifteen long-term and four short-term ruble denominated lines of credit with interest ranging from 11.90% to 15.60% per annum. Principal is due upon maturity from 2016 to 2017. Amount outstanding was 2,644,099 and 1,942,040 RUR as of 31 December 2015 and 31 December 2014, respectively.

Alfa-Bank

Borrowings from Alfa-Bank consist of three short-term ruble denominated lines of credit with interest ranging from 11.25% to 22.00% per annum. Amount outstanding was 1,486,000 RUR as of 31 December 2015.

Unused lines of credit

The total amount of unused credit on lines of credit as of 31 December 2015 is 18,712,368. The unused credit can be utilized from 2016 to 2018 with expiration of available amounts varying as follows: 13,127,450 expires by 31 December 2016, 2,850,000 expires by 31 December 2017, 2,734,918 expires by 30 April 2018.

Collateral under borrowings

Shares of and participating interests in the following Group companies are pledged as collateral under certain borrowings: as of 31 December 2015:

	31 December 2015	31 December 2014	1 January 2014
JSC Vasiljevskaya	51%	51%	51%
LLC Cherkizovo Pork	25%	100%	85%
LLC Tambocmyasoprom	–	51%	51%
CJSC Agroresurs-Voronej	–	100%	100%
LLC Resurs	–	100%	100%
CJSC Lipetzkmyaso	–	100%	100%
LLC Kuznetsovsky kombinat	100%	100%	100%
LLC Kurinoe Tsarstvo – Bryansk	99%	99%	99%
JSC Kurinoe tsarstvo	100%	100%	100%
LLC Orelselprom	–	–	100%
LLC Lisko Broiler	99%	99%	–

Non-current biological assets with a carrying value of 485,251, 345,085 and 544,390 were pledged as security under certain borrowings as of 31 December 2015, 2014 and 1 January 2014, respectively.

Current biological assets with a carrying value of 152,246, 825,930 and 1,291,789 were pledged as security under certain borrowings as of 31 December 2015, 2014 and 1 January 2014, respectively.

27. Borrowings continued

Property, plant and equipment with a carrying value of 16,563,987, 18,681,618 and 19,312,514 was pledged as security under loan agreements as of 31 December 2015, 2014 and 1 January 2014, respectively.

Certain significant loan agreements with the Sberbank of Russia, Rosselkhozbank, Bank VTB, Gazprombank and Alfa-bank contain financial covenants requiring maintenance of specific debt to EBITDA, net short-term debt to EBITDA, EBIT to Interest expense and debt service coverage ratios. The Group is in compliance with these covenants as of 31 December 2015.

Finance leases liabilities

The Group uses certain fixed assets under leasing contracts that qualified for treatment as finance leases. The lower of the incremental borrowing rate and the rate implicit in the lease agreement was used in capitalising the leases.

Financial lease liabilities are payables as follows:

	Not later than 1 year	Between 1 and 5 years	Later than 5 years
At 1 January 2014			
Future minimum lease payments	58,061	201,220	160,275
Portion related to interest	31,755	90,521	39,406
Present value of minimum lease payments	26,306	110,699	120,869
At 31 December 2014			
Future minimum lease payments	107,679	250,350	120,393
Portion related to interest	39,325	86,244	25,374
Present value of minimum lease payments	68,354	164,106	95,019
At 31 December 2015			
Future minimum lease payments	125,255	290,264	86,401
Portion related to interest	43,779	85,587	14,091
Present value of minimum lease payments	81,476	204,677	72,310

28. Tax related liabilities

	31 December 2015	31 December 2014	1 January 2014
Value added tax	313,552	513,045	374,234
Payroll related taxes	213,792	129,915	85,481
Property tax	165,934	105,921	92,311
Personal income tax withheld	69,858	63,113	57,749
Income tax	5,448	14,179	3,410
Land tax	12,392	6,675	6,209
Transportation tax	5,673	5,866	4,106
Other taxes	3,695	6,221	4,633
	790,344	**844,935**	**628,133**

29. Financial instruments

Categories of financial instruments and fair value measurements

The carrying values and fair values of the Group's financial assets and liabilities as of 31 December 2015, 2014 and 1 January 2014 are as follows:

	31 December 2015		31 December 2014		1 January 2014	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE						
Loans and receivables						
Notes receivable, net	300,000	296,044	–	–	56,312	41,951
Long-term deposits in banks	641,365	601,369	671,365	473,305	671,365	462,428
Other non-current assets	96,379	96,379	90,904	90,904	89,634	89,634
Trade receivables	4,444,991	4,444,991	3,953,085	3,953,085	2,705,276	2,705,276
Other receivables	1,782,019	1,782,019	1,186,673	1,186,673	1,416,830	1,416,830
Other current assets	425,906	425,906	418,537	406,467	33,675	16,597
Cash and cash equivalents	5,560,824	5,560,824	1,007,554	1,007,554	2,107,282	2,107,282
	13,251,484	**13,207,532**	**7,328,118**	**7,117,988**	**7,080,374**	**6,839,998**
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE						
Amortised cost						
Borrowings, other than finance lease*	40,853,301	39,545,901	27,515,214	26,038,342	27,382,354	26,189,172
Financial lease liabilities	358,463	336,368	327,479	324,434	257,874	245,597
Trade payables	8,461,657	8,461,657	4,315,188	4,315,188	3,963,918	3,963,918
Payables for non-current assets	1,445,128	1,445,128	574,073	574,073	318,822	318,822
Payroll related liabilities	1,372,176	1,372,176	1,217,693	1,217,693	925,385	925,385
Other payables and accruals	269,751	269,751	222,293	222,293	298,685	298,685
	52,760,476	**51,430,981**	**34,171,940**	**32,692,023**	**33,147,038**	**31,941,579**

* at 31 December 2015 the Group used 12.9% as market rate of cost of debt for the fair value estimation (for borrowings nominated in RUB). That rate of the cost of debt excludes the effect of subsidies (13.9% and 12.7% at 31 December 2014 and 1 January 2014, respectively).

Financial risk management

The main risks arising from the Group's financial instruments are capital risk management, interest rate risk, credit risk and liquidity risk. Management considers that foreign currency risk is not material to the Group, because the Group has no material outstanding balances denominated in foreign currencies.

The Group's management identifies measures and manages financial risks in accordance with the Group's policies and procedures.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to the equity holders. The capital structure of the Group consists of debt, cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings.

The management of the Group reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

Credit risk

Credit risk refers to the risk that counterparty may default on its contractual obligations resulting in financial loss to the Group. Financial assets which potentially subject the Group to credit risk consist primarily of trade and other receivables, long-term deposits, notes receivable and cash in current and deposit accounts with banks and other financial institutions.

The Group's maximum exposure to credit risk arises from the following classes of financial assets:

	31 December 2015	31 December 2014	1 January 2014
Long-term deposits in banks	641,365	671,365	671,365
Notes receivable, net	300,000	–	56,312
Other non-current assets	96,379	90,904	89,631
Trade receivables	4,444,991	3,953,085	2,705,276
Other receivables	1,782,019	1,186,673	1,416,830
Other current assets	425,906	418,522	33,675
Cash and cash equivalents (except for cash in hand)	5,556,056	1,002,112	2,100,577
Total maximum credit risk	**13,246,716**	**7,322,661**	**7,073,666**

Trade receivables

The maximum exposure to credit risk for trade receivables by counterparty was as follows:

	31 December 2015	31 December 2014	1 January 2014
Company 1	725,702	823,604	339,158
Company 2	742,947	510,731	484,357
Company 3	367,084	370,745	304,128
Company 4	219,462	267,742	199,550
Company 5	262,253	179,161	63,002
Other counterparties	2,127,543	1,801,102	1,315,081
Total	**4,444,991**	**3,953,085**	**2,705,276**

The average credit period on sales of goods is 30 days. No interest is charged on trade and other receivables. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are regularly reviewed.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The ageing of trade receivables that were not impaired was as follows:

	31 December 2015	31 December 2014	1 January 2014
Neither past due nor impaired	4,082,044	3,481,259	2,366,096
Past due 1-90 days	321,957	394,075	278,873
Past due 91-180 days	18,677	24,509	20,452
Past due 180-365 days	7,086	11,361	9,184
Past due more than 365 days	15,227	41,881	30,671
Total	**4,444,991**	**3,953,085**	**2,705,276**

Other receivables

Other receivables disclosed above mainly consists of subsidies receivable from regional ministries of agriculture. Timing of collection depends on availability of budget funds and on average is approximately 6 months. In very limited situations, ageing can exceed one year and all these cases are carefully reviewed and followed up by management.
At 31 December 2015, the amount of subsidies receivable outstanding more than one year was 199,034.

Cash and cash equivalents and long-term deposits

The credit risk on cash and cash equivalents and long-term deposits is limited because these funds are placed only with banks with high credit ratings assigned by international credit-rating agencies. All balances on bank accounts are neither overdue nor impaired.

The table below shows the rating and cash and cash equivalents balances with major banks at the reporting dates:

	Rating agency	Rating	31 December 2015	31 December 2014	1 January 2014
Bank 1	Moody's	BBB-	490,328	900,272	806,654
Bank 2	Standard & Poor's	BB+	6	–	1,000,000
Bank 3	Fitch Ratings	BB+	8,607	8,521	209,630
Bank 4	Fitch Ratings	BB+	2,034,351	70,789	52,426
Bank 5	Fitch Ratings	BBB–	7,976	284	16,516
Bank 6	Standard & Poor's	BB+	3,003,177	2,747	10
Bank 7	Standard & Poor's	A–	992	7,745	12,143
Bank 8	Moody's	BB–	341	14	2,455
Other	–	–	10,278	11,740	743
Total cash and cash equivalents at banks			**5,556,056**	**1,002,112**	**2,100,577**

29. Financial instruments continued

The table below shows the rating and long-term bank deposits balances at the reporting dates:

	Rating agency	Rating	31 December 2015	31 December 2014	1 January 2014
Gazprombank	Fitch Ratings	BB+	641,365	641,365	641,365
Odinbank	–	–	–	30,000	30,000
Total long-term bank deposits			**641,365**	**671,365**	**671,365**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following tables detail the Group's expected maturity for its financial assets, except for cash and cash equivalents. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets, including interest that will be earned on those:

	Effective interest rate, %	Less than 6 month	6 months-1 year	1-3 years	More than 3 years	Total
At 1 January 2014						
Trade and other receivables		4,122,106	–	–	–	4,122,106
Long-term deposits in banks	8% – 10.5%	25,666	25,666	102,665	790,344	944,341
Notes receivable, net	8.36%	–	–	56,312	–	56,312
Other non-current assets		–	–	–	89,631	89,631
Other current assets		33,675	–	–	–	33,675
Total		**4,181,447**	**25,666**	**158,977**	**879,975**	**5,246,065**
At 31 December 2014						
Trade and other receivables		5,139,758	–	–	–	5,139,758
Long-term deposits in banks	8% – 10.5%	25,666	25,666	102,665	739,011	893,008
Other non-current assets		–	–	–	90,904	90,904
Other current assets		418,522	–	–	–	418,522
Total		**5,583,946**	**25,666**	**102,665**	**829,915**	**6,542,192**
At 31 December 2015						
Trade and other receivables		6,227,010	–	–	–	6,227,010
Long-term deposits in banks	8%	25,666	25,666	761,433	–	812,765
Notes receivable, net	9%-9.5%	14,005	14,005	328,010	–	356,020
Other non-current assets		–	–	–	96,379	96,379
Other current assets		425,906	–	–	–	425,906
Total		**6,692,587**	**39,671**	**1,089,443**	**96,379**	**7,918,080**

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Effective interest rate, %	Less than 6 month	6 months- 1 year	1-3 years	More than 3 years	Total
At 1 January 2014						
Borrowings, other than finance lease	8% – 15%	7,498,684	4,799,148	17,518,672	4,072,027	33,888,531
Finance lease obligations	10.91% – 15.30%	29,030	29,030	113,636	247,859	419,555
Trade and other payables		4,262,602	–	–	–	4,262,602
Payables for non-current assets		318,822	–	–	–	318,822
Payroll related liabilities		925,385	–	–	–	925,385
Total		**13,034,523**	**4,828,178**	**17,632,308**	**4,319,886**	**39,814,895**
At 31 December 2014						
Borrowings, other than finance lease	8% – 15.6%	8,200,092	7,922,702	13,307,249	3,708,792	33,138,835
Finance lease obligations	10.91% – 15.30%	53,853	53,825	163,735	207,008	478,421
Trade and other payables		4,537,481	–	–	–	4,537,481
Payables for non-current assets		574,073	–	–	–	574,073
Payroll related liabilities		1,217,693	–	–	–	1,217,693
Total		**14,583,192**	**7,976,527**	**13,470,984**	**3,915,800**	**39,946,503**
At 31 December 2015						
Borrowings, other than finance lease	3.39% – 22%	14,818,169	12,952,502	11,438,923	10,701,330	49,910,924
Finance lease obligations	10.91% – 15.30%	62,642	62,642	248,992	126,121	500,397
Trade and other payables		8,731,408	–	–	–	8,731,408
Payables for non-current assets		1,445,128	–	–	–	1,445,128
Payroll related liabilities		1,372,176	–	–	–	1,372,176
Total		**26,429,523**	**13,015,144**	**11,687,915**	**10,827,451**	**61,960,033**

Interest rate risk

The Group adopts a policy of limiting its exposure to changes in interest rates by borrowing on a fixed rate basis.

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt).

Management does not have a formal policy of determining which proportion of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

30. Related parties

Parties are generally considered to be related if one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions, as defined by IAS 24 Related Party Disclosures. In considering each possible related party relationship, attention is directed to the substance of the relationship not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The Company and its subsidiaries enter into various transactions with related parties such as the sale and purchase of inventory. In addition, the Group enters into financing transactions with related parties.

Transactions with key management personnel

Key management personnel of the Group are all members of Board of Directors. The remuneration of key management personnel during the year was as follows:

	2015	2014
Salaries and bonuses	184,078	122,651
Share-based payments	–	2,612

Trading transactions

Trading transactions with related parties comprise mostly of purchases of grain crops from and rendering of storage services to TZK NAPKO, Agrarnaya Gruppa and CJSC Penzamyasoprom. The Group also sells sausages, raw meat and poultry to a retail chain "Myasnov". All noted related parties are entities under common control with the Group. The Group also purchases day-old chick from its joint venture Brioler Budushchego LLC.

Trade receivables, trade payables and advances issued are associated with such transactions. The Group expects to settle such balances in the normal course of business.

The Group also received an advance from its joint venture (Tambovskaya Indeika) for future supply of machinery and equipment to be purchased by the Group and resold to the joint venture.

Financing transactions

During the years ended 31 December 2015 and 2014, certain shareholders issued loans to the Group and have personally guaranteed certain of the bank loans and lines of credit for a total amount of 1,377,670 and 1,511,813, respectively.

Balances with related parties (companies under common control) are summarized as follows:

Balances	31 December 2015	31 December 2014	1 January 2014
Trade receivables	182,548	206,756	167,472
Other non-current assets	57,083	61,609	69,844
Advances paid	2,269	25,151	18,197
Advances paid for property, plant and equipment	–	127,935	–
Other current assets	2,927	–	–
Other receivables	18,450	10,009	6,317
Trade payables	17,141	14,408	33,047
Advances received	439	109	–
Other payables	53	606	2,821
Long-term borrowings	–	5,431	22,485
Long-term payables to shareholders	9,138	9,356	10,899

Transactions with related parties (companies under common control) are summarized as follows:

Transactions	2015	2014
Sales	2,591,240	2,156,212
Rent income	114,779	121,227
Purchases of security services	21,810	43,311
Purchases of property, plant and equipment	267,459	108,612
Purchases of goods and other services	1,173,810	570,783

Balances with related parties (joint ventures) are summarized as follows:

Balances	31 December 2015	31 December 2014	1 January 2014
Trade receivables	21	3,853	2,455
Advances paid	135,641	144,770	21,798
Other receivables	28,293	72,696	–
Other current assets	3,400	–	–
Trade payables	4,557	3,674	6,088
Advances received	63,722	610,439	480,006
Other payables	–	–	1,538

Transactions with related parties (joint ventures) are summarized as follows:

Transactions	2015	2014
Sales	5,539	6,407
Sales of property, plant and equipment	666,349	–
Rent income	1,030	5,125
Purchases of goods and other services	246,715	125,146

31. Commitments and contingencies

Legal

As of 31 December 2015 and 2014, several Group companies reported negative net assets in their statutory financial statements. In accordance with the Civil Code of the Russian Federation, a liquidation process may be initiated against a company reporting negative net assets. Management believes that it is remote that the liquidation process will be initiated against those companies.

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time. Management believes that the resolution of all such outstanding matters will not have a material impact on the Group's financial position, results of operations or cash flows.

Taxation

Laws and regulations affecting businesses in the Russian Federation continue to change rapidly. These changes are characterized by different interpretations and arbitrary application by the authorities. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. The tax authorities in the Russian Federation frequently take an assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities may be challenged. It is therefore possible that significant additional taxes, penalties and interest may be assessed. Under certain circumstances reviews may cover longer periods. Where uncertainty exists, the Group has accrued tax liabilities as management's best estimate of the probable outflow of resources which will be required to settle such liabilities. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects could be significant.

Russian transfer pricing legislation was amended starting from 1 January 2012 to introduce additional reporting and documentation requirements. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including but not limited to transactions with related parties, if they consider transaction to be priced not at arm's length. As the practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses of the rules is unclear, the impact of challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated.

In 2014, amendments were introduced into the Russian tax legislation in respect of taxation of profit of controlled foreign companies. According to these changes, the 2015 undistributed profits of the Group foreign subsidiaries, recognized as controlled foreign companies, may result in an increase of the tax base of the controlling entities in 2016. The Group is formulating its tax planning strategy with regard to the foreign subsidiaries.

Environmental remediation costs

The Group's management believes that the Group is in compliance with applicable legislation and is not aware of any potential environmental claims; therefore, no liabilities associated with such costs are recorded as of 31 December 2015 and 2014.

Capital commitments

Capital commitments by each operating segments are as follows:

	31 December 2015
Commitments for the acquisition of property, plant and equipment	
Meat-processing	40,662
Pork	1,438,865
Poultry	2,139,069
Feed	8,561
	3,627,157
Commitments for the development or acquisition of biological assets	
Pork	96,819
	96,819
Total capital commitments	**3,723,976**

At 31 December 2015, the Group had capital projects in progress at LLC Cherkizovo Pork, OJSC Kurinoe Tsarstvo and LLC Voronezhmyasoprom.

In addition, the Group is in the process of implementing SAP. As part of this project, commitments have been made to contractors of approximately 210,036 toward completion of the project.

Operating lease commitments

Obligations under non-cancellable operating lease agreements for the five years ending 31 December 2018 and thereafter are as follows:

	31 December 2015
Not later than 1 year	281,442
Later than 1 year and not later than 5 years	521,876
Later than 5 years	1,128,662
Total operating lease commitments	**1,931,980**

Agricultural market risk

As a rule, grain prices exhibit rather high seasonal fluctuation. As a general trend, prices tend to be lower in autumn mainly due to the increasing in supply. Market prices of agricultural commodities are also influenced by a variety of unpredictable factors which are beyond the control of the Group, including weather, planting intentions, government (Russian and foreign) farm programs and policies, changes in global demand resulting from population growth and higher standards of living and global production of similar and competitive crops.

Insurance

The Group holds insurance policies in relation to certain assets. As of 31 December 2015 the Group secured part of its livestock with a total insurance policy of approximately 5,659,509 and part of property, plant and equipment and other assets with a total insurance policy of approximately 87,829,423 with a number of insurance companies. The Group holds no other insurance policies in relation to operations, or in respect of public liability or other insurable risks.

SHAREHOLDER INFORMATION

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