

## Regulatory Story

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**PJSC Cherkizovo Group** - CHE Financial results for the first half of 2015  
Released 09:16 20-Aug-2015

RNS Number : 5992W  
PJSC Cherkizovo Group  
20 August 2015

**August 20, 2015**

### **Cherkizovo Group (LSE:CHE; MOEX:GCHE) Announces Financial Results for the First Half of 2015**

Moscow, August 20, 2015 - Cherkizovo Group (LSE:CHE; MOEX: GCHE), Russia's largest meat and feed producer, announces its financial results for the first half of 2015 ending June 30.

Starting from January 1, 2015, the Group has changed reporting currency from US Dollars to Russian Rubles, comparative information was correspondingly represented.

#### **Highlights**

- Revenue increased by 19% to RUB 36.2 billion from RUB 30.5 billion in 1H14;
- Gross profit increased by 13% to RUB 10.0 billion from RUB 8.9 billion in 1H14;
- Gross margin decreased to 28% from 29% in 1H14;
- Adjusted EBITDA\* increased by 5% to RUB 6.5 billion from RUB 6.1 billion in 1H14;
- Adjusted EBITDA margin decreased to 18% from 20% in 1H14;
- Net income amounted to RUB 4.1 billion in 1H15, representing a 3% increase from an underlying net income\*\* of RUB 4.0 billion in 1H14.
- Net margin was at 11%;
- Net debt\*\*\* was RUB 29.0 billion as of June 30, 2015;
- The effective cost of debt was 3.6 % (1H14: 3.0%);
- EPS was at RUB 93.4 (1H14: Underlying EPS\*\*\*\* was at RUB 90.9);
- CCR (Cash Conversion Ratio) \*\*\*\*\* was 85%;

#### **Business Developments**

- Cherkizovo Group announced the launch of a major investment project in pork. By 2022, the Company will increase its pork production by 70%, adding 140 000 tonnes of capacity in Lipetsk and Voronezh regions. Cost of project is RUB 19 billion; the financing is secured;
- Dankov Meat Processing Plant (Lipetsk region) is fully operational after the renovation. The facility has a pigs slaughtering/processing capacity of 240 heads per hour;

- Construction works are completed at the Elets project's hatchery (240 mln eggs p.a.) and grain storage facility (200 000 thousand tonnes). The launch of both facilities is scheduled for autumn;
- All construction works at the hatchery for the Tambov Turkey project are completed. The launch of the hatchery is scheduled for autumn;
- The company increased its operating land bank from 60,000 ha to 90,000 ha in 2015 (Voronezh, Lipetsk, Orel, and Tambov Regions). The harvesting campaign is underway;
- Group acquired a pork finisher in Lipetsk region in March 2015 for RUB 250 mln;
- The Innovative Data Centre was launched;
- The cycle of audits of certification FSSC 22000 (Food Safety System Certification) was completed on all poultry complexes;
- The sanitary quarantine, that was imposed after the ASF outbreak in January in two finishers in Orel and Voronezh regions, is lifted. Both facilities will be fully operational by the end of the year.

#### **Commenting on 1H results, Sergei Mikhailov, CEO of Cherkizovo Group, said:**

"In the first half of this year, Cherkizovo Group produced and sold more than 430,000 tonnes of meat products on a falling market in a challenging economic environment, exceeding the result for the same period of the previous year. Revenue increased by almost 20% to more than 36 billion rubles, and the Company maintained a strong margin, despite a more difficult macroeconomic situation than in 2014. The Company approved a dividend policy, and pays dividends to its shareholders.

Performance was strong in all divisions. In poultry, we increased our sales due to the full integration of Lisko and organic growth. In pork, the inevitable production decrease after the ASF outbreak in January was compensated by a very favorable pricing environment that helped to increase sales and profits. In meat processing, sales increased substantially due to strengthening of vertical integration, and our grain production is growing year by year.

Cherkizovo Group is steadily raising its level of vertical integration at all stages of the production chain, from grain cultivation to slaughtering and processing. This year we increased our cultivated land bank by 50% to 90,000 hectares, which will help to increase our grain self-sufficiency to 25-30%. The Company's grain storage capacity is now close to a million tonnes. At the other end of the chain, we launched the Dankov Meat Processing Plant, which is now a fully operational slaughtering and processing facility after the renovation. As of today, up to 70-80% of the pigs raised at our facilities are delivered to our own processing plants. This helps us to maintain sustainable operations, produce superior quality meat products and satisfy demand from our retail partners.

By the end of 2015, we plan to launch a number of infrastructure facilities, including Eletsprom and Tambov Turkey hatcheries, Eletsprom grain storage elevator, feedmill in Voronezh region. In the first quarter of 2016 we plan to launch Eletsprom's parent flock site and replacement flock site; this will enable us to replace imported hatching eggs with domestically produced. Cherkizovo Group has also started implementing a major investment project in pork production in Lipetsk and Voronezh regions and secured financing for it. With a capacity of almost 140,000 tonnes, this project will enable the Group to increase its pork production by 70% by 2022; first stage of the project with a 35 000 tonnes capacity will be operational by 2017."

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#### **About Cherkizovo Group**

Cherkizovo Group (LSE:CHE; MOEX:GCHE) is the largest meat and feed producer in Russia and one of the top three companies serving Russia's poultry, pork and sausages markets. The Company's most well-known brands include Cherkizovo, Petelinka and Kurinoe Tsarstvo. Chairman of the Board Igor Babaev and his family control 65% of Cherkizovo Group, and free float on LSE and MOEX amounts to 35%.

Due to its vertically integrated structure, which includes agricultural land, grain storage facilities, feed production, livestock breeding, growing and slaughtering as well as meat processing and distribution, Cherkizovo has consistently delivered sustainable revenue and profit growth. In 2014, Cherkizovo's US GAAP consolidated revenue reached RUB 69 billion, the Group produced more than 800 thousand tonnes of meat and processed meat products as well as 1.4 million tonnes of feed.

Cherkizovo's strategy includes both organic growth and consolidation of the Russian meat market. Within the last decade, Cherkizovo has invested more than RUB 50 billion into the development of Russia's agriculture sector.

#### **Financial Overview**

Sales for the first half of 2015 increased by 19% to RUB 36 211.1 million from RUB 30 513.5 million in 1H14. Gross profit increased by 13% to RUB 10 007.8 million from RUB 8 883.8 million in 1H14. Operating expenses as a percentage of sales were almost flat at 15%. Net income increased by 3% to RUB 4 095.4 million (1H14: underlying net income of RUB 3 987.3 million\*\*).

Adjusted EBITDA increased by 5% to RUB 6 458.2 million from RUB 6 145.3 million in 1H14. Adjusted EBITDA margin decreased to 18% for 1H15 from 20% in 1H14.

RUB m	1H15	1H14	Change	2Q15	2Q14	Change
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Sales	36 211.1	30 513.5	19%	19 130.3	17 348.3	10%
Gross Profit	10 007.8	8 883.8	13%	5 309.0	5 600.8	-5%
<i>Gross margin. %</i>	<i>28%</i>	<i>29%</i>		<i>28%</i>	<i>32%</i>	
Operating expenses	(5 363.4)	(4 350.0)	23%	(2 752.1)	(2 236.2)	23%
Operating Income	4 644.4	4 533.7	2%	2 556.9	3 364.6	-24%
<i>Operating margin. %</i>	<i>13%</i>	<i>15%</i>		<i>13%</i>	<i>19%</i>	
Net Income**	4 095.4	3 987.3	3%	2 015.6	3 158.1	-36%
Adjusted EBITDA*	6 458.2	6 145.3	5%	3 478.2	4 180.2	-17%
<i>Adjusted EBITDA margin* %</i>	<i>18%</i>	<i>20%</i>		<i>18%</i>	<i>24%</i>	

### **Poultry Division**

Sales volume for the first half of 2015 increased by 9% to 225 223 tonnes of sellable weight (1H 2014: 205 775 tonnes). The average price (*all prices hereinafter are net of VAT*) increased by 17% to 95.38 RUB/kg from 81.53 RUB/kg in the first half of 2014. Compared to the price of 96.49 RUB/kg in the first quarter of 2015, the price in the second quarter of 2015 decreased by 2%.

Total sales in the division increased by 27% to RUB 21 211.3 million (1H14: RUB 16 691.7 million). Gross profit increased by 6% to RUB 4 318.7 million (1H14: RUB 4 066.5 million). Gross margin decreased to 20% (1H14: 24%).

Operating expenses as a percentage of sales decreased to 11% from 12%. Operating income decreased by 4% to RUB 1 965.5 million (1H14: RUB 2 045.5 million), and operating margin amounted to 9% (1H14: 12%). Profit in the division decreased by 20% to RUB 1 662.0 million (1H14: RUB 2 068.6 million).

Adjusted EBITDA increased by 1% to RUB 2 900.6 million (1H14: RUB 2 863.9 million), while adjusted EBITDA margin decreased to 14% in 1H15 from 17% in 1H14.

### **Pork Division**

Sales volume in the first half of 2015 decreased by 9% to 74 379 tonnes of live weight from 81 318 tonnes in the first half of 2014. The decrease was due mostly to the quarantine closure of two finishing facilities after the african swine fever outbreak in December 2014 (the quarantine was lifted in summer). The average price increased by 17% to 103.37 RUB/kg in the first half of 2015 from 88.72 RUB/kg in the first half of 2014. Compared to the price in the first quarter of 2015 of 98.29 RUB/kg, the price in the second quarter of 2015 increased by 10%. The strong pricing environment allowed to compensate for the decrease in sales in tonnes.

Total sales in the division increased by 7% to RUB 7 840.6 million (1H14: RUB 7 338.6 million). The segment reported gross profit of RUB 3 461.5 million in 1H15 (1H14: RUB 3 059.9 million). Gross margin in 1H15 was at 44%. (1H2014: 42%).

Operating expenses as a percentage of sales increased to 6% from 3% in 1H14. The division generated operating income of RUB 2 972.8 million (1H14: RUB 2 838.4 million).

Profit in the division increased by 8% to RUB 2 856.9 million (1H14: RUB 2 633.3 million).

Adjusted EBITDA amounted to RUB 3 367.5 million (1H14: RUB 3 355.1 million), and adjusted EBITDA margin was 43% (1H14: 46%).

### **Meat Processing Division**

Sales volume in the first half of 2015 increased by 28% to 81 755 tonnes from 64 033 tonnes in the first half of 2014 on the back of increased sales of case-ready products and meat-on-bone, all made of the meat supplied by the Company's own farms. The average price increased by 8% to 172.93 RUB/kg in the first half of 2015 from 160.78 RUB/kg in the first half of 2014. Compared to the price of 168.85 RUB/kg in the first quarter of 2015, the price in the second quarter of 2015 increased by 5%.

Total sales in the division increased by 36% to RUB 12 684.6 million (1H14: RUB 9 355.8 million), gross profit increased by 27% to RUB 1 927.7 million (1H14: RUB 1 518.2 million), and gross margin went down slightly to 15% (1H14: 16%).

Operating expenses as a percentage of sales decreased to 11% from 14%. Operating income more than doubled to RUB 522.3 million (1H14: RUB 210.7 million). Operating margin increased to 4% (1H14: 2%). The division profit increased by 7 times to RUB 405.5 million (1H14: RUB 54.5 million).

Adjusted EBITDA almost doubled to RUB 741.5 million (1H14: RUB 392.9 million), and adjusted EBITDA margin was at 6% (1H14: 4%).

### **Financial Position**

The Group's Capital Expenditure on property, plant and equipment and maintenance amounted to RUB 4 145.8 million (1H14: RUB 2 810.0 million). Of that, RUB 1 317.5 million was invested into the

Poultry division, mainly into the construction of the hatchery and the grain storage in the Lipetsk region (Eletsrom project). In the Pork division, RUB 702.8 million was mainly invested into purchase of the equipment for the finisher complexes in the Voronezh region. The Meat Processing division received RUB 619.4 million of investments (renovation of Dankov MPP). In the Grain division, RUB 405.7 million was invested into the purchase of the equipment. The Feed Processing division received RUB 950.4 million of investments (construction of feed mills).

Net Debt at the end of the first half of 2015 was RUB 28 966.0 million compared to RUB 26 073.6 million at the end of year 2014. Total debt stood at RUB 30 274.1 million compared to RUB 27 752.5 million at the end of year 2014. Of total debt long-term debt was RUB 9 639.1 million or 32% of the debt portfolio. Short-term debt was RUB 20 635.0 million, or 68% of the portfolio. Cost of debt was at 3.6 % in the first half of 2015 (1H14: 3.0%). The portion of subsidised loans and credit lines in the portfolio was 82% (1H14: 91 %). Cash and cash equivalents totalled RUB 666.7 million as of 30 June 2015.

### **Dividends**

The Group paid out dividends for the fiscal year 2014, in the amount of RUB 2,4 billion (RUB 54.6 per ord share) in the second quarter of 2015.

The Board of Directors of Cherkizovo Group has approved the dividend policy

( <http://cherkizovo.com/dividendpolicy-en.pdf> ) .

### **Subsidies**

The Group accrued subsidies for interest reimbursement of RUB 1 107.2 million which offset interest expense (1H14: RUB 938.8 million). The Group received RUB 863.9 million of subsidies in 1H15 (1H14: RUB 1 128.6 million).

### **Outlook**

A number of external factors, such as currency exchange rates and prices for the new grain harvest, will affect the Group's financial results in 3Q and 4Q. Although the 2015 grain harvest is expected to be large, ruble devaluation may significantly increase the cost of grain, which will impact profitability. At the same time, pork prices remain at a stable high level, which is a positive factor for our profits. On the poultry market, we see some saturation. On the one hand, this will not allow us to compensate for increased costs by raising prices; but on the other hand, this significantly increases the competitiveness of Cherkizovo Group, which has the strongest poultry brand portfolio in Russia and a strong logistics and distribution system.

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

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

**\*Non-GAAP financial measures.** *This press release includes financial information prepared in accordance with accounting principles generally accepted in the United States of America, or US GAAP, as well as other financial measures referred to as non-GAAP. The non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with US GAAP.*

**Adjusted Earnings before Interest, Income Tax, Depreciation and Amortization ("Adjusted EBITDA").** *Adjusted Earnings before Interest, Income Tax, Depreciation and Amortization ("Adjusted EBITDA"). Adjusted EBITDA represents income before income tax and non-controlling interests adjusted for interest, depreciation and amortization, foreign exchange differences, other finance income and gains on bargain purchase as shown in the reconciliation in Appendix 1. Adjusted EBITDA margin is defined as Adjusted EBITDA as a percentage of our net revenues. Our adjusted EBITDA may not be similar to adjusted EBITDA measures of other companies; is not a measurement under accounting principles accepted in the United States and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of operations. We believe that adjusted EBITDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. Our adjusted EBITDA calculation is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies within our industry. Adjusted EBITDA is reconciled to our consolidated statements of operations in Appendix 1.*

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

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

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

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

## APPENDIX I: KEY DATA AND FIGURES

### UNAUDITED 6 months ended June 30, 2015 Consolidated Selected Financial Data (RUB 000)

(in thousands of rubles)	Meat-Processing	Poultry	Pork	Grain	Feed	Corporate assets/expenditures	Inter-division	Combined
<b>Total Sales</b>	12 684 642	21 211 298	7 840 564	128 581	13 133 229	12 136	(18 799 310)	36 211 140
including other sales	204 619	400 241	54 019	29 055	-	12 136	(56 542)	643 528
including sales volume discount	(1 538 516)	(699 307)	-	-	-	-	-	(2 237 823)
Interdivision Sales	(12 378)	(950 762)	(4 786 788)	(49 911)	(12 999 471)	-	18 799 310	-
Sales to external customers (Sales)	12 672 264	20 260 536	3 053 776	78 670	133 758	12 136	-	36 211 140
% of Total sales	34.9%	55.9%	8.6%	0.2%	0.4%	0.0%	0.0%	100.0%
Cost of Sales	(10 756 936)	(16 892 647)	(4 379 108)	(98 241)	(13 022 347)	-	18 945 889	(26 203 390)
<b>Gross profit</b>	<b>1 927 706</b>	<b>4 318 651</b>	<b>3 461 456</b>	<b>30 340</b>	<b>110 882</b>	<b>12 136</b>	<b>146 579</b>	<b>10 007 750</b>
Gross margin	15.2%	20.4%	44.1%	23.6%	0.8%	100.0%	-0.8%	27.6%
Operating expenses	(1 405 412)	(2 353 181)	(488 648)	(27 962)	(177 212)	(929 390)	18 413	(5 363 392)
<b>Operating income/ (expense)</b>	<b>522 294</b>	<b>1 965 470</b>	<b>2 972 808</b>	<b>2 378</b>	<b>(66 330)</b>	<b>(917 254)</b>	<b>164 992</b>	<b>4 644 358</b>
Operating margin	4.1%	9.3%	37.9%	1.8%	-0.5%	-7558.1%	-0.9%	12.8%
Other income and expenses, net	(25 319)	73 710	48 293	(7 232)	57 154	253 125	(250 378)	149 353
Financial expenses, net	(91 447)	(377 151)	(164 237)	(6 974)	(62 918)	(155 983)	250 378	(608 332)
<b>Division profit / (loss)</b>	<b>405 528</b>	<b>1 662 029</b>	<b>2 856 864</b>	<b>(11 828)</b>	<b>(72 094)</b>	<b>(820 112)</b>	<b>164 992</b>	<b>4 185 379</b>
Division profit margin	3.2%	7.8%	36.2%	-9.2%	-0.5%	-6757.7%	-0.9%	11.5%
Supplemental information:								
Income Tax (benefit) / expense	19 513	7 164	2 803	(889)	(9 431)	1 451	-	20 611
Depreciation expense	214 681	936 073	394 543	22 397	202 045	30 056	-	1 799 795
<b>Adjusted EBITDA reconciliation</b>								
<b>Division profit / (loss)</b>	<b>405 528</b>	<b>1 662 029</b>	<b>2 856 864</b>	<b>(11 828)</b>	<b>(72 094)</b>	<b>(820 112)</b>	<b>164 992</b>	<b>4 185 379</b>
Add:								
Interest expense, net	91 447	377 151	164 237	6 974	62 918	155 983	(250 378)	608 332
Interest income	(5 012)	(90 857)	(1 681)	(128)	(14 255)	(217 029)	250 378	(78 584)
Foreign exchange loss/ (gain), net	34 831	58 990	(46 431)	10 285	(35 519)	(36 096)	-	(13 940)
Depreciation and amortisation	214 681	936 073	394 543	22 397	202 045	30 056	-	1 799 795
Other income and expenses, net	-	(42 800)	-	-	-	-	-	(42 800)
<b>Adjusted EBITDA*</b>	<b>741 475</b>	<b>2 900 586</b>	<b>3 367 532</b>	<b>27 700</b>	<b>143 095</b>	<b>(887 198)</b>	<b>164 992</b>	<b>6 458 182</b>
Adjusted EBITDA Margin*	5.8%	13.7%	43.0%	21.5%	1.1%	-7310.5%	-0.9%	17.8%

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

<b>Total net division profit</b>	<b>4 185 379</b>
Net income attributable to non-controlling interests	(69 400)
Income taxes	(20 611)
<b>Net income attributable to Cherkizovo Group</b>	<b>4 095 368</b>

##This amount represents unrealised margin on inter-division sales and relates mainly to the sale of grain from Grain to Feed division

## UNAUDITED CONSOLIDATED INCOME STATEMENT DATA

(in thousands of rubles)

	Six months ended 30 June 2015	Six months ended 30 June 2014 (adjusted)#
Sales	36 211 140	30 513 508
incl. Sales volume discounts	(2 237 823)	(1 541 855)
incl. Sales returns	(492 427)	(263 178)
Cost of sales	(26 203 390)	(21 629 749)
<b>Gross profit</b>	<b>10 007 750</b>	<b>8 883 759</b>
Gross margin	27.7%	29.1%
Operating expenses	(5 363 392)	(4 350 049)
<b>Operating Income</b>	<b>4 644 358</b>	<b>4 533 710</b>
Operating margin	12.8%	14.9%
<b>Income before income tax and minority interest</b>	<b>4 185 379</b>	<b>5 500 422</b>
<b>Net income attributable to Group Cherkizovo</b>	<b>4 095 368</b>	<b>5 365 662</b>
<i>Net profit margin</i>	<i>11.3%</i>	<i>17.7%</i>
Weighted average number of shares outstanding	43 855 590	43 846 590
<b>Earnings per share</b>		
<b>Net income attributable to Cherkizovo Group per share - basic and diluted (rubles)</b>	<b>93.4</b>	<b>122.4</b>
<b>Consolidated Adjusted EBITDA reconciliation*</b>		
<b>Income before income tax and minority interest</b>	<b>4 185 379</b>	<b>5 500 422</b>
Add:		
Gain from bargain purchase	-	(1 378 394)
Interest expense, net of subsidies	608 332	476 141
Interest income	(78 584)	(116 707)
Foreign exchange loss/(gain), net	(13 940)	52 805
Depreciation and amortisation	1 799 795	1 611 624
Other income and expenses, net	(42 800)	-
<b>Consolidated Adjusted EBITDA*</b>	<b>6 458 182</b>	<b>6 145 891</b>
<i>Adjusted EBITDA Margin</i>	<i>17.8%</i>	<i>20.1%</i>

#### POULTRY DIVISION UNAUDITED INCOME STATEMENT DATA

(in thousands of rubles)	Six months ended 30 June 2015	Six months ended 30 June 2014
Total Sales	21 211 298	16 691 657
Interdivision sales	(950 762)	(413 721)
<b>Sales to external customers</b>	<b>20 260 536</b>	<b>16 277 936</b>
Cost of sales	(16 892 647)	(12 625 113)
<b>Gross profit</b>	<b>4 318 651</b>	<b>4 066 544</b>
<i>Gross margin</i>	<i>20.4%</i>	<i>24.4%</i>
Operating expenses	(2 353 181)	(2 021 075)
<b>Operating Income</b>	<b>1 965 470</b>	<b>2 045 469</b>
<i>Operating margin</i>	<i>9.3%</i>	<i>12.3%</i>
Other income and expense, net	73 710	174 747
Interest expense, net	(377 151)	(151 599)
<b>Division profit</b>	<b>1 662 029</b>	<b>2 068 617</b>
<i>Division profit margin</i>	<i>7.8%</i>	<i>12.4%</i>
<b>Poultry division Adjusted EBITDA reconciliation*</b>		
<b>Division profit</b>	<b>1 662 029</b>	<b>2 068 617</b>
Add:		
Interest expense, net of subsidies	377 151	151 599
Interest income	(90 857)	(161 653)

Foreign exchange gain, net	58 990	(13 094)
Depreciation and amortisation	936 073	818 401
Other income	(42 800)	-
<b>Poultry division Adjusted EBITDA*</b>	<b>2 900 586</b>	<b>2 863 870</b>
<i>Adjusted EBITDA Margin</i>	<i>13.7%</i>	<i>17.2%</i>

**PORK DIVISION UNAUDITED INCOME STATEMENT DATA**

(in thousands of rubles)	Six months ended 30 June 2015	Six months ended 30 June 2014
Total Sales	7 840 564	7 338 619
Interdivision sales	(4 786 788)	(2 660 771)
<b>Sales to external customers</b>	<b>3 053 776</b>	<b>4 677 848</b>
Cost of sales	(4 379 108)	(4 278 694)
<b>Gross profit</b>	<b>3 461 456</b>	<b>3 059 925</b>
<i>Gross margin</i>	<i>44.1%</i>	<i>41.7%</i>
Operating expenses	(488 648)	(221 573)
<b>Operating Income</b>	<b>2 972 808</b>	<b>2 838 352</b>
<i>Operating margin</i>	<i>37.9%</i>	<i>38.7%</i>
Other income and expense, net	48 293	3 202
Interest expense, net	(164 237)	(208 278)
<b>Division Profit</b>	<b>2 856 864</b>	<b>2 633 276</b>
<i>Division profit margin</i>	<i>36.2%</i>	<i>35.9%</i>

**Pork division Adjusted EBITDA reconciliation\***

<b>Division Profit</b>	<b>2 856 864</b>	<b>2 633 276</b>
Add:		
Interest expense, net of subsidies	164 237	208 278
Interest income	(1 681)	(8 292)
Foreign exchange loss/(gain), net	(46 431)	5 090
Depreciation and amortisation	394 543	516 719
<b>Pork division Adjusted EBITDA*</b>	<b>3 367 532</b>	<b>3 355 071</b>
<i>Adjusted EBITDA Margin</i>	<i>43.0%</i>	<i>45.7%</i>

**MEAT PROCESSING DIVISION UNAUDITED INCOME STATEMENT DATA**

(in thousands of rubles)	Six months ended 30 June 2015	Six months ended 30 June 2014
Total Sales	12 684 642	9 355 841
Interdivision sales	(12 378)	(5 400)
<b>Sales to external customers</b>	<b>12 672 264</b>	<b>9 350 441</b>
Cost of sales	(10 756 936)	(7 837 604)
<b>Gross profit</b>	<b>1 927 706</b>	<b>1 518 237</b>
<i>Gross margin</i>	<i>15.2%</i>	<i>16.2%</i>
Operating expenses	(1 405 412)	(1 307 519)
<b>Operating Income</b>	<b>522 294</b>	<b>210 718</b>
<i>Operating margin</i>	<i>4.1%</i>	<i>2.3%</i>
Other income and expense, net	(25 319)	(4 663)
Interest expense, net	(91 447)	(151 546)
<b>Division profit</b>	<b>405 528</b>	<b>54 509</b>
<i>Division profit margin</i>	<i>3.2%</i>	<i>0.6%</i>

**Meat processing division Adjusted EBITDA reconciliation\***

<b>Division profit</b>	<b>405 528</b>	<b>54 509</b>
Add:		
Interest expense, net of subsidies	91 447	151 546
Interest income	(5 012)	(2 087)
Foreign exchange loss/(gain), net	34 831	7 307

Depreciation and amortisation	214 681	181 594
<b>Meat processing division Adjusted EBITDA*</b>	<b>741 475</b>	<b>392 869</b>
<i>Adjusted EBITDA Margin</i>	5.8%	4.2%

**APPENDIX II:****UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT  
6 MONTHS ENDED JUNE 30 2015**

	Six months ended 30 June 2015 RUR'000	Six months ended 30 June 2014 RUR'000 (as adjusted)#	Year ended 31 December 2014 RUR'000
Sales	36 211 140	30 513 508	68 668 409
Cost of sales	(26 203 390)	(21 629 749)	(45 719 342)
<b>Gross profit</b>	<b>10 007 750</b>	<b>8 883 759</b>	<b>22 949 067</b>
Selling, general and administrative expense	(5 547 253)	(4 568 379)	(9 903 786)
Other operating income, net	183 861	218 330	446 905
<b>Operating income</b>	<b>4 644 358</b>	<b>4 533 710</b>	<b>13 492 186</b>
Other income (expense), net	149 353	64 459	(457 924)
Financial expense, net	(608 332)	(476 141)	(964 119)
Gain from bargain purchase	-	1 378 394	1 378 394
<b>Income before income tax</b>	<b>4 185 379</b>	<b>5 500 422</b>	<b>13 448 537</b>
Income tax	(20 611)	(56 475)	7 654
<b>Net income</b>	<b>4 164 768</b>	<b>5 443 947</b>	<b>13 456 191</b>
Less: Net income attributable to non-controlling interests	(69 400)	(78 285)	(138 400)
<b>Net income attributable to Cherkizovo Group</b>	<b>4 095 368</b>	<b>5 365 662</b>	<b>13 317 791</b>

Weighted average number of shares outstanding - basic	43 855 590	43 846 590	43 851 090
Net income, attributable to Cherkizovo Group per share - basic (rubles):	93.4	122.4	303.7

**APPENDIX III:****UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS OF 30 JUNE 2015**

	30 June 2015 RUR'000	31 December 2014 RUR'000
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	666 672	1 007 554
Trade receivables, net of allowance for doubtful accounts of 84 809 and of 99 071 as of 30 June 2015 and 31 December 2014, respectively	4 033 633	3 953 085
Advances paid, net of allowance for doubtful accounts of 100 550 and of 77 862 as of 30 June 2015 and 31 December 2014, respectively	2 578 764	2 246 624
Inventory	14 391 292	12 387 623
Deferred tax assets	150 234	150 235
Other receivables, net of allowance for doubtful accounts of 36 750 and of 8 270 as of 30 June 2015 and 31 December 2014, respectively	1 462 026	1 186 673
Other current assets	3 674 814	2 667 374
<b>Total current assets</b>	<b>26 957 435</b>	<b>23 599 168</b>
<b>Non-current assets:</b>		
Property, plant and equipment, net	55 407 511	53 156 568
Goodwill	557 191	557 191
Other intangible assets, net	1 534 888	1 493 939
Deferred tax assets	68 232	68 232
Notes receivable, net	730 700	555 700
Investments in joint venture	295 963	295 963
Long-term deposits in banks	641 365	671 365
Other non-current assets	134 621	90 904



<b>Total non-current assets</b>	<b>59 370 471</b>	<b>56 889 862</b>
<b>Total assets</b>	<b>86 327 906</b>	<b>80 489 030</b>

### UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS OF 30 JUNE 2015 CONTINUED

	30 June 2015 RUR'000	31 December 2014 RUR'000
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Trade accounts payable	5 480 624	4 315 188
Short-term borrowings	20 634 961	13 467 709
Tax related liabilities	1 047 905	844 935
Deferred tax liabilities	64 343	64 343
Payroll related liabilities	1 284 556	1 217 693
Advances received	965 917	1 099 337
Payables for non-current assets	771 731	574 073
Interest payable	162 332	90 200
Other payables and accruals	352 619	222 293
<b>Total current liabilities</b>	<b>30 764 988</b>	<b>21 895 771</b>
<b>Non-current liabilities:</b>		
Long-term borrowings	9 639 092	14 284 784
Deferred tax liabilities	48 985	111 373
Tax related liabilities	67 487	67 487
Other liabilities	86 092	177 787
<b>Total non-current liabilities</b>	<b>9 841 656</b>	<b>14 641 431</b>
<b>Equity:</b>		
Share capital	440	440
Additional paid-in capital	5 591 204	5 591 204
Treasury shares	(78 033)	(78 033)
Retained earnings	39 122 865	37 422 831
<b>Total shareholders' equity</b>	<b>44 636 476</b>	<b>42 936 442</b>
Non-controlling interests	1 084 786	1 015 386
<b>Total equity</b>	<b>45 721 262</b>	<b>43 951 828</b>
<b>Total liabilities and equity</b>	<b>86 327 906</b>	<b>80 489 030</b>

### APPENDIX IV:

### UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT FOR 6 MONTHS ENDED JUNE 30, 2015

	Six months ended		
	Six months ended 30 June 2015 RUR'000	30 June 2014 RUR'000 (as adjusted)#	Year ended 31 December 2014 RUR'000
<b>Cash flows from (used in) operating activities:</b>			
Net income	4 164 768	5 443 947	13 456 191
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortisation	1 799 795	1 611 624	3 481 944
Bad debt expense	37 937	65 216	121 804
Foreign exchange (gain) loss	(13 940)	52 805	739 117
Deferred tax benefit	(62 387)	(4 393)	(72 125)
Gain on disposal of property, plant and equipment	(127 436)	(218 332)	(446 969)
Gain from bargain purchase	-	(1 378 394)	(1 378 394)
Other adjustments, net	(14 059)	1 901	(361)
<b>Changes in operating assets and liabilities</b>			
Increase in trade receivables	(30 929)	(675 273)	(1 328 884)
Increase in advances paid	(354 768)	(352 794)	(1 113 979)
(Increase) decrease in inventory	(1 926 583)	331 790	(1 994 150)
(Increase) decrease in other receivables and other current assets	(1 359 085)	136 115	(343 925)
(Increase) decrease in other non-current receivables	(43 716)	3 138	2 294
Increase (decrease) in trade accounts payable	1 195 050	(94 089)	(493 525)
Increase in tax related liabilities	250 222	252 837	124 745
(Decrease) increase in other current payables	(37 219)	(380 172)	619 093
<b>Total net cash from operating activities</b>	<b>3 477 650</b>	<b>4 795 926</b>	<b>11 372 876</b>
<b>Cash flows from (used in) investing activities:</b>			
Purchases of long-lived assets	(4 162 862)	(2 695 781)	(6 729 844)
Proceeds from sale of property, plant and equipment	336 959	376 426	1 066 769

Acquisitions of subsidiaries, net of cash acquired	-	(2 176 263)	(3 048 288)
Investments in joint venture	-	129 700	129 700
Issuance of long-term loans and placing of long term deposits	(175 000)	(355 700)	(555 700)
Placing of deposits and issuance of short-term loans	(12 714)	(127 338)	(239 210)
Repayment of short-term loans issued and redemption of deposits	30 000	64 488	105 198
<b>Total net cash used in investing activities</b>	<b>(3 983 617)</b>	<b>(4 784 468)</b>	<b>(9 271 375)</b>

**UNAUDITED Condensed consolidated interim cash flow statement  
FOR 6 MONTHS ENDED JUNE 30, 2015 CONTINUED**

	Six months ended 30 June 2015 RUR'000	Six months ended 30 June 2014 RUR'000 (as adjusted)#	Year ended 31 December 2014 RUR'000
<b>Cash flows from (used in) financing activities:</b>			
Proceeds from long-term loans	884 411	966 175	1 957 281
Repayment of long-term loans	(2 600 625)	(2 133 478)	(4 986 462)
Proceeds from short-term loans	8 790 469	5 382 090	11 222 194
Repayment of short-term loans	(4 513 836)	(4 397 296)	(9 884 073)
Dividends paid	(2 395 334)	-	(1 510 169)
<b>Total net cash from (used in) financing activities</b>	<b>165 085</b>	<b>(182 509)</b>	<b>(3 201 229)</b>
<b>Total cash from (used in) operating, investing and financing activities</b>	<b>(340 882)</b>	<b>(171 051)</b>	<b>(1 099 728)</b>
Cash and cash equivalents at the beginning of the period	1 007 554	2 107 282	2 107 282
<b>Cash and cash equivalents at the end of the period</b>	<b>666 672</b>	<b>1 936 231</b>	<b>1 007 554</b>

**Supplemental Information:**

Income taxes paid	99 011	32 952	121 776
Interest paid	1 333 598	1 476 496	3 052 669
Subsidies for compensation of interest expense received	863 860	1 128 634	2 569 774

**Non cash transactions:**

Property, plant and equipment acquired through vendor financing	771 731	313 103	574 073
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# As required by US GAAP, comparative information for the six months ended 30 June 2014 has been retrospectively adjusted for the finalization of the allocation of the purchase price of Lisko Broiler.

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