

## Regulatory Story

[Go to market news section](#)

**PJSC Cherkizovo Group** - CHE Financial Results for the First Half of 2016  
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## PJSC Cherkizovo Group

### Announces Financial Results for the First Half of 2016

Moscow, Russia - August 24, 2016 - Cherkizovo Group (LSE: CHE; MOEX: GCHE) (hereinafter "Cherkizovo", "the Group" or "the Company"), the largest vertically integrated meat and feed producer in Russia, today announces its unaudited consolidated IFRS results for the period ending June 30, 2016.

#### Second quarter financial highlights

- Revenue increased by 9% quarter-on-quarter to RUB 20.3 billion from RUB 18.5 billion in 1Q 2016;
- Gross profit grew by 65% quarter-on-quarter to RUB 5.0 billion from RUB 3.1 billion in 1Q 2016;
- Gross margin of 25.0% from 16.6% in 1Q 2016;
- Adjusted EBITDA\* was almost three times higher and reached RUB 2.0 billion, compared to RUB 0.7 billion in 1Q 2016;
- Adjusted EBITDA margin of 9.9% compared to 3.9% in 1Q 2016.

#### First half financial highlights

- Revenue increased by 7% year-on-year to RUB 38.8 billion from RUB 36.2 billion in 1H 2015;
- Gross profit decreased by 30% year-on-year to RUB 8.1 billion from RUB 11.6 billion in 1H 2015;
- Gross margin fell to 21.0% from 32.0% in 1H 2015;
- Operating expenses grew by 19% year-on-year to RUB 6.4 billion, compared to RUB 5.4 billion in 1H 2015;
- Adjusted EBITDA\* of RUB 2.7 billion compared to RUB 6.5 billion in 1H 2015, a year-on-year drop of 58%;
- Adjusted EBITDA margin at 7.0% compared to 17.8% in 1H 2015;
- Net profit for the period was RUB 0.9 billion, down 83% year-on-year from RUB 5.7 billion in 1H 2015;
- Net operating cash flow was RUB 1.1 billion for the first half of 2016;
- Net debt\*\* was RUB 39.3 billion as of June 30, 2016;
- The effective cost of debt was 5.1 % (1H 2015: 3.6%);
- Earnings per share was RUB 21.6 (1H 2015: EPS was RUB 129.4).

#### Key corporate highlights

- Cherkizovo Group started exporting poultry meat to Egypt. The first shipments begun in August and are expected to reach 10,000 tons by the year-end. The Company is currently pursuing ways to enter new markets in the Middle East, Southeast Asia and Africa.
- The modernisation of the Mosselprom poultry production cluster has been completed. 24 new poultry houses have been launched, boosting annual production volume by 12,000 tons.
- The Tambov Turkey project is being completed. Annual production capacity is 50,000 tons of live weight, which immediately places us in the top three turkey producers in Russia. The first shipments are due to start at the end of August.
- The second phase of the pork cluster project in Voronezh was completed in June. The first phase in Lipetsk is currently under way and is scheduled to be completed by the end of 2016. The project will be fully completed in 2017 and will boost production capacity by 70,000 tons per year.

- A new Board of Directors and Chairman of the Board were elected. A new structure is now in place to give an increased role to the independent directors to support them in further enhancing corporate governance and formulating Cherkizovo's development strategy.
- Our new research laboratory, the most advanced of its kind in Russia, has been put into operation. Its ultimate goal is to increase the quality and biosafety of our products.

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

"Performance in the second quarter was in line with our expectations. Following a challenging first quarter, we saw strong operational performance across all segments in the second quarter, which fuelled double-digit growth in volumes. The uptick came as a result of higher production levels and improvements in efficiency. The meat processing segment in particular continues to deliver solid performance in a stagnating market and the value of our Petelinka brand is growing, despite the lower year-on-year performance of the poultry segment. We are also starting to see signs of price recovery, particularly in poultry and pork. To sustain and leverage our key competitive advantages, we have been focusing on enhancing our business model to add even more emphasis on quality and value-added products, and we are already seeing the results of our efforts.

Although the Russian ruble has started to stabilise, the average real exchange rate is still lower year-on-year and Russian consumers continue to face downward pressure on their purchasing power. Despite the challenging macroeconomic environment, we believe our strong domestic market position, aided by our expansion into selected international markets, will deliver strong financial and operational results in the coming quarters and years."

#### Financial summary

	1H 16	1H 15	Year-on-year change	2Q 16	1Q 16	Quarter-on-quarter change
	mln RUB	mln RUB	%	mln RUB	mln RUB	%
<b>Revenue</b>	38,834.9	36,211.1	7%	20,290.1	18,544.7	9%
<b>Gross profit</b>	8,144.1	11,588.8	(30%)	5,069.9	3,074.2	65%
<b>Operating expenses</b>	(6,371.3)	(5,363.4)	19%	(3,275.9)	(3,095.4)	6%
<b>Adjusted EBITDA</b>	<b>2,727.7</b>	<b>6,458.2</b>	<b>(58%)</b>	<b>2,002.3</b>	<b>725.4</b>	<b>176%</b>
<i>Adjusted EBITDA margin</i>	7.0%	17.8%		9.9%	3.9%	
<b>Operating profit / (loss)</b>	<b>1,772.8</b>	<b>6,225.4</b>	<b>(72%)</b>	<b>1,794.0</b>	<b>(21.2)</b>	-
<i>Income / (Loss) before tax</i>	946.5	5,766.5	(84%)	1,438.9	(492.5)	-
<b>Profit / (loss)</b>	<b>948.8</b>	<b>5,676.5</b>	<b>(83%)</b>	<b>1,389.7</b>	<b>(440.8)</b>	-
<b>Net operating cash flow</b>	<b>1,074.3</b>	<b>3 477.7</b>		<b>2 405.0</b>	<b>(1,330.7)</b>	
<b>Net debt</b>	<b>39,250.6</b>	<b>35,009.6<sup>1</sup></b>	12%	<b>39,250.6</b>	<b>38,575.6</b>	2%

<sup>1</sup> as of December 31, 2015

#### Revenue

Sales increased by 7% year-on-year in 1H 2016 to RUB 38.8 billion, compared to RUB 36.2 billion in 1H 2015. The main drivers behind this growth were the poultry and meat processing segments. On a quarter-on-quarter basis, sales growth was 9%.

#### Gross profit

Gross profit fell by 30% year-on-year to RUB 8.1 billion from RUB 11.6 billion in 1H 2015. The majority of this decrease can be attributed to the poultry and pork segments, where a significant amount of expenses are pegged to foreign currency. Although the Russian ruble stabilised during the second quarter, it is still significantly lower year-on-year. The gross margin consequently fell to 21.0% in 1H 2016 from 32.0% in 1H 2015, resulting from higher costs. At the same time, on a quarter-on-quarter basis, gross profit demonstrated growth of 65% in the second quarter of 2016.

#### Operating expenses

Operating expenses increased by 19% year-on-year to RUB 6.4 billion, compared to RUB 5.4 billion in 1H 2015, as a result of higher payroll, transportation and other selling expenses. In the second quarter, operating expenses grew by only 5% quarter-on-quarter. Operating expenses as percentage of sales increased to 16.4% in 1H 2016 from 14.8% in 1H 2015.

#### Adjusted EBITDA

In the first half of 2016, adjusted EBITDA fell by 58% year-on-year to RUB 2.7 billion from RUB 6.5 billion in 1H 2015. The adjusted EBITDA margin fell to 7.0% (1H 2015: 17.8%). Nonetheless, in the second quarter of 2016, EBITDA almost tripled compared to the first quarter.

#### Interest expense

Interest expense was up 40% year-on-year to RUB 2.4 billion in the first half of 2016. The main drivers behind this growth were a 35% year-on-year increase in total borrowings to RUB 41.2 billion (1H 2015: RUB 30.4 billion), as well as a rise in interest rates. Net interest expense for 1H 2016 was RUB 1.3 billion, up 122% from the 2015 level

of RUB 0.6 billion. The Group accrued RUB 1.1 billion of subsidies in 1H 2016 included in the net interest expense above, a year-on-year decrease of 5%.

### Net profit

Net profit for the Group came in at RUB 0.9 billion, a decrease of 83% year-on-year from RUB 5.7 billion in 1H 2015. The net profit margin fell to 2.4% from 15.7% in 1H 2015.

### Cash flow

Operating cash flow for 1H 2016 was RUB 1.1 billion compared with RUB 3.5 billion in 1H 2015. This was mostly the result of decreasing operating income.

### Business segments

Divisions	Sales volume 1H 2016, thousand tons	Sales volume 1H 2015, thousand tons	Year-on- year change %	Revenue 1H 2016, RUB# mln	Revenue 1H 2015, RUB# mln	Year- on-year change %	Share of Group revenue %
<b>Poultry</b>	252.4	225.2	12%	22,856.9	21,211.3	8%	51%
<b>Pork</b>	86.9	77.3	12%	7,108.9	7,840.6	(9%)	19%
<b>Meat processing</b>	102.9	81.8	26%	14,652.8	12,684.6	16%	30%

# revenue for both years includes intersegment sales

#### Poultry Division

Sales volumes grew by 12% year-on-year to 252.4 thousand tons in 1H 2016 (1H 2015: 225.2 thousand tons). This growth was driven by higher production levels, which resulted from improvements in efficiency, sales of excess inventory and the launch of new poultry houses at the Mosselprom production facility.

The average price during the first half of 2016 dropped by 6% year-on-year to 90.06 RUB/kg due to oversupply in the market and consumers' falling purchasing power. On a quarter-on-quarter basis, however, the average price grew in the second quarter by 3% to 91.61 RUB/kg.

Total sales for the division increased by 8% year-on-year to RUB 22.9 billion (1H 2015: RUB 21.2 billion). Sales growth was flat quarter-on-quarter.

Gross profit fell by 26% year-on-year to RUB 2.7 billion from RUB 3.7 billion in 1H 2015 as costs for feed components, hatching eggs and veterinary supplies are denominated in foreign currency. During the first quarter, the Russian ruble hit a new low for 2016. Although the situation stabilised in the second quarter, the average real exchange rate for the first half of 2016 was still 13% lower year-on-year. The gross margin for the first half decreased to 11.9% from 17.4% in the corresponding period of 2015. Between the first and second quarter of 2016, the segment's gross profit delivered solid growth of 85%.

Operating expenses as a percentage of sales were flat year-on-year at 11.2% (1H 2015: 11.1%).

Operating income fell by 88% year-on-year to RUB 0.2 billion from RUB 1.3 billion in 1H 2015, while the operating margin fell to 0.7% from 6.3% in the corresponding period of last year. Net profit for the division came in at RUB (0.6) billion, a year-on-year drop of 155%. This was mainly a result of the costs of feed components and other direct materials being pegged to foreign currencies.

Adjusted EBITDA dropped 67% year-on-year to RUB 0.9 billion (1H 2015: RUB 2.9 billion), while the adjusted EBITDA margin fell to 4.1% from 13.7% in the first half of 2015. However, on a quarter-on-quarter basis, EBITDA grew by almost nine times during the second quarter.

#### Pork Division

In the first half of 2016, sales volume in the pork division grew by 12% year-on-year to 86.9 thousand tons, compared with 77.3 thousand tons in 1H 2015. This was partly driven by the launch of a new genetics improvement strategy at the beginning of the year to improve pigs' health status and efficiency by increasing livability and weekly farrows.

The average price decreased by 18% year-on-year to 83.20 RUB/kg (1H 2015: 101.89 RUB/kg), while on a quarter-on-quarter basis, it grew by 3% to 84.46 RUB/kg (1Q 2016: 81.73 RUB/kg). The year-on-year drop was the result of Russian consumers' lowering purchasing power and the overall continuous increase in pork production across the country, which has been compounded by imports from Brazil.

Total sales in the pork division fell 9% year-on-year to RUB 7.1 billion (1H 2015: RUB 7.8 billion). This dip in sales was expected as the average price posted a double digit decline in the first half of 2016. On a quarter-on-quarter basis, however, sales increased by 20%.

Gross profit for the first half of 2016 stood at RUB 2.2 billion, a year-on-year drop of 57%, due to feed components and medication costs being denominated in foreign currencies. The segment's gross margin fell to 30.8% from 64.6% in 1H 2015. Nonetheless, the pork segment's gross profit doubled between the first and second quarter of the year.

Operating expenses as a percentage of sales were slightly lower compared to the corresponding period of last year and stood at 5.7% (1H 2015: 6.2%).

Operating income fell by 61% year-on-year to RUB 1.8 billion from RUB 4.6 billion in 1H 2015. The operating margin dropped to 25.2% from 58.4% in 1H 2015. Net profit decreased by 66% year-on-year to RUB 1.5 billion (1H 2015: RUB 4.5 billion).

Adjusted EBITDA fell to RUB 1.4 billion, a year-on-year decrease of 60%. The adjusted EBITDA margin fell to 19.1% in 1H 2016 from 43.0% in 1H 2015. On a quarter-on-quarter basis, adjusted EBITDA demonstrated growth of 28%.

### **Meat Processing Division**

Sales volume increased by 26% year-on-year to 102.9 thousand tons from 81.8 thousand tons in 1H 2015. This growth resulted from the launch of a pig slaughter plant at Dankov in the second half of 2015, which boosted both volume and product mix.

During the reporting period, the average price fell by 5% year-on-year to 164.42 RUB/kg due to non-sausage products from the Dankov meat processing plant having a greater share in sales. On a quarter-on-quarter basis, the average price fell by 1% to 163.81 RUB/kg (1Q 2016: 165.11 RUB/kg).

Total sales were 16% higher in 1H 2016 and reached RUB 14.7 billion (1H 2015: RUB 12.7 billion). In the second quarter, sales grew by 11% quarter-on-quarter.

Gross profit for the first half of the year increased 31% year-on-year to RUB 2.5 billion, compared to RUB 1.9 billion in 1H 2015. The gross margin rose to 17.3% from 15.2% in the first half of 2015. Gross profit growth remained strong on a quarter-on-quarter basis and reached 17%.

In the first half of 2016, operating expenses as a percentage of sales grew slightly to 12.0%, compared to 11.1% in the corresponding period of 2015. This was a result of higher transportation and payroll expenses.

Operating income increased by 49% year-on-year to RUB 0.8 billion from RUB 0.5 billion in 1H 2015. The operating margin rose to 5.3% from 4.1% in 1H 2015. In the first half of 2016, the meat processing segment generated net profit of RUB 0.7 billion, almost twice that of the first half of 2015 (RUB 0.4 billion).

In the first half of 2016, adjusted EBITDA increased by 46% to RUB 1.1 billion (1H 2015: RUB 0.7 billion). Adjusted EBITDA grew by 47% on a quarter-on-quarter basis. The adjusted EBITDA margin reached 7.4% in 1H 2016 compared to 5.8% in 1H 2015.

### **Grain Division**

Cherkizovo has begun its 2016 harvesting campaign and Russian harvests are expected to reach record levels this year. The Company expects to harvest a total of 500,000 tons of crops this year; wheat yields have already exceeded our budget.

Due to the seasonality of this business, the results of this segment are reported annually to better reflect the business performance and provide the appropriate basis for comparison.

### **Financial Position**

The Group's capital expenditure on property, plants, equipment and maintenance amounted to RUB 4.4 billion in the first half of 2016, a year-on-year increase of 5%. Of that, RUB 1.7 billion was invested into the poultry division, primarily into the construction of the hatchery and grain storage facility in the Lipetsk region (EletsProm Project). In the pork division, RUB 1.4 billion was invested into purchasing equipment for the new finisher complexes in the Voronezh region, as well as constructing new finisher complexes in the Lipetsk region. The meat processing division received RUB 0.5 billion of investments for the construction of the Kashira meat processing plant in the Moscow Region. In the grain division, RUB 0.8 billion was invested into the construction of a new grain drying facility.

As of 30 June, 2016, net debt amounted to RUB 39.3 billion, compared to RUB 35.0 billion at the end of 2015. Total debt stood at RUB 41.2 billion as of 30 June 2016 in line with the level of total debt at the end of 2015. As of 30 June 2016, long-term debt represented 38% of the debt portfolio and was RUB 15.7 billion. Short-term debt stood at RUB 25.5 billion, or 62% of the portfolio. The effective cost of debt was 5.1% in 1H 2016 (1H 2015: 3.6%).

Subsided loans and credit lines made up 79% of the debt portfolio in the first half of 2016 (1H 2015: 82%). Cash and cash equivalents totalled RUB 1.3 billion as of 30 June, 2016.

### **Subsidies**

In 1H 2016, the Group accrued subsidies for interest reimbursement of RUB 1.1 billion, which offset interest expense (1H 2015: RUB 1.1 billion). The Group received RUB 1.0 billion of subsidies in 1H 2016, compared to RUB 0.9 billion in 1H 2015.

### **Outlook**

The Russian macroeconomic situation improved in the second quarter. The first signs of progress are starting to emerge as June marked the first month of real wage growth in Russia since the start of the recession. The economy has adjusted to the low oil price environment and we hope this positive trend will gain momentum in the coming months.

The market is beginning to see signs of stability for meat prices. Volatility in pork prices has subsided as the market seems to be levelling out at a comfortable level of 85 RUB/kg excl. VAT. Poultry prices also appear to have bottomed out, providing early signs of stability.

Following a challenging first quarter, market conditions have improved and Cherkizovo Group is now delivering renewed growth. The Company has started to ship poultry products to Egypt and by the year-end, the Group's total shipments to the country are expected to reach 10,000 tons. At the same time, Cherkizovo is actively pursuing ways to selectively enter new markets in the Middle East, Southeast Asia and Africa where prices are better and the Company has advantages in terms of cost and proximity. On the domestic market, the Group's market share is continuing to grow as a result of increased production and its commitment to investing in the biosafety and quality of its products. The combination of these efforts positions Cherkizovo Group for growth despite softening consumer demand and a slight oversupply. With some marginal players struggling in the weaker market environment, we also believe there may be some potential for industry consolidation.

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

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#### About Cherkizovo Group

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

Cherkizovo Group encompasses 8 full cycle poultry production facilities, 15 modern pork production facilities, 6 meat processing plants, 9 feed mills and more than 140,000 hectares of agricultural land. In 2015, Cherkizovo Group produced more than 825,000 tons of meat products.

Thanks to its vertically integrated structure, which includes grain growing and storage, feed production, livestock breeding, fattening and slaughtering, and meat processing, alongside a distribution system, the Group has consistently delivered stable, long-term growth of both sales and revenue. The Company's consolidated revenue reached RUB 38.8 bn in the first half of 2016.

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

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

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

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

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

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

## **APPENDIX I: KEY DATA AND FIGURES**

**UNAUDITED 6 Months 2016 ended June 30, 2016 Consolidated Selected Financial Data (RUB 000)**

(in thousands of rubles)	Meat-processing	Pork	Poultry	Grain	Feed	Corporate assets/expenditure	Inter-division##	Combined
Total sales	14 652 813	7 108 869	22 856 884	653 124	15 523 182	16 400	(21 976 403)	38 834 869
including other sales	249 132	81 389	739 292	27 925	-	16 400	(198 929)	915 209
including sales volume discounts	(2 205 447)	-	(643 678)	-	-	-	-	(2 849 125)
Intersegment sales	(11 977)	(5 628 254)	(957 742)	(65 900)	(15 312 530)	-	21 976 403	-
Sales to external customers	14 640 836	1 480 615	21 899 142	587 224	210 652	16 400	-	38 834 869
Net change in fair value of biological assets and agricultural produce	-	837 161	199 466	79 753	-	-	-	1 116 380
Cost of sales	(12 122 540)	(5 755 261)	(20 333 789)	(372 459)	(15 355 668)	(32 620)	22 165 197	(31 807 140)
<b>Gross profit / (loss)</b>	<b>2 530 273</b>	<b>2 190 769</b>	<b>2 722 561</b>	<b>360 418</b>	<b>167 514</b>	<b>(16 220)</b>	<b>188 794</b>	<b>8 144 109</b>
Operating expense	(1 753 892)	(401 945)	(2 556 955)	(132 855)	(199 007)	(1 333 250)	6 584	(6 371 320)
<b>Operating income / (expense)</b>	<b>776 381</b>	<b>1 788 824</b>	<b>165 606</b>	<b>227 563</b>	<b>(31 493)</b>	<b>(1 349 470)</b>	<b>195 378</b>	<b>1 772 789</b>
Other income (expense), net	84 936	20 069	(311 361)	264	197 673	718 598	(187 164)	523 015
Interest expense, net	(121 447)	(308 385)	(419 795)	(21 867)	(265 607)	(399 412)	187 164	(1 349 349)
<b>Profit before income tax (division profit)</b>	<b>739 870</b>	<b>1 500 508</b>	<b>(565 550)</b>	<b>205 960</b>	<b>(99 427)</b>	<b>(1 030 284)</b>	<b>195 378</b>	<b>946 455</b>
Adjustments for:								
Interest expense, net	121 447	308 385	419 795	21 867	265 607	399 412	(187 164)	1 349 349
Interest income	(5 325)	(15 284)	(86 069)	(270)	(9 338)	(286 023)	187 164	(215 145)
Foreign exchange loss/ (gain)	(88 015)	(2 401)	402 820	6	(188 228)	(432 328)	-	(308 146)
Depreciation and amortisation expense	314 136	407 120	972 765	44 450	272 198	60 866	-	2 071 535
Net change in fair value of biological assets and agricultural produce	-	(837 161)	(199 466)	(79 753)	-	-	-	(1 116 380)
<b>Adjusted EBITDA</b>	<b>1 082 113</b>	<b>1 361 167</b>	<b>944 295</b>	<b>192 260</b>	<b>240 812</b>	<b>(1 288 357)</b>	<b>195 378</b>	<b>2 727 668</b>

<b>Total net division profit</b>	<b>946 455</b>
Profit attributable to non-controlling interests	134 186
Income taxes	(131 825)
<b>Profit attributable to Cherkizovo Group</b>	<b>948 816</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 2016	Six months ended 30 June 2015
<b>Sales</b>	<b>38 834 869</b>	<b>36 211 140</b>
incl. Sales volume discounts	(2 849 125)	(2 237 823)
incl. Sales returns	(346 301)	(492 427)
Net change in fair value of biological assets and agricultural produce	1 116 380	1 581 089
Cost of sales	(31 807 140)	(26 203 390)

<b>Gross profit</b>	<b>8 144 109</b>	<b>11 588 839</b>
<i>Gross margin</i>	<i>21,0%</i>	<i>32,0%</i>
Operating expenses	(6 371 320)	(5 363 392)
<b>Operating Income</b>	<b>1 772 789</b>	<b>6 225 447</b>
Operating margin	4,6%	17,2%
<b>Profit before income tax and non-controlling interests</b>	<b>946 455</b>	<b>5 766 468</b>
<b>Profit attributable to Group Cherkizovo</b>	<b>948 816</b>	<b>5 676 457</b>
<i>Net profit margin</i>	<i>2,4%</i>	<i>15,7%</i>
<b>Weighted average number of shares outstanding</b>	<b>43 855 590</b>	<b>43 855 590</b>
<b>Earnings per share</b>		
<b>Profit attributable to Cherkizovo Group per share - basic and diluted (rubles)</b>	<b>21,6</b>	<b>129,4</b>
Consolidated Adjusted EBITDA reconciliation*		
<b>Profit before income tax and non-controlling interests</b>	<b>946 455</b>	<b>5 766 468</b>
Add:		
Interest expense, net of subsidiaries	1 349 349	608 332
Interest income	(215 145)	(78 584)
Foreign exchange gain, net	(308 146)	(13 940)
Depreciation and amortisation	2 071 535	1 799 795
Net change in fair value of biological assets and agricultural produce	(1 116 380)	(1 581 089)
Other income and expenses, net	-	(42 800)
<b>Consolidated Adjusted EBITDA*</b>	<b>2 727 668</b>	<b>6 458 182</b>
<i>Adjusted EBITDA Margin</i>	<i>7,0%</i>	<i>17,8%</i>

## POULTRY DIVISION UNAUDITED INCOME STATEMENT DATA

	<b>Six months ended 30 June 2016</b>	<b>Six months ended 30 June 2015</b>
(in thousands of rubles)		
Total Sales	22 856 884	21 211 298
Interdivision sales	(957 742)	(950 762)
<b>Sales to external customers</b>	<b>21 899 142</b>	<b>20 260 536</b>
Net change in fair value of biological assets and agricultural produce	199 466	(624 963)
Cost of sales	(20 333 789)	(16 892 647)
<b>Gross profit</b>	<b>2 722 561</b>	<b>3 693 688</b>
<i>Gross margin</i>	<i>11,9%</i>	<i>17,4%</i>
Operating expenses	(2 556 955)	(2 353 181)
<b>Operating Income</b>	<b>165 606</b>	<b>1 340 507</b>
<i>Operating margin</i>	<i>0,7%</i>	<i>6,3%</i>
Interest income	86 069	90 857
Interest expense, net	(419 795)	(377 151)
Other expenses, net	(397 430)	(17 147)
<b>Division (loss) / profit</b>	<b>(565 550)</b>	<b>1 037 066</b>
<i>Division profit margin</i>	<i>-2,5%</i>	<i>4,9%</i>
<b>Poultry processing division Adjusted EBITDA reconciliation*</b>		
<b>Division profit</b>	<b>(565 550)</b>	<b>1 037 066</b>
Add:		
Interest expense, net of subsidiaries	419 795	377 151
Interest income	(86 069)	(90 857)
Foreign exchange loss, net	402 820	58 990
Depreciation and amortisation	972 765	936 073
	(199 466)	624 963

Net change in fair value of biological assets and agricultural produce		
Other income and expenses, net	-	(42 800)
<b>Poultry processing division Adjusted EBITDA*</b>	<b>944 295</b>	<b>2 900 586</b>
<i>Adjusted EBITDA Margin</i>	<i>4,1%</i>	<i>13,7%</i>

#### PORK DIVISION UNAUDITED INCOME STATEMENT DATA

	Six months ended 30 June 2016	Six months ended 30 June 2015
(in thousands of rubles)		
Total Sales	7 108 869	7 840 564
Interdivision sales	(5 628 254)	(4 786 788)
<b>Sales to external customers</b>	<b>1 480 615</b>	<b>3 053 776</b>
Net change in fair value of biological assets and agricultural produce	837 161	1 603 925
Cost of sales	(5 755 261)	(4 379 108)
<b>Gross profit</b>	<b>2 190 769</b>	<b>5 065 381</b>
<i>Gross margin</i>	<i>30,8%</i>	<i>64,6%</i>
Operating expenses	(401 945)	(488 648)
<b>Operating Income</b>	<b>1 788 824</b>	<b>4 576 733</b>
<i>Operating margin</i>	<i>25,2%</i>	<i>58,4%</i>
Interest income	15 284	1 681
Interest expense, net	(308 385)	(164 237)
Other expenses, net	4 785	46 612
<b>Division profit</b>	<b>1 500 508</b>	<b>4 460 789</b>
<i>Division profit margin</i>	<i>21,1%</i>	<i>56,9%</i>

#### Pork division Adjusted EBITDA reconciliation\*

<b>Division profit</b>	<b>1 500 508</b>	<b>4 460 789</b>
Add:		
Interest expense, net of subsidies	308 385	164 237
Interest income	(15 284)	(1 681)
Foreign exchange gain, net	(2 401)	(46 431)
Depreciation and amortisation	407 120	394 543
Net change in fair value of biological assets and agricultural produce	(837 161)	(1 603 925)
<b>Pork division Adjusted EBITDA*</b>	<b>1 361 167</b>	<b>3 367 532</b>
<i>Adjusted EBITDA Margin</i>	<i>19,1%</i>	<i>43,0%</i>

#### MEAT PROCESSING DIVISION UNAUDITED INCOME STATEMENT DATA

	Six months ended 30 June 2016	Six months ended 30 June 2015
(in thousands of rubles)		
Total Sales	14 652 813	12 684 642
Interdivision sales	(11 977)	(12 378)
<b>Sales to external customers</b>	<b>14 640 836</b>	<b>12 672 264</b>
Cost of sales	(12 122 540)	(10 756 936)
<b>Gross profit</b>	<b>2 530 273</b>	<b>1 927 706</b>
<i>Gross margin</i>	<i>17,3%</i>	<i>15,2%</i>
Operating expenses	(1 753 892)	(1 405 412)
<b>Operating Income</b>	<b>776 381</b>	<b>522 294</b>
<i>Operating margin</i>	<i>5,3%</i>	<i>4,1%</i>
Interest income	5 325	5 012
Interest expense, net	(121 447)	(91 447)
Other expenses, net	79 611	(30 331)
<b>Division profit</b>	<b>739 870</b>	<b>405 528</b>
<i>Division profit margin</i>	<i>5,0%</i>	<i>3,2%</i>



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

<b>Division profit</b>	<b>739 870</b>	<b>405 528</b>
Add:		
Interest expense, net of subsidies	121 447	91 447
Interest income	(5 325)	(5 012)
Foreign exchange (gain) / loss	(88 015)	34 831
Depreciation and amortisation	314 136	214 681
<b>Meat processing division Adjusted EBITDA*</b>	<b>1 082 113</b>	<b>741 475</b>
<i>Adjusted EBITDA Margin</i>	<i>7,4%</i>	<i>5,8%</i>

## FEED DIVISION UNAUDITED INCOME STATEMENT DATA

	Six months ended 30 June 2016	Six months ended 30 June 2015
(in thousands of rubles)		
Total Sales	15 523 182	13 133 229
Interdivision sales	(15 312 530)	(12 999 471)
<b>Sales to external customers</b>	<b>210 652</b>	<b>133 758</b>
Cost of sales	(15 355 668)	(13 022 347)
<b>Gross profit</b>	<b>167 514</b>	<b>110 882</b>
<i>Gross margin</i>	<i>1,1%</i>	<i>0,8%</i>
Operating expenses	(199 007)	(177 212)
<b>Operating loss</b>	<b>(31 493)</b>	<b>(66 330)</b>
<i>Operating margin</i>	<i>-0,2%</i>	<i>-0,5%</i>
Interest income	9 338	14 255
Interest expense, net	(265 607)	(62 918)
Other expenses, net	188 335	42 899
<b>Division loss</b>	<b>(99 427)</b>	<b>(72 094)</b>
<i>Division profit margin</i>	<i>-0,6%</i>	<i>-0,5%</i>

**Feed division Adjusted EBITDA reconciliation\***

<b>Division loss</b>	<b>(99 427)</b>	<b>(72 094)</b>
Add:		
Interest expense, net of subsidies	265 607	62 918
Interest income	(9 338)	(14 255)
Foreign exchange gain, net	(188 228)	(35 519)
Depreciation and amortisation	272 198	202 045
<b>Feed division Adjusted EBITDA*</b>	<b>240 812</b>	<b>143 095</b>
<i>Adjusted EBITDA Margin</i>	<i>1,6%</i>	<i>1,1%</i>

**APPENDIX II:****UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2016**

	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Revenue	38 834 869	36 211 140	77 032 622
Net change in fair value of biological assets and agricultural produce	1 116 380	1 581 089	(1 163 727)
Cost of sales	(31 807 140)	(26 203 390)	(56 720 216)
<b>Gross profit</b>	<b>8 144 109</b>	<b>11 588 839</b>	<b>19 148 679</b>
Selling, general and administrative expenses	(6 517 539)	(5 547 253)	(11 947 142)
Other operating income, net	146 219	183 861	332 489

<b>Operating profit</b>	<b>1 772 789</b>	<b>6 225 447</b>	<b>7 534 026</b>
Interest income	215 145	78 584	285 762
Interest expense, net	(1 349 349)	(608 332)	(1 364 766)
Other income (expenses), net	307 870	70 769	(583 273)
<b>Profit before income tax</b>	<b>946 455</b>	<b>5 766 468</b>	<b>5 871 749</b>
Income tax (expense) benefit	(131 825)	(20 611)	149 060
<b>Profit for the period and total comprehensive income</b>	<b>814 630</b>	<b>5 745 857</b>	<b>6 020 809</b>
<b>Profit and total comprehensive income attributable to:</b>			
Cherkizovo Group	948 816	5 676 457	6 007 482
Non-controlling interests	(134 186)	69 400	13 327
<b>Earnings per share</b>			
Weighted average number of shares outstanding - basic and diluted:	43 855 590	43 855 590	43 855 590
Profit attributable to Cherkizovo Group per share - basic and diluted (in Russian rubles):	21.64	129.44	136.98

**APPENDIX III:****UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2016**

(in thousands of rubles)	30 June 2016	31 December 2015
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	62 322 839	60 436 029
Investment property	431 977	432 771
Goodwill	557 191	557 191
Intangible assets	1 771 650	1 603 903
Non-current biological assets	1 867 009	1 617 833
Notes receivable, net	300 000	300 000
Investments in joint venture	1 451 663	1 301 663
Long-term deposits in banks	641 365	641 365
Deferred tax assets	331 300	331 300
Other non-current receivables	464 353	430 811
<b>Total non-current assets</b>	<b>70 139 347</b>	<b>67 652 866</b>
<b>Current assets</b>		
Biological assets	13 347 837	9 829 675
Inventories	9 331 787	12 258 555
Taxes recoverable and prepaid	2 494 129	2 835 987
Trade receivables, net	4 685 670	4 444 991
Advances paid, net	2 411 493	2 733 842
Other receivables, net	2 023 594	1 782 019
Cash and cash equivalents	1 287 872	5 560 824
Other current assets	776 162	612 566
<b>Total current assets</b>	<b>36 358 544</b>	<b>40 058 459</b>
<b>TOTAL ASSETS</b>	<b>106 497 891</b>	<b>107 711 325</b>

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF 30 June 2016 Continued**

	30 June 2016	31 December 2015
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	440	440
Treasury shares	(78 033)	(78 033)
Additional paid-in capital	5 588 320	5 588 320
Retained earnings	46 533 000	46 582 955
<b>Total shareholder's equity</b>	<b>52 043 727</b>	<b>52 093 682</b>
Non-controlling interest	921 206	1 055 392
<b>Total equity</b>	<b>52 964 933</b>	<b>53 149 074</b>
<b>Non-current liabilities</b>		
Long-term borrowings	15 680 852	16 118 747
Provisions	58 131	67 131
Deferred tax liability	440 386	405 097
Other liabilities	92 229	96 185
<b>Total non-current liabilities</b>	<b>16 271 598</b>	<b>16 687 160</b>
<b>Current liabilities</b>		
Short-term borrowings	25 498 963	25 093 017
Trade payables	7 232 041	8 461 657
Advances received	311 975	443 018
Payables for non-current assets	1 341 730	1 445 128
Tax related liabilities	817 290	790 344
Payroll related liabilities	1 521 581	1 372 176
Other payables and accruals	537 780	269 751
<b>Total current liabilities</b>	<b>37 261 360</b>	<b>37 875 091</b>
<b>Total liabilities</b>	<b>53 532 958</b>	<b>54 562 251</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>106 497 891</b>	<b>107 711 325</b>

**APPENDIX IV:**

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
		*as adjusted	*as adjusted
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before income tax</b>	<b>946 455</b>	<b>5 766 468</b>	<b>5 871 749</b>
Adjustments for:			
Depreciation and amortization	2 071 535	1 799 795	3 826 525
Bad debt expense	91 530	37 937	32 062
Foreign exchange (gain) loss, net	(308 146)	(13 940)	646 802
Interest income	(215 145)	(78 584)	(285 762)
Interest expense, net	1 349 349	608 332	1 364 766
Net change in fair value of biological assets and agricultural produce	(1 116 380)	(1 581 089)	1 163 727
Loss (gain) on disposal of property, plant and equipment, net	9 400	6 757	(49 793)
Gain on disposal of non-current biological assets, net	(155 602)	(134 193)	(282 827)
Other adjustments, net	(2 353)	(14 059)	(108 612)
<b>Operating cash flows before working capital changes</b>	<b>2 670 643</b>	<b>6 397 424</b>	<b>12 178 637</b>
Decrease (increase) in inventories	2 311 295	(1 326 499)	(4 648 048)
Increase in biological assets	(1 935 675)	(600 084)	(1 586 899)
Increase in trade receivables	(269 446)	(30 929)	(466 088)

Decrease (increase) in advances paid	263 937	(354 768)	(522 982)
Decrease (increase) in other receivables and other current assets	499 592	(1 272 321)	(1 450 027)
Increase in other non-current assets	(30 132)	(43 716)	(28 022)
(Decrease) increase in trade payables	(931 797)	1 195 050	3 607 415
(Decrease) increase in tax related liabilities (other than income tax)	(22 928)	267 192	17 693
Increase (decrease) in other current payables	143 249	(109 350)	(651 507)
<b>Operating cash flows before interest and income tax</b>	<b>2 698 738</b>	<b>4 121 999</b>	<b>6 450 172</b>
Interest received	159 010	58 922	219 758
Interest paid	(2 578 856)	(1 467 163)	(3 530 632)
Government grants for compensation of interest expense received	851 030	863 860	2 019 481
Income tax paid	(55 663)	(99 968)	(166 521)
<b>Net cash from operating activities</b>	<b>1 074 259</b>	<b>3 477 650</b>	<b>4 992 258</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment	(4 073 105)	(3 790 716)	(9 415 480)
Purchases of non-current biological assets	(268 255)	(252 979)	(432 481)
Purchases of intangible assets	(197 100)	(119 167)	(273 343)
Proceeds from sale of property, plant and equipment	29 995	96 885	220 832
Proceeds from disposal of non-current biological assets	323 635	240 074	537 051
Investments in joint venture	(150 000)	(175 000)	(450 000)
Placing of deposits and issuance of short-term loans	-	(12 714)	(156 855)
Purchases of notes receivable	-	-	(300 000)
Repayment of short-term loans issued and redemption of deposits	4 627	30 000	183 895
<b>Net cash used in investing activities</b>	<b>(4 330 203)</b>	<b>(3 983 617)</b>	<b>(10 086 381)</b>

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2016 Continued**

	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
			*as adjusted
		*as adjusted	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term loans	1 291 699	884 411	9 218 443
Repayment of long-term loans	(3 825 614)	(2 600 625)	(5 110 160)
Proceeds from short-term loans	11 823 904	8 790 469	21 686 431
Repayment of short-term loans	(9 308 226)	(4 513 836)	(12 736 663)
Dividends paid	(998 771)	(2 395 334)	(3 392 766)
Acquisition of non-controlling interests	-	-	(17 892)
<b>Net cash (used in) generated from financing activities</b>	<b>(1 017 008)</b>	<b>165 085</b>	<b>9 647 393</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(4 272 952)</b>	<b>(340 882)</b>	<b>4 553 270</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>5 560 824</b>	<b>1 007 554</b>	<b>1 007 554</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1 287 872</b>	<b>666 672</b>	<b>5 560 824</b>

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