

Regulatory Story

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PJSC Cherkizovo Group - CHE Financial Results for the First Quarter of 2015
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Cherkizovo Group (LSE:CHE; MOEX:GCHE) Announces Financial Results for the First Quarter of 2015

Moscow, May 22, 2015 - Cherkizovo Group (LSE:CHE; MOEX: GCHE), Russia's largest meat and feed producer, announces its financial results for the first quarter ending March 31, 2015. 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 30% to RUB 17.1 billion from RUB 13.2 billion in 1Q14;
- Gross profit increased by 43% to RUB 4.7 billion from RUB 3.3 billion in 1Q14;
- Gross margin increased to 28% from 25% in 1Q14;
- Adjusted EBITDA* increased by 52% to RUB 3.0 billion from RUB 2.0 billion in 1Q14;
- Adjusted EBITDA margin increased to 17% from 15% in 1Q14;
- Net income amounted to RUB 2.0 billion in 1Q15, representing a 138% increase from an underlying net income** of RUB 874 million in 1Q14.
- Net margin was at 12%;
- Net debt*** was RUB 25.7 billion as of March 31, 2015;
- The effective cost of debt was 3.2 % (1Q14: 3.2%);
- EPS was at RUB 47.4 (1Q14: Underlying EPS**** was at RUB 19.9);
- CCR (Cash Conversion Ratio) was 122%;

Business Developments

- All construction works at the biggest hatchery in Europe (Eletsprom, 240 mln eggs p.a.) are completed. The launch of the hatchery is scheduled for June;
- The equipment worth more than EUR 40 million for the hatchery, feed mill and slaughtering facility has been delivered to the construction site of the Tambov Turkey project;
- The sowing campaign completed in Voronezh, Lipetsk, Orel, and Tambov Regions. The company increased its operating land bank from 60,000 ha to 90,000 ha in 2015.
- Group acquired a pork finisher in Lipetsk region in March 2015 for RUB 250 mln;

- The Innovative Data Centre was launched;
- A unique line of ready-to-cook chilled chicken products was launched;
- The cycle of audits of certification FSSC 22000 (Food Safety System Certification) was completed on all poultry complexes by the end of March 2015;

Commenting on 1Q results, Sergei Mikhailov, CEO of Cherkizovo Group, said:

"Despite the very challenging economic situation in Russia and the slowdown in consumer demand, Cherkizovo Group continued to its robust growth. Rouble revenue increased by 30% and EBITDA increased by more than 50% as a result of adding production in the poultry division and a strong market environment in the pork division.

We substantially increased our poultry sales due to the acquisition of Lisko Broiler in 1Q 14 and launch of the first Eletsrom poultry facility in 4Q 14. In the meat processing division, we increased sales of ready-to-cook products and bone-in meat made of pork supplied by the Company's own farms.

We are recovering from the African Swine Fever outbreak at two of our pork complexes in December and January. No new ASF cases were discovered at our facilities. The affected facilities will be relaunched after the quarantine by the end of the year. Due to rapid growth of the pork division, we start the construction of new pork complexes in Voronezh Region.

Cherkizovo Group continues to increase its vertical integration in the grain division. In this year's growing season, we sowed 90,000 hectares in the Central Black Earth region and we expect to increase harvests by more than 50% to 400,000+ tonnes of grain (vs. 240,000 tonnes in 2014). As a result, the Group's self-sufficiency in grain will reach 30%.

At the recent Annual General Meeting, a decision was made to pay dividends of more than RUB 2.5 billion (or RUB 54.6 per ordinary share)."

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 quarter of 2015 increased by 30% to RUB 17 130.7 million from RUB 13 165.2 million in 1Q14. Gross profit increased by 43% to RUB 4 748.6 million from RUB 3 324.1 million in 1Q14. Operating expenses as a percentage of sales were flat at 16%. Net income increased by 138% to RUB 2 079.8 million (1Q14: underlying net income of RUB 873.7 million**).

Adjusted EBITDA increased by 52% to RUB 2 980.1 million from RUB 1 965.7 million in 1Q14. Adjusted EBITDA margin increased to 17% for 1Q15 vs 15% in 1Q14.

RUB m	1Q15	1Q14	Change y-o-y
Sales	17 130.7	13 165.2	30%
Gross Profit	4 748.6	3 324.1	43%
Gross margin, %	28%	25%	
Operating expenses	(2 661.1)	(2 110.4)	26%
Operating Income	2 087.5	1 213.7	72%
Operating margin, %	12%	9%	

Net Income	2 079.8	873.7**	138%
Adjusted EBITDA	2 980.1	1 965.7	52%
<i>EBITDA margin, %</i>	<i>17%</i>	<i>15%</i>	

Poultry Division

Sales volume for the first quarter of 2015 increased by 20% to 108 168 tonnes of sellable weight (1Q 2014: 90 328 tonnes). The significant increase is explained by the Lisko acquisition in March of 2014 and launch of the first Eletprom production facilities in 4Q 2014. The average price (*all prices hereinafter are net of VAT*) increased by 24% to 96.49 RUB/kg from 77.93 RUB/kg in the first quarter of 2014. Compared to the price of 100.86 RUB/kg in the fourth quarter of 2014, the price in the first quarter of 2015 decreased by 4%.

Total sales in the division increased by 46% to RUB 10 287.3 million (1Q14: RUB 7 040.2 million). Gross profit increased by 42% to RUB 2 107.8 million (1Q14: RUB 1 489.5 million). Gross margin slightly decreased to 20% (1Q14: 21%).

Operating expenses as a percentage of sales decreased to 11% from 14%. Operating income increased by 76% to RUB 942.0 million (1Q14: RUB 535.1 million), and operating margin amounted to 9% (1Q14: 8%). Profit in the division increased by 82% to RUB 1 112.2 million (1Q14: RUB 612.6 million).

Adjusted EBITDA increased by 59% to RUB 1 417.6 million (1Q14: RUB 890.0 million), and adjusted EBITDA margin rose to 14% in 1Q15 vs 13% in 1Q14.

Pork Division

Sales volume in the first quarter of 2015 decreased by 11% to 36 100 tonnes of live weight from 40 352 tonnes in the first quarter of 2014. The average price increased by 34% to 98.29 RUB/kg in the first quarter of 2015 from 73.55 RUB/kg in the first quarter of 2014. Compared to the price in the fourth quarter of 2014 of 96.90 RUB/kg, the price in the first quarter of 2015 increased by 1%.

Total sales in the division increased by 20% to RUB 3 636.0 million (1Q14: RUB 3 022.4 million). The segment reported gross profit of RUB 1 537.2 million in 1Q15 (1Q14: RUB 893.0 million). Gross margin in 1Q15 was at 42%. (1Q2014: 30%).

Operating expenses as a percentage of sales increased to 6% from 5% in 1Q14. The division generated operating income of RUB 1 335.3 million (1Q14: RUB 751.5 million).

Profit in the division more than doubled to RUB 1 313.0 million (1Q14: RUB 638.6 million).

Adjusted EBITDA amounted to RUB 1 522.8 million (1Q14: RUB 1 012.8 million), and adjusted EBITDA margin was 42% (1Q14: 34%).

Meat Processing Division

Sales volume increased by 28% to 37 846 tonnes from 29 670 tonnes in the first quarter of 2014 on the back of increased sales of ready-to-cook products and bone-in meat, all made from the meat of supplied by the Company's own farms. The average price increased by 11% to 168.85 RUB/kg in the first quarter of 2015 from 152.52 RUB/kg in the first quarter of 2014. Compared to the price of 174.15 RUB/kg in the fourth quarter of 2014, the price in the first quarter of 2015 decreased by 3%.

Total sales in the division increased by 39% to RUB 5 774.6 million (1Q14: RUB 4 161.4 million), gross profit was flat at RUB 789.7 million (1Q14: RUB 789.9 million), and gross margin went down to 14% (1Q14: 19%), due to high raw meat price.

Operating expenses as a percentage of sales decreased to 12% from 16%. The division generated Operating income of RUB 80.0 million (1Q14: RUB 143.3 million). Operating margin decreased to 1% (1Q14: 3%). The division profit increased by 40% to RUB 65.4 million (1Q14: RUB 46.8 million).

Adjusted EBITDA decreased by 22% to RUB 183.5 million (1Q14: RUB 233.9 million), and adjusted EBITDA margin was at 3% (1Q14: 6%).

Financial Position

The Group's Capital Expenditure on property, plant and equipment and maintenance amounted to RUB 2 040.0 million (1Q14: RUB 1 375.4 million). Of that, RUB 495.2 million was invested into the Poultry division, mainly into the construction of the hatchery and the grain storage in the Lipetsk region (Eletprom project). In the Pork division, RUB 534.0 million was mainly invested into purchase of the equipment for the finisher complexes in the Voronezh region. The Meat Processing division received RUB 110.7 million of investments. In the Grain division, RUB 298.0 million was invested into the purchase of the equipment. The Feed Processing division received RUB 527.8 million of investments.

Net Debt at the end of the first quarter of 2015 was RUB 25 694.5 million compared to RUB 26 073.6 million at the end of year 2014. Total debt stood at RUB 27 124.5 million compared to RUB 27 752.5 million in 2014. Of total debt long-term debt was RUB 14 692.7 million or 54 % of the debt portfolio. Short-term debt was RUB 12 431.8 million, or 46 % of the portfolio. Cost of debt was flat at 3.2 % in

the first quarter of 2015. The portion of subsidised loans and credit lines in the portfolio was 89% (1Q14: 92%). Cash and cash equivalents totalled RUB 788.7 million as of 31 March 2015.

Subsidies

The Group accrued subsidies for interest reimbursement of RUB 619.8 million which offset interest expense (1Q2014: RUB 440.7 million). The Group received RUB 426.6 million of subsidies in 1Q15

Outlook

In 2015, Cherkizovo Group will focus on organic growth and investments in infrastructure projects that will make our business more efficient and less exposed to market volatility. Thus, in 2Q-3Q we plan to launch a hatchery for 240 million eggs a year and a grain storage facility with overall capacity of 200,000+ tonnes as part of the Eletsprom project, and the fully upgraded Dankov meat processing plant. The Company also plans to start construction of its own reproduction flock site and parent flock site. This will help the Group to reach self-sufficiency in hatching, replacing imported eggs.

The market pricing environment remains quite favorable. Despite the decrease in poultry prices, signaling of some oversupply on the market, the current price allows efficient producers to maintain a positive margin. Pork prices remain higher than expected, and there are currently no indications of a significant decline. However, the effect of the grain price increase in 4Q 2014 will be seen in 2Q-3Q, putting the pressure on the profitability of the poultry and pork divisions. For 2015 as a whole, Cherkizovo management expects production and revenue growth in all divisions, although margins will be lower than the record indicators last year.

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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 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 generally 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 a 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*

APPENDIX I: KEY DATA AND FIGURES**UNAUDITED 3 Months 2015 Consolidated Selected Financial Data**

(in thousands of rubles)	Meat- Processing	Poultry	Pork	Grain	Feed	Corporate assets/expenditures	Inter-division	Combined
Total Sales	5 774 606	10 287 337	3 636 036	84 423	6 843 409	8 018	(9 503 178)	17 130 651
including other sales	91 532	178 875	29 362	10 410	-	8 018	(37 792)	280 405
including sales volume discount	(654 254)	(351 210)	-	-	-	-	-	(1 005 464)
Interdivision Sales	(6 481)	(433 442)	(2 232 950)	(40 688)	(6 789 617)	-	9 503 178	-
Sales to external customers (Sales)	5 768 125	9 853 895	1 403 086	43 735	53 792	8 018	-	17 130 651
% of Total sales	33.7%	57.5%	8.2%	0.3%	0.3%	0.0%	0.0%	100.0%
Cost of Sales	(4 984 935)	(8 179 506)	(2 098 804)	(72 715)	(6 666 678)	(19)	9 620 556	(12 382 101)
Gross profit	789 671	2 107 831	1 537 232	11 708	176 731	7 999	117 378	4 748 550
Gross margin	13.7%	20.5%	42.3%	13.9%	2.6%	99.8%	-1.2%	27.7%
Operating expenses	(709 654)	(1 165 790)	(201 922)	(36 837)	(128 012)	(432 207)	13 331	(2 661 091)
Operating income	80 017	942 041	1 335 310	(25 129)	48 719	(424 208)	130 709	2 087 459
Operating margin	1.4%	9.2%	36.7%	-29.8%	0.7%	-5290.7%	-1.4%	12.2%
Other income and expenses, net	30 839	226 105	20 578	723	11 478	3 694	(133 547)	159 870
Financial expenses, net	(45 460)	(55 923)	(42 922)	(10 276)	(55 949)	(78 547)	133 547	(155 530)
Division profit / (loss)	65 396	1 112 223	1 312 966	(34 682)	4 248	(499 061)	130 709	2 091 799
Division profit margin	1.1%	10.8%	36.1%	-41.1%	0.1%	-6224.3%	-1.4%	12.2%
Supplemental information:								
Income Tax (benefit) / expense	(10 857)	4 534	1 302	(561)	(5 398)	(19 311)	-	(30 291)
Depreciation expense	99 018	474 550	187 532	15 044	96 710	14 269	-	887 123
Adjusted EBITDA reconciliation								
Division profit / (loss)	65 396	1 112 223	1 312 966	(34 682)	4 248	(499 061)	130 709	2 091 799
Add:								
Interest expense, net	45 460	55 923	42 922	10 276	55 949	78 547	(133 547)	155 530
Interest income	(2 310)	(46 214)	(803)	(70)	(7 943)	(116 508)	133 547	(40 301)
Foreign exchange loss/(gain), net	(24 050)	(178 859)	(19 775)	(653)	(3 533)	112 814	-	(114 056)
Depreciation and amortisation	99 018	474 550	187 532	15 044	96 710	14 269	-	887 123
Other income and expenses, net	(4 478)	(1 032)	-	-	-	-	-	(5 510)
Adjusted EBITDA*	183 514	1 417 623	1 522 842	(10 085)	145 431	(409 939)	130 709##	2 980 095
Adjusted EBITDA Margin*	3.2%	13.8%	41.9%	-11.9%	2.1%	-5112.7%	-1.4%	17.4%

Reconciliation between net division profit and income attributable to Cherkizovo Group

Total net division profit	2 091 799
Net income attributable to non-controlling interests	(42 279)
Income taxes	30 291
Net income attributable to Cherkizovo Group	2 079 811

##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)	Three months ended 31 March 2015	Three months ended 31 March 2014 (adjusted)#
Sales	17 130 651	13 165 182
incl. Sales volume discounts	(1 005 464)	(630 280)
incl. Sales returns	(263 697)	(113 126)
Cost of sales	(12 382 101)	(9 841 102)
Gross profit	4 748 550	3 324 080
Gross margin	27.7%	25.2%
Operating expenses	(2 661 091)	(2 110 423)
Operating Income	2 087 459	1 213 657
Operating margin	12.2%	9.2%
Income before income tax and minority interest	2 091 799	2 272 630
Net income attributable to Group Cherkizovo	2 079 811	2 252 109
Net profit margin	12.1%	17.1%
Weighted average number of shares outstanding	43 855 590	43 846 590

Earnings per share

Net income attributable to Cherkizovo Group per share - basic and diluted (rubles)	47.4	51.4
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Consolidated Adjusted EBITDA reconciliation*

Income before income tax and minority interest	2 091 799	2 272 630
Add:		
Gain from bargain purchase	-	(1 378 394)
Interest expense, net of subsidies	155 530	238 298
Interest income	(40 301)	(66 285)
Foreign exchange loss/(gain), net	(114 056)	147 557
Depreciation and amortisation	887 123	751 846
Consolidated Adjusted EBITDA*	2 980 095	1 965 652
<i>Adjusted EBITDA Margin</i>	<i>17.4%</i>	<i>14.9%</i>

POULTRY DIVISION UNAUDITED INCOME STATEMENT DATA

(in thousands of rubles)	Three months ended 31 March 2015	Three months ended 31 March 2014
Total Sales	10 287 337	7 040 242
Interdivision sales	(433 442)	(133 731)
Sales to external customers	9 853 895	6 906 511
Cost of sales	(8 179 506)	(5 550 747)
Gross profit	2 107 831	1 489 495
<i>Gross margin</i>	<i>20.5%</i>	<i>21.2%</i>
Operating expenses	(1 165 790)	(954 431)
Operating Income	942 041	535 064
<i>Operating margin</i>	<i>9.2%</i>	<i>7.6%</i>
Other income and expense, net	226 105	153 083
Interest expense, net	(55 923)	(75 505)
Division profit	1 112 223	612 642
<i>Division profit margin</i>	<i>10.8%</i>	<i>8.7%</i>

Poultry division Adjusted EBITDA reconciliation*

Division profit	1 112 223	612 642
Add:		
Interest expense, net of subsidies	55 923	75 505
Interest income	(46 214)	(66 275)
Foreign exchange gain, net	(178 859)	(86 808)
Depreciation and amortisation	474 550	354 923
Poultry division Adjusted EBITDA*	1 417 623	889 987
<i>Adjusted EBITDA Margin</i>	<i>13.8%</i>	<i>12.6%</i>

PORK DIVISION UNAUDITED INCOME STATEMENT DATA

(in thousands of rubles)	Three months ended 31 March 2015	Three months ended 31 March 2014
Total Sales	3 636 036	3 022 403
Interdivision sales	(2 232 950)	(1 041 204)
Sales to external customers	1 403 086	1 981 199
Cost of sales	(2 098 804)	(2 129 432)
Gross profit	1 537 232	892 971
<i>Gross margin</i>	<i>42.3%</i>	<i>29.5%</i>
Operating expenses	(201 922)	(141 433)
Operating Income	1 335 310	751 538

<i>Operating margin</i>	36.7%	24.9%
Other income and expense, net	20 578	(6 236)
Interest expense, net	(42 922)	(106 723)
Division Profit	1 312 966	638 579
<i>Division profit margin</i>	36.1%	21.1%

Pork division Adjusted EBITDA reconciliation*

Division Profit	1 312 966	638 579
Add:		
Interest expense, net of subsidiaries	42 922	106 723
Interest income	(803)	(3 680)
Foreign exchange loss/(gain), net	(19 775)	9 916
Depreciation and amortisation	187 532	261 271
Pork division Adjusted EBITDA*	1 522 842	1 012 809
<i>Adjusted EBITDA Margin</i>	41.9%	33.5%

MEAT PROCESSING DIVISION UNAUDITED INCOME STATEMENT DATA

(in thousands of rubles)	Three months ended 31 March 2015	Three months ended 31 March 2014
Total Sales	5 774 606	4 161 419
Interdivision sales	(6 481)	(2 562)
Sales to external customers	5 768 125	4 158 857
Cost of sales	(4 984 935)	(3 371 510)
Gross profit	789 671	789 909
<i>Gross margin</i>	13.7%	19.0%
Operating expenses	(709 654)	(646 588)
Operating Income	80 017	143 321
<i>Operating margin</i>	1.4%	3.4%
Other income and expense, net	30 839	(21 540)
Interest expense, net	(45 460)	(74 972)
Division profit	65 396	46 809
<i>Division profit margin</i>	1.1%	1.1%

Meat processing division Adjusted EBITDA reconciliation*

Division profit	65 396	46 809
Add:		
Interest expense, net of subsidiaries	45 460	74 972
Interest income	(2 310)	263
Foreign exchange loss/(gain), net	(24 050)	21 277
Depreciation and amortisation	99 018	90 585
Meat processing division Adjusted EBITDA*	183 514	233 906
<i>Adjusted EBITDA Margin</i>	3.2%	5.6%

APPENDIX II:

UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For three months ended 31 March 2015

(in thousands of rubles)	Three months ended 31 March 2015	Three months ended 31 March 2014 (adjusted)#	Year ended 31 December 2014
Sales	17 130 651	13 165 182	68 668 409
Cost of sales	(12 382 101)	(9 841 102)	(45 719 342)
Gross profit	4 748 550	3 324 080	22 949 067
Selling, general and administrative expense	(2 719 278)	(2 200 121)	(9 903 786)
Other operating income (expense), net	58 187	89 698	446 905
Operating income	2 087 459	1 213 657	13 492 186
Other (expenses) income, net	159 870	(81 123)	(457 924)

Financial expense, net	(155 530)	(238 298)	(964 119)
Gain from bargain purchase	-	1 378 394	1 378 394
Income before income tax	2 091 799	2 272 630	13 448 537
Income tax	30 291	(12 548)	7 654
Net income	2 122 090	2 260 082	13 456 191
Less: Net income attributable to non-controlling interests	(42 279)	(7 973)	(138 400)
Net income, attributable to Cherkizovo Group	2 079 811	2 252 109	13 317 791
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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 (rubels):	47.4	51.4	303.7

APPENDIX III:**UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS OF 31 MARCH 2015**

(in thousands of rubles)	31 March 2015	31 December 2014
ASSETS		
Current assets:		
Cash and cash equivalents	788 655	1 007 554
Trade receivables, net of allowance for doubtful accounts of 84 056 and of 99 071 as of 31 March 2015 and 31 December 2014, respectively	3 625 312	3 953 085
Advances paid, net of allowance for doubtful accounts of 104 436 and of 77 862 as of 31 March 2015 and 31 December 2014, respectively	2 379 503	2 246 624
Inventory	14 303 437	12 387 623
Deferred tax assets	169 546	150 235
Other receivables, net of allowance for doubtful accounts of 13 659 and of 8 270 as of 31 March 2015 and 31 December 2014, respectively	1 330 475	1 186 673
Other current assets	3 114 076	2 667 374
Total current assets	25 711 004	23 599 168
Non-current assets:		
Property, plant and equipment, net	54 356 773	53 156 568
Goodwill	557 191	557 191
Other intangible assets, net	1 484 481	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 receivables	91 342	90 904
Total non-current assets	58 226 047	56 889 862
Total assets	83 937 051	80 489 030

UNAUDITED Condensed consolidated interim balance sheet as of 31 March 2015 Continued

(in thousands of rubles)	31 March 2015	31 December 2014
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	6 135 596	4 315 188
Short-term borrowings	12 431 827	13 467 709
Tax related liabilities	1 009 947	844 935
Deferred tax liabilities	64 343	64 343
Payroll related liabilities	1 095 028	1 217 693
Advances received	925 454	1 099 337
Payables for non-current assets	790 065	574 073
Interest payable	163 306	90 200

Other payables and accruals	295 322	222 293
Total current liabilities	22 910 888	21 895 771
Non-current liabilities:		
Long-term borrowings	14 692 663	14 284 784
Deferred tax liabilities	62 622	111 373
Tax related liabilities	67 487	67 487
Payables to shareholders	10 886	10 886
Other liabilities	118 587	166 901
Total non-current liabilities	14 952 245	14 641 431
Equity:		
Share capital	440	440
Additional paid-in capital	5 591 204	5 591 204
Treasury shares	(78 033)	(78 033)
Retained earnings	39 502 642	37 422 831
Total shareholders' equity	45 016 253	42 936 442
Non-controlling interests	1 057 665	1 015 386
Total equity	46 073 918	43 951 828
Total liabilities and equity	83 937 051	80 489 030

APPENDIX IV:**UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2015**

(in thousands of rubles)	Three months ended 31 March 2015	Three months ended 31 March 2014 (adjusted)#	Year ended 31 December 2014
Cash flows from operating activities:			
Net income	2 122 090	2 260 025	13 456 193
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortisation	887 123	751 846	3 481 944
Bad debt expense	36 536	5 680	121 804
Foreign exchange loss/(gain)	(114 056)	147 712	739 117
Deferred tax (benefit) / expense	(35 007)	3 555	(72 125)
(Gain) loss on disposal of property, plant and equipment	(58 096)	(89 667)	(446 969)
Gain from bargain purchase	-	(1 378 394)	(1 378 394)
Other adjustments, net	(5 510)	1 001	(363)
Changes in operating assets and liabilities			
Decrease (increase) in trade receivables	377 507	242 533	(1 328 884)
(Increase) decrease in advances paid	(159 393)	46 081	(1 113 979)
(Increase) decrease in inventory	(1 863 410)	306 111	(1 994 150)
Increase in other receivables and other current assets	(566 449)	(258 105)	(343 925)
(Increase) decrease in other non-current receivables	(437)	2 401	2 294
Increase (decrease) in trade accounts payable	1 941 592	(636 579)	(493 525)
Increase in tax related liabilities	112 466	32 830	124 745
(Decrease) increase in other current payables	(130 296)	(280 517)	619 093
Total net cash from operating activities	2 544 660	1 156 513	11 372 876
Cash flows from (used in) investing activities:			
Purchases of long-lived assets	(2 040 032)	(1 375 435)	(6 729 844)
Proceeds from sale of property, plant and equipment	185 233	168 189	1 066 769
Acquisitions of subsidiaries, net of cash acquired	-	(2 176 263)	(3 048 288)
Investments in joint venture	-	-	129 700
Issuance of notes receivable	(175 000)	-	(555 700)
Issuance of short-term loans and placing of deposits	-	(115 741)	(239 210)
Repayment of short-term loans issued and redemption of deposits	-	-	105 198
Repayment of long-term loans issued and redemption of deposits	30 000	-	-
Total net cash used in investing activities	(1 999 799)	(3 499 250)	(9 271 375)

UNAUDITED Condensed consolidated interim cash flow statement FOR THE THREE MONTHS ENDED 31 MARCH 2015 CONTINUED

(in thousands of rubles)	Three months ended 31 March 2015	Three months ended 31 March 2014 (adjusted)#	Year ended 31 December 2014
Cash flows from (used in) financing activities:			
Proceeds from long-term loans	463 682	378 644	1 957 281
Repayment of long-term loans	(1 230 192)	(948 920)	(4 986 462)
Proceeds from short-term loans	2 531 311	2 820 523	11 222 194
Repayment of short-term loans	(2 528 561)	(1 454 644)	(9 884 073)
Dividends	-	-	(1 510 169)
Total net cash from (used in) financing activities	(763 760)	795 603	(3 201 229)
Total cash from (used in) operating, investing and financing activities	(218 899)	(1 547 134)	(1 099 728)
Cash and cash equivalents at the beginning of the period	1 007 554	2 107 282	2 107 282
Cash and cash equivalents at the end of the period	788 655	560 148	1 007 554
Supplemental Information:			
Income taxes paid	45 025	21 010	121 776
Interest paid	551 645	848 213	3 052 669
Subsidies for compensation of interest expense received	426 625	43 499	2 569 774
Non cash transactions:			
Property, plant and equipment acquired through vendor financing	790 065	509 771	574 073

As required by US GAAP, comparative information for the three months ended 31 March 2014 has been retrospectively adjusted for the finalization of the allocation of the purchase price of Lisko Broiler.

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