

Regulatory Story

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PJSC Cherkizovo Group - CHE Financial Results for the 9 months of 2015
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Cherkizovo Group (LSE:CHE; MOEX:GCHE) Announces Financial Results for the 9 months of 2015

Moscow, November 12, 2015 - Cherkizovo Group (LSE:CHE; MOEX: GCHE), Russia's largest meat and feed producer, announces its financial results for the period ending 30 September 2015.

Highlights

- Revenue increased by 15% to RUB 56.0 billion from RUB 48.7 billion in 9M14;
- Gross profit decreased by 2% to RUB 15.3 billion from RUB 15.5 billion in 9M14;
- Gross margin decreased to 27% from 32% in 9M14;
- Adjusted EBITDA* decreased by 13% to RUB 9.9 billion from RUB 11.5 billion in 9M14;
- Adjusted EBITDA margin decreased to 18% from 24% in 9M14;
- Net income amounted to RUB 6.1 billion in 9M15, representing a 24% decrease from an underlying net income** of RUB 8.0 billion in 9M14.
- Net margin was at 11%;
- Net debt*** was RUB 30.5 billion as of September 30, 2015;
- The effective cost of debt was 3.2 % (9M14: 3.8%);
- EPS was at RUB 138.5 (9M14: Underlying EPS**** was at RUB 183.4);
- CCR (Cash Conversion Ratio) ***** was 89%;

Business Developments

- Cherkizovo Group began the construction of a new poultry complex, comprised of parent flock and replacement flock sites with the annual capacity of 128 mln eggs. Construction is in the active phase;
- Company 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. Total cost of project is estimated at RUB 19 billion; the financing is secured;

- Cherkizovo put into operation a feed production plant with 450,000 tonnes capacity a year, largest in Voronezh region and one of the largest of its kind in Russia;
- 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;
- Cherkizovo Group launched a hatchery (240 mln eggs p.a.) and a grain storage facility (200 thousand tonnes) in Elets, which has become the largest in Europe and the most technically advanced in Russia;
- Company acquired a pork finisher in Lipetsk region in March 2015 for RUB 250 mln.

Commenting on the results, Sergei Mikhailov, Cherkizovo CEO, stated:

"In the past nine months we began the construction of a poultry complex, consisting of a parent flock site and a replacement flock site. The only one in Russia, it will allow us to reduce our dependency on parent eggs grown abroad.

We completed the first phase of the investment project in a pork cluster in the Voronezh region, having built a feed mill and a fattening facility, costing a total of 2.2 billion roubles. By using prefabricated timbering and the jointless placement of concrete, we not only optimised construction expenses by approximately 30%, but also put the facility into operation within one year. The construction will be fully completed in 2017 and will provide the Group with additional planned production capacity of 70,000 tonnes per year.

We also launched a grain storage facility (200,000 thousand tonnes) in Elets, which has become the largest in Europe and the most technically advanced in Russia.

Our Group revenue grew 15%, driven primarily by the processed meat and poultry segments. An increase in operating expenses was caused by continued expansion in all the segments and foreign-currency denominated feed components. We also launched a federal advertisement campaign for processed meats, which amounted to 0.7% of group revenue in the first nine months of 2015.

We believe that in today's Russia the agricultural segment is becoming a real driver of the country's economy. For a number of years we have been and remain at the forefront of this development as the largest vertically integrated agro-industrial holding in Russia."

About Cherkizovo Group

Cherkizovo Group (LSE:CHE; MOEX:GCHE) is Russia's largest meat manufacturer in terms of total output of meat products and feed. Grain farming, the company's newest division, has been growing faster than the market as a whole for three years in a row.

Cherkizovo Group owns 8 poultry production complexes, 15 pork complexes, 4 meat processing plants, 4 feed mills, 4 grain growing complexes, and a swine nucleus centre. Chairman of the Board of Directors Igor Babaev and his family control 65% of the Group's equity. The remaining 35% is free float.

Due to its vertically integrated structure, which includes grain farming, grain storage facilities, own feed production, livestock breeding, growing, and slaughtering, as well as meat processing and its own distribution system, Cherkizovo Group is Russia's largest integrated agro-industrial holding. The company's 2014 consolidated revenue was 69 billion roubles; Cherkizovo produced more than 800,000 tonnes of meat products and 1.4 million tonnes of feed.

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Financial Overview

Sales for 9M15 increased by 15% to RUB 56.0 billion from RUB 48.7 billion in 9M14. Gross profit decreased by 2% to RUB 15.3 billion (9M14: RUB 15.5 billion). Operating expenses as a percentage of sales increased to 15% from 13% in 9M14. Net income decreased by 24% to RUB 6.1 billion (9M14: underlying net income of RUB 8.0 billion**).

Adjusted EBITDA decreased by 13% to RUB 9.9 billion from RUB 11.5 billion in 9M14. Adjusted EBITDA margin decreased to 18% for 9M15 from 24% in 9M14.

RUB m	9M15	9M14	Change	3Q15	3Q14	Change
Sales	56 018.8	48 652.5	15%	19 807.6	18 139.0	9%
Gross Profit	15 278.4	15 544.8	-2%	5 270.7	6 661.2	-21%
<i>Gross margin</i>	<i>27%</i>	<i>32%</i>		<i>27%</i>	<i>37%</i>	
Operating expenses	(8 182.5)	(6 556.8)	25%	(2 819.1)	(2 206.7)	28%
Operating Income	7 095.9	8 988.0	-21%	2 451.5	4 454.5	-41%
<i>Operating margin</i>	<i>13%</i>	<i>18%</i>		<i>12%</i>	<i>25%</i>	
Net Income	6 072.9	8 042.2	-24%	1 977.5	4 055.4	-51%
Adjusted EBITDA*	9 910.3	11 452.6	-13%	3 452.1	5 307.6	-35%
<i>EBITDA margin</i>	<i>18%</i>	<i>24%</i>		<i>17%</i>	<i>29%</i>	

Poultry Division

Sales volumes in the Poultry division for the nine months of 2015 increased by 10% y-o-y to 341 370 tonnes of sellable weight (9M 2014: 310 663 tonnes).

Prices in ruble terms increased by 9% y-o-y from 87.23 RUB/kg for the nine months of 2014 to 94.93 RUB/kg for the nine months of 2015. Compared to the price of 94.36 RUB/kg in the second quarter of 2015, the price in the third quarter of 2015 decreased by 0.3% to 94.06 RUB/kg.

Total sales in the division increased by 19% to RUB 32.1 billion (9M14: RUB 27.0 billion). Gross profit decreased by 18% to RUB 6.4 billion (9M14: RUB 7.8 billion). Gross margin decreased to 20% (9M14: 29%).

Operating expenses as a percentage of sales was flat at 11% in 9M15. Operating income decreased by 41% to RUB 2.8 billion (9M14: RUB 4.7 billion), and operating margin amounted to 9% (9M14: 18%). Profit in the division decreased by 44% to RUB 2.8 billion (9M14: RUB 4.9 billion), primarily due to foreign currency denominated feed components costs.

Adjusted EBITDA decreased by 31% to RUB 4.2 billion (9M14: RUB 6.0 billion), adjusted EBITDA margin decreased to 13% in 9M15 from 22% in 9M14.

Pork Division

Sales volumes in the Pork division for the nine months of 2015 were almost flat at 119 028 tonnes of live weight, compared to 119 198 tonnes for the nine months of 2014.

Prices in ruble terms increased by 9% y-o-y from 95.97 RUB/kg for the nine months of 2014 to 104.89 RUB/kg for the nine months of 2015. Compared to the price of 108.16 RUB/kg in the second quarter of 2015, the price in the third quarter of 2015 decreased by 1% to 107.44 RUB/kg.

Total sales in the division increased by 9% to RUB 12.7 billion (9M14: RUB 11.6 billion). The segment reported gross profit of RUB 5.1 billion in 9M15 (9M14: RUB 5.2 billion). Gross margin in 9M15 was at 41%. (9M14: 45%).

Operating expenses as a percentage of sales increased to 3% from 2% in 9M14. The division generated operating income of RUB 4.7 billion (9M14: RUB 5.0 billion).

Profit in the division decreased by 4% to RUB 4.5 billion (9M14: RUB 4.6 billion).

Adjusted EBITDA amounted to RUB 5.4 billion (9M14: RUB 5.7 billion), and adjusted EBITDA margin was 42% (9M14: 49%).

Meat Processing Division

Sales volumes in the Meat Processing division increased by 32% y-o-y to 135 247 tonnes for the nine months of 2015 from 102 107 tonnes for the nine months of 2014 as a result of higher sales of case-ready products and meat on the bone, produced entirely on our own farms.

Price in ruble terms increased by 5% y-o-y to 173.06 for the nine months of 2015 from 164.46 RUB/kg for the nine months of 2014. Compared to the price of 176.45 RUB/kg in the second quarter of 2015, the price in the third quarter of 2015 decreased 2% to 173.27 RUB/kg.

Total sales in the division increased by 37% to RUB 20.8 billion (9M14: RUB 15.3 billion), gross profit increased by 38% to RUB 3.0 billion (9M14: RUB 2.2 billion), and gross margin was flat at 14%.

Operating expenses as a percentage of sales decreased to 10% from 13%. Operating income increased by almost four times to RUB 845.6 million (9M14: RUB 215.7 million). Operating margin increased to 4% (9M14: 1%). The division generated profit of RUB 558.3 million (9M14: division loss of RUB 44.0 million).

Adjusted EBITDA more than doubled to RUB 1.2 billion (9M14: RUB 511.4 million), and adjusted EBITDA margin was at 6% (9M14: 3%).

Grain Division

Cherkizovo completed harvesting in the Voronezh, Lipetsk, Moscow, Tambov and Orel regions at the beginning of the November. The Company harvested approximately 330,000 tonnes of grain, which is 36% higher than the full year 2014 harvest numbers. (242,000 tonnes).

Cherkizovo Group has fulfilled 100% of its winter wheat sowing plan. The sowing campaign was completed in the best agronomic time, with a total crop area of 29,000 ha. The winter crops are expected to enter the winter period in good condition.

A total of 7,500 ha were sown in the Voronezh Region, 8,900 ha in the Orel Region, 6,000 ha in the Lipetsk Region, 5,800 ha in the Tambov Region and 800 ha in the Moscow Region.

Financial Position

The Group's Capital Expenditure on property, plant and equipment and maintenance amounted to RUB 8.0 billion (9M14: RUB 4.4 billion). Of that, RUB 2.9 billion was invested into the Poultry division, mainly into the construction of the hatchery and the grain storage in the Lipetsk region (Eletsproj project) and into the renovation of the slaughter plants. In the Pork division, RUB 1.5 billion was mainly invested into purchase of the equipment for the finisher complexes in the Voronezh region and the construction of the new finisher complexes in the Lipetsk region. The Meat Processing division received RUB 1.1 billion of investments (renovation of Dankov MPP). In the Grain division, RUB 0.6 billion was invested into the purchase of the equipment. The Feed Processing division received RUB 1.3 billion of investments (construction of feed mills).

Net Debt*** at the end of the nine months of 2015 was RUB 30.5 billion compared to RUB 26.1 billion at the end of year 2014. Total debt stood at RUB 32.2 billion compared to RUB 27.8 billion at the end of year 2014. Of total debt long-term debt was RUB 10.6 billion or 33% of the debt portfolio. Short-term debt was RUB 21.6 billion, or 67% of the portfolio. Cost of debt was at 3.2 % in the nine months of 2015 (9M14: 3.8%). The portion of subsidised loans and credit lines in the portfolio was 86% (9M14: 91 %). Cash and cash equivalents totalled RUB 1.1 billion as of 30 September 2015.

Dividends

The Group paid out dividends for the fiscal year 2014, in the amount of RUB 2.4 billion (RUB 54.6 per ordinary share) in the second quarter of 2015. In the third quarter the Group accrued dividends of RUB 1.0 billion .

Subsidies

In nine months of 2015, the Group accrued subsidies for interest reimbursement of RUB 1.9 billion which offset interest expense (9M14: RUB 1.4 billion). The Group received RUB 1.4 billion of subsidies in 9M15 (9M14: RUB 1.5 billion).

Outlook

In 4Q 2015, we see a number of positive trends in all our business segments. Poultry volumes continue to be strong, although profitability might be impacted by higher operating costs in an unstable economic environment. Before the end of 2015, we will launch an incubator in the Elets region for 240 million eggs a year, which, combined with new slaughtering facilities, will significantly increase our poultry production volumes.

In pork we remain in the top three producers, focusing on achieving best-in-class cost price. We continue to add on capacity through extensive expansion.

Processed meat sales have been supported by a successful nation-wide advertisement campaign. We also expect an increase in the sales of case-ready products.

Grain harvest was very strong demonstrating a 36% increase year-on-year. By the end of 2015 we will launch an elevator complex in Elets which will allow us to cross a historic landmark of 1 million tonnes of grain. We remain the largest fodder manufacturer in Russia with a production volume of over 1.5 million tonnes a year.

Our turkey project in the Tambov region is fully on track. A number of facilities have already been completed. By the end of 2015, we will populate them with birds, which will allow us to have the first deliveries of Cherkizovo grown turkey in the shops in September 2016.

In 4Q 2015, Cherkizovo Group has placed bonds amounting to 5 billion roubles for a 5-year term at 12.5% per annum. The funds will be used to refinance three-year bonds worth 3 billion roubles approaching maturity, to refinance short-term debt, and to finance capital expenditures that do not fall within state subsidies.

Moving into the next year we remain confident that we will continue to show positive trends in all our business segments, although we are cautious about the pace of growth due to unstable macro-economic conditions.

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 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 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 9 months ended September 30, 2015 Consolidated Selected Financial Data

(in thousands of roubles)

Poultry

Pork

Grain

Feed

Combined

	Meat- Processing					Corporate assets/expenditures	Inter- division	
Total Sales	20 842 663	32 058 897	12 681 982	681 198	20 068 244	20 785	(30 334 990)	56 018 779
including other sales	285 524	699 395	86 758	66 111	-	20 785	(107 675)	1 050 898
including sales volume discount	(2 667 694)	(1 054 824)	-	-	-	-	-	(3 722 518)
Interdivision Sales	(16 709)	(1 632 840)	(8 315 521)	(587 229)	(19 782 691)	-	30 334 990	-
Sales to external customers (Sales)	20 825 954	30 426 057	4 366 461	93 969	285 553	20 785	-	56 018 779
% of Total sales	37.2%	54.3%	7.8%	0.2%	0.5%	0.0%	0.0%	100.0%
Cost of Sales	(17 835 148)	(25 681 971)	(7 540 269)	(435 965)	(19 603 229)	(13 263)	30 369 496	(40 740 349)
Gross profit	3 007 515	6 376 926	5 141 713	245 233	465 015	7 522	506	15 278 430
Gross margin	14.4%	19.9%	40.5%	36.0%	2.3%	36.2%	-0.1%	27.3%
Operating expenses	(2 161 895)	(3 609 783)	(418 535)	(127 795)	(390 343)	(1 484 213)	10 037	(8 182 527)
Operating income	845 620	2 767 143	4 723 178	117 438	74 672	(1 476 691)	543	7 095 903
Operating margin	4.1%	8.6%	37.2%	17.2%	0.4%	-7104.6%	-0.1%	12.7%
Other income and expenses, net	(140 822)	509 832	(33 517)	(14 153)	120 858	(190 862)	(354 135)	(102 799)
Financial expenses, net	(146 517)	(504 061)	(234 686)	(10 573)	(89 606)	(221 389)	354 135	(852 697)
Division profit / (loss)	558 281	2 772 914	4 454 975	92 712	105 924	(1 888 942)	543	6 140 407
Division profit margin	2.7%	8.6%	35.1%	13.6%	0.5%	-9088.0%	-0.1%	11.0%
Supplemental information:								
Income Tax expense	4 856	15 351	6 462	3 223	1 410	1 608	-	32 910
Depreciation expense	339 892	1 397 546	657 720	47 347	305 025	45 073	-	2 792 603
Adjusted EBITDA reconciliation							44	
Division profit / (loss)	558 281	2 772 914	4 454 975	92 712	105 924	(1 888 942)	543	6 140 407
Add:								
Interest expense, net	146 517	504 061	234 686	573	89 606	221 389	(354 135)	852 697
Interest income	(7 571)	(126 371)	(3 563)	(145)	(19 478)	(312 665)	354 135	(115 658)
Foreign exchange loss/(gain)	161 164	(383 095)	37 874	14 992	(94 244)	503 527	-	240 218
Depreciation and amortisation	339 892	1 397 546	657 720	47 347	305 025	45 073	-	2 792 603
Adjusted EBITDA*	1 198 283	4 165 055	5 381 692	165 479	386 833	(1 431 618)	44 543##	9 910 267
Adjusted EBITDA Margin*	5.7%	13.0%	42.4%	24.3%	1.9%	-6887.7%	-0.1%	17.7%

Reconciliation between net division profit and income attributable to Cherkizovo Group	6 140 407
Total net division profit	
Net income attributable to non-controlling interests	(34 642)
Income taxes	(32 910)
Net income attributable to Cherkizovo Group	6 072 855

##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)	Nine months ended 30 September 2015	Nine months ended 30 September 2014
Sales	56 018 779	48 652 532
incl. Sales volume discount	(3 722 518)	(2 469 097)
incl. Sales returns	(769 900)	(414 962)
Cost of sales	(40 740 349)	(33 107 769)
Gross profit	15 278 430	15 544 763
Gross margin	27.3%	32.0%
Operating expenses	(8 182 527)	(6 556 790)
Operating Income	7 095 903	8 987 973
Operating margin	12.7%	18.5%
Income before income tax and minority interest	6 140 407	9 517 210
Net income attributable to Group Cherkizovo	6 072 855	9 420 595
Net profit margin	10.8%	19.4%
Weighted average number of shares outstanding	43 855 590	43 844 572

Earnings per share

Net income attributable to Cherkizovo Group per share - basic and diluted	138.5	214.9
Consolidated Adjusted EBITDA reconciliation*		
Income before income tax and minority interest	6 140 407	9 517 210
Add:		
Gain from bargain purchase	-	(1 378 394)
Interest expense, net of subsidies	852 697	775 584
Interest income	(115 658)	(188 359)
Foreign exchange loss	240 218	261 970
Depreciation and amortisation	2 792 603	2 464 588
Consolidated Adjusted EBITDA*	9 910 267	11 452 599
<i>Adjusted EBITDA Margin</i>	<i>17.7%</i>	<i>23.5%</i>

POULTRY DIVISION UNAUDITED INCOME STATEMENT DATA

(in thousands of rubles)	Nine months ended 30 September 2015	Nine months ended 30 September 2014
Total Sales	32 058 897	26 973 273
Interdivision sales	(1 632 840)	(869 480)
Sales to external customers	30 426 057	26 103 793
Cost of sales	(25 681 971)	(19 199 200)
Gross profit	6 376 926	7 774 073
<i>Gross margin</i>	<i>19.9%</i>	<i>28.8%</i>
Operating expenses	(3 609 783)	(3 052 796)
Operating Income	2 767 143	4 721 277
<i>Operating margin</i>	<i>8.6%</i>	<i>17.5%</i>
Other income and expenses, net	509 832	491 313
Interest expense, net	(504 061)	(274 399)
Division profit	2 772 914	4 938 191
<i>Division profit margin</i>	<i>8.6%</i>	<i>18.3%</i>
Poultry division Adjusted EBITDA reconciliation*		
Division profit	2 772 914	4 938 191
Add:		
Interest expense, net of subsidies	504 061	274 399
Interest income	(126 371)	(258 107)
Foreign exchange gain	(383 095)	(233 206)
Depreciation and amortisation	1 397 546	1 292 192
Poultry division Adjusted EBITDA*	4 165 055	6 013 469
<i>Adjusted EBITDA Margin</i>	<i>13.0%</i>	<i>22.3%</i>

PORK DIVISION UNAUDITED INCOME STATEMENT DATA

(in thousands of rubles)	Nine months ended 30 September 2015	Nine months ended 30 September 2014
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Total Sales	12 681 982	11 641 563
Interdivision sales	(8 315 521)	(4 790 962)
Sales to external customers	4 366 461	6 850 601
Cost of sales	(7 540 269)	(6 429 720)
Gross profit	5 141 713	5 211 843
<i>Gross margin</i>	40.5%	44.8%
Operating expenses	(418 535)	(249 735)
Operating Income	4 723 178	4 962 108
<i>Operating margin</i>	37.2%	42.6%
Other income and expenses, net	(33 517)	(2 397)
Interest expense, net	(234 686)	(334 791)
Division Profit	4 454 975	4 624 920
<i>Division profit margin</i>	35.1%	39.7%
Pork division Adjusted EBITDA reconciliation*		
Division Profit	4 454 975	4 624 920
Add:		
Interest expense, net of subsidies	234 686	334 791
Interest income	(3 563)	(9 986)
Foreign exchange loss	37 874	12 383
Depreciation and amortisation	657 720	725 562
Pork division Adjusted EBITDA*	5 381 692	5 687 670
<i>Adjusted EBITDA Margin</i>	42.4%	48.9%

MEAT PROCESSING DIVISION UNAUDITED INCOME STATEMENT DATA

(in thousands of rubles)	Nine months	Nine months
	ended 30 September 2015	ended 30 September 2014
Total Sales	20 842 663	15 263 519
Interdivision sales	(16 709)	(11 533)
Sales to external customers	20 825 954	15 251 986
Cost of sales	(17 835 148)	(13 085 008)
Gross profit	3 007 515	2 178 511
<i>Gross margin</i>	14.4%	14.3%
Operating expenses	(2 161 895)	(1 962 776)
Operating Income	845 620	215 735
<i>Operating margin</i>	4.1%	1.4%
Other income and expenses, net	(140 822)	(39 697)
Interest expense, net	(146 517)	(220 038)
Division profit/(loss)	558 281	(44 000)
<i>Division profit margin</i>	2.7%	-0.3%
Meat processing division Adjusted EBITDA reconciliation*		
Division profit/(loss)	558 281	(44 000)
Add:		
Interest expense, net of subsidies	146 517	220 038
Interest income	(7 571)	(2 989)
Foreign exchange loss	161 164	42 724
Depreciation and amortisation	339 892	295 628
Meat processing division Adjusted EBITDA*	1 198 283	511 401
<i>Adjusted EBITDA Margin</i>	5.7%	3.4%

GRAIN DIVISION UNAUDITED INCOME STATEMENT DATA

(in thousands of rubles)	Nine months ended 30 September 2015	Nine months ended 30 September 2014
Total Sales	681 198	590 765
Interdivision sales	(587 229)	(442 043)
Sales to external customers	93 969	148 722
Cost of sales	(435 965)	(333 986)
Gross profit	245 233	256 779
<i>Gross margin</i>	<i>36.0%</i>	<i>43.5%</i>
Operating expenses	(127 795)	(205 179)
Operating income	117 438	51 600
<i>Operating margin</i>	<i>17.2%</i>	<i>8.7%</i>
Other income and expenses, net	(14 153)	457
Interest expense	(10 573)	(121 788)
Division gain/(loss)	92 712	(69 731)
<i>Division profit margin</i>	<i>13.6%</i>	<i>-11.8%</i>
Grain division Adjusted EBITDA reconciliation*		
Division gain/(loss)	92 712	(69 731)
Add:		
Interest expense, net of subsidies	10 573	121 788
Interest income	(145)	(508)
Foreign exchange loss	14 992	50
Depreciation and amortisation	47 347	64 473
Grain division Adjusted EBITDA*	165 479	116 072
<i>Adjusted EBITDA Margin</i>	<i>24.3%</i>	<i>19.6%</i>

APPENDIX II:**UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT**

For the nine months ended 30 September 2015

(in thousands of rubles)	Nine months ended 30 September 2015	Nine months ended 30 September 2014 (as adjusted)#	Year ended 31 December 2014
Sales	56 018 779	48 652 532	68 668 409
Cost of sales	(40 740 349)	(33 107 769)	(45 719 342)
Gross profit	15 278 430	15 544 763	22 949 067
Selling, general and administrative expense	(8 530 217)	(6 947 569)	(9 903 786)
Other operating income / (expense), net	347 690	390 779	446 905
Operating income	7 095 903	8 987 973	13 492 186
Other (expenses) income, net	(102 799)	(73 573)	(457 924)
Financial expense, net	(852 697)	(775 584)	(964 119)
Gain from bargain purchase	-	1 378 394	1 378 394
Income before income tax	6 140 407	9 517 210	13 448 537
Income tax	(32 910)	(21 263)	(7 654)
Net income	6 107 497	9 538 473	13 456 191
Less: Net income attributable to non-controlling interests	(34 642)	(117 878)	(138 400)
Net income attributable to Cherkizovo Group	6 072 855	9 420 595	13 317 791

Weighted average number of shares outstanding - basic	43 855 590	43 844 572	43 851 090
Net income attributable to Cherkizovo Group per share - basic:	138.5	214.9	303.7

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

(in thousands of rubles)	30 September 2015	31 December 2014
ASSETS		
Current assets:		
Cash and cash equivalents	1 085 653	1 007 554
Trade receivables, net of allowance for doubtful accounts of 59 764 and of 99 071 as of 30 September 2015 and 31 December 2014, respectively	4 258 013	3 953 085
Advances paid, net of allowance for doubtful accounts of 113 596 and of 77 862 as of 30 September 2015 and 31 December 2014, respectively	2 362 155	2 246 624
Inventory	15 363 602	12 387 623
Deferred tax assets	150 246	150 235
Other receivables, net of allowance for doubtful accounts of 35 786 and of 8 270 as of 30 September 2015 and 31 December 2014, respectively	1 627 401	1 186 673
Other current assets	3 995 753	2 667 374
Total current assets	28 842 823	23 599 168
Non-current assets:		
Property, plant and equipment, net	57 865 994	53 156 568
Goodwill	557 191	557 191
Other intangible assets, net	1 567 919	1 493 939
Deferred tax assets	68 232	68 232
Notes receivable, net	1 154 665	555 700
Investments in joint venture	295 963	295 963
Long-term deposits in banks	641 365	671 365
Other non-current receivables	318 486	90 904
Total non-current assets	62 469 815	56 889 862
Total assets	91 312 638	80 489 030

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS OF 30 SEPTEMBER 2015 CONTINUED

(in thousands of rubles)	30 September 2015	31 December 2014
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	6 370 471	4 315 188
Short-term borrowings	21 603 943	13 467 709
Tax related liabilities	1 045 952	844 935
Deferred tax liabilities	64 343	64 343
Payroll related liabilities	1 379 903	1 217 693
Advances received	658 982	1 099 337
Payables for non-current assets	1 083 561	574 073
Interest payable	261 411	90 200
Dividends payables to shareholders	998 300	-
Other payables and accruals	381 259	222 293
Total current liabilities	33 848 125	21 895 771

Non-current liabilities:		
Long-term borrowings	10 585 659	14 284 784
Deferred tax liabilities	63 131	111 373
Tax related liabilities	67 487	67 487
Payables to shareholders	2 810	10 886
Other liabilities	96 975	166 901
Total non-current liabilities	10 816 062	14 641 431
Equity:		
Share capital	440	440
Additional paid-in capital	5 581 789	5 591 204
Treasury shares	(78 033)	(78 033)
Retained earnings	40 102 053	37 422 831
Total shareholders' equity	45 606 249	42 936 442
Non-controlling interests	1 042 202	1 015 386
Total equity	46 648 451	43 951 828
Total liabilities and equity	91 312 638	80 489 030

APPENDIX IV:

UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

(in thousand of rubles)	Nine months ended 30 September 2015	Nine months ended 30 September 2014 (as adjusted)#	Year ended 31 December 2014
Cash flows from (used in) operating activities:			
Net income	6 107 497	9 538 473	13 456 193
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortisation	2 792 603	2 464 588	3 481 944
Bad debt expense	28 183	71 304	121 804
Foreign exchange loss	240 218	261 970	739 117
Deferred tax benefit	(48 242)	32 238	(72 125)
Gain on disposal of property, plant and equipment	(340 817)	(390 792)	(446 969)
Gain from bargain purchase	-	(1 378 394)	(1 378 394)
Other adjustments, net	(23 813)	(4 412)	(363)
Changes in operating assets and liabilities			
Increase in trade receivables	(269 861)	(1 081 468)	(1 328 884)
Increase in advances paid	(159 459)	(277 471)	(1 113 979)
Increase in inventory	(2 931 845)	(134 280)	(1 994 150)
Increase in other receivables and other current assets	(2 008 613)	(300 430)	(343 925)
(Increase) decrease in other non-current receivables	(9 867)	2 721	2 294
Increase (decrease) in trade accounts payable	1 838 506	232 171	(493 525)
Increase in tax related liabilities	201 007	324 871	124 745
(Decrease) increase in other current payables	(6 101)	(394 230)	619 093
Total net cash from operating activities	5 409 396	8 966 859	11 372 876
Cash flows from (used in) investing activities:			
Purchases of long-lived assets	(7 458 140)	(4 285 156)	(6 729 844)
Proceeds from sale of property, plant and equipment	706 042	698 559	1 066 769
Acquisitions of subsidiaries, net of cash acquired	-	(2 510 866)	(3 048 288)
Investments in joint venture	-	129 700	129 700
Issuance of long-term loans and placing of long-term deposits	(600 000)	(555 700)	(555 700)
Issuance of short-term loans and placing of deposits	(126 855)	(150 338)	(239 210)

Repayment of short-term loans issued and redemption of deposits	163 316	64 489	105 198
Total net cash used in investing activities	(7 315 637)	(6 609 312)	(9 271 375)

UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 CONTINUED

(in thousand of rubles)	Nine months ended 30 September 2015	Nine months ended 30 September 2014 (as adjusted)#	Year ended 31 December 2014
Cash flows from (used in) financing activities:			
Proceeds from long-term loans	2 822 578	1 545 008	1 957 281
Repayment of long-term loans	(3 861 045)	(3 337 890)	(4 986 462)
Proceeds from short-term loans	15 332 101	8 491 689	11 222 194
Repayment of short-term loans	(9 896 720)	(7 735 503)	(9 884 073)
Acquisitions of non-controlling interests	(17 242)	-	-
Dividends	(2 395 333)	-	(1 510 169)
Total net cash from (used in) financing activities	1 984 339	(1 036 696)	(3 201 229)
Total cash from (used in) operating, investing and financing activities	78 099	1 320 851	(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	1 085 653	3 428 133	1 007 554
Supplemental Information:			
Income taxes paid	138 505	61 500	121 776
Interest paid	2 247 749	2 143 292	3 052 669
Subsidies for compensation of interest expense received	1 436 145	1 509 816	2 569 774
Non cash transactions:			
Property, plant and equipment acquired through vendor financing	1 083 561	346 176	574 073

As required by US GAAP, comparative information for the nine months ended 30 September 2014 has been retrospectively adjusted for the finalization of the allocation of the purchase price of Lisko Broiler.

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