



Cherkizovo Group Announces First Half 2018 Financial Results

Moscow, Russia – August 23, 2018 – PJSC Cherkizovo Group (MOEX: GCHE), the largest vertically integrated meat producer in Russia, today announces its unaudited consolidated IFRS results for the period ending June 30, 2018.

Second quarter financial highlights

- Revenue increased by 5.5% year-on-year (y-o-y) to RUB 23.6 billion.
- Gross profit improved by 43.5% y-o-y to RUB 10.4 billion.
- Adjusted EBITDA* decreased by 3.1% year-on-year to RUB 4.3 billion. Adjusted EBITDA margin amounted to 18.1%.
- Net profit was up by 81.4% and totalled RUB 5.8 billion.
- Net operating cash flow decreased by 13.4% to RUB 3.8 billion.

First half financial highlights

- Revenue increased by 5.1% y-o-y to RUB 45.5 billion from RUB 43.3 billion in 1H 2018.
- Net change in fair value of biological assets and agricultural produce amounted to RUB 7.0 billion in 1H18, compared to RUB 1.2 bln in 1H17.
- Gross profit was up by 39.1% y-o-y to 17.9 billion from RUB 12.9 billion a year ago.
- Adjusted EBITDA declined by 14.0% and amounted to RUB 7.0 billion. Adjusted EBITDA margin was 15.3%.
- Net profit reached RUB 8.7 billion, up 70.5% from 1H17.
- Net operating cash flow decreased by 25.9% to RUB 4.8 billion.
- Net debt** amounted to RUB 50.7 billion as of June 30, 2018

Second quarter key corporate highlights

- During the quarter the Company launched two wean-to-finish facilities in Lipetsk and Voronezh region which will add 10 thousand tonnes of annual live-weight pork production capacity.
- On May 24th the Group signed an investment agreement with representatives of the Moscow Regional Government to build the second phase of Kashira meat processing complex. Total investment is estimated to be approximately RUB 6 billion and would add 60 tonnes/day of meat products and up to 100 tonnes/day of meat cut products to the Company's installed capacity. The project is expected to be launched in 2022.
- On June 22nd the Company announced that one of its facilities was affected by the avian flu. The case was isolated at a single production facility and didn't affect our



wider production system. Estimated damages are expected to be limited to RUB 100 million as the facility was insured.

Key corporate highlights after reporting period

- On July 4th our Petelinka brand received a national Loyalty award as “the best FMCG brand”, and for “the effective use of mobile technologies in loyalty programs”.
- On July 16th Cherkizovo signed a letter of intent to acquire Altaisky Broiler, a poultry producer located in the Zonalny District of the Altai Territory. Core assets include a hatchery, a feed mill, four fattening sites, a slaughterhouse, and a meat packing plant in Biysk. Altaisky Broiler has capacity to produce up to 67 thousand tons (live weight) of poultry products and has a strong foot print in the Siberian Federal District.
- On July 17th the first phase of our state of the art, Kashira meat processing plant was launched in the Moscow Region, with capacity to produce c. 30 thousand tonnes of finished meat products per annum. The facility further strengthened the Group’s presence in the meat processing business, and fully embraces the industry 4.0 philosophy, with a fine-tuned production system of AI and robotic interactions ensuring control over the entire production cycle.
- On August 21st the Board of Directors recommended to shareholders to pay a dividend for the 1H18 in the amount of RUB 20.48 per ordinary share.

Sergei Mikhailov, CEO of Cherkizovo, commented:

“We had a number of positive developments in the first half of 2018, which set the stage for further growth in the upcoming quarters.

Underlying consumer demand remained robust, supported by stable real disposable income and a temporary consumption boost fueled by the FIFA World Cup. After a few quarters of relatively weak poultry and pork prices, the market situation started to improve in late spring on the back of higher feed ingredient costs (i.e. grains and soybean meal), delayed impact of the latest restrictions on meat imports, supply dislocation (the worsening epizootic conditions had their toll, with several cases of avian flu and African Swine fever detected across the country) and a reduction in output from other producers caused by company-specific reasons.

We rapidly expanded our market share in St Petersburg and the North-Western Federal District, Russia’s second biggest regional market which we entered about a year ago. In that region, Petelinka joined the ranks of top-selling products in the poultry category. Overall, sales of our key poultry brands, Petelinka and Chicken Kingdom, saw a double-digit growth in the first half of the year, and were primarily driven by strong expansion in the modern retail channel.

We launched several wean-to-finish pork facilities, which we expect will add to our production volumes starting this year. Moreover, we commissioned our state-of-the-art Kashira meat processing facility and maintained JV Tambov Turkey production at maximum capacity in response to a sharp rise in Pava-Pava sales.

In parallel with increased focus on product marketing, we continue to emphasize production efficiency, biosecurity and food safety, in order to better manage costs, drive share and grow profitability. The previous years’ investments in production



expansion, cost optimization and customer acquisition are being rewarded by the favourable market conditions and inspire confidence as we move into the second half of the year and beyond.”

Financial summary

RUB mln	2Q 2018	2Q 2017	y-o-y, %	1H 2018	1H 2017	y-o-y, %
Revenue	23 604	22 378	5.5%	45 539	43 349	5.1%
Net change in fair value of biological assets and agricultural produce ¹	4 073	1 060	284.2%	7 010	1 158	505.4%
Gross profit	10 391	7 240	43.5%	17 922	12 881	39.1%
<i>Gross margin</i>	44.0%	32.4%		39.4%	29.7%	
Operating expenses and share of JV results	(3 511)	(3 071)	14.3%	(7 447)	(6 257)	19.0%
Operating profit	6 880	4 169	65.0%	10 475	6 624	58.1%
<i>Operating margin</i>	29.1%	18.6%		23.0%	15.3%	
Adjusted EBITDA ¹	4 275	4 411	-3.1%	6 955	8 086	-14.0%
<i>Adjusted EBITDA margin</i>	18.1%	19.7%		15.3%	18.7%	
Profit before tax	5 770	3 142	83.6%	8 708	5 020	73.5%
Net profit	5 755	3 172	81.4%	8 709	5 106	70.5%
Net operating cash flow	3 771	4 353	-13.4%	4 793	6 467	-25.9%
Net debt				50 721	43 192	17.4%

¹ In line with the Group's management accounting practices and described herein (*) in more detail, Adjusted EBITDA does not include the net change in fair value of biological assets and agricultural produce.

Revenue

Revenue increased to RUB 45.5 billion up 5.1% y-o-y (1H17: RUB 43.3 billion), with pork and meat processing segment revenues the major drivers of the increase (up 11.6% and 12.7% y-o-y respectively). Poultry segment revenue were up by 1% compared to 1H17 and amounted to RUB 24.0 billion. Turkey revenue increased by 71.2% y-o-y and totalled RUB 2.6 billion. Revenue increase in the first half was driven by volume growth across all segments, as average selling prices in 1H18 remained below levels of the prior year.

Gross profit

Gross profit increased by 39.1% y-o-y to RUB 17.9 billion, (1H17: RUB 12.9 billion). Gross profit was positively affected by operational efficiency gains in poultry and pork segments, lower feed costs and by the net change in fair value of biological assets and agricultural produce, and was offset by lower selling prices. Gross profit margin went up to 39.4% (1H17: 29.7%). Net of RUB 7.0 billion change in fair value of biological assets and agricultural produce, gross profit declined by 6.9% y-o-y to RUB 10.9 billion.

Operating expenses

Operating expenses increased by 19.0% y-o-y to RUB 7.4 billion, (1H17: RUB 6.3 billion), due to higher selling expenses, which in turn is mostly driven by broadening of



our distribution network. Operating expenses as a percentage of sales increased to 16.4% in 1H18 (1H17: 14.4%).

Adjusted EBITDA

Adjusted EBITDA totalled RUB 7.0 billion, a 14.0% decline y-o-y. Adjusted EBITDA margin amounted to 15.3% (1H17: 18.7%) due to lower profitability in poultry and meat processing segments, counterbalanced by better results in the pork segment.

Interest expense

Net interest expense in 1H18 increased by 8.1% y-o-y to RUB 1.5 billion.

Net profit

Net profit for the Group totalled RUB 8.7 billion in 1H18, up 70.5% compared to RUB 5.1 billion in 1H17. Net profit margin improved to 19.1% from 11.8% in 1H17.

Cash flow

Operating cash flow was RUB 4.8 billion (1H17: RUB 6.5 billion), a decline of 25.9% primarily due to the increase in operating expenses.

Capital expenditure and debt

The Group's capital expenditure on property, plant, equipment and maintenance amounted to RUB 4.4 billion in the first half of 2018, an increase of 11.1% y-o-y. Kashira facility finalization and construction of new wean-to-finish pork facilities were major targets of the capex spend in the reported period.

As of June 30, 2018, net debt** was RUB 50.7 billion, compared to RUB 43.2 billion at the end of 1H17. Total debt increased to RUB 52.7 billion as of June 30, 2018 compared to 45.4 billion a year ago. At the end of 2Q18 long-term debt accounted for 66% of the debt portfolio and amounted to RUB 34.9 billion, while short-term debt totalled RUB 17.8 billion. The effective cost of debt was 7.1% in 1H18 (1H17: 8.6%). Subsidised loans and credit facilities made up 34% of the debt portfolio in 1H18 (1H17: 33%). Cash and cash equivalents totalled RUB 1.4 billion as of June 30, 2018.

Subsidies

The Group accrued direct subsidies of RUB 166.3 million in 1H18 (1H17: RUB 110.8 million). The Group accrued subsidies for interest reimbursement of RUB 410.7 million in 1H18.

Net change in fair value of biological assets and agricultural produce

A higher net change in fair value of biological assets and agricultural produce is explained by a higher valuation of sows, market hogs, and accounting for the upcoming harvest, and by higher prices of the products that the Group produces.



Business segments

Divisions	Sales volume		Change y-o-y, %	Revenue ²		Change y-o-y, %
	1H18, k tonnes	1H17, k tonnes		1H18, RUB mln	1H17, RUB mln	
Chicken	268.53	254.91	5.3%	23 958	23 721	1.0%
Turkey ³	20.29	9.44	114.9%	2 549	1 488	71.2%
Pork	109.83	93.33	17.7%	10 034	8 992	11.6%
Meat processing	110.53	92.38	19.6%	17 607	15 617	12.7%

² Revenue includes inter-segment sales

³ Volume and revenue reported in turkey section represent turkey sales by Trading Company "Cherkizovo"

Poultry Division

Sales volumes in 1H18 increased by 5.3% to 268.53 thousand tonnes (1H17: 254.91 thousand tonnes). The average selling price declined by 4% y-o-y to 87.5 RUB/kg mostly due to the weak price environment at the beginning of 2018 which improved significantly in the late spring/early summer.

The segment's revenue remained unchanged vs. 1H17 and amounted to RUB 24.0 billion (1H17: RUB 23.7 billion): higher sales volumes were offset by a decline in average selling price, despite an increased share of value-added branded products in the sales mix, specifically Petelinka and Chicken Kingdom.

Gross profit declined by 4.7% y-o-y to RUB 5.5 billion, (1H17: RUB 5.7 billion) due to higher production volumes and associated higher cost, offset by lower prices. Gross margin was 22.9%, vs. 24.2% in 1H17.

Operating expenses as a percentage of sales amounted to 12.0%, an increase from 10.4% in 1H17. Operating income decreased 20.7% y-o-y to RUB 2.6 billion (1H17: RUB 3.3 billion). Operating margin fell to 10.9% in 1H18 from 13.9% in 1H17.

The segment's profit before income tax amounted to RUB 2.3 billion (1H17: RUB 2.7 billion).

Adjusted EBITDA declined 26.2% y-o-y to RUB 3.0 billion (1H17: RUB 4.1 billion), while Adjusted EBITDA margin decreased to 12.6% from 17.2% a year ago.

Pork Division

Sales volumes in the first half of 2018 increased by 17.7% y-o-y, to 109.83 thousand tonnes (1H17: 93.33 thousand tonnes). The average selling price declined by 5.5% y-o-y to 90.0 RUB/kg compared to 95.3 RUB/kg a year ago.

The segment's revenue increased by 11.6% y-o-y to RUB 10.0 billion (1H17: RUB 9.0 billion). The revenue growth is attributed to a higher volume of production, though offset by the weak average selling price in the reporting period.

Gross profit doubled y-o-y, to RUB 7.9 billion (1H17: RUB 4.0 billion) due to higher sales volumes, further improvement in operational KPI's and a non-cash change in the



fair value of biological assets of RUB 3.9 billion (net of the revaluation, gross profit increased by 35.2% to RUB 4.0 billion). The segment's gross margin stands at 78.5%, up from 44.2% in 1H17.

Operating expenses as a percentage of sales amounted to 3.8%, compared to 1.3% in 1H17.

Operating income was up 94.5% y-o-y, to RUB 7.5 billion from RUB 3.9 billion in 1H17. The segment's operating margin increased to 74.7% from 42.9% in the first half of 2017.

The segment's profit before income tax amounted to RUB 7.2 billion compared to the 1H17 result of RUB 3.7 billion.

Adjusted EBITDA increased by 24.8% y-o-y to RUB 4.2 billion (1H17: RUB 3.4 billion). Adjusted EBITDA margin improved to 42.0% vs. 37.6% in 1H17.

Meat Processing Division

Sales volumes in 1H18 were up 19.6% y-o-y to 110.53 thousand tonnes (1H17 92.38 thousand tonnes). The average selling price declined to 160.6 RUB/kg, from 173.4 Rub/kg in 1H17.

The segment's revenue increased by 12.7% and reached RUB 17.6 billion (1H17: RUB 15.6 billion). Revenue growth was driven by an increased share of carcass in the sales mix, on the back of higher volumes of market hogs production in the pork segment.

Gross profit declined by 15.6% y-o-y to RUB 2.3 billion, (1H17: RUB 2.7 billion). The gross margin fell to 13.1% from 17.5% a year ago.

Operating expenses as a percentage of sales amounted to 11.7%, vs. 12.0% in 1H17.

Operating income decreased by 71.3% y-o-y to RUB 249 million from RUB 870 million in 1H17. Operating margin decreased to 1.4% from 5.6% in 1H17.

The segment's profit before income tax was RUB 51 million, a decrease of 92.8% y-o-y.

Adjusted EBITDA declined by 48.8% to RUB 614 million from RUB 1.2 billion in 1H17.

Grain Division

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

Outlook

Market conditions remain favourable, and we believe the improvements in market prices for poultry and pork products which started in the second quarter were driven by a combination of robust consumer demand and supply dislocations, rather than purely by seasonal patterns, and will continue for at least the next few quarters. The macro-economic environment was adversely affected by announced VAT hike and associated



inflation uptick. The weaker RUB/USD FX rate and an expected decline in grain harvest in Russia are two factors that might weigh on costs.

We increased focus on our new product development process to diversify sales mix and grow profitability by adding more high-margin, branded value-added products. Furthermore, we will direct our marketing efforts at boosting sales of the Petelinka and Cherkizovo brands, while also phasing out some smaller regional brands.

In line with our strategic priorities to develop and operate a modern, efficient production and supply chain, our investments in Kashira-1 and new pork facilities were recently commissioned, and we believe they will be instrumental in supporting our new product efforts and will favourably impact our operating and financial performance in meat processing going forward.

Finally, ongoing strategic growth initiatives include expansion alongside leading modern retail chains, selected entry into new regional markets (for example, the ongoing acquisition of Altaisky Broiler, a strong player in the Siberian Federal District, which fits well with our strategic vision) and enhancing our presence in the HoReCa segment.

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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 each of the Russian poultry, pork and processed meat markets.

Cherkizovo Group encompasses eight full cycle poultry production facilities, sixteen modern pork production facilities, six meat processing plants, eight feed mills and 287,000 hectares of agricultural land. The Group also includes Tambov Turkey facility, a joint Russian-Spanish venture. In 2017, Cherkizovo Group produced c. 1 mn tonnes of meat and 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 delivered long-term sales growth and profitability. The Group's consolidated revenue was RUB 90.5 billion in 2017.

Cherkizovo Group shares are traded 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 EBITDA is defined as profit for the period before income tax expense/benefit, interest income and interest expense, net, foreign exchange loss/gain, depreciation and amortisation expense, net change in fair value of biological assets and agricultural produce, and share of loss of a joint venture plus share of adjusted EBITDA of a joint venture and effect of the unsold current year harvest less the effect of prior year harvest sold during the current period 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 2018 Consolidated Selected Financial Data

(in thousands of RUB)	Meat Processing	Poultry	Pork	Grain	Feed	Total reportable segments	Corporate	Interdivision	Total without Turkey	Turkey	Combined
Total Sales	17 606 933	23 958 184	10 034 357	2 012 534	14 268 306	67 880 314	363 535	(25 253 377)	42 990 472	2 548 676	45 539 148
including other sales	326 338	472 597	145 181	36 403	-	980 519	363 535	(550 448)	793 606	-	793 606
including sales volume discount	(378 790)	(286 272)	-	-	-	(665 062)	-	-	(665 062)	(28 291)	(693 353)
Interdivision Sales	(97 664)	(806 292)	(8 889 555)	(1 054 387)	(14 030 130)	(24 878 028)	(208 698)	25 253 377	166 651	(166 651)	-
Sales to external customers (Sales)	17 509 269	23 151 892	1 144 802	958 147	238 176	43 002 286	154 837	-	43 157 123	2 382 025	45 539 148
<i>% of Total sales</i>	38.4%	50.9%	2.5%	2.1%	0.5%	94.4%	0.4%	0.0%	94.8%	5.2%	100.0%
Net change in fair value of biological assets and agricultural produce	-	613 546	3 876 174	2 551 190	-	7 040 910	-	(30 730)	7 010 180	-	7 010 180
Cost of Sales	(15 297 308)	(19 094 756)	(6 032 280)	(2 795 879)	(13 927 982)	(57 148 205)	(256 473)	24 988 870	(32 415 808)	(2 211 342)	(34 627 150)
Gross profit	2 309 625	5 476 974	7 878 251	1 767 845	340 324	17 773 019	107 062	(295 237)	17 584 844	337 334	17 922 178
<i>Gross margin</i>	13.1%	22.9%	78.5%	87.8%	2.4%	26.2%	29.5%	1.2%	40.9%	13.2%	39.4%
Operating expenses	(2 060 338)	(2 869 880)	(381 687)	(207 621)	(131 811)	(5 651 337)	(1 500 916)	223 620	(6 928 633)	(288 444)	(7 217 077)
Share of gain/(loss) of a joint venture	-	-	-	-	-	-	-	-	-	(229 994)	(229 994)
Operating income/ (loss)	249 287	2 607 094	7 496 564	1 560 224	208 513	12 121 682	(1 393 854)	(71 617)	10 656 211	(181 104)	10 475 107
<i>Operating margin</i>	1.4%	10.9%	74.7%	77.5%	1.5%	17.9%	-383.4%	0.3%	24.8%	-7.1%	23.0%
Interest income	10 121	38 249	23 232	925	2 772	75 299	66 913	(14 600)	127 612	-	127 612
Interest expense, net	(28 694)	(300 950)	(269 714)	(86 461)	(427 519)	(1 113 338)	(540 422)	14 600	(1 639 160)	-	(1 639 160)
Other income/(expenses), net	(179 338)	(31 840)	(5 480)	2 815	(47 994)	(261 837)	6 298	-	(255 539)	-	(255 539)
Division profit / (loss)	51 376	2 312 553	7 244 602	1 477 503	(264 228)	10 821 806	(1 861 065)	(71 617)	8 889 124	(181 104)	8 708 020
<i>Division profit margin</i>	0.3%	9.7%	72.2%	73.4%	-1.9%	15.9%	-511.9%	0.3%	20.7%	-7.1%	19.1%
Supplemental information:											
Income Tax expense (benefit)	(15 277)	51 317	41 276	6 652	(57 287)	26 681	65 008	-	91 689	-	91 689
Expenditure for segment property, plant and equipment	1 365 413	725 911	1 849 793	164 232	142 493	4 247 842	268 128	-	4 515 970	-	4 515 970

UNAUDITED 6 Months 2018 Consolidated Selected Financial Data

(in thousands of RUB)	Meat Processing	Poultry	Pork	Grain	Feed	Total reportable segments	Corporate	Inter-division	Total without Turkey	Turkey	Combined
Division profit / (loss)	51 376	2 312 553	7 244 602	1 477 503	(264 228)	10 821 806	(1 861 065)	(71 617)	8 889 124	(181 104)	8 708 020
Add:											
Interest expense, net	28 694	300 950	269 714	86 461	427 519	1 113 338	540 422	(14 600)	1 639 160	-	1 639 160
Interest income	(10 121)	(38 249)	(23 232)	(925)	(2 772)	(75 299)	(66 913)	14 600	(127 612)	-	(127 612)
Foreign exchange loss/(gain)	179 735	31 894	5 572	(2 815)	47 994	262 380	(6 278)	-	256 102	-	256 102
Depreciation and amortisation	363 831	1 018 146	594 797	393 078	287 019	2 656 871	181 136	-	2 838 007	1 077	2 839 084
Net change in fair value of biological assets and agricultural produce	-	(613 546)	(3 876 174)	(2 551 190)	-	(7 040 910)	-	30 730	(7 010 180)	-	(7 010 180)
Share of gain/(loss) of a joint venture	-	-	-	-	-	-	-	-	-	229 994	229 994
Share of adjusted EBITDA of a joint venture	-	-	-	-	-	-	-	-	-	(66 713)	(66 713)
Effect of the unsold current year harvest less the effect of prior year harvest sold during the current period	-	-	-	518 272	-	518 272	-	(30 730)	487 542	-	487 542
Adjusted EBITDA	613 515	3 011 748	4 215 279	(79 616)	495 532	8 256 458	(1 212 698)	(71 617)	6 972 143	(16 746)	6 955 397
Adjusted EBITDA Margin	3.5%	12.6%	42.0%	-4.0%	3.5%	12.2%	-333.6%	0.3%	16.2%	-0.7%	15.3%

Reconciliation between net division profit and income attributable to Cherkizovo Group	1H18
Total net division profit	8 708 020
Net income attributable to non-controlling interests	92 362
Income taxes	(91 689)
Net income attributable to Cherkizovo Group	8 708 693



UNAUDITED CONSOLIDATED INCOME STATEMENT DATA

(in thousands of RUB)	Six months ended 30 June 2018	Six months ended 30 June 2017
Sales	45 539 148	43 348 896
incl. Sales volume discounts	(693 353)	(615 474)
incl. Sales returns	(434 547)	(509 405)
Net change in fair value of biological assets and agricultural produce	7 010 180	1 157 992
Cost of sales	(34 627 150)	(31 626 336)
Gross profit	17 922 178	12 880 552
Gross margin	39.4%	29.7%
Operating expenses	(7 217 077)	(6 066 853)
Share of gain/(loss) of a joint venture	(229 994)	(189 991)
Operating profit	10 475 107	6 623 708
Operating margin	23.0%	15.3%
Profit before income tax	8 708 020	5 020 221
Profit attributable to Cherkizovo Group	8 708 693	5 106 255
<i>Net profit margin</i>	<i>19.1%</i>	<i>11.8%</i>
Weighted average number of shares outstanding	41 047 014	43 855 590
Earnings / (Loss) per share		
Profit attributable to Cherkizovo Group per share – basic and diluted (RUB)	212.16	116.43
Consolidated Adjusted EBITDA reconciliation		
Profit before income tax	8 708 020	5 020 221
Add:		
Interest expense, net of subsidies	1 639 160	1 538 547
Interest income	(127 612)	(139 697)
Foreign exchange (gain)/loss, net	256 102	209 112
Depreciation and amortisation	2 839 084	2 383 254
Net change in fair value of biological assets and agricultural produce	(7 010 180)	(1 157 992)
Share of gain/(loss) of a joint venture	229 994	189 991
Share of adjusted EBITDA of a joint venture	(66 713)	
Effect of the unsold current year harvest less the effect of prior year harvest sold during the current period	487 542	42 629
Consolidated Adjusted EBITDA	6 955 397	8 086 065
<i>Adjusted EBITDA Margin</i>	<i>15.3%</i>	<i>18.7%</i>

POULTRY DIVISION INCOME STATEMENT DATA

(in thousands of RUB)	Six months ended 30 June 2018	Six months ended 30 June 2017
Total Sales	23 958 184	23 720 958
Interdivision sales	(806 292)	(884 399)
Sales to external customers	23 151 892	22 836 559
Net change in fair value of biological assets and agricultural produce	613 546	167 963
Cost of sales	(19 094 756)	(18 139 359)
Gross profit	5 476 974	5 749 562
<i>Gross margin</i>	22.9%	24.2%
Operating expenses	(2 869 880)	(2 461 562)
Operating Income	2 607 094	3 288 000
<i>Operating margin</i>	10.9%	13.9%
Interest income	38 249	76 801
Interest expense, net	(300 950)	(489 071)
Other income/(expenses), net	(31 840)	(163 493)
Division profit before income tax	2 312 553	2 712 237
<i>Division profit margin</i>	9.7%	11.4%
Poultry processing division Adjusted EBITDA reconciliation		
Division profit before income tax	2 312 553	2 712 237
Add:		
Interest expense, net of subsidies	300 950	489 071
Interest income	(38 249)	(76 801)
Foreign exchange (gain)/loss, net	31 894	166 212
Depreciation and amortisation	1 018 146	956 711
Net change in fair value of biological assets and agricultural produce	(613 546)	(167 963)
Poultry processing division Adjusted EBITDA	3 011 748	4 079 467
<i>Adjusted EBITDA Margin</i>	12.6%	17.2%

PORK DIVISION INCOME STATEMENT DATA

(in thousands of RUB)	Six months ended 30 June 2018	Six months ended 30 June 2017
Total Sales	10 034 357	8 991 733
Interdivision sales	(8 889 555)	(6 670 439)
Sales to external customers	1 144 802	2 321 294
Net change in fair value of biological assets and agricultural produce	3 876 174	1 017 141
Cost of sales	(6 032 280)	(6 032 517)
Gross profit	7 878 251	3 976 357
<i>Gross margin</i>	78.5%	44.2%
Operating expenses	(381 687)	(121 175)
Operating Income	7 496 564	3 855 182
<i>Operating margin</i>	74.7%	42.9%
Interest income	23 232	20 443
Interest expense, net	(269 714)	(171 818)
Other income/(expenses), net	(5 480)	(2 860)
Division profit before income tax	7 244 602	3 700 947
<i>Division profit margin</i>	72.2%	41.2%
Pork division Adjusted EBITDA reconciliation		
Division profit before income tax	7 244 602	3 700 947
Add:		
Interest expense, net of subsidies	269 714	171 818
Interest income	(23 232)	(20 443)
Foreign exchange (gain)/loss, net	5 572	3 420
Depreciation and amortisation	594 797	539 321
Net change in fair value of biological assets and agricultural produce	(3 876 174)	(1 017 141)
Pork division Adjusted EBITDA	4 215 279	3 377 922
<i>Adjusted EBITDA Margin</i>	42.0%	37.6%



MEAT PROCESSING DIVISION INCOME STATEMENT DATA

(in thousands of RUB)	Six months ended 30 June 2018	Six months ended 30 June 2017
Total Sales	17 606 933	15 616 747
Interdivision sales	(97 664)	(6 586)
Sales to external customers	17 509 269	15 610 161
Cost of sales	(15 297 308)	(12 879 207)
Gross profit	2 309 625	2 737 540
<i>Gross margin</i>	13.1%	17.5%
Operating expenses	(2 060 338)	(1 867 689)
Operating Income	249 287	869 851
<i>Operating margin</i>	1.4%	5.6%
Interest income	10 121	7 825
Interest expense, net	(28 694)	(118 920)
Other income/(expenses), net	(179 338)	(41 970)
Division profit before income tax	51 376	716 786
<i>Division profit margin</i>	0.3%	4.6%
Meat processing division Adjusted EBITDA reconciliation		
Division profit before income tax	51 376	716 786
Add:		
Interest expense, net of subsidies	28 694	118 920
Interest income	(10 121)	(7 825)
Foreign exchange (gain)/loss, net	179 735	41 978
Depreciation and amortisation	363 831	329 218
Meat processing division Adjusted EBITDA*	613 515	1 199 077
<i>Adjusted EBITDA Margin</i>	3.5%	7.7%



FEED DIVISION INCOME STATEMENT DATA

(in thousands of RUB)	Six months ended 30 June 2018	Six months ended 30 June 2017
Total Sales	14 268 306	13 482 803
Interdivision sales	(14 030 130)	(13 013 551)
Sales to external customers	238 176	469 252
Cost of sales	(13 927 982)	(12 918 113)
Gross profit	340 324	564 690
<i>Gross margin</i>	2.4%	4.2%
Operating expenses	(131 811)	(182 483)
Operating Income	208 513	382 207
<i>Operating margin</i>	1.5%	2.8%
Interest income	2 772	863
Interest expense, net	(427 519)	(452 451)
Other income/(expenses), net	(47 994)	(224)
Division loss before income tax	(264 228)	(69 605)
<i>Division profit margin</i>	-1.9%	-0.5%
Feed division Adjusted EBITDA reconciliation		
Division loss before income tax	(264 228)	(69 605)
Add:		
Interest expense, net of subsidies	427 519	452 451
Interest income	(2 772)	(863)
Foreign exchange (gain)/loss, net	47 994	947
Depreciation and amortisation	287 019	309 890
Feed division Adjusted EBITDA	495 532	692 820
<i>Adjusted EBITDA Margin</i>	3.5%	5.1%



APPENDIX II:

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR 6 MONTHS ENDED 30 JUNE 2018**

(in thousands of RUB)	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Revenue	45 539 148	43 348 896	90 465 069
Net change in fair value of biological assets and agricultural produce	7 010 180	1 157 992	(148 118)
Cost of sales	(34 627 150)	(31 626 336)	(66 758 340)
Gross profit	17 922 178	12 880 552	23 558 611
Selling, general and administrative expense	(7 266 644)	(6 333 796)	(13 936 562)
Other operating income, net	49 567	266 943	324 898
Share of loss of a joint venture	(229 994)	(189 991)	(221 325)
Operating profit	10 475 107	6 623 708	9 725 622
Interest income	127 612	139 697	277 148
Interest expense, net	(1 639 160)	(1 538 547)	(3 663 093)
Other income/(expenses), net	(255 539)	(204 637)	(384 002)
Profit before income tax	8 708 020	5 020 221	5 955 675
Income tax expense	(91 689)	(40 440)	(307 600)
Profit for the period and total comprehensive income	8 616 331	4 979 781	5 648 075
Profit and total comprehensive income, attributable to Cherkizovo Group	8 708 693	5 106 255	5 800 371
Non-controlling interests	(92 362)	(126 474)	(152 296)

**APPENDIX III:
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL
POSITION AS OF JUNE 30 2018**

(in thousands of RUB)	30 June 2018	31 December 2017
ASSETS		
Non-current assets		
Property, plant and equipment	76 370 119	75 318 770
Investment property	585 417	589 411
Goodwill	1 254 572	1 254 572
Intangible assets	2 018 469	2 014 358
Non-current biological assets	3 014 520	2 288 524
Notes receivable	160 000	310 000
Investments in joint venture	2 821 501	2 185 147
Long-term deposits in banks	641 365	641 365
Restricted cash	145 662	740 848
Deferred tax assets	754 192	754 192
Other non-current receivables	481 980	804 322
Total non-current assets	88 247 797	86 901 509
Current assets		
Biological assets	18 982 605	11 566 300
Inventories	8 792 293	9 971 811
Taxes recoverable and prepaid	1 998 634	2 264 482
Trade receivables, net	4 562 623	4 448 735
Advances paid, net	810 493	1 415 099
Other receivables, net	1 228 725	836 563
Cash and cash equivalents	1 361 575	704 676
Other current assets	499 951	535 087
Total current assets	38 236 899	31 742 753
TOTAL ASSETS	126 484 696	118 644 262



UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF JUNE 30 2018 Continued

	30 June 2018	31 December 2017
EQUITY AND LIABILITIES		
Equity		
Share capital	440	440
Treasury shares	(3 724 561)	(3 724 561)
Additional paid-in capital	5 599 428	5 588 320
Retained earnings	55 477 106	49 849 812
Total shareholder's equity	57 352 413	51 714 011
Non-controlling interest	961 065	1 065 846
Total equity	58 313 478	52 779 857
Non-current liabilities		
Long-term borrowings	34 920 761	30 603 110
Provisions	58 131	58 131
Deferred tax liability	1 026 731	1 064 814
Other liabilities	496	3 272
Total non-current liabilities	36 006 119	31 729 327
Current liabilities		
Short-term borrowings	17 803 666	19 411 621
Trade payables	8 994 016	9 018 376
Advances received	437 105	616 371
Payables for non-current assets	1 386 411	1 912 620
Tax related liabilities	1 030 417	964 123
Payroll related liabilities	1 617 964	1 816 396
Other payables and accruals	895 520	395 571
Total current liabilities	32 165 099	34 135 078
Total liabilities	68 171 218	65 864 405
TOTAL EQUITY AND LIABILITIES	126 484 696	118 644 262

**APPENDIX IV:
 UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR
 6 MONTHS ENDED 30 JUNE 2018**

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax	8 708 020	5 020 221	5 955 675
Adjustments for:			
Depreciation and amortization	2 839 084	2 383 254	5 153 486
Bad debt expense	36 765	26 947	282 148
Foreign exchange loss, net	256 102	209 112	390 426
Interest income	(127 612)	(139 697)	(277 148)
Interest expense, net	1 639 160	1 538 547	3 663 093
Net change in fair value of biological assets and agricultural produce	(7 010 180)	(1 157 992)	148 118
Loss on disposal of property, plant and equipment, net	8 664	52 844	106 321
Gain on disposal of non-current biological assets, net	(58 231)	(314 637)	(423 512)
Share of loss of a joint venture	229 994	189 991	221 325
Other adjustments, net	(3 276)	(3 161)	(14 392)
Operating cash flows before working capital and other changes	6 518 490	7 805 429	15 205 540
Decrease in inventories	1 554 064	2 686 051	1 259 252
Increase in biological assets	(1 519 067)	(2 167 397)	(489 539)
(Increase) decrease in trade receivables	(131 926)	1 045 212	384 564
Decrease (increase) in advances paid	599 846	56 901	(169 281)
Decrease (increase) in other receivables and other current assets	247 514	189 135	(333 616)
Increase in other non-current assets	(16 535)	(30 597)	(113 739)
(Decrease) increase in trade payables	(146 481)	(1 379 117)	48 691
(Decrease) increase in tax related liabilities (other than income tax)	176 618	84 324	50 889
(Decrease) increase in other current payables	(215 518)	(385 949)	445 491
Operating cash flows before interest and income tax	7 067 005	7 903 992	16 288 252
Interest received	144 974	77 428	143 745
Interest paid	(2 091 501)	(1 456 204)	(3 444 545)
Government grants for compensation of interest expense received	70 095	58 507	541 187
Income tax paid	(397 679)	(116 936)	(512 430)
Net cash from operating activities	4 792 894	6 466 787	13 016 209
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(4 415 981)	(3 975 563)	(9 881 600)
Purchases of non-current biological assets	(418 776)	(443 895)	(1 017 577)
Purchases of intangible assets	(167 468)	(98 558)	(372 470)
Proceeds from sale of property, plant and equipment	63 529	1 694	30 880
Proceeds from disposal of non-current biological assets	486 614	577 978	1 028 836
Acquisitions of subsidiaries, net of cash acquired	-	(4 768 059)	(4 768 059)
Investments in joint ventures	(198 250)	(345 000)	(345 000)
Placing of deposits and issuance of loans	-	(1 471)	(412 470)
Placing of notes receivable	-	(100 000)	(100 000)
Proceeds from repayment of loans issued and redemption of deposits	387 500	50	150 050
Net cash used in investing activities	(4 262 832)	(9 152 824)	(15 687 410)



**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR
6 MONTHS ENDED 30 JUNE 2018 Continued**

	Six months ended	Six months ended	Year ended
	30 June 2018	30 June 2017	31 December 2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term loans	13 241 177	9 419 635	20 542 792
Repayment of long-term loans	(8 642 692)	(1 803 054)	(10 378 936)
Proceeds from short-term loans	9 971 484	5 194 473	11 555 329
Repayment of short-term loans	(11 360 422)	(8 953 480)	(12 246 483)
Purchase of treasury shares	-	-	(3 646 528)
Dividends paid	(3 081 399)	(598 580)	(3 453 970)
(Purchase) disposal of non-controlling interests	(1 311)	105	1 470
Net cash from financing activities	126 837	3 259 099	2 373 674
Net increase/(decrease) in cash and cash equivalents	656 899	573 062	-297 527
Cash and cash equivalents at the beginning of the period	704 676	1 002 203	1 002 203
Cash and cash equivalents at the end of the period	1 361 575	1 575 265	704 676