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## **Cherkizovo Group Announces Financial Results for the Third Quarter and Nine Months of 2017**

**Moscow, Russia – 15 November 2017 – PJSC Cherkizovo Group (LSE: CHE; MOEX: GCHE), the largest vertically integrated meat and feed producer in Russia, today announces its unaudited consolidated IFRS results for the period ending 30 September 2017.**

### **Third quarter financial highlights**

- Revenue was RUB 22.8 billion
- Gross profit fell 32% to RUB 4.9 billion
- Gross profit margin of 21.6%
- Adjusted EBITDA\* fell 15% to RUB 3.7 billion
- Adjusted EBITDA\* margin of 16.0%

### **9M financial highlights**

- Revenue increased by 12% year-on-year (y-o-y) to RUB 66.1 billion from RUB 59.2 billion in 9M 2016
- Gross profit jumped 37% y-o-y to RUB 17.8 billion from RUB 13.0 billion in 9M 2016
- Gross profit margin surged to 26.9%, compared to 22.0% in 9M 2016
- Operating expenses were flat and stood at RUB 9.5 billion y-o-y
- Adjusted EBITDA\* more than doubled y-o-y to RUB 11.7 billion, compared to RUB 5.3 billion in 9M 2016
- Adjusted EBITDA\* margin jumped to 17.7% compared to 9.0% in 9M 2016
- Net profit for the period grew 158% y-o-y to RUB 5.6 billion, versus RUB 2.2 billion in 9M 2016
- Net operating cash flow was RUB 9.8 billion for 9M 2017
- Net debt\*\* was RUB 47.2 billion as at September 30, 2017
- Earnings per share (EPS) reached RUB 130.4 (9M 2016: EPS was RUB 50.0)

### **Key corporate highlights for 3Q**

- In July 2017, Cherkizovo Group announced plans to construct turkey-fattening sites in Lipetsk region. Current plans envisage the construction of three turkey-fattening sites, utilising 1,000 hectares of land. Planned investment in the project amounts to RUB 1.7 billion.
- Also in July, the Group announced plans to extend production in Voronezh at LISKO Broiler, the region's largest producer of poultry meat.
- In August, the Vasilyevskaya poultry production facility received permission to export poultry products to Iraq. Obtaining the right to export is a significant step in the development of the Group's export potential.



- Also in August, the controlling shareholder of Cherkizovo Group, together with affiliates of the Company, completed the acquisition of 21.05% of the Group's ordinary shares and global depository receipts (GDRs) from funds and portfolios under the management of Prosperity Capital Management at a price of RUB 1,300 per ordinary share (or the dollar equivalent for GDRs), for a total consideration of RUB 12.0 billion.
- In September, the Group announced the completion of a record winter wheat harvest campaign. This year, Cherkizovo Group harvested almost 270,000 tonnes of winter wheat, nearly doubling the amount of last year's harvest of 140,000 tonnes. This growth was achieved through the expansion of winter wheat acreage.

### **Key corporate highlights after reporting period**

- In October 2017, Cherkizovo Group announced the completion of the Share Buyback Offer. An aggregate of 73,407 shares and 503,293 GDRs, corresponding to 0.93% of the Group's share capital, were purchased for the total amount of around RUB 532 million. Following the offer, the controlling shareholder of Cherkizovo Group, together with its affiliates, controlled 89.62% of the Group's equity.

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

"The Group's performance this year to date has demonstrated the strength of the recovery of our business and our domestic and export markets beginning in late 2016. We saw stable financial and operational results in the third quarter, and year-to-date, the Group delivered solid top-line and robust bottom-line growth, despite increased competition from higher levels of domestic production. For the first nine months of the year, net profit jumped 158% reflecting continued internal operating improvements, the ongoing recovery of the Russian consumer sector and currency gains.

We are very encouraged to have generated strong growth and profitability across all business segments. The pork and poultry segments made sizable contributions to EBITDA growth in the first nine months of the year. Meanwhile, the Winter Harvest was a record one for the Group, following the acquisition of NAPKO, which, as planned, has boosted our self-sufficiency in grain.

During the last quarter, we advanced investment plans to increase the output of pork products in Voronezh and Lipetsk regions. In addition, our Tambov Turkey joint venture has now reached its target production capacity.

To sustain and augment our market leadership in a competitive environment, we continue to increase our focus on higher value-added products, including ready-to-eat and processed meat products. To enhance our strong market share, we are currently building a state-of-the-art processed meat sausage factory in Kashira, Moscow region, which will be the largest of its kind in Europe.

In the third quarter, we started to observe some downward trends in the pork and poultry markets. We expect weakening of prices will affect our profitability in the short run; however, this trend is due primarily to seasonal factors. Nevertheless, our overall outlook remains positive."



## Financial summary

RUB mln	9M 2017	9M 2016	y-o-y, %	3Q 2017	2Q 2017	q-o-q, %
Revenue	66 129	59 226	12%	22 780	22 378	2%
Gross profit	17 807	13 034	37%	4 927	7 240	-32%
Operating expenses	(9 527)	(9 455)	1%	(3 428)	(3 071)	12%
EBITDA, adjusted	<b>11 698</b>	<b>5 346</b>	<b>119%</b>	<b>3 654</b>	<b>4 313</b>	-15%
<i>EBITDA margin, adjusted</i>	<i>17.7%</i>	<i>9.0%</i>		<i>16.0%</i>	<i>19.3%</i>	
Operating profit	8 122	3 579	127%	1 499	4 169	-64%
Income before tax	5 711	2 273	151%	690	3 142	-78%
Profit	<b>5 650</b>	<b>2 192</b>	<b>158%</b>	<b>543</b>	<b>3 172</b>	-83%
Net operating cash flow	<b>9 839</b>	<b>5 062</b>	<b>94%</b>	<b>3 372</b>	<b>4 353</b>	-23%
Net debt	<b>47 214</b>	<b>36 949*</b>	<b>28%</b>	<b>47 214</b>	<b>43 192</b>	9%

\* as of December 31, 2016

### Revenue

Net sales increased by 12% y-o-y to RUB 66.1 billion, compared to RUB 59.2 billion in 9M 2016. Our pork, poultry and meat processing segments all delivered significant growth, with respective y-o-y rises in revenue in the first nine months of 21%, 3% and 7%. On a quarterly basis, sales growth was -10%, -1% and 8%. Average prices grew modestly y-o-y and were flat to negative q-o-q.

### Gross profit

Gross profit increased by 37% y-o-y to RUB 17.8 billion from RUB 13.0 billion in 9M 2016. The strong year-on-year performance came on the back of a recovery in the consumer sector and a stronger rouble, translating into higher sales and lower feed costs, the latter being largely denominated in foreign currency. For 9M 2017, the rouble maintained multi-year highs last seen in 2015. The combination of lower costs and higher sales lifted gross margin to 26.9% in 9M 2017. At the same time gross profit decreased on a quarterly basis by 32%.

### Operating expenses

Operating expenses were flat y-o-y and stood at RUB 9.5 billion but increased in the third quarter by 12% q-o-q. Operating expenses as a percentage of sales decreased to 14.4% in 9M 2017.

### Adjusted EBITDA

In 9M 2017, adjusted EBITDA reached RUB 11.7 billion, which is almost double the figure reported for 9M 2016. The adjusted EBITDA margin jumped to 17.7% (9M 2016: 9.0%). The adjusted EBITDA margin for the third quarter of 2017 was 16.0%, versus 12.8% for the corresponding period of 2016.



### Interest expense

Net interest expense for 9M 2017 was RUB 2.4 billion, up 23% from the 9M 2016 level of RUB 1.9 billion due to cuts in state subsidies and increase of total debt.

### Net profit

Net profit for the Group grew 158% y-o-y to RUB 5.6 billion in 9M 2017, compared to RUB 2.2 billion in 9M 2016. The net profit margin in 9M 2017 strengthened to 8.5%, compared to 3.7% for the corresponding period of 2016.

### Cash flow

Operating cash flow for 9M 2017 was RUB 9.8 billion compared to RUB 5.1 billion in 9M 2016. This was primarily the result of an increase in operating income.

### Business segments

Divisions	Sales volume		Change y-o-y, %	Revenue		Change y-o-y, %	Share of Group revenue, %
	9M 2017, k tonnes	9M 2016, k tonnes		9M 2017, RUB mln*	9M 2016, RUB mln*		
Poultry	385.4	372.1	4%	35 472	34 453	3%	49%
Pork	148.7	131.6	13%	13 532	11 171	21%	18%
Meat processing	167.3	158.6	5%	24 438	22 818	7%	33%

\* revenue for both years includes intersegment sales

### Poultry Division

Sales volumes for 9M 2017 increased by 4% y-o-y to 385,373 tonnes of sellable weight (9M 2016: 372,070 tonnes). The stable growth was mostly attributable to growth in production, translating into enhanced sales. In the corresponding period in 2016, management had decided to sell excess inventory due to market volatility, which boosted sales volumes but depressed prices.

The average price during 9M 2017 rose by 1% y-o-y to 90.13 RUB/kg, as branded products and HoReCa sales represented a larger share of sales in line with the Group's strategy. On a quarterly basis, the average price decreased by 2% to 88.14 RUB/kg during 3Q 2017, due to overall price decreases on the market.

Year-on-year, revenue for the division grew by 3% y-o-y to RUB 35.5 billion (9M 2016: RUB 34.5 billion). This growth was a result of the rise in the average price as brand name and value-added products continued to account for a higher share of sales.

Gross profit grew 65% y-o-y to RUB 8.1 billion, from RUB 4.9 billion in 9M 2016. Enhanced profitability was mainly attributable to the stronger rouble and lower feed costs. The gross margin stood at 23.0%, compared to 14.3% in 9M 2016.

Operating expenses as a percentage of sales decreased to 10.8%, from 10.9% in 9M 2016, due to lower repairs & maintenance, payroll and advertising & marketing expenses.



Operating income for 9M 2017 grew y-o-y to RUB to 4.3 billion. The operating margin for 9M 2017 stood at 12.2%. On a quarterly basis, operating margin decreased to 8.8% in 3Q 2017 from 15.6% in 2Q 2017, as a result of the decline in the average selling price.

Net profit for the division jumped to RUB 3.5 billion, compared to a profit of RUB 0.3 billion in 9M 2016. This was mainly due to efficiency increases.

Adjusted EBITDA jumped 163% to RUB 5.7 billion (9M 2016: RUB 2.2 billion), while the adjusted EBITDA margin stood at 16.2%. In quarterly terms, the EBITDA margin decreased to 14.1% in 3Q 2017 from 17.3% in the prior quarter.

### **Pork Division**

Production volumes in 9M 2017 increased by 13% y-o-y to 148,722 tonnes (9M 2016: 131,581 tonnes). The increase was attributable to higher production levels following the launch of two new wean-to-finish sites in Voronezh in 2016, and three in Lipetsk in 2017, as well as the Group's ongoing genetics improvement strategy launched in 2014.

The average price rose by 8% y-o-y to 93.74 RUB/kg (9M 2016: 86.59 RUB/kg). This increase was driven by growing pork consumption in Russia, which has been partly due to increased promotional activity by Russian retail chains, along with the continued stability in the purchasing power of consumers.

Total sales in the pork division grew 21% y-o-y to RUB 13.5 billion (9M 2016: RUB 11.2 billion). Strong sales growth was expected as both volume and average price increased y-o-y. On a quarterly basis, sales decreased by 10% compared to 2Q 2017, accompanied by a price decline of 4% q-o-q.

Gross profit for 9M 2017 increased by 54% to RUB 5.1 billion, (9M 2016: RUB 3.3 billion), with the increase mainly attributable to lower costs for feed and medications due to the strength of the rouble against the US dollar. The pork segment's gross profit fell 58% between the second and third quarter of this year.

Operating expenses as a percentage of sales decreased in 9M 2016 and stood at 2.9% (9M 2016: 4.9%).

Operating income grew robustly y-o-y to RUB 4.8 billion from RUB 2.8 billion in 9M 2016. The operating margin jumped to 35.1%, compared to 24.9% for the first nine months of 2016.

Net profit grew 87% y-o-y to RUB 4.5 billion (9M 2016: RUB 2.4 billion).

Adjusted EBITDA more than doubled y-o-y and amounted to RUB 5.1 billion (9M 2016: RUB 2.5 billion). The adjusted EBITDA margin grew to 37.6% in 9M 2017 from 22.1% in 9M 2016. On a q-o-q basis, adjusted EBITDA fell by 14%.



### **Meat Processing Division**

Sales volumes increased by 5% y-o-y to 167,346 tonnes from 158,647 tonnes in 9M 2016. This was due to sustained growth in the segment's product assortment in the modern retail channel and geographical diversification into the Urals and North-West regions since 2016.

During the reporting period, the average price grew 3% y-o-y to 150.19 RUB/kg in 9M 2017 due to raising sales of value added products. On a q-o-q basis, the average price increased by 1% to 150.34RUB/kg (2Q 2017: 148.92 RUB/kg).

Total sales grew by 7% in 9M 2017 to RUB 24.4 billion (9M 2016: RUB 22.8 billion). The increase was a result of sales volume and average price growth. In 3Q 2017, sales grew by 8% q-o-q.

Gross profit for 9M 2017 increased 8% y-o-y to RUB 4.2 billion, compared to RUB 3.9 billion in 9M 2016. Gross margin reached 17.2% for 9M 2017 versus 17.1% in 9M 2016. Gross profit grew q-o-q by 9%.

Operating income increased by 14% y-o-y to RUB 1.3 billion from RUB 1.2 billion in 9M 2016. The operating margin increased to 5.5% from 5.1% in 9M 2016, resulting from an increase in the margins of sausage products, as well as lower marketing and selling expenses.

During 9M 2017 the meat processing segment generated net profit of RUB 1.1 billion.

In 9M 2017, adjusted EBITDA stood at RUB 1.9 billion (9M 2016: RUB 1.6 billion). Adjusted EBITDA grew by 18% on a q-o-q basis. The adjusted EBITDA margin of 7.6% in 9M 2017, exceeded the 9M 2016 figure of 7.2%.

### **Grain Division**

During the reporting period, Cherkizovo started its 2017 harvesting campaign and expects to harvest a total of around 750,000 tonnes of crops this year. Year to date, wheat yields have exceeded yield rates in our budget and year to date Cherkizovo Group harvested almost 264,000 tonnes of winter wheat, nearly doubling the amount of last year's harvest of 140,000 tonnes.

Grain prices to date in 2017 have been lower than budgeted and lower than in 2016. Due to the seasonality of our business, the results of the Grain segment are reported annually to better reflect business performance and provide an appropriate basis for comparison.

### **Financial Position**

The Group's capital expenditure on property, plant, equipment and maintenance amounted to RUB 9.5 billion in 9M 2017, a y-o-y increase of 28%. RUB 1.0 billion was invested in the poultry segment. RUB 3.6 billion was invested in the construction of new pork finisher complexes in Lipetsk region, the development of sites in Voronezh region and the building of two wean-to-finish sites in Penza region. The meat processing segment made RUB 4.1 billion of investments for the construction of the Kashira meat processing plant in Moscow region. In the grain division, RUB 0.3 billion was invested into the construction of a new grain drying facility.



Cherkizovo Group acquired NAPKO from a related party. NAPKO is one of Russia's leading grain producers with 147,000 hectares of land located in Lipetsk, Tambov and Penza regions, which are strategically important areas for Cherkizovo Group. In 2016, NAPKO produced 250,000 tonnes of grain. Following the acquisition, Cherkizovo Group's total operating land bank reached 287 000 hectares. As part of the transaction, the Group also acquired the supporting production infrastructure to cultivate the land and store the grain.

As of 30 September 2017, net debt\*\* amounted to RUB 47.2 billion, compared to RUB 36.9 billion at the end of 2016. Total debt increased to RUB 50.4 billion as of 30 September 2017, compared to the level of total debt of 38.6 billion at the end of 2016. As of 30 September 2017, long-term debt represented 67% of the debt portfolio and was RUB 34.0 billion. Short-term debt stood at RUB 16.4 billion, or 33% of the portfolio. The effective cost of debt was 8.3% in 9M 2017 (12M 2016: 9.7%). Subsidised loans and credit lines made up 31% of the debt portfolio in 9M 2017 (12M 2016: 35%). Cash and cash equivalents totalled RUB 2.5 billion as at 30 September 2017.

In August 2017, the controlling shareholder of Cherkizovo Group, together with subsidiaries of the Company, completed the acquisition of 21.05% of its ordinary shares and GDRs from the funds and portfolios under the management of Prosperity Capital Management at a price of RUB 1,300 per ordinary share (or the then dollar equivalent per GDR), for a total consideration of RUB 12.0 billion.

Subsequently, in October 2017, Cherkizovo Group announced the completion of a Share Buyback Offer, a mandatory offer to all shareholders. An aggregate of 73,407 shares and 503,293 GDRs, corresponding to 0.93% of the Group's share capital, were purchased for the total amount of around RUB 532 million. Following the offer, the controlling shareholder of Cherkizovo Group, together with its affiliates, controlled 89.62% of the Group's equity.

## **Subsidies**

In 9M 2017, the Group accrued subsidies for interest reimbursement of RUB 0.4 billion, which offset interest expense (9M 2016: RUB 1.5 billion). The Group received RUB 0.6 billion of subsidies in 9M 2017, compared to RUB 1.1 billion in 9M 2016.

## **Outlook**

The Group maintains a cautious outlook for the remainder of 2017, due to key pricing elements. First, poultry and pork prices have weakened due, in part, to seasonal factors. In addition, while grain yields and harvest have risen, it appears this will not offset lower commodity prices. The latter factor is linked in part to the relative strength of the rouble compared to the US dollar.

Despite these real challenges, the Group maintains positive expectations for 2018. The Russian macroeconomic outlook is positive and stable. The stronger rouble compared to major foreign currencies continues to be a net positive for the Group over the longer term, as it drives lower input costs and contributes to enhancing internal efficiencies. Assuming unexpected risks do not emerge over this period, management expects that these positive factors, coupled with an ongoing recovery in Russian consumer spending power, should support continued solid Group profitability.



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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 and is the largest feed manufacturer in the country.

Cherkizovo Group encompasses eight full cycle poultry production facilities, 15 modern pork production facilities, six meat processing plants, eight feed mills and more than 287,000 hectares of agricultural land. The Group also includes Tambov Turkey facility, a joint Russian-Spanish venture. In 2016, Cherkizovo Group produced 903,000 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 82.4 billion in 2016.

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

*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, write-off of receivables from insurance company, share of loss of a joint venture, and loss on disposal of subsidiaries plus adjusted EBITDA of a joint venture 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 9 Months 2017 Consolidated Selected Financial Data

(in thousands of roubles)	Meat-Processing	Poultry	Pork	Grain	Feed	Corporate assets/expenditures	Turkey	Inter-division	Combined
<b>Total Sales</b>	24 437 763	35 472 273	13 531 737	1 741 576	20 683 380	1 286 321	2 606 917	(33 630 726)	66 129 241
including other sales	461 734	679 054	160 445	53 741	-	1 286 321	-	(1 437 016)	1 204 279
including sales volume discount	(607 839)	(364 393)	-	-	-	-	(20 402)	-	(992 634)
Interdivision Sales	(10 890)	(1 410 769)	(10 309 852)	(817 652)	(19 991 703)	(1 089 860)	-	33 630 726	-
Sales to external customers	24 426 873	34 061 504	3 221 885	923 924	691 677	196 461	2 606 917	-	66 129 241
<i>% of Total sales</i>	36.9%	51.6%	4.9%	1.4%	1.0%	0.3%	3.9%	0.0%	100.0%
Net change in fair value of biological assets and agricultural produce	-	38 196	476 492	(306 872)	-	-	-	114 693	322 509
Cost of Sales	(20 243 981)	(27 367 424)	(8 868 287)	(1 994 580)	(19 795 745)	(1 165 883)	(2 580 243)	33 371 502	(48 644 641)
<b>Gross profit/(loss)</b>	<b>4 193 782</b>	<b>8 143 045</b>	<b>5 139 942</b>	<b>(559 876)</b>	<b>887 635</b>	<b>120 438</b>	<b>26 674</b>	<b>(144 531)</b>	<b>17 807 109</b>
<i>Gross margin</i>	17.2%	23.0%	38.0%	-32.1%	4.3%	9.4%	1.0%	0.4%	26.9%
Operating expenses	(2 852 799)	(3 816 294)	(387 912)	(266 744)	(271 569)	(2 018 072)	(106 555)	193 416	(9 526 529)
Share of loss of a joint venture	-	-	-	-	-	-	(158 107)	-	(158 107)
<b>Operating profit/(loss)</b>	<b>1 340 983</b>	<b>4 326 751</b>	<b>4 752 030</b>	<b>(826 620)</b>	<b>616 066</b>	<b>(1 897 634)</b>	<b>(237 988)</b>	<b>48 885</b>	<b>8 122 473</b>
<i>Operating margin</i>	5.5%	12.2%	35.1%	-47.5%	3.0%	-147.5%	-9.1%	-0.1%	12.3%
Other (expenses)/income, net	(90 002)	(40 472)	26 983	1 796	(4 939)	152 915	-	(96 738)	(50 457)
Interest expense, net	(158 968)	(766 156)	(326 526)	(110 952)	(619 651)	(475 867)	-	96 738	(2 361 382)
<b>Division profit/(loss)</b>	<b>1 092 013</b>	<b>3 520 123</b>	<b>4 452 487</b>	<b>(935 776)</b>	<b>(8 524)</b>	<b>(2 220 586)</b>	<b>(237 988)</b>	<b>48 885</b>	<b>5 710 634</b>
<i>Division profit margin</i>	4.5%	9.9%	32.9%	-53.7%	0.0%	-172.6%	-9.1%	-0.1%	8.6%
Supplemental information:									
Income tax expense/(benefit)	5 394	27 657	15 238	809	(31 385)	185 002	-	-	202 715
Depreciation expense	510 917	1 443 043	816 140	223 967	453 566	227 497	-	-	3 675 130

## UNAUDITED 9 Months 2017 Consolidated Selected Financial Data Continued

(in thousands of roubles)	Meat-Processing	Poultry	Pork	Grain	Feed	Corporate assets/expenditures	Turkey	Inter-division	Combined
<b>Division profit/(loss)</b>	<b>1 092 013</b>	<b>3 520 123</b>	<b>4 452 487</b>	<b>(935 776)</b>	<b>(8 524)</b>	<b>(2 220 586)</b>	<b>(237 988)</b>	<b>48 885</b>	<b>5 710 634</b>
Add:									
Interest expense, net	158 968	766 156	326 526	110 952	619 651	475 867	-	(96 738)	2 361 382
Interest income	(12 059)	(121 062)	(31 103)	(1 609)	(2 159)	(143 782)	-	96 738	(215 036)
Foreign exchange loss/(gain), net	102 118	164 217	4 678	(78)	7 825	(8 751)	-	-	270 009
Depreciation and amortisation	510 917	1 443 043	816 140	223 967	453 566	227 497	-	-	3 675 130
Net change in fair value of biological assets and agricultural produce	-	(38 196)	(476 492)	306 872	-	-	-	(114 693)	(322 509)
Share of loss of a joint venture	-	-	-	-	-	-	158 107	-	158 107
Share of adjusted EBITDA of a joint venture	-	-	-	-	-	-	60 718	-	60 718
<b>Adjusted EBITDA*</b>	<b>1 851 957</b>	<b>5 734 281</b>	<b>5 092 236</b>	<b>(295 672)</b>	<b>1 070 359</b>	<b>(1 669 755)</b>	<b>(19 163)</b>	<b>(65 808)</b>	<b>11 698 435</b>
<i>Adjusted EBITDA Margin*</i>	7.6%	16.2%	37.6%	-17.0%	5.2%	-129.8%	-0.7%	0.2%	17.7%
<b>Reconciliation between net division profit and income attributable to Cherkizovo Group</b>									
<b>Total division profit</b>									<b>5 710 634</b>
Non-controlling interests									141 769
Income taxes									(202 715)
<b>Profit attributable to Cherkizovo Group</b>									<b>5 648 688</b>

## UNAUDITED CONSOLIDATED INCOME STATEMENT DATA

(in thousands of roubles)	Nine months ended 30 September 2017	Nine months ended 30 September 2016
Sales	<b>66 129 241</b>	<b>59 226 011</b>
incl Sales volume discounts	(992 634)	(4 397 167)
incl Sales returns	(764 157)	(649 121)
Net change in fair value of biological assets and agricultural produce	322 509	1 437 074
Cost of sales	(48 644 641)	(47 629 121)
<b>Gross profit</b>	<b>17 807 109</b>	<b>13 033 964</b>
<i>Gross margin</i>	26.9%	22.0%
Operating expenses	(9 526 529)	(9 454 601)
Share of loss of a joint venture	(158 107)	-
<b>Operating profit</b>	<b>8 122 473</b>	<b>3 579 363</b>
<i>Operating margin</i>	12.3%	6.0%
<b>Profit before income tax</b>	<b>5 710 634</b>	<b>2 273 246</b>
<b>Profit attributable to Cherkizovo Group</b>	<b>5 649 688</b>	<b>2 191 747</b>
<i>Net profit margin</i>	8.5%	3.7%
Weighted average number of shares outstanding	43 355 484	43 855 590
<b>Earnings per share</b>		
<b>Profit attributable to Cherkizovo Group per share – basic and diluted (roubles)</b>	<b>130.4</b>	<b>50.0</b>
<b>Consolidated Adjusted EBITDA reconciliation*</b>		
<b>Profit before income tax</b>	<b>5 710 634</b>	<b>2 273 246</b>
Add:		
Interest expense, net of subsidies	2 361 382	1 923 909
Interest income	(215 036)	(273 362)
Foreign exchange loss/(gain), net	270 009	(343 468)
Depreciation and amortisation	3 675 130	3 202 306
Net change in fair value of biological assets and agricultural produce	(322 509)	(1 437 074)
Share of loss of a joint venture	158 107	-
Share of adjusted EBITDA of a joint venture	60 718	-
<b>Consolidated Adjusted EBITDA*</b>	<b>11 698 435</b>	<b>5 345 557</b>
<i>Adjusted EBITDA Margin</i>	17.7%	9.0%



**POULTRY DIVISION UNAUDITED INCOME STATEMENT DATA**

(in thousands of roubles)	Nine months ended 30 September 2017	Nine months ended 30 September 2016
Total Sales	35 472 273	34 453 166
Interdivision sales	(1 410 769)	(1 427 287)
<b>Sales to external customers</b>	<b>34 061 504</b>	<b>33 025 879</b>
Net change in fair value of biological assets and agricultural produce	38 196	457 393
Cost of sales	(27 367 424)	(29 970 381)
<b>Gross profit</b>	<b>8 143 045</b>	<b>4 940 178</b>
<i>Gross margin</i>	23.0%	14.3%
Operating expenses	(3 816 294)	(3 754 100)
<b>Operating profit</b>	<b>4 326 751</b>	<b>1 186 078</b>
<i>Operating margin</i>	12.2%	3.4%
Interest income	121 062	128 678
Interest expense, net	(766 156)	(603 909)
Other expenses, net	(161 534)	(454 843)
<b>Division profit</b>	<b>3 520 123</b>	<b>256 004</b>
<i>Division profit margin</i>	9.9%	0.7%
<b>Poultry division Adjusted EBITDA reconciliation*</b>		
<b>Division profit</b>	<b>3 520 123</b>	<b>256 004</b>
Add:		
Interest expense, net of subsidies	766 156	603 909
Interest income	(121 062)	(128 678)
Foreign exchange loss, net	164 217	460 234
Depreciation and amortisation	1 443 043	1 448 885
Net change in fair value of biological assets and agricultural produce	(38 196)	(457 393)
<b>Poultry division Adjusted EBITDA*</b>	<b>5 734 281</b>	<b>2 182 961</b>
<i>Adjusted EBITDA Margin</i>	16.2%	6.3%



**PORK DIVISION UNAUDITED INCOME STATEMENT DATA**

(in thousands of roubles)	<b>Nine months ended 30 September 2017</b>	<b>Nine months ended 30 September 2016</b>
Total Sales	13 531 737	11 171 291
Interdivision sales	(10 309 852)	(8 897 343)
<b>Sales to external customers</b>	<b>3 221 885</b>	<b>2 273 948</b>
Net change in fair value of biological assets and agricultural produce	476 492	968 454
Cost of sales	(8 868 287)	(8 812 665)
<b>Gross profit</b>	<b>5 139 942</b>	<b>3 327 080</b>
<i>Gross margin</i>	38.0%	29.8%
Operating expenses	(387 912)	(549 605)
<b>Operating profit</b>	<b>4 752 030</b>	<b>2 777 475</b>
<i>Operating margin</i>	35.1%	24.9%
Interest income	31 103	20 856
Interest expense, net	(326 526)	(427 022)
Other (expenses)/income, net	(4 120)	3 606
<b>Division profit</b>	<b>4 452 487</b>	<b>2 374 915</b>
<i>Division profit margin</i>	32.9%	21.3%
<b>Pork division Adjusted EBITDA reconciliation*</b>		
<b>Division Profit</b>	<b>4 452 487</b>	<b>2 374 915</b>
Add:		
Interest expense, net of subsidies	326 526	427 022
Interest income	(31 103)	(20 856)
Foreign exchange loss/(gain), net	4 678	(1 153)
Depreciation and amortisation	816 140	653 273
Net change in fair value of biological assets and agricultural produce	(476 492)	(968 454)
<b>Pork division Adjusted EBITDA*</b>	<b>5 092 236</b>	<b>2 464 747</b>
<i>Adjusted EBITDA Margin</i>	37.6%	22.1%

**MEAT PROCESSING DIVISION UNAUDITED INCOME STATEMENT DATA**

(in thousands of roubles)	Nine months ended 30 September 2017	Nine months ended 30 September 2016
Total Sales	24 437 763	22 818 460
Interdivision sales	(10 890)	(15 232)
<b>Sales to external customers</b>	<b>24 426 873</b>	<b>22 803 228</b>
Cost of sales	(20 243 981)	(18 926 107)
<b>Gross profit</b>	<b>4 193 782</b>	<b>3 892 353</b>
<i>Gross margin</i>	17.2%	17.1%
Operating expenses	(2 852 799)	(2 720 418)
<b>Operating profit</b>	<b>1 340 983</b>	<b>1 171 935</b>
<i>Operating margin</i>	5.5%	5.1%
Interest income	12 059	6 939
Interest expense, net	(158 968)	(180 194)
Other (expenses)/income, net	(102 061)	92 265
<b>Division profit</b>	<b>1 092 013</b>	<b>1 090 945</b>
<i>Division profit margin</i>	4.5%	4.8%
<b>Meat processing division Adjusted EBITDA reconciliation*</b>		
<b>Division profit</b>	<b>1 092 013</b>	<b>1 090 945</b>
Add:		
Interest expense, net of subsidies	158 968	180 194
Interest income	(12 059)	(6 939)
Foreign exchange loss/(gain), net	102 118	(100 446)
Depreciation and amortisation	510 917	485 167
<b>Meat processing division Adjusted EBITDA*</b>	<b>1 851 957</b>	<b>1 648 921</b>
<i>Adjusted EBITDA Margin</i>	7.6%	7.2%



**FEED DIVISION UNAUDITED INCOME STATEMENT DATA**

(in thousands of roubles)	<b>Nine months ended 30 September 2017</b>	<b>Nine months ended 30 September 2016</b>
Total Sales	20 683 380	22 733 050
Interdivision sales	(19 991 703)	(22 360 638)
<b>Sales to external customers</b>	<b>691 677</b>	<b>372 412</b>
Cost of sales	(19 795 745)	(22 434 342)
<b>Gross profit</b>	<b>887 635</b>	<b>298 708</b>
<i>Gross margin</i>	4.3%	1.3%
Operating expenses	(271 569)	(286 871)
<b>Operating profit</b>	<b>616 066</b>	<b>11 837</b>
<i>Operating margin</i>	3.0%	0.1%
Interest income	2 159	10 261
Interest expense, net	(619 651)	(353 383)
Other (expenses)/income, net	(7 098)	216 213
<b>Division loss</b>	<b>(8 524)</b>	<b>(115 072)</b>
<i>Division profit margin</i>	0.0%	-0.5%
<b>Feed division Adjusted EBITDA reconciliation*</b>		
<b>Division loss</b>	<b>(8 524)</b>	<b>(115 072)</b>
Add:		
Interest expense, net of subsidies	619 651	353 383
Interest income	(2 159)	(10 261)
Foreign exchange loss/(gain), net	7 825	(215 160)
Depreciation and amortisation	453 566	449 538
<b>Feed division Adjusted EBITDA*</b>	<b>1 070 359</b>	<b>462 428</b>
<i>Adjusted EBITDA Margin</i>	5.2%	2.0%

**APPENDIX II:**
**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017**

(in thousands of roubles)	Nine months ended 30 September 2017	Nine months ended 30 September 2016	Year ended 31 December 2016
Sales	66 129 241	59 226 011	82 417 193
Net change in fair value of biological assets and agricultural produce	322 509	1 437 074	(340 063)
Cost of sales	(48 644 641)	(47 629 121)	(64 222 344)
<b>Gross profit</b>	<b>17 807 109</b>	<b>13 033 964</b>	<b>17 854 786</b>
Selling, general and administrative expenses	(9 709 973)	(9 756 412)	(13 008 713)
Other operating income, net	183 444	301 811	410 591
Share of loss of a joint venture	(158 107)	-	(200 191)
<b>Operating profit</b>	<b>8 122 473</b>	<b>3 579 363</b>	<b>5 056 473</b>
Interest income	215 036	273 362	343 737
Interest expense, net	(2 361 382)	(1 923 909)	(3 738 315)
Other (expenses)/income, net	(265 493)	344 430	298 484
<b>Profit before income tax</b>	<b>5 710 634</b>	<b>2 273 246</b>	<b>1 960 379</b>
Income tax expense	(202 715)	(160 534)	(72 861)
<b>Profit for the period</b>	<b>5 507 919</b>	<b>2 112 712</b>	<b>1 887 518</b>
<b>Profit, attributable to Cherkizovo</b>	<b>5 649 688</b>	<b>2 191 747</b>	<b>1 919 227</b>
Non-controlling interests	(141 769)	(79 035)	(31 709)



### **APPENDIX III:**

#### **UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2017**

	<b>30 September 2017</b>	<b>31 December 2016</b>
<i>(in thousands of roubles)</i>		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	74 251 250	64 445 256
Investment property	590 199	443 676
Goodwill	557 191	557 191
Intangible assets	1 917 407	1 949 663
Non-current biological assets	2 109 871	1 926 714
Notes receivable, net	610 000	510 000
Investments in joint venture	2 248 365	2 061 472
Long-term deposits in banks	641 365	641 365
Restricted cash	1 131 105	-
Deferred tax assets	479 624	479 624
Other non-current assets	804 281	508 140
<b>Total non-current assets</b>	<b>85 340 658</b>	<b>73 523 101</b>
<b>Current assets</b>		
Biological assets	12 317 974	10 712 481
Inventories	9 873 014	10 602 118
Taxes recoverable and prepaid	1 997 238	1 904 786
Trade receivables, net	4 349 568	4 942 884
Advances paid, net	1 563 947	1 721 691
Other receivables, net	1 292 034	1 393 473
Cash and cash equivalents	2 509 597	1 002 203
Other current assets	686 745	534 838
<b>Total current assets</b>	<b>34 590 117</b>	<b>32 814 474</b>
<b>TOTAL ASSETS</b>	<b>119 930 775</b>	<b>106 337 575</b>



**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2017 Continued**

	<b>30 September 2017</b>	<b>31 December 2016</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	440	440
Treasury shares	(3 349 968)	(78 033)
Additional paid-in capital	5 588 320	5 588 320
Retained earnings	52 157 036	47 503 411
<b>Total shareholder's equity</b>	<b>54 395 828</b>	<b>53 014 138</b>
Non-controlling interest	1 080 511	1 026 280
<b>Total equity</b>	<b>55 476 339</b>	<b>54 040 418</b>
<b>Non-current liabilities</b>		
Long-term borrowings	33 976 779	24 469 704
Provisions	58 131	58 131
Deferred tax liability	394 547	420 299
Other liabilities	6 121	14 379
<b>Total non-current liabilities</b>	<b>34 435 578</b>	<b>24 962 513</b>
<b>Current liabilities</b>		
Short-term borrowings	16 388 568	14 122 997
Trade payables	8 162 509	8 608 271
Advances received	411 559	562 584
Payables for non-current assets	1 785 900	1 061 629
Tax related liabilities	1 052 597	849 400
Payroll related liabilities	1 618 620	1 394 940
Other payables and accruals	599 105	734 823
<b>Total current liabilities</b>	<b>30 018 858</b>	<b>27 334 644</b>
<b>Total liabilities</b>	<b>64 454 436</b>	<b>52 297 157</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>119 930 775</b>	<b>106 337 575</b>



**APPENDIX IV:  
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE  
NINE MONTHS ENDED 30 SEPTEMBER 2017**

	Nine months ended 30 September 2017	Nine months ended 30 September 2016	Year ended 31 December 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before income tax</b>	<b>5 710 634</b>	<b>2 273 246</b>	<b>1 960 379</b>
Adjustments for:			
Depreciation and amortization	3 675 130	3 202 306	4 660 365
Bad debt expense	28 836	143 589	231 981
Foreign exchange loss/(gain), net	270 009	(343 468)	(621 087)
Interest income	(215 036)	(273 362)	(343 737)
Interest expenses, net of subsidies	2 361 382	1 923 909	3 738 315
Net change in fair value of biological assets and agricultural produce	(322 509)	(1 437 074)	340 063
Loss/(Gain) on disposal of property, plant and equipment, net	95 518	(16 257)	(8 054)
Gain on disposal of non-current biological assets, net	(273 813)	(285 475)	(402 456)
Write-off of receivables from insurance company	-	-	347 975
Share of loss of a joint venture	158 107	-	200 191
Other adjustments, net	(3 202)	(7 073)	(28 059)
<b>Operating cash flows before working capital changes</b>	<b>11 485 056</b>	<b>5 180 341</b>	<b>10 075 876</b>
Decrease in inventories	1 965 432	2 757 728	770 364
Increase in biological assets	(1 207 396)	(1 942 579)	(202 031)
Decrease (increase) in trade receivables	575 307	(625 293)	(477 366)
(Increase) decrease in advances paid	(230 928)	843 104	796 090
(Increase) decrease in other receivables and other current assets	(75 264)	835 817	947 249
Increase in other non-current receivables	(69 116)	(35 978)	(70 105)
(Decrease) increase in trade payables	(703 964)	183 531	675 348
Increase in tax related liabilities	198 444	60 648	41 155
(Decrease) increase in other current payables	(317 077)	209 109	142 585
<b>Operating cash flows before interest and income tax</b>	<b>11 620 494</b>	<b>7 466 428</b>	<b>12 699 165</b>
Interest received	113 229	218 464	255 850
Interest paid	(2 179 660)	(3 427 037)	(4 895 763)
Government grants for compensation of interest expense received	521 554	883 766	1 433 471
Income tax paid	(236 468)	(79 464)	(124 186)
<b>Net cash from operating activities</b>	<b>9 839 149</b>	<b>5 062 157</b>	<b>9 368 537</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	(7 776 315)	(6 619 138)	(8 569 640)
Purchase of non-current biological assets	(755 193)	(495 699)	(1 110 778)
Purchase of intangible assets	(197 838)	(316 412)	(555 633)
Proceeds from sale of property, plant and equipment	3 439	45 830	34 013
Proceeds from disposal of non-current biological assets	691 403	561 159	755 422
Acquisitions of subsidiaries, net of cash acquired	(4 768 073)	-	-
Investments in joint venture	(345 000)	(557 000)	(960 000)
Issuance of long-term loans and placing of long-term deposits	(1 470)	-	-
Placing of deposits and issuance of short-term loans	(323 591)	-	-
Purchases of notes receivable	(100 000)	(50 000)	(210 000)
Repayment of short-term loans issued and redemption of deposits	50	5 827	6 273
<b>Net cash used in investing activities</b>	<b>(13 572 588)</b>	<b>(7 425 433)</b>	<b>(10 610 343)</b>



**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 Continued**

	<b>Nine months ended 30 September 2017</b>	<b>Nine months ended 30 September 2016</b>	<b>Year ended 31 December 2016</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term loans	14 340 943	2 228 463	11 862 021
Repayment of long-term loans	(3 529 829)	(4 550 218)	(5 363 445)
Proceeds from short-term loans	9 795 910	17 767 593	21 834 999
Repayment of short-term loans	(11 217 043)	(16 610 918)	(30 652 746)
Purchase of treasury shares	(3 154 555)	-	-
Dividends paid	(996 063)	(998 771)	(998 771)
Disposal of non-controlling interests	1 470	-	1 127
<b>Net cash generated from (used in) financing activities</b>	<b>5 240 833</b>	<b>(2 163 851)</b>	<b>(3 316 815)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1 507 394</b>	<b>(4 527 127)</b>	<b>(4 558 621)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1 002 203</b>	<b>5 560 824</b>	<b>5 560 824</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>2 509 597</b>	<b>1 033 697</b>	<b>1 002 203</b>