

Cherkizovo Group Announces Financial Results for the First Quarter of 2017

Moscow, Russia — 17 May 2017 – Cherkizovo Group (LSE: CHE; MOEX: GCHE) (hereinafter “Cherkizovo” and “the Group”), the largest vertically integrated meat and feed producer in Russia, today announces its unaudited consolidated IFRS results for the first quarter ending 31 March 2017.

First Quarter 2017 financial highlights

- Net revenue rose 13% year-on-year to RUB 21.0 billion
- Gross profit increased by 83% year-on-year to RUB 5.6 billion, from RUB 3.1 billion in 1Q 2016
- Gross margin of 26.9% versus 16.6% in 1Q 2016
- Operating expenses slightly increased to RUB 3.2 billion from RUB 3.1 billion in 1Q 2016
- Adjusted EBITDA* was more than five times higher year-on-year and reached RUB 3.7 billion, compared to RUB 0.7 billion in 1Q 2016
- Adjusted EBITDA* margin of 17.8% compared to 3.9% in 1Q 2016
- Net profit for the period was RUB 1.9 billion, compared to a loss of RUB (0.4) billion in 1Q 2016
- Net operating cash flow for the period was RUB 2.1 billion, compared to RUB (1.3) billion in 1Q 2016
- Net debt** was RUB 38.6 billion as at 31 March 2017, compared to RUB 36.9 billion as at 31 December 2016
- The effective cost of debt was 9.5% (2016: 9.7%)
- Earnings per share of RUB 44.1 (1Q 2016: RUB (10.1))

Key corporate highlights for the reporting period

- Cherkizovo Group launched a new grain dryer facility in Znamensk district, Orel region, with a capacity of 200 tonnes of wheat per hour. A grain storage facility with a total capacity of 60,000 tonnes is being built at the site and is near completion.
- The Group launched its first replacement chick site at the new poultry production facility in Lipetsk region. After implementing its import substitution strategy, the Group will ultimately achieve 90% self-sufficiency in hatching eggs.
- The Group launched a new sow farm in Lipetsk region. Once fully operational, the facility will boost production in the Group’s pork segment by 350,000 heads per annum.
- Cherkizovo launched its new turkey brand, Pava-Pava, which was created to promote products manufactured at the Tambov Turkey facility, a joint venture between Cherkizovo Group and Grupo Fuertes, Spain’s leading agricultural producer.

Key corporate events after reporting period

- On 26 April 2017 Cherkizovo completed the acquisition of NAPKO, one of Russia's leading grain producers. The transaction increases Cherkizovo Group’s total operating land bank to 287,000

hectares. The Group's self-sufficiency in grain is expected to reach 60% over the next few years from approximately 30% at the end of last year.

Sergei Mikhailov, the CEO of Cherkizovo Group, commented:

“Cherkizovo Group enjoyed an excellent first quarter on the back of an increase in production, recovery in market prices, stabilisation in consumer demand and the local currency and ongoing improvement in operational efficiency and costs. The Group’s revenues experienced a double digit increase, while EBITDA growth was five times that of the same period last year and ahead of budget.

Our strategy to increase our share of branded, value-added products and to derive cost efficiencies throughout our vertically integrated supply chain allowed us to deliver a solid top-line performance across all segments, while our operating expenses remained on the level of the corresponding period last year.

Pork was our top-performing segment, with year-on-year revenue growth of 22%. In addition, Poultry is winning the premium market segment, as the share of Petelinka brand has continued to grow year-on-year.

We are also expanding our presence across Russia. Cherkizovo’s poultry products are now available in St Petersburg, while our processed meat products have entered the Urals and North-West federal regions.”

Financial summary

	1Q 17	1Q 16	Year-on-year change
	mln RUB	mln RUB	%
Revenue	20,970.9	18,544.7	13%
Gross profit	5,640.4	3,074.2	83%
Operating expenses	(3,185.9)	(3,095.4)	3%
Adjusted EBITDA	3,729.9	725.4	414%
<i>Adjusted EBITDA margin</i>	17.8%	3.9%	
Operating profit / (loss)	2,454.5	(21.2)	-
<i>Income / (Loss) before tax</i>	1,877.7	(492.5)	-
Profit / (loss)	1,934.0	(440.8)	-
Net operating cash flow	2,113.7	(1,330.7)	-
Net debt	38,629.7	36,949.1¹	5%

¹ as of December 31, 2016

Revenue

Net sales increased by 13% year-on-year to RUB 21.0 billion, compared to RUB 18.5 billion in the first quarter of 2016. The poultry and pork segments were the most significant growth drivers, with average price increases of 5% and 10%, respectively. The pork segment’s performance was also boosted by a 12% year-on-year rise in production volumes in the first quarter.

Gross Profit

Gross profit increased by 83% year-on-year to RUB 5.6 billion from RUB 3.1 billion in the first quarter of 2016. The strong performance came on the back of higher sales and lower feed components costs, which are largely denominated in foreign currency, and the first quarter of 2017 saw the rouble appreciate to the level last seen in July 2015. The combination of lower costs and higher sales lifted the gross margin to 26.9% in the first quarter of 2017 from 16.6% in the corresponding period in 2016.

Operating Expenses

Operating expenses slightly increased to RUB 3.2 billion from RUB 3.1 billion in 1Q 2016. Operating expenses as percentage of sales fell to 15.2% in 1Q 2017, compared to 16.7% in 1Q 2016.

Adjusted EBITDA

In the first quarter of 2017, adjusted EBITDA reached RUB 3.7 billion, which is more than five times the figure reported in 1Q 2016. The adjusted EBITDA margin for the first quarter of 2017 came in at 17.8%, compared to 3.9% in the corresponding period of 2016.

Interest Expense

Interest expense was down 31% year-on-year to RUB 0.9 billion in the first quarter of 2017, compared to RUB 1.3 billion in the first quarter of 2016.

Net Profit

Net profit for the Group amounted to RUB 1.9 billion in the first quarter of 2017, compared to a net loss of RUB (0.4) billion in the first quarter of 2016. Net profit margin in the first quarter of 2017 reached 9.2% compared to a negative margin (2.4%) in the corresponding period of 2016.

Cash Flow

Net operating cash flow for the first quarter of 2017 reached RUB 2.1 billion compared to RUB (1.3) billion in 1Q 2016. This was a result of increasing operating income.

Business segments

Divisions	Sales volume 1Q 2017, thousand tonnes	Sales volume 1Q 2016, thousand tonnes	Year-on- year change %	Revenue 1Q 2017, RUB# mln	Revenue 1Q 2016, RUB# mln	Year-on- year change %	Share of Group revenue %
Poultry	125.5	128.2	(2%)	11,832.0	11,365.6	4%	51%
Pork	45.0	40.1	12%	3,930.3	3,234.0	22%	17%
Meat processing	50.5	48.6	4%	7,434.5	6,938.0	7%	32%

Includes intersegment sales

Poultry Division

First quarter sales volumes decreased 2% year-on-year to 125,548 tonnes of sellable weight (1Q 2016: 128,227 tonnes). In the same period in 2016, management decided to sell excess inventory due to market volatility, which boosted sales volumes.

The average price during the first quarter of 2017 increased by 7% year-on-year to 92.40 RUB/kg¹ as branded products, HoReCa and value-added ready-to-cook products represented a larger share of sales.

Total sales for the division increased 4% year-on-year to RUB 11.8 billion (1Q 2016: RUB 11.4 billion). This growth was a result of the rise in the average price as brand name and value added products took a higher share of sales.

Gross profit grew by 174% year-on-year to RUB 2.6 billion from RUB 1.0 billion in the first quarter of 2016. This was as a result of lower feed costs due to the appreciation of the rouble. The corresponding period of 2016 saw the rouble weaken to a record low relative to the US dollar and Euro and led to a significant increase in our feed costs, which are largely denominated in foreign currencies. The gross margin for the first quarter of 2017 consequently increased to 22.2% from 8.4% in the corresponding period of 2016.

Operating expenses as a percentage of sales in the first quarter dropped to 10.0% from 11.2% in the first quarter of 2016, due to lower repairs & maintenance, payroll and advertising & marketing expenses.

¹ Here and below, all average prices exclude VAT

Operating income for the first quarter of the year came in at RUB 1.4 billion, compared to a loss of RUB (0.3) billion in the first quarter of 2016, while the operating margin increased to 12.1% in 1Q 2017 from (2.8%) in the corresponding period of last year. Net profit for the division came in at RUB 1.2 billion, compared to a loss of RUB (0.8) billion in the first quarter of 2016.

Adjusted EBITDA reached RUB 2.0 billion in the first quarter of 2017 compared with RUB 0.1 billion in the first quarter of 2016, while the adjusted EBITDA margin increased to 17.1% from 0.9% in the first quarter of 2016.

Pork Division

Production volumes in the first quarter of the year increased 12% year-on-year to 44,978 tonnes (1Q 2016: 40,138 tonnes). This was due to higher production levels following the launch of two new wean-to-finish sites in Voronezh in September and October 2016, as well as the ongoing genetics improvement strategy.

The average price rose by 10% year-on-year to 90.23 RUB/kg (1Q 2016: 81.73 RUB/kg). This increase was driven by growing consumption in Russia, which has been fuelled by the promotional activity of retail chains, along with the stabilisation of consumer purchasing power.

Total sales in the pork division increased 22% year-on-year to RUB 3.9 billion (1Q 2016: RUB 3.2 billion). This sales growth was expected as both volume and average price increased year-on-year.

Gross profit in the first quarter of 2017 doubled to RUB 1.2 billion (1Q 2016: RUB 0.7 billion). The segment's gross margin rose to 31.5% in the first quarter of the year from 23.0% in the same period of 2016.

Operating expenses as a percentage of sales in the first quarter of 2017 were lower compared to the first quarter of 2016 and stood at 1.8% (1Q 2016: 5.6%). Payroll, taxes and rent were the main drivers behind the decrease.

Operating income increased twice year-on-year to RUB 1.2 billion from RUB 0.6 billion in the first quarter of 2016. The operating margin increased to 29.7% from 17.4% in the previous year. Net profit increased by 161% year-on-year to RUB 1.1 billion (1Q 2016: RUB 0.4 billion).

Adjusted EBITDA increased 133% year-on-year to RUB 1.4 billion. The adjusted EBITDA margin increased to 35.3% in the first quarter of 2017 from 18.4% in 1Q 2016.

Meat Processing Division

Sales volume increased by 4% year-on-year to 50,479 tonnes from 48,615 tonnes in the first quarter of 2016. This was due to product portfolio growth in the modern trade channel and geographical expansion into the Urals and North West federal regions.

During the reporting period, the average price increased by 6% year-on-year to 151.46 RUB/kg.

Total sales were 7% higher in the first quarter of 2017 and reached RUB 7.4 billion (1Q 2016: RUB 6.9 billion). The increase was a result of sales volume growth.

Gross profit increased by 20% year-on-year to RUB 1.4 billion in the first quarter of the year, compared to RUB 1.2 billion in the first quarter of 2016. The gross margin rose to 18.8% in the first quarter of 2017 from 16.8% in the first quarter of 2016.

In the first quarter of 2017, operating expenses as a percentage of sales decreased to 12.1%, compared to 12.3% in the corresponding period of last year. This was a result of lower marketing and selling expenses.

Operating income increased by 58% year-on-year to RUB 0.5 billion from RUB 0.3 billion in the first quarter of 2016. The operating margin rose to 6.7% from 4.5% in the first quarter of 2016. In the reporting

period, the meat processing segment generated net profit of RUB 0.5 billion, an increase of 70% year-on-year (1Q 2016: RUB 0.3 billion).

In the first quarter of 2017, adjusted EBITDA grew by 48% year-on-year to RUB 0.6 billion (1Q 2016: RUB 0.4 billion). The adjusted EBITDA margin reached 8.7% in the first quarter of the year, compared to 6.3% in the first quarter of 2016.

Grain Division

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

Financial Position

The Group's capital expenditure on property, plants, equipment and maintenance amounted to RUB 1.8 billion in the first quarter of 2017, a year-on-year decrease of 13%. Of that, RUB 0.3 billion was invested in the poultry division, primarily the construction of the hatchery and grain storage facility in Lipetsk region (the Eletsprom Project). In the pork division, RUB 0.8 billion was invested into the new finisher complexes in Voronezh region, as well as constructing new finisher complexes in Lipetsk region. The meat processing division received RUB 0.4 billion of investments for the construction of the Kashira meat processing plant in the Moscow Region. In addition, Cherkizovo also invested RUB 0.2 billion in Tambov Turkey and IT projects in the first quarter of 2017.

As of 31 March 2017, net debt amounted to RUB 38.6 billion, compared to RUB 36.9 billion at the end of 2016. Total debt stood at RUB 40.4 billion as of 31 March 2017, an increase of 5% from the end of 2016. As of 31 March 2017, long-term debt represented 64% of the debt portfolio and amounted to RUB 26.0 billion. Short-term debt stood at RUB 14.4 billion, or 36% of the portfolio. The effective cost of debt was 9.5% in 1Q 2017 (2016: 9.7%). Subsidised loans and credit lines made up 34% of the debt portfolio in 1Q 2017 (1Q 2016: 77%). Cash and cash equivalents totalled RUB 1.1 billion as at 31 March 2017.

Subsidies

In the first quarter of 2017, the Group accrued subsidies for interest reimbursement of RUB 0.1 billion, which offset interest expense (1Q 2016: RUB 0.6 billion). The Group received RUB 0.05 billion (RUB 47,135 thousand) of subsidies in the first quarter of 2017, compared to RUB 0.1 billion in the corresponding period of 2016.

Outlook for 2017

The macroeconomic stability seen at the beginning of the year has carried over into the second quarter. The rouble has continued to appreciate slightly relative to the US dollar and Euro, which directly benefits Cherkizovo's feed costs. While many of these factors look positive for Cherkizovo going forward, it is still too early to tell whether these trends will persist throughout the remainder of 2017.

Cherkizovo Group expects to harvest over 562,000 tonnes in 2017, a 20% increase on the 2016 level. The quality of crops is also anticipated to be significantly better than last year. By the end of the year, the Group's self-sufficiency in grain is forecast to reach 35%, which will further strengthen the Group's vertically integrated business model.

Russia is expected to reach self-sufficiency in pork production over the next few years and Cherkizovo is capitalising on this opportunity. In 2017, the Group plans to complete the construction of pork clusters in Voronezh and Lipetsk regions, which will boost annual output by an additional 70,000 tonnes to reach 280,000 tonnes.

The Group has laid a solid foundation for future growth with the launch of a number of strategic initiatives this year, including the Tambov Turkey project, which is expected to reach full operational capacity this year. The Elets egg hatchery project has also been completed and will make the Group self-sufficient in hatching eggs by the end of the year. In addition, the Kashira meat processing plant, the largest of its kind in Europe and the largest investment in the food sector to date in the Moscow region, is due for completion by the end of the year. All of these projects will significantly boost production capacity and should generate solid returns over the years to come.

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About Cherkizovo Group

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

Cherkizovo Group encompasses 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. In 2016, Cherkizovo Group produced 903,000 tonnes of meat products.

Thanks to its vertically integrated structure, which includes grain growing and storage, feed production, livestock breeding, fattening and slaughtering, and meat processing, alongside a distribution system, the Group has consistently delivered stable, long-term sales growth and profitability. The Group's consolidated revenue reached RUB 82.4 billion in 2016.

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

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

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

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

Adjusted Earnings before Interest, Income Tax, Depreciation and Amortization ("Adjusted EBITDA"). *Adjusted 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 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 3 Months 2017 Consolidated Selected Financial Data

(in thousands of roubles)	Meat-Processing	Poultry	Pork	Grain	Feed	Turkey	Corporate assets/expen ditures	Inter-division##	Combined
Total Sales	7 434 546	11 832 008	3 930 272	508 709	6 534 512	539 226	420 086	(10 228 450)	20 970 909
including other sales	134 205	211 524	40 530	25 017	-	-	420 086	(462 243)	369 119
including sales volume discount	(176 907)	(111 575)	-	-	-	(263)	-	-	(288 745)
Interdivision Sales	(2 831)	(376 668)	(3 034 782)	(103 427)	(6 354 366)	-	(356 376)	10 228 450	-
Sales to external customers (Sales)	7 431 715	11 455 340	895 490	405 282	180 146	539 226	63 710	-	20 970 909
<i>% of Total sales</i>	<i>35.4%</i>	<i>54.6%</i>	<i>4.3%</i>	<i>1.9%</i>	<i>0.9%</i>	<i>2.6%</i>	<i>0.3%</i>	<i>0.0%</i>	<i>100.0%</i>
Net change in fair value of biological assets and agricultural produce	-	(103 743)	28 271	155 216	-	-	-	18 275	98 019
Cost of Sales	(6 036 648)	(9 105 493)	(2 720 551)	(582 177)	(6 305 223)	(507 398)	(390 620)	10 219 570	(15 428 540)
Gross profit	1 397 898	2 622 772	1 237 992	81 748	229 289	31 828	29 466	9 395	5 640 388
<i>Gross margin</i>	<i>18.8%</i>	<i>22.2%</i>	<i>31.5%</i>	<i>16.1%</i>	<i>3.5%</i>	<i>5.9%</i>	<i>7.0%</i>	<i>-0.1%</i>	<i>26.9%</i>
Operating expenses	(903 058)	(1 187 292)	(70 288)	(81 124)	(86 107)	(15 129)	(705 099)	54 350	(2 993 747)
Share of loss of a joint venture	-	-	-	-	-	(192 110)	-	-	(192 110)
Operating profit/(loss)	494 840	1 435 480	1 167 704	624	143 182	(175 411)	(675 633)	63 745	2 454 531
<i>Operating margin</i>	<i>6.7%</i>	<i>12.1%</i>	<i>29.7%</i>	<i>0.1%</i>	<i>2.2%</i>	<i>-32.5%</i>	<i>-160.8%</i>	<i>-0.6%</i>	<i>11.7%</i>
Interest income	3 449	37 212	9 950	253	433	-	62 353	(46 279)	67 371
Interest expense, net	(67 669)	(226 016)	(86 261)	(35 144)	(218 254)	-	(159 317)	46 279	(746 382)
Other income / (expenses), net	41 747	(92 670)	6 459	7 919	139 248	-	(477)	-	102 226
Division profit / (loss)	472 367	1 154 006	1 097 852	(26 348)	64 609	(175 411)	(773 074)	63 745	1 877 746
<i>Division profit margin</i>	<i>6.4%</i>	<i>9.8%</i>	<i>27.9%</i>	<i>-5.2%</i>	<i>1.0%</i>	<i>-32.5%</i>	<i>-184.0%</i>	<i>-0.6%</i>	<i>9.0%</i>
Supplemental information:									
Income Tax expense / (benefit)	(3 914)	15 840	436	(1 610)	(7 531)	-	26 963	-	30 184
Depreciation expense	153 181	480 250	248 487	73 180	162 641	-	62 424	-	1 180 163

UNAUDITED 3 Months 2017 Consolidated Selected Financial Data Continued

(in thousands of roubles)	Meat- Processing	Poultry	Pork	Grain	Feed	Turkey	Corporate assets/expen- ditures	Inter- division##	Combined
Division profit / (loss)	472 367	1 154 006	1 097 852	(26 348)	64 609	(175 411)	(773 074)	63 745	1 877 746
Add:									
Interest expense, net	67 669	226 016	86 261	35 144	218 254	-	159 317	(46 279)	746 382
Interest income	(3 449)	(37 212)	(9 950)	(253)	(433)	-	(62 353)	46 279	(67 371)
Foreign exchange (gain)/loss, net	(41 740)	92 647	(6 259)	(7 917)	(138 688)	-	859	-	(101 098)
Depreciation and amortisation	153 181	480 250	248 487	73 180	162 641	-	62 424	-	1 180 163
Net change in fair value of biological assets and agricultural produce	-	103 743	(28 271)	(155 216)	-	-	-	(18 275)	(98 019)
Share of loss of a joint venture	-	-	-	-	-	192 110	-	-	192 110
Adjusted EBITDA*	648 028	2 019 450	1 388 120	(81 410)	306 383	16 699	(612 827)	45 470	3 729 913
<i>Adjusted EBITDA Margin*</i>	<i>8.7%</i>	<i>17.1%</i>	<i>35.3%</i>	<i>-16.0%</i>	<i>4.7%</i>	<i>3.1%</i>	<i>-145.9%</i>	<i>-0.4%</i>	<i>17.8%</i>

Reconciliation between net division profit and income attributable to Cherkizovo Group

Total division profit	1 877 746
Non-controlling interests	86 451
Income taxes	(30 184)
Profit attributable to Cherkizovo Group	1 934 013

#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 roubles)	Three months ended 31 March 2017	Three months ended 31 March 2016
Sales	20 970 909	18 544 729
incl. Sales volume discounts	(288 745)	(1 422 192)
incl. Sales returns	(241 366)	(230 151)
Net change in fair value of biological assets and agricultural produce	98 019	216 262
Cost of sales	(15 428 540)	(15 686 827)
Gross profit	5 640 388	3 074 164
Gross margin	26.9%	16.6%
Operating expenses	(2 993 747)	(3 095 385)
Share of loss of a joint venture	(192 110)	-
Operating profit / (loss)	2 454 531	(21 221)
Operating margin	11.7%	-0.1%
Profit / (Loss) Profit before income tax	1 877 746	(492 480)
Profit / (Loss) attributable to Cherkizovo Group	1 934 013	(440 837)
<i>Net profit margin</i>	9.2%	-2.4%
Weighted average number of shares outstanding	43 855 590	43 855 590
Earnings / (Loss) per share		
Profit / (Loss) attributable to Cherkizovo Group per share – basic and diluted (roubles)	44.1	(10.1)
Consolidated Adjusted EBITDA reconciliation*		
Profit / (Loss) before income tax	1 877 746	(492 480)
Add:		
Interest expense, net of subsidies	746 382	663 508
Interest income	(67 371)	(146 619)
Foreign exchange gain, net	(101 098)	(64 096)
Depreciation and amortisation	1 180 163	981 340
Net change in fair value of biological assets and agricultural produce	(98 019)	(216 262)
Share of loss of a joint venture	192 110	-
Consolidated Adjusted EBITDA*	3 729 913	725 391
<i>Adjusted EBITDA Margin</i>	17.8%	3.9%

POULTRY DIVISION UNAUDITED INCOME STATEMENT DATA

(in thousands of roubles)	Three months ended 31 March 2017	Three months ended 31 March 2016
Total Sales	11 832 008	11 365 574
Interdivision sales	(376 668)	(446 036)
Sales to external customers	11 455 340	10 919 538
Net change in fair value of biological assets and agricultural produce	(103 743)	66 550
Cost of sales	(9 105 493)	(10 475 389)
Gross profit	2 622 772	956 735
<i>Gross margin</i>	22.2%	8.4%
Operating expenses	(1 187 292)	(1 271 918)
Operating profit/(loss)	1 435 480	(315 183)
<i>Operating margin</i>	12.1%	-2.8%
Interest income	37 212	42 164
Interest expense, net	(226 016)	(205 959)
Other expenses, net	(92 670)	(311 625)
Division profit/(loss)	1 154 006	(790 603)
<i>Division profit margin</i>	9.8%	-7.0%
Poultry division Adjusted EBITDA reconciliation*		
Division profit/(loss)	1 154 006	(790 603)
Add:		
Interest expense, net of subsidies	226 016	205 959
Interest income	(37 212)	(42 164)
Foreign exchange loss, net	92 647	312 042
Depreciation and amortisation	480 250	480 193
Net change in fair value of biological assets and agricultural produce	103 743	(66 550)
Poultry division Adjusted EBITDA*	2 019 450	98 877
<i>Adjusted EBITDA Margin</i>	17.1%	0.9%

PORK DIVISION UNAUDITED INCOME STATEMENT DATA

(in thousands of roubles)	Three months ended 31 March 2017	Three months ended 31 March 2016
Total Sales	3 930 272	3 234 049
Interdivision sales	(3 034 782)	(2 632 226)
Sales to external customers	895 490	601 823
Net change in fair value of biological assets and agricultural produce	28 271	153 531
Cost of sales	(2 720 551)	(2 642 628)
Gross profit	1 237 992	744 952
<i>Gross margin</i>	31.5%	23.0%
Operating expenses	(70 288)	(181 988)
Operating profit	1 167 704	562 964
<i>Operating margin</i>	29.7%	17.4%
Interest income	9 950	7 460
Interest expense, net	(86 261)	(140 965)
Other income/(expenses), net	6 459	(9 366)
Division profit	1 097 852	420 093
<i>Division profit margin</i>	27.9%	13.0%
Pork division Adjusted EBITDA reconciliation*		
Division Profit	1 097 852	420 093
Add:		
Interest expense, net of subsidies	86 261	140 965
Interest income	(9 950)	(7 460)
Foreign exchange (gain)/loss, net	(6 259)	8 603
Depreciation and amortisation	248 487	187 435
Net change in fair value of biological assets and agricultural produce	(28 271)	(153 531)
Pork division Adjusted EBITDA*	1 388 120	596 105
<i>Adjusted EBITDA Margin</i>	35.3%	18.4%

MEAT PROCESSING DIVISION UNAUDITED INCOME STATEMENT DATA

(in thousands of roubles)	Three months ended 31 March 2017	Three months ended 31 March 2016
Total Sales	7 434 546	6 938 040
Interdivision sales	(2 831)	(7 592)
Sales to external customers	7 431 715	6 930 448
Cost of sales	(6 036 648)	(5 770 269)
Gross profit	1 397 898	1 167 771
<i>Gross margin</i>	18.8%	16.8%
Operating expenses	(903 058)	(855 448)
Operating profit	494 840	312 323
<i>Operating margin</i>	6.7%	4.5%
Interest income	3 449	3 290
Interest expense, net	(67 669)	(45 409)
Other income, net	41 747	7 359
Division profit	472 367	277 563
<i>Division profit margin</i>	6.4%	4.0%
Meat processing division Adjusted EBITDA reconciliation*		
Division profit	472 367	277 563
Add:		
Interest expense, net of subsidies	67 669	45 409
Interest income	(3 449)	(3 290)
Foreign exchange gain, net	(41 740)	(25 789)
Depreciation and amortisation	153 181	143 794
Meat processing division Adjusted EBITDA*	648 028	437 687
<i>Adjusted EBITDA Margin</i>	8.7%	6.3%

FEED DIVISION UNAUDITED INCOME STATEMENT DATA

(in thousands of roubles)	Three months ended 31 March 2017	Three months ended 31 March 2016
Total Sales	6 534 512	8 115 805
Interdivision sales	(6 354 366)	(8 075 494)
Sales to external customers	180 146	40 311
Cost of sales	(6 305 223)	(7 982 747)
Gross profit	229 289	133 058
<i>Gross margin</i>	3.5%	1.6%
Operating expenses	(86 107)	(81 436)
Operating profit	143 182	51 622
<i>Operating margin</i>	2.2%	0.6%
Interest income	433	6 251
Interest expense, net	(218 254)	(137 164)
Other income, net	139 248	91 480
Division profit	64 609	12 189
<i>Division profit margin</i>	1.0%	0.2%
Feed division Adjusted EBITDA reconciliation*		
Division profit	64 609	12 189
Add:		
Interest expense, net of subsidies	218 254	137 164
Interest income	(433)	(6 251)
Foreign exchange gain, net	(138 688)	(91 417)
Depreciation and amortisation	162 641	134 790
Feed division Adjusted EBITDA*	306 383	186 475
<i>Adjusted EBITDA Margin</i>	4.7%	2.3%

APPENDIX II:**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THREE MONTHS ENDED 31 MARCH 2017**

(in thousands of roubles)	Three months ended 31 March 2017	Three months ended 31 March 2016	Year Ended 31 December 2016
Sales	20 970 909	18 544 729	82 417 193
Net change in fair value of biological assets and agricultural produce	98 019	216 262	(340 063)
Cost of sales	(15 428 540)	(15 686 827)	(64 222 344)
Gross profit	5 640 388	3 074 164	17 854 786
Selling, general and administrative expense	(3 088 754)	(3 150 457)	(13 008 713)
Other operating income, net	95 007	55 072	410 591
Share of loss of a joint venture	(192 110)	-	(200 191)
Operating Profit / (Loss)	2 454 531	(21 221)	5 056 473
Interest income	67 371	146 619	343 737
Interest expense, net	(746 382)	(663 508)	(3 738 315)
Other income, net	102 226	45 630	298 484
Profit / (Loss) before income tax	1 877 746	(492 480)	1 960 379
Income tax expense	(30 184)	(17 212)	(72 861)
Profit / (Loss) for the period	1 847 562	(509 692)	1 887 518
Profit / (Loss), attributable to Cherkizovo	1 934 013	(440 837)	1 919 227
Non-controlling interests	(86 451)	(68 855)	(31 709)
Weighted average number of shares outstanding – basic	43 855 590	43 855 590	43 855 590
Profit / (Loss) for the period, attributable to Cherkizovo Group per share – basic (rubles):	44.10	(10.05)	43.76

APPENDIX III:**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2017**

(in thousands of roubles)	31 March 2017	31 December 2016
ASSETS		
Non-current assets		
Property, plant and equipment	64 688 669	64 445 256
Investment property	589 944	443 676
Goodwill	557 191	557 191
Intangible assets	1 906 123	1 949 663
Non-current biological assets	1 946 239	1 926 714
Notes receivable, net	610 000	510 000
Investments in joint venture	2 214 362	2 061 472
Long-term deposits in banks	641 365	641 365
Restricted cash***	1 665 208	-
Deferred tax assets	479 624	479 624
Other non-current receivables	519 704	508 140
Total non-current assets	75 818 429	73 523 101
Current assets		
Biological assets	11 341 113	10 712 481
Inventories	10 922 625	10 602 118
Taxes recoverable and prepaid	2 163 508	1 904 786
Trade receivables, net	4 094 535	4 942 884
Advances paid, net	2 068 528	1 721 691
Other receivables, net	1 558 146	1 393 473
Cash and cash equivalents	1 145 813	1 002 203
Other current assets	464 832	534 838
Total current assets	33 759 100	32 814 474
TOTAL ASSETS	109 577 529	106 337 575

*** Starting from 2017 the Group uses special bank accounts as a guarantee for fulfillment of the Group's obligations under the purchase contracts with foreign suppliers of machinery and equipment.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2017 Continued

(in thousands of roubles)	31 March 2017	31 December 2016
EQUITY AND LIABILITIES		
Equity		
Share capital	440	440
Treasury shares	(78 033)	(78 033)
Additional paid-in capital	5 588 320	5 588 320
Retained earnings	49 437 424	47 503 411
Total shareholder's equity	54 948 151	53 014 138
Non-controlling interest	939 829	1 026 280
Total equity	55 887 980	54 040 418
Non-current liabilities		
Long-term borrowings	26 048 551	24 469 704
Provisions	58 131	58 131
Deferred tax liability	388 461	420 299
Other liabilities	11 580	14 379
Total non-current liabilities	26 506 723	24 962 513
Current liabilities		
Short-term borrowings	14 368 371	14 122 997
Trade payables	7 998 818	8 608 271
Advances received	348 948	562 584
Payables for non-current assets	949 521	1 061 629
Tax related liabilities	1 127 648	849 400
Payroll related liabilities	1 726 950	1 394 940
Other payables and accruals	662 570	734 823
Total current liabilities	27 182 826	27 334 644
Total liabilities	53 689 549	52 297 157
TOTAL EQUITY AND LIABILITIES	109 577 529	106 337 575

APPENDIX IV:**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW FOR THE THREE MONTHS ENDED 31 MARCH 2017**

	Three months ended 31 March 2017	Three months ended 31 March 2016	Year ended 31 December 2016
(in thousands of roubles)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before income tax	1 877 746	(492 480)	1 960 379
Adjustments for:			
Depreciation and amortization	1 180 163	981 340	4 660 365
Bad debt expense	6 140	35 130	231 981
Foreign exchange gain, net	(101 098)	(64 096)	(621 087)
Interest income	(67 371)	(146 619)	(343 737)
Interest expenses, net of subsidies	746 382	663 508	3 738 315
Net change in fair value of biological assets and agricultural produce	(98 019)	(216 262)	340 063
Loss / (gain) on disposal of property, plant and equipment, net	40 238	5 715	(8 054)
Gain on disposal of non-current biological assets, net	(130 095)	(60 783)	(402 456)
Write-off of receivables from insurance company	-	-	347 975
Share of loss of a joint venture	192 110	-	200 191
Other adjustments, net	(1 126)	17 576	(28 059)
Operating cash flows before working capital changes	3 645 070	723 029	10 075 876
(Increase) decrease in inventories	(106 377)	(262 393)	770 364
Increase in biological assets	(650 464)	(701 423)	(202 031)
Decrease (increase) in trade receivables	843 802	676 047	(477 366)
(Increase) decrease in advances paid	(356 797)	171 620	796 090
(Increase) decrease in other receivables and other current assets	(302 996)	24 290	947 249
Increase in other non-current receivables	(16 485)	(19 649)	(70 105)
(Decrease) increase in trade payables	(615 653)	(1 189 417)	675 348
Increase (decrease) in tax related liabilities (other than income tax)	256 650	(116 170)	41 155
(Decrease) increase in other current payables	(74 026)	207 018	142 585
Operating cash flows before interest and income tax	2 622 724	(487 048)	12 699 537
Interest received	37 755	128 933	255 850
Interest paid	(544 501)	(1 028 399)	(4 895 763)
Government grants for compensation of interest expense received	7 935	71 651	1 433 471
Income tax paid	(10 241)	(15 864)	(124 186)
Net cash from operating activities	2 113 672	(1 330 727)	9 368 165
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(1 692 159)	(1 900 287)	(8 569 640)
Purchase of non-current biological assets	(195 605)	(159 512)	(1 110 778)
Purchase of intangible assets	(31 663)	(94 285)	(555 633)
Proceeds from sale of property, plant and equipment	23	24 247	34 013
Proceeds from disposal of non-current biological assets	230 971	155 457	755 422
Restricted cash	(1 665 208)	-	-
Investments in joint venture	(345 000)	-	(960 000)
Issuance of long-term loans and placing of long-term deposits	(1 471)	-	-
Placing of notes receivable	(100 000)	-	(210 000)
Repayment of short-term loans issued and redemption of deposits	-	2 927	6 273
Net cash used in investing activities	(3 800 112)	(1 971 453)	(10 610 343)

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW FOR THE THREE MONTHS ENDED 31 MARCH 2017 Continued

	Three months ended 31 March 2017	Three months ended 31 March 2016	Year ended 31 December 2016
(in thousands of roubles)			
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term loans	3 329 940	470 333	11 862 021
Repayment of long-term loans	(730 280)	(796 868)	(5 363 445)
Proceeds from short-term loans	2 024 459	6 848 411	21 834 999
Repayment of short-term loans	(2 795 539)	(4 943 484)	(30 652 746)
Proceeds from shares issued	1 470	-	-
Dividends paid	-	-	(998 771)
Acquisitions of non-controlling interests	-	-	1 127
Net cash generated from (used in) financing activities	1 830 050	1 578 392	(3 316 815)
Net increase (decrease) in cash and cash equivalents	143 610	(1 723 788)	(4 558 621)
Cash and cash equivalents at the beginning of the year	1 002 203	5 560 824	5 560 824
Cash and cash equivalents at the end of the year	1 145 813	3 837 036	1 002 203