

## **Cherkizovo Group (LSE: CHE; MOEX: GCHE)**

### **Announces Financial Results for the First Quarter of 2016**

Moscow, Russia — May 24, 2016 – Cherkizovo Group (LSE: CHE; MOEX: GCHE) (hereinafter “Cherkizovo”, “the Group” or “the Company”), the largest vertically integrated meat and feed producer in Russia, today announces its unaudited consolidated IFRS results for the first quarter ending March 31, 2016.

#### **Key financial highlights**

- Revenue increased by 8% to RUB 18.5 billion from RUB 17.1 billion in 1Q 2015;
- Gross profit decreased by 45% to RUB 3.1 billion from RUB 5.6 billion in 1Q 2015;
- Gross margin fell to 16.6% from 32.8% in 1Q 2015;
- Operating expenses increased by 16% to RUB 3.1 billion, compared to RUB 2.7 billion in 1Q 2015;
- Adjusted EBITDA\* at RUB 0.7 billion, a 76% year-on-year drop from RUB 3.0 billion in 1Q 2015;
- Adjusted EBITDA margin at 3.9% compared to 17.4% in 1Q 2015;
- Loss for the period was RUB (0.4) billion, down 115% year-on-year from a profit of RUB 2.9 billion in 1Q 2015;
- Net operating cash flow was RUB (1.3) billion as of March 31, 2016;
- Net debt\*\* was RUB 38.6 billion as of March 31, 2016;
- The effective cost of debt was 4.3 % (1Q 2015: 3.2%);
- Loss per share was RUB 10.1 (1Q 2015: EPS\*\*\* was RUB 67.2);

#### **Key corporate highlights**

- Cherkizovo Group received a license to export poultry products to UAE and Egypt. Shipments are expected to start by the end of 2Q 2016;
- The first phase of Tambov Turkey project has been completed. Buildings at rearing and fattening facilities as well as a modern hatchery (5.9 million eggs p.a.) are fully operational;
- The first phase of the pork cluster project in Voronezh has been completed in March, and the second phase is due to be completed by June 2016. The first phase in Lipetsk is under way and is scheduled to be completed by the end of 2016. The project will be completed in 2017 and will boost production capacity by 70,000 tons per year;
- The new research laboratory (the most advanced in Russia) has been put into operation. Its ultimate goal is to increase the quality and biosafety of our products positioning Cherkizovo Group as the leading innovative agricultural company in Russia.

#### **Key corporate events after the reporting period**

- New board of directors and Chairman of the Board elected. The new structure is in place with an increased role of independent directors to further enhance corporate governance and formulate Cherkizovo’s development strategy.

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

“Although market conditions were tough, the Group’s total revenue increased by 8% year-on-year, with all segments demonstrating solid growth in production volumes. The typical post-holiday drop in consumer spending, along with seasonally lower meat consumption, mean that first quarter margins are generally the lowest of the year. On top of that, overproduction of poultry in Russia pushed the average price down and depreciation of the Russian ruble had a negative effect on production costs. As a result of both of these factors, poultry was our worst performing segment during the quarter. The meat processing segment, however, demonstrated impressive growth, although this was not sufficient to fully compensate for the performance of the poultry segment.”

“We expect to start seeing improvements in the market in the second quarter. Live hog prices, while remaining volatile, have started to show signs of recovery as the barbeque season gets underway. In poultry, prices have bottomed out and are beginning to turn around as inefficient producers exit the market and exports from Russia to new markets start to increase. Cherkizovo has made considerable progress in developing its exports after receiving licences to export our poultry products to the UAE and Egypt.”

## Financial summary

	1Q 16	1Q 15	Change
	mln RUB	mln RUB	%
Revenue	18,544.7	17,130.7	8%
Gross profit	3,074.2	5,617.0	-45%
Operating expenses	(3,095.4)	(2,661.1)	16%
Adjusted EBITDA*	725.4	2,980.1	-76%
Adjusted EBITDA margin	3.9%	17.4%	
Operating (loss) / profit	(21.2)	2,955.9	n/a
(Loss) / Income before tax	(492.5)	2,960.2	-117%
(Loss) / Profit	(440.8)	2,948.2	-115%
Net operating cash flow	(1,330.7)	2,544.7	-152%
Net debt	38,575.6	35,009.6 <sup>1</sup>	10%

<sup>1</sup> as of December 31, 2015

### Revenue

Sales increased by 8% year-on-year in 1Q 2016 to RUB 18.5 billion, compared to RUB 17.1 billion in 1Q 2015. The main drivers behind this growth were the poultry and meat processing segments.

### Gross profit

Gross profit fell by 45% year-on-year to RUB 3.1 billion from RUB 5.6 billion in 1Q 2015. The majority of this decrease is coming from the poultry and pork segments where a significant amount of expenses are pegged to foreign currency that had appreciated significantly in the beginning of 2016 hitting the level of 85 RUB/USD. The gross margin reduced to 16.6% in 1Q 2016 from 32.8% in 1Q 2015 as a result of cost increase.

### Operating expenses

Operating expenses increased by 16% year-on-year to RUB 3.1 billion, compared to RUB 2.7 billion in 1Q 2015, as a result of higher payroll and selling expenses. Operating expenses as percentage of sales increased to 16.7% in 1Q 2016 from 15.5% in 1Q 2015.

### Adjusted EBITDA

Adjusted EBITDA fell by 76% year-on-year in 1Q 2016 to RUB 0.7 billion from 3.0 billion in 1Q 2015. The adjusted EBITDA margin fell to 3.9% (1Q 2015: 17.4%).

### Interest expense

In 1Q 2016, interest expense was up 65% year-on-year to RUB 1.3 billion. The main drivers behind this growth were a 58% year-on-year increase in total borrowings to RUB 43.1 billion (1Q 2015: RUB 27.3 billion), as well as a rise of interest rates. Net interest expense for 1Q 2016 was RUB 0.7 billion, up 327% from the 2015 level of RUB 0.2 billion. The Group accrued RUB 0.6 billion of subsidies in 1Q 2016 included in the net interest expense above, a year-on-year decrease of 1%.

### Net profit

Net loss for the Group came in at RUB (0.4) billion, a decrease of 115% from a profit of RUB 2.9 billion in 1Q 2015. The net profit margin fell to -2.4% from 17.2% in 1Q 2015.

## Cash flow

Operating cash flow for 1Q 2016 was RUB (1.3) billion, a year-on-year decrease of 152% (1Q 2015: RUB 2.5 billion) as a result of decreasing operating income.

## Business segments

Divisions	Sales volume 1Q 2016, thousand tons	Sales volume 1Q 2015, thousand tons	Change %	Revenue 1Q 2016, mln RUB#	Revenue 1Q 2015, mln RUB#	Change %	Share in Group's revenue %
<b>Poultry</b>	128.2	108.2	19%	11,365.6	10,287.3	10%	52%
<b>Pork</b>	40.1	37.4	7%	3,234.0	3,636.0	-11%	18%
<b>Meat processing</b>	48.6	37.8	28%	6,938.0	5,774.6	20%	30%

# revenue for both years includes intersegments sales

### Poultry Division

Sales volumes grew by 19% year-on-year to 128.2 thousand tons in 1Q 2016 (1Q 2015: 108.2 thousand tons). This growth was a result of higher production levels and a reduction of inventory.

The average price during the first quarter of 2016 dropped by 8% year-on-year to 88.62 RUB/kg due to oversupply in the market and consumers' falling purchasing power.

Total sales for the division increased by 10% year-on-year to RUB 11.4 billion (1Q 2015: RUB 10.3 billion).

Gross profit fell by 43% year-on-year to RUB 1.0 billion from RUB 1.7 billion in 1Q 2015 as feed components, hatching eggs and veterinary supplies are pegged to foreign currency. In the first quarter Russian ruble hit yearly record low falling below the level of 85 RUB/USD. The gross margin for the period decreased to 8.4% from 16.2% in the prior year's first quarter.

Operating expenses as a percentage of sales were flat for the most part year-on-year at 11.2% (1Q 2015: 11.3%).

Operating income fell by 162% year-on-year to RUB (0.3) billion from RUB 0.5 billion in 1Q 2015, while the operating margin fell to -2.8% from 4.9% in the corresponding quarter last year. Net loss for the division was RUB (0.8) billion, a year-on-year drop of 217% as a result of costs for feed components and other direct materials pegged to foreign currencies.

Adjusted EBITDA dropped 93% year-on-year to RUB 0.1 billion (1Q 2015: RUB 1.4 billion), while the adjusted EBITDA margin fell to 0.9% from 13.8% in the first quarter of 2015.

### Pork Division

In the first quarter of 2016, production volumes in the pork division grew by 7% year-on-year to 40.1 thousand tons, compared with 37.4 thousand tons in 1Q 2015, as Cherkizovo Group launched a new initiative to improve efficiency by increasing weekly farrows.

The average price decreased by 16% year-on-year to 81.73 RUB/kg (1Q 2015: 97.11 RUB/kg) and by 4% compared to the previous quarter (4Q 2015: 85.08 RUB/kg). The drop was the result of Russian consumers' lowering purchasing power, combined with an overall continuous increase in pork production across the country, imports from Brazil and the beginning of Lent Season in March.

Total sales in the pork division fell 11% to RUB 3.2 billion year-on-year (1Q 2015: RUB 3.6 billion). The dip in sales was expected as average price posted a double digit decline in the month of March. Gross profit for the quarter stood at RUB 0.7 billion, a year-on-year drop of 74%, as feed components and medication costs are denominated in foreign currencies. The segment's gross margin fell to 23.0% from 77.7% in 1Q 2015.

Operating expenses as a percentage of sales were flat from corresponding period last year at 5.6%.

Operating income fell by 79% year-on-year to RUB 0.6 billion from RUB 2.6 billion in 1Q 2015. For the corresponding period the operating margin fell to 17.4% from 72.2% in 1Q 2015. Net profit decreased by 84% year-on-year to RUB 0.4 billion (1Q 2015: RUB 2.6 billion).

Adjusted EBITDA fell to RUB 0.6 billion, a year-on-year decrease of 61%. The adjusted EBITDA margin fell to 18.4% in 1Q 2016 from 41.9% in 1Q 2015.

### **Meat Processing Division**

Sales volume increased by 28% year-on-year to 48.6 thousand tons from 37.8 thousand tons in Q1 2015. This growth resulted from the launch of a pig slaughter plant at Dankov in the second half of 2015, which boosted both volume and product assortment.

During the reporting period, the average price fell by 2% year-on-year to 165.11 RUB/kg due to consumers' preference shifting to more affordable products given their lower purchasing power. On a quarter-on-quarter basis, the average price fell by 3% (4Q 2015: 170.5 RUB/kg).

Total sales were 20% higher in 1Q 2016 and reached RUB 6.9 billion (1Q 2015: RUB 5.8 billion) volume driven.

Gross profit for the same period increased 48% year-on-year to RUB 1.2 billion, compared to RUB 0.8 billion in 1Q 2015. The gross margin for the corresponding period reached 16.8% from 13.7% in the first quarter of the previous year.

Operating expenses as a percentage of sales were flat from corresponding period last year at 12.3%.

Operating income increased by 290% year-on-year to RUB 0.3 billion from RUB 0.1 billion in 1Q 2015. The operating margin rose to 4.5% from 1.4% in 1Q 2015. In the first quarter of 2016, the meat processing segment generated net profit of RUB 0.3 billion, a significant increase compared to RUB 0.1 billion a year ago.

Adjusted EBITDA increased almost twice, by 139% in the current period and reached RUB 0.4 billion (1Q 2015: RUB 0.2 billion). The adjusted EBITDA margin grew to 6.3% from 3.2% in 1Q 2015.

### **Grain Division**

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

### **Financial Position**

The Group's Capital Expenditure on property, plants, equipment and maintenance amounted to RUB 2.2 billion in the first quarter of 2016 and stayed at the same level of 1Q 2015. Of that, RUB 0.6 billion was invested into the poultry division, primarily into the construction of the hatchery and grain storage facility in the Lipetsk region (Eletsprom Project). In the pork division, RUB 0.6 billion was invested into purchasing equipment for the new finisher complexes in the Voronezh region, as well as constructing new finisher complexes in the Lipetsk region. The meat processing division received RUB 0.5 billion of investments for construction of Kashira meat processing plant, Moscow Region. In the grain division, RUB 0.4 billion was invested into construction of the new grain drying facility.

As of 31 March, 2016, net Debt\*\* amounted to RUB 38.6 billion, compared to RUB 35.0 billion at the end of 2015. Total debt stood at RUB 43.1 billion as of 31 March 2016, compared to RUB 41.2 billion at the end of 2015. As of 31 March 2016, long-term debt represented 36% of the debt portfolio and was RUB 15.6 billion. Short-term debt stood at RUB 27.4 billion, or 64% of the portfolio. The cost of debt was 4.3% in 1Q 2016 (2015: 3.3%). The portion of subsidized loans and credit lines in the portfolio was 77% (1Q 2015: 81%). Cash and cash equivalents totaled RUB 3.8 billion as of 31 March, 2016.

## **Subsidies**

In 1Q 2016, the Group accrued subsidies for interest reimbursement of RUB 0.6 billion, which offset interest expense (1Q 2015: RUB 0.6 billion). The Group received RUB 0.1 billion of subsidies in 1Q 2016, compared to RUB 0.4 billion in 1Q 2015.

## **Outlook**

As anticipated, 2016 is proving to be challenging year for all meat producers in Russia. Although prices have been under pressure in the first quarter, the market has started to see some tentative signs of price recovery in the second quarter and hopefully this trend will continue going forward. We also anticipate consumption levels in Russia to pick up in the second quarter and beyond, as the decline in the population's real income has slowed down and service sector has continued to expand. We believe the seeds of a gradual recovery have been sown with the Russian ruble rebounding more than 20% from its record low and consumer confidence hitting the floor in first quarter.

We are on track to delivering on our target of increasing the Company's exports to 20% of total revenue over the next two years. Shipments of poultry products to the UAE and Egypt are scheduled to begin in the coming months and Cherkizovo is exploring opportunities to enter new markets in China, the Middle East and Africa. Our strategic partnership with Grupo Fuertes, a major international player in the agricultural sector, will help the company further develop our export strategy. Continuing investment in infrastructure and new product development will pay off in the long run and helps strengthening further the company's domestic market position. Having built a solid growth platform, Cherkizovo is well positioned to deliver solid financial results in this difficult year.

For more information please visit [www.cherkizovo.com](http://www.cherkizovo.com) or contact

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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 8 full cycle poultry production facilities, 15 modern pork production facilities, 6 meat processing plants, 9 feed mills and more than 140,000 hectares of agricultural land. In 2015, Cherkizovo Group produced more than 825,000 tons 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 growth of both sales and revenue. The Company's consolidated revenue reached RUB 77.0 bn in 2015.

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 a reader's convenience.*

*Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of 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.*

*The Group's consolidated financial statements for the year ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the first time. The transition date to IFRS is 1 January 2014. Consequently, comparative data for 2014 is also shown under IFRS. The main difference between IFRS and the reporting standards the Group previously used - US GAAP - is the revaluation of biological assets, which are shown as a separate line 'Net change in fair value of biological assets and agricultural produce' in the consolidated statement of profit or loss and other comprehensive income.*

**\*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 Earnings before Interest, Income Tax, Depreciation and Amortization ("Adjusted EBITDA"). Adjusted EBITDA represents income before income tax and non-controlling interests adjusted for interest, depreciation and amortization, foreign exchange differences, other finance income and net change in fair value of biological assets and agricultural produce as shown in the reconciliation in Appendix I. Adjusted EBITDA margin is defined as Adjusted EBITDA as a percentage of our net revenues. Our adjusted EBITDA may not be similar to adjusted EBITDA measures of other companies; is not a measurement under accounting principles generally accepted in the United States and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of operations. We believe that adjusted EBITDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. Our adjusted EBITDA calculation is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies within our industry. Adjusted EBITDA is reconciled to our consolidated statements of operations in Appendix I.*

**\*\* Net debt** *is calculated as total debt minus cash and cash equivalents, short-term bank deposits and long-term bank deposits.*

**\*\*\* EPS** *is calculated as Underlying Net profit divided by the total number of shares outstanding for the period*

**APPENDIX I: KEY DATA AND FIGURES**  
**UNAUDITED 3 Months 2016 Consolidated Selected Financial Data**

(in thousands of rubles)	Meat-Processing	Poultry	Pork	Grain	Feed	Corporate assets/expenses	Inter-division##	Combined
<b>Total Sales</b>	6 938 040	11 365 574	3 234 049	82 737	8 115 805	7 198	(11 198 674)	18 544 729
including other sales	116 379	324 357	40 881	11 830	-	7 198	(148 378)	352 267
including sales volume discount	(1 089 379)	(332 813)	-	-	-	-	-	(1 422 192)
Interdivision Sales	(7 592)	(446 036)	(2 632 226)	(37 326)	(8 075 494)	-	11 198 674	-
Sales to external customers (Sales)	6 930 448	10 919 538	601 823	45 411	40 311	7 198	-	18 544 729
% of Total sales	37.5%	58.9%	3.2%	0.2%	0.2%	0.0%	0.0%	100.0%
Net change in fair value of biological assets and agricultural produce	-	66 550	153 531	(3 819)	-	-	-	216 262
Cost of Sales	(5 770 269)	(10 475 389)	(2 642 628)	(128 004)	(7 982 747)	(9 812)	11 322 022	(15 686 827)
<b>Gross profit</b>	<b>1 167 771</b>	<b>956 735</b>	<b>744 952</b>	<b>(49 086)</b>	<b>133 058</b>	<b>(2 614)</b>	<b>123 348</b>	<b>3 074 164</b>
Gross margin	16.8%	8.4%	23.0%	-59.3%	1.6%	-36.3%	-1.1%	16.6%
Operating expenses	(855 448)	(1 271 918)	(181 988)	(85 782)	(81 436)	(605 599)	(13 214)	(3 095 385)
<b>Operating (loss)/profit</b>	<b>312 323</b>	<b>(315 183)</b>	<b>562 964</b>	<b>(134 868)</b>	<b>51 622</b>	<b>(608 213)</b>	<b>110 134</b>	<b>(21 221)</b>
Operating margin	4.5%	-2.8%	17.4%	-163.0%	0.6%	n/a	-1.0%	-0.1%
Interest income	3 290	42 164	7 460	2	6 251	187 670	(100 218)	146 619
Interest expense, net	(45 409)	(205 959)	(140 965)	(6 938)	(137 164)	(227 291)	100 218	(663 508)
Other expenses, net	7 359	(311 625)	(9 366)	2 365	91 480	265 417	-	45 630
<b>Division profit / (loss)</b>	<b>277 563</b>	<b>(790 603)</b>	<b>420 093</b>	<b>(139 439)</b>	<b>12 189</b>	<b>(382 417)</b>	<b>110 134</b>	<b>(492 480)</b>
Division profit margin	4.0%	-7.0%	13.0%	-168.5%	0.2%	n/a	-1.0%	-2.7%
Supplemental information:								
Income Tax (benefit) / expense	18 662	(3 028)	(664)	1 596	493	153	-	17 212
Depreciation expense	143 794	480 193	187 435	16 847	134 790	18 281	-	981 340
<b>Adjusted EBITDA reconciliation</b>								
<b>Division profit / (loss)</b>	<b>277 563</b>	<b>(790 603)</b>	<b>420 093</b>	<b>(139 439)</b>	<b>12 189</b>	<b>(382 417)</b>	<b>110 134</b>	<b>(492 480)</b>
Add:								
Interest expense, net	45 409	205 959	140 965	6 938	137 164	227 291	(100 218)	663 508
Interest income	(3 290)	(42 164)	(7 460)	(2)	(6 251)	(187 670)	100 218	(146 619)
Foreign exchange loss/(gain), net	(25 789)	312 042	8 603	(2 365)	(91 417)	(265 170)	-	(64 096)
Depreciation and amortisation	143 794	480 193	187 435	16 847	134 790	18 281	-	981 340
Net change in fair value of biological assets and agricultural produce	-	(66 550)	(153 531)	3 819	-	-	-	(216 262)
<b>Adjusted EBITDA*</b>	<b>437 687</b>	<b>98 877</b>	<b>596 105</b>	<b>(114 202)</b>	<b>186 475</b>	<b>(589 685)</b>	<b>110 134</b>	<b>725 391</b>
Adjusted EBITDA Margin*	6.3%	0.9%	18.4%	-138.0%	2.3%	n/a	-1.0%	3.9%

**Reconciliation between net division (loss) / profit and (loss) /profit attributable to Cherkizovo Group**

<b>Total division loss</b>	<b>(492 480)</b>
Non-controlling interests	68 855
Income taxes	(17 212)
<b>Loss attributable to Cherkizovo Group</b>	<b>(440 837)</b>

##This amount represents unrealised margin on inter-division sales and relates mainly to the sale of grain from Grain to Feed division



**UNAUDITED CONSOLIDATED INCOME STATEMENT DATA**

(in thousands of rubles)	<b>Three months ended 31 March 2016</b>	<b>Three months ended 31 March 2015</b>
Sales	<b>18 544 729</b>	<b>17 130 651</b>
incl. Sales volume discounts	(1 422 192)	(1 005 464)
incl. Sales returns	(230 151)	(263 697)
Net change in fair value of biological assets and agricultural produce	216 262	868 416
Cost of sales	(15 686 827)	(12 382 101)
<b>Gross profit</b>	<b>3 074 164</b>	<b>5 616 966</b>
Gross margin	16.6%	32.8%
Operating expenses	(3 095 385)	(2 661 091)
<b>Operating (loss) / profit</b>	<b>(21 221)</b>	<b>2 955 875</b>
Operating margin	-0.1%	17.3%
<b>(Loss) / Profit before income tax</b>	<b>(492 480)</b>	<b>2 960 215</b>
<b>(Loss) / Profit attributable to Cherkizovo Group</b>	<b>(440 837)</b>	<b>2 948 227</b>
<i>Net profit margin</i>	-2.4%	17.2%
Weighted average number of shares outstanding	43 855 590	43 855 590
<b>(Loss) / Earnings per share</b>		
<b>(Loss) / Profit attributable to Cherkizovo Group per share – basic and diluted (rubles)</b>	<b>(10.1)</b>	<b>67.2</b>
<b>Consolidated Adjusted EBITDA reconciliation*</b>		
<b>(Loss) / Profit before income tax</b>	<b>(492 480)</b>	<b>2 960 215</b>
Add:		
Interest expense, net of subsidies	663 508	155 530
Interest income	(146 619)	(40 301)
Foreign exchange gain, net	(64 096)	(114 056)
Depreciation and amortisation	981 340	887 123
Net change in fair value of biological assets and agricultural produce	(216 262)	(868 416)
<b>Consolidated Adjusted EBITDA*</b>	<b>725 391</b>	<b>2 980 095</b>
<i>Adjusted EBITDA Margin</i>	3.9%	17.4%

**POULTRY DIVISION UNAUDITED INCOME STATEMENT DATA**

(in thousands of rubles)	Three months ended 31 March 2016	Three months ended 31 March 2015
Total Sales	11 365 574	10 287 337
Interdivision sales	(446 036)	(433 442)
<b>Sales to external customers</b>	<b>10 919 538</b>	<b>9 853 895</b>
Net change in fair value of biological assets and agricultural produce	66 550	(437 062)
Cost of sales	(10 475 389)	(8 179 506)
<b>Gross profit</b>	<b>956 735</b>	<b>1 670 769</b>
<i>Gross margin</i>	8.4%	16.2%
Operating expenses	(1 271 918)	(1 165 790)
<b>Operating (loss) / profit</b>	<b>(315 183)</b>	<b>504 979</b>
<i>Operating margin</i>	-2.8%	4.9%
Interest income	42 164	46 214
Interest expense, net	(205 959)	(55 923)
Other expenses, net	(311 625)	179 891
<b>Division (loss) / profit</b>	<b>(790 603)</b>	<b>675 161</b>
<i>Division profit margin</i>	-7.0%	6.6%
<b>Poultry division Adjusted EBITDA reconciliation*</b>		
<b>Division (loss) / profit</b>	<b>(790 603)</b>	<b>675 161</b>
Add:		
Interest expense, net of subsidies	205 959	55 923
Interest income	(42 164)	(46 214)
Foreign exchange loss(gain), net	312 042	(178 859)
Depreciation and amortisation	480 193	474 550
Net change in fair value of biological assets and agricultural produce	(66 550)	437 062
<b>Poultry division Adjusted EBITDA*</b>	<b>98 877</b>	<b>1 417 623</b>
<i>Adjusted EBITDA Margin</i>	0.9%	13.8%

**PORK DIVISION UNAUDITED INCOME STATEMENT DATA**

(in thousands of rubles)	Three months ended 31 March 2016	Three months ended 31 March 2015
Total Sales	3 234 049	3 636 036
Interdivision sales	(2 632 226)	(2 232 950)
<b>Sales to external customers</b>	<b>601 823</b>	<b>1 403 086</b>
Net change in fair value of biological assets and agricultural produce	153 531	1 288 102
Cost of sales	(2 642 628)	(2 098 804)
<b>Gross profit</b>	<b>744 952</b>	<b>2 825 334</b>
<i>Gross margin</i>	<i>23.0%</i>	<i>77.7%</i>
Operating expenses	(181 988)	(201 922)
<b>Operating Profit</b>	<b>562 964</b>	<b>2 623 412</b>
<i>Operating margin</i>	<i>17.4%</i>	<i>72.2%</i>
Interest income	7 460	803
Interest expense, net	(140 965)	(42 922)
Other expenses, net	(9 366)	19 775
<b>Division Profit</b>	<b>420 093</b>	<b>2 601 068</b>
<i>Division profit margin</i>	<i>13.0%</i>	<i>71.5%</i>
<b>Pork division Adjusted EBITDA reconciliation*</b>		
<b>Division Profit</b>	<b>420 093</b>	<b>2 601 068</b>
Add:		
Interest expense, net of subsidies	140 965	42 922
Interest income	(7 460)	(803)
Foreign exchange loss(gain), net	8 603	(19 775)
Depreciation and amortisation	187 435	187 532
Net change in fair value of biological assets and agricultural produce	(153 531)	(1 288 102)
<b>Pork division Adjusted EBITDA*</b>	<b>596 105</b>	<b>1 522 842</b>
<i>Adjusted EBITDA Margin</i>	<i>18.4%</i>	<i>41.9%</i>

## MEAT PROCESSING DIVISION UNAUDITED INCOME STATEMENT DATA

(in thousands of rubles)	Three months ended 31 March 2016	Three months ended 31 March 2015
Total Sales	6 938 040	5 774 606
Interdivision sales	(7 592)	(6 481)
<b>Sales to external customers</b>	<b>6 930 448</b>	<b>5 768 125</b>
Cost of sales	(5 770 269)	(4 984 935)
<b>Gross profit</b>	<b>1 167 771</b>	<b>789 671</b>
<i>Gross margin</i>	16.8%	13.7%
Operating expenses	(855 448)	(709 654)
<b>Operating Profit</b>	<b>312 323</b>	<b>80 017</b>
<i>Operating margin</i>	4.5%	1.4%
Interest income	3 290	2 310
Interest expense, net	(45 409)	(45 460)
Other expenses, net	7 359	28 529
<b>Division profit</b>	<b>277 563</b>	<b>65 396</b>
<i>Division profit margin</i>	4.0%	1.1%
<b>Meat processing division Adjusted EBITDA reconciliation*</b>		
<b>Division profit</b>	<b>277 563</b>	<b>65 396</b>
Add:		
Interest expense, net of subsidies	45 409	45 460
Interest income	(3 290)	(2 310)
Foreign exchange gain, net	(25 789)	(24 050)
Depreciation and amortisation	143 794	99 018
<b>Meat processing division Adjusted EBITDA*</b>	<b>437 687</b>	<b>183 514</b>
<i>Adjusted EBITDA Margin</i>	6.3%	3.2%

## FEED DIVISION UNAUDITED INCOME STATEMENT DATA

(in thousands of rubles)	Three months ended 31 March 2016	Three months ended 31 March 2015
Total Sales	8 115 805	6 843 409
Interdivision sales	(8 075 494)	(6 789 617)
<b>Sales to external customers</b>	<b>40 311</b>	<b>53 792</b>
Cost of sales	(7 982 747)	(6 666 678)
<b>Gross profit</b>	<b>133 058</b>	<b>176 731</b>
<i>Gross margin</i>	<i>1.6%</i>	<i>2.6%</i>
Operating expenses	(81 436)	(128 012)
<b>Operating Profit</b>	<b>51 622</b>	<b>48 719</b>
<i>Operating margin</i>	<i>0.6%</i>	<i>0.7%</i>
Interest income	6 251	7 943
Interest expense, net	(137 164)	(55 949)
Other expenses, net	91 480	3 535
<b>Division Profit</b>	<b>12 189</b>	<b>4 248</b>
<i>Division profit margin</i>	<i>0.2%</i>	<i>0.1%</i>
<b>Feed division Adjusted EBITDA reconciliation*</b>		
<b>Division Profit</b>	<b>12 189</b>	<b>4 248</b>
Add:		
Interest expense, net of subsidies	137 164	55 949
Interest income	(6 251)	(7 943)
Foreign exchange gain, net	(91 417)	(3 533)
Depreciation and amortisation	134 790	96 710
<b>Feed division Adjusted EBITDA*</b>	<b>186 475</b>	<b>145 431</b>
<i>Adjusted EBITDA Margin</i>	<i>2.3%</i>	<i>2.1%</i>

**APPENDIX II:****UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2016**

	Three months ended 31 March 2016	Three months ended 31 March 2015	Year ended 31 December 2015
<i>(in thousands of rubles)</i>			
Sales	18 544 729	17 130 651	77 032 622
Net change in fair value of biological assets and agricultural produce	216 262	868 416	(1 163 727)
Cost of sales	(15 686 827)	(12 382 101)	(56 720 216)
<b>Gross profit</b>	<b>3 074 164</b>	<b>5 616 966</b>	<b>19 148 679</b>
Selling, general and administrative expense	(3 150 457)	(2 719 278)	(11 947 142)
Other operating income (expense), net	55 072	58 187	332 489
<b>Operating (Loss) / Profit</b>	<b>(21 221)</b>	<b>2 955 875</b>	<b>7 534 026</b>
Interest income	146 619	40 301	285 762
Interest expense, net	(663 508)	(155 530)	(1 364 766)
Other expenses, net	45 630	119 569	(583 273)
<b>(Loss) / Profit before income tax</b>	<b>(492 480)</b>	<b>2 960 215</b>	<b>5 871 749</b>
Income tax benefit	(17 212)	30 291	149 060
<b>(Loss) / Profit for the period</b>	<b>(509 692)</b>	<b>2 990 506</b>	<b>6 020 809</b>
<b>(Loss) / Profit, attributable to Cherkizovo</b>	<b>(440 837)</b>	<b>2 948 227</b>	<b>6 007 482</b>
Non-controlling interests	(68 855)	42 279	13 327
Weighted average number of shares outstanding – basic	43 855 590	43 855 590	43 855 590
(Loss) / Profit for the period, attributable to Cherkizovo Group per share – basic (rubles):	(10.05)	67.23	136.98

**APPENDIX III:****UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2016**

(in thousands of rubles)	31 March 2016	31 December 2015
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	60 778 683	60 436 029
Investment property	431 977	432 771
Goodwill	557 191	557 191
Intangible assets	1 679 453	1 603 903
Non-current biological assets	1 877 141	1 617 833
Notes receivable, net	300 000	300 000
Investments in joint venture	1 301 663	1 301 663
Long-term deposits in banks	641 365	641 365
Deferred tax assets	331 300	331 300
Other non-current receivables	453 267	430 811
<b>Total non-current assets</b>	<b>68 352 040</b>	<b>67 652 866</b>
<b>Current assets</b>		
Biological assets	10 785 448	9 829 675
Inventories	12 347 760	12 258 555
Taxes recoverable and prepaid	2 941 042	2 835 987
Trade receivables, net	3 758 924	4 444 991
Advances paid, net	2 532 407	2 733 842
Other receivables, net	2 225 307	1 782 019
Cash and cash equivalents	3 837 036	5 560 824
Other current assets	617 286	612 566
<b>Total current assets</b>	<b>39 045 210</b>	<b>40 058 459</b>
<b>TOTAL ASSETS</b>	<b>107 397 250</b>	<b>107 711 325</b>

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2016 Continued**

	<b>31 March 2016</b>	<b>31 December 2015</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	440	440
Treasury shares	(78 033)	(78 033)
Additional paid-in capital	5 588 320	5 588 320
Retained earnings	46 142 118	46 582 955
<b>Total shareholder's equity</b>	<b>51 652 845</b>	<b>52 093 682</b>
Non-controlling interest	986 537	1 055 392
<b>Total equity</b>	<b>52 639 382</b>	<b>53 149 074</b>
<b>Non-current liabilities</b>		
Long-term borrowings	15 629 592	16 118 747
Provisions	67 131	67 131
Deferred tax liability	382 562	405 097
Other liabilities	93 477	96 185
<b>Total non-current liabilities</b>	<b>16 172 762</b>	<b>16 687 160</b>
<b>Current liabilities</b>		
Short-term borrowings	27 424 425	25 093 017
Trade payables	7 227 104	8 461 657
Advances received	260 800	443 018
Payables for non-current assets	940 880	1 445 128
Tax related liabilities	698 058	790 344
Payroll related liabilities	1 759 274	1 372 176
Other payables and accruals	274 565	269 751
<b>Total current liabilities</b>	<b>38 585 106</b>	<b>37 875 091</b>
<b>Total liabilities</b>	<b>54 757 868</b>	<b>54 562 251</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>107 397 250</b>	<b>107 711 325</b>



**APPENDIX IV:****UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2016**

	Three months ended 31 March 2016	Three months ended 31 March 2015	Year ended 31 December 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>(Loss) / Profit before income tax</b>	<b>(492 480)</b>	<b>2 960 215</b>	<b>5 871 749</b>
Adjustments for:			
Depreciation and amortization	981 340	887 123	3 826 525
Bad debt expense	35 130	36 536	32 062
Foreign exchange (gain) / loss, net	(64 096)	(114 056)	646 802
Interest income	(146 619)	(40 301)	(285 762)
Interest expenses, net of subsidies	663 508	155 530	1 364 766
Net change in fair value of biological assets and agricultural produce	(216 262)	(868 416)	1 163 727
Loss / (gain) on disposal of property, plant and equipment, net	5 715	(11 523)	(49 793)
Gain on disposal of non-current biological assets, net	(60 783)	(46 573)	(282 827)
Other adjustments, net	17 576	(5 510)	(108 612)
<b>Operating cash flows before working capital changes</b>	<b>723 029</b>	<b>2 953 025</b>	<b>12 178 637</b>
Increase in inventories	(262 393)	(1 375 722)	(4 648 048)
Increase in biological assets	(701 423)	(487 688)	(1 586 899)
(Increase) decrease in trade receivables	676 047	377 507	(466 088)
(Increase) decrease in advances paid	171 620	(159 393)	(522 982)
(Increase) decrease in other receivables and other current assets	24 290	(505 281)	(1 450 027)
Increase in other non-current receivables	(19 649)	(437)	(28 022)
(Decrease) increase in trade payables	(1 189 417)	1 941 592	3 607 415
(Decrease) increase in tax related liabilities (other than income tax)	(116 170)	152 775	17 693
(Decrease) increase in other current payables	207 018	(203 401)	(651 507)
<b>Operating cash flows before interest and income tax</b>	<b>(487 048)</b>	<b>2 692 977</b>	<b>6 450 172</b>
Interest received	128 933	30 982	219 758
Interest paid	(1 028 399)	(560 899)	(3 530 632)
Government grants for compensation of interest expense received	71 651	426 625	2 019 481
Income tax paid	(15 864)	(45 025)	(166 521)
<b>Net cash (used in) from operating activities</b>	<b>(1 330 727)</b>	<b>2 544 660</b>	<b>4 992 258</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	(1 900 287)	(1 904 281)	(9 415 480)
Purchase of non-current biological assets	(159 512)	(67 147)	(432 481)
Purchase of intangible assets	(94 285)	(68 604)	(273 343)
Proceeds from sale of property, plant and equipment	24 247	96 866	220 832
Proceeds from disposal of non-current biological assets	155 457	88 367	537 051
Investments in joint venture	-	(175 000)	(450 000)
Placing of deposits and issuance of short-term loans	-	-	(156 855)
Placing of notes receivable	-	-	(300 000)
Repayment of short-term loans issued and redemption of deposits	2 927	30 000	183 895
<b>Net cash used in investing activities</b>	<b>(1 971 453)</b>	<b>(1 999 799)</b>	<b>(10 086 381)</b>

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2016 Continued**

	Three months ended 31 March 2016	Three months ended 31 March 2015	Year ended 31 December 2015
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term loans	470 333	463 682	9 218 443
Repayment of long-term loans	(796 868)	(1 230 192)	(5 110 160)
Proceeds from short-term loans	6 848 411	2 531 311	21 686 431
Repayment of short-term loans	(4 943 484)	(2 528 561)	(12 736 663)
Dividends paid	-	-	(3 392 766)
Acquisitions of non-controlling interests	-	-	(17 892)
<b>Net cash generated from (used in) financing activities</b>	<b>1 578 392</b>	<b>(763 760)</b>	<b>9 647 393</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(1 723 788)</b>	<b>(218 899)</b>	<b>4 553 270</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>5 560 824</b>	<b>1 007 554</b>	<b>1 007 554</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>3 837 036</b>	<b>788 655</b>	<b>5 560 824</b>