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## **Cherkizovo Group Announces Financial Results for the First Half of 2017**

**Moscow, Russia – 23 August 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 June 2017.**

### **Second quarter financial highlights**

- Revenue increased by 7% quarter-on-quarter (q-o-q) to RUB 22.4 billion from RUB 21.0 billion in 1Q 2017
- Gross profit grew by 28% q-o-q to RUB 7.2 billion from RUB 5.6 billion in 1Q 2017
- Gross profit margin stood at 32.4% compared to 26.9% in 1Q 2017
- Adjusted EBITDA\* rose by 16% to RUB 4.3 billion, compared to RUB 3.7 billion in 1Q 2017
- Adjusted EBITDA\* margin of 19.3% compared to 17.8% in 1Q 2017

### **First half financial highlights**

- Revenue increased by 12% year-on-year (y-o-y) to RUB 43.3 billion from RUB 38.8 billion in 1H 2016
- Gross profit jumped 58% y-o-y to RUB 12.9 billion from RUB 8.1 billion in 1H 2016
- Gross profit margin surged to 29.7%, compared to 21.0% in 1H 2016
- Operating expenses decreased 2% y-o-y to RUB 6.3 billion, compared to RUB 6.4 billion in 1H 2016
- Adjusted EBITDA\* tripled y-o-y and reached RUB 8.0 billion, compared to RUB 2.7 billion in 1H 2016
- Adjusted EBITDA\* margin reached 18.6% compared to 7.0% in 1H 2016
- Net profit for the period grew five-fold y-o-y, reaching RUB 5.1 billion, versus RUB 0.9 billion in 1H 2016
- Net operating cash flow was RUB 6.5 billion for 1H 2017
- Net debt\*\* was RUB 43.2 billion as at June 30, 2017
- Effective cost of debt stood at 8.6% (2016: 9.7%)
- Earnings per share (EPS) reached RUB 116.4 (1H 2016: EPS was RUB 21.6).

### **Key corporate highlights for the reporting period**

- 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.



- The Tambov Turkey project, a joint venture between Cherkizovo Group and Grupo Fuertes, Spain's leading agricultural producer, is well on the way towards reaching its total installed capacity of 50,000 tonnes of live weight per annum. Favourable market conditions have placed us in the top three turkey producers in Russia, with the new Pava-Pava brand already on the shelves of the large retail chains. Certification with international food safety management standards will allow Tambov Turkey to export top-quality meat to European markets. European certification will be a further testament to the highest quality of meat being produced at this new, state-of-the-art plant.
- The Group launched three new pork fattening sites in Lipetsk and Voronezh regions, with total production capacity of more than 126,000 live market hogs annually.

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

- On 2 August 2017, the controlling shareholder of Cherkizovo Group, together with its affiliates, completed the acquisition of 21.05% of the Group's ordinary shares and GDRs from funds and portfolios under the management of Prosperity Capital Management, for a total consideration of RUB 12.0 billion.
- Cherkizovo Group announced its intention to expand in Voronezh region, with construction begun on two pork-fattening plants and plans under consideration to build a number of poultry houses. Voronezh region is expected to be one of the key geographic regions for Cherkizovo Group over the next decade. The Group also outlined expansion plans for Lipetsk and Penza regions.

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

"We continued to see a stronger financial performance during the second quarter, following an excellent set of results in the previous quarter, buoyed by a stronger ruble. The Group's gross profit experienced a double-digit increase, while EBITDA growth was nearly three times that of the same period last year and exceeding expectations.

We were very pleased to see progress broadly across the whole business. The pork segment made a significant contribution to growth, delivering year-on-year EBITDA growth of 148%, driven by an increase in volumes and average price. We also made major progress in the poultry segment during the first half adding capacity and improving margins. In the meat-processing segment, we continued to gain share, despite a shrinking market. In grain, the acquisition of NAPKO will allow us to boost self-sufficiency in grain to over 60% in the coming years, compared to 30% at the end of 2016, which should reduce volatility of grain and feed prices and ensure stable supply.

Tambov Turkey plans to add an additional 50,000 tonnes of live weight production, providing major opportunities in the local and export markets. We are in the process of acquiring a license to export to the EU, which we believe will be a step-change for our business.

On the corporate governance front, we made important strides during the first half, with a new board and chairman elected. We boosted the power of our independent directors to improve oversight and transparency. In addition, we believe the acquisition of Prosperity Capital's stake provides us valuable flexibility and more options in our capital markets strategy and supports our commitment to deliver value for shareholders."



## Financial summary

RUB mln	1H 2017	1H 2016	y-o-y, %	2Q 2017	1Q 2017	q-o-q, %
<b>Revenue</b>	<b>43,349</b>	<b>38,835</b>	<b>12%</b>	<b>22,378</b>	<b>20,971</b>	<b>7%</b>
Gross profit	12,881	8,144	58%	7,240	5,640	28%
Operating expenses	(6,257)	(6,371)	(2%)	(3,071)	(3,186)	(4%)
<b>EBITDA, adjusted</b>	<b>8,043</b>	<b>2,728</b>	<b>195%</b>	<b>4,313</b>	<b>3,730</b>	<b>16%</b>
<i>EBITDA margin, adjusted</i>	19%	7%		19%	18%	
Operating profit	6,624	1,773	274%	4,169	2,455	70%
Profit before tax	5,020	946	430%	3,142	1,878	67%
<b>Profit</b>	<b>5,106</b>	<b>949</b>	<b>438%</b>	<b>3,172</b>	<b>1,934</b>	<b>64%</b>
<b>Net operating cash flow</b>	<b>6,467</b>	<b>1,074</b>	<b>502%</b>	<b>4,353</b>	<b>2,114</b>	<b>106%</b>
<b>Net debt</b>	<b>43,192</b>	<b>36,949*</b>	<b>17%</b>	<b>43,192</b>	<b>40,417</b>	<b>7%</b>

\* As of December 31, 2016

### Revenue

Net sales increased by 12% y-o-y to RUB 43.3 billion, compared to RUB 38.8 billion in 1H 2016. The pork and meat processing segments were the most significant growth drivers, with a y-o-y rise in production volumes in the first half of 13% and 4%, respectively. On a quarterly basis, sales growth was 29% and 10%. The pork segment's performance was also boosted by a 13% y-o-y rise in prices.

### Gross profit

Gross profit increased by 58% y-o-y to RUB 12.9 billion from RUB 8.1 billion in 1H 2016. The strong performance came on the back of higher sales and lower feed costs, which are largely denominated in foreign currency. During 1H 2017, the ruble reached its highest level compared to global currencies since July 2015. The combination of lower costs and higher sales lifted the gross margin to 29.7% in 1H 2017, from 21.0% in the same period in 2016. At the same time, on a quarterly basis, gross profit demonstrated q-o-q growth of 28%.

### Operating expenses

Operating expenses decreased by 2% y-o-y to RUB 6.3 billion, compared to RUB 6.4 billion in 1H 2016, as a result of lower payroll and other selling expenses. In the second quarter, operating expenses decreased by 4% q-o-q. Operating expenses as percentage of sales decreased to 14.4% in 1H 2017 from 16.4% in 1H 2016.

### Adjusted EBITDA

In 1H 2017, adjusted EBITDA reached RUB 8.0 billion, which is nearly three times the figure reported in 1H 2016. The adjusted EBITDA margin jumped to 18.6% (1H 2016: 7.0%). The adjusted EBITDA margin for the second quarter of 2017 came in at 19.3%, compared to 17.8% in 1Q 2017.



### Interest expense

Interest expense was 25% lower y-o-y, reaching RUB 1.8 billion in 1H of 2017. The main drivers behind this decrease included a change from short term to longer term loans and a decrease in interest rates, although total borrowings increased by 18% y-o-y to RUB 45.4 billion (2016: RUB 38.6 billion). Net interest expense for 1H 2017 was RUB 1.5 billion, up 14% from the 1H2016 level of RUB 1.3 billion. The Group accrued RUB 0.3 billion of subsidies in 1H 2017 which is included in the net interest expense above, a y-o-y decrease of 76%.

### Net profit

Net profit for the Group grew five-fold to RUB 5.1 billion in 1H 2017, compared to RUB 0.9 billion in 1H 2016. Net profit margin in 1H 2017 strengthened to 11.8%, compared to 2.4% in the corresponding period of 2016, maintaining higher level from the first quarter of 2017.

### Cash flow

Operating cash flow for 1H 2017 was RUB 6.5 billion compared to RUB 1.1 billion in 1H 2016. This was primarily the result of the increase in operating income.

### Business segments

Divisions	Sales volume		Change y-o-y, %	Revenue		Change y-o-y, %	Share of Group revenue, %
	1H 2017, k tonnes	1H 2016, k tonnes		1H 2017, RUB mln*	1H 2016, RUB mln*		
Poultry	254.9	252.4	1%	23,721	22,857	4%	49%
Pork	98.4	86.9	13%	8,992	7,109	26%	19%
Meat processing	107.3	102.9	4%	15,617	14,653	7%	32%

\* Revenue for both years includes intersegment sales

### Poultry Division

First half sales volumes increased 1% y-o-y to 254,911 tonnes of sellable weight (1H 2016: 252,351 tonnes). This modest uptick was due to growth in production, leading to increased output volumes. In the same period in 2016, management decided to sell excess inventory due to market volatility, which boosted sales volumes.

The average price during 1H 2017 increased by 1% y-o-y to 91.15 RUB/kg as branded products and HoReCa sales represented a larger share of sales. On a q-o-q basis, the average price decreased by 3% to 89.93 RUB/kg during 2Q 2017, due to buyers' market during the season.

Revenue for the division increased 4% y-o-y to RUB 23.7 billion (1H 2016: RUB 22.9 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. However, the decrease in prices during 2Q 2017 led to a slight decrease in revenue of less than 1% q-o-q.

Gross profit grew more than two-fold y-o-y to RUB 5.7 billion, from RUB 2.7 billion in 1H 2016. This was as a result of lower feed costs due to the appreciation of the ruble. The corresponding period of 2016 saw the ruble weaken to a record low relative to the US dollar and Euro, leading to a significant increase in our feed costs. The gross margin for 1H 2017



consequently increased to 24.2%, compared to 11.9% in the same period of 2016. Between the first and second quarters of 2017, the segment's gross profit grew by 19%, with gross profit margin increasing to 26.3% from 22.2% in 1Q 2017.

Operating expenses as a percentage of sales decreased to 10.4%, from 11.2% in 1H 2016, due to lower repairs & maintenance, payroll and advertising & marketing expenses.

Operating income for 1H 2017 jumped to RUB 3.3 billion, compared to RUB 0.2 billion in 1H 2016, with a quarterly increase of around 29%. The operating margin for 1H 2017 increased to 13.9% from 0.7% in the corresponding period of last year, supported by a 2Q 2017 margin increase to 15.6% from 12.1% during 1Q 2017 as a result of lower feed costs.

Net profit for the division came in at RUB 2.7 billion, compared to a loss of RUB 0.6 billion in 1H 2016. This was mainly a result of the link of the costs of feed components to foreign currencies.

Adjusted EBITDA grew more than four-fold, and amounted to RUB 4.1 billion (1H 2016: RUB 0.9 billion), while the adjusted EBITDA margin grew to 17.2% from 4.1% in 1H 2016. Quarterly EBITDA margin increased to 17.3% in 2Q 2016 from 17.1% in the last quarter.

### **Pork Division**

Production volumes in the first half of the year increased by 13% y-o-y to 98,369 tonnes (1H 2016: 86,902 tonnes). This was due to higher production levels following the launch of two new wean-to-finish sites in Voronezh in 2016, as well as the on-going genetics improvement programme launched in 2014.

The average price rose by 13% y-o-y to 94.02 RUB/kg (1H 2016: 83.20 RUB/kg). This increase was driven by growing consumption in Russia, which has been fuelled by increased promotional activity by Russian retail chains, along with a stabilisation in purchasing power.

Total sales in the pork division grew 26% y-o-y to RUB 9.0 billion (1H 2016: RUB 7.1 billion). This sales growth was expected as both volume and average price increased y-o-y. On a quarterly basis, sales increased by 29%.

Gross profit for 1H 2017 almost doubled to RUB 4.0 billion, (1H 2016: RUB 2.2 billion), because of higher sales volumes and average live hogs price growth, along with the lower cost of feed components and veterinary supplies due to stronger ruble. The segment's gross margin jumped to 44.2% in the first half of the year from 30.8% in the same period of 2016. The pork segment's gross profit grew 121% between the first and second quarter of the year.

Operating expenses as a percentage of sales decreased compared to the same period of 2016 and stood at 1.3% (1H 2016: 5.7%).

Operating income doubled y-o-y to RUB 3.9 billion from RUB 1.8 billion in 1H 2016. The operating margin increased to 42.9% from 25.2% in the previous year.

Net profit doubled y-o-y to RUB 3.7 billion (1H 2016: RUB 1.5 billion).

Adjusted EBITDA doubled as well y-o-y and amounted to RUB 3.4 billion (1H 2016: RUB 1.4 billion). The adjusted EBITDA margin grew to 37.6% in 1H 2017 from 19.1% in 1H 2016. On a q-o-q basis, adjusted EBITDA demonstrated robust growth of 43%.

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### **Meat Processing Division**

Sales volumes increased by 4% y-o-y to 107,314 tonnes from 102,898 tonnes in 1H 2016. This was due to the growth in the product assortment in modern retail channels and geographical diversification into the Ural and North West regions.

During the reporting period, the average price increase by 5% y-o-y to 150.11 RUB/kg. On a q-o-q basis, the average price decreased by 2% to 148.92 RUB/kg (1Q 2017: 151.46 RUB/kg).

Total sales were 7% higher in 1H 2017 and reached RUB 15.6 billion (1H 2016: RUB 14.7 billion). This sales growth was expected as both volume and average price increased y-o-y. In the second quarter, sales grew by 10% q-o-q.

Gross profit for the first half of the year increased 8% y-o-y to RUB 2.7 billion, compared to RUB 2.5 billion in 1H 2016. The gross margin was up to 17.5% from 17.3% in 1H 2016. Gross profit growth weakened on a q-o-q basis to 4%.

In 1H 2017, operating expenses as a percentage of sales were in line with the last year and amounted to 12.0%, as a result of lower marketing and selling expenses.

Operating income increased by 12% y-o-y to RUB 0.9 billion from RUB 0.8 billion in 1H 2016. The operating margin increased to 5.6% from 5.3% in 1H 2016, resulting from an increase in the profitability of sausages and lower marketing and selling expenses.

During the reporting period, the meat processing segment generated net profit of RUB 0.7 billion, a decrease of 3% y-o-y.

In 1H 2017, adjusted EBITDA increased by 11% to RUB 1.2 billion (1H 2016: RUB 1.1 billion). Adjusted EBITDA decreased by 15% on a q-o-q basis. The adjusted EBITDA margin of 7.7% in 1H 2017 exceeded the last year (1H 2016: 7.4%).

### **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 the rates built into our budget. We are still in an early stage of the harvest period, and weather and other factors could intervene to affect total yields for the season.

Due to the seasonality of our business, the 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, plant, equipment and maintenance amounted to RUB 4.6 billion in 1H 2017, a y-o-y increase of 4%. RUB 2.0 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. RUB 0.7 billion was invested into the poultry division. The meat processing division received RUB 1.4 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.

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As of 30 June 2017, net debt\*\* amounted to RUB 43.2 billion, compared to RUB 36.9 billion at the end of 2016. Total debt increased to RUB 45.4 billion as of 30 June 2017 compared to the level of total debt of 38.6 billion at the end of 2016. As of 30 June 2017, long-term debt represented 73% of the debt portfolio and was RUB 33.0 billion. Short-term debt stood at RUB 12.4 billion, or 27% of the portfolio. The effective cost of debt was 8.6% in 1H 2017 (2016: 9.7%). Subsidised loans and credit lines made up 33% of the debt portfolio in 1H 2017 (1H 2016: 79%). Cash and cash equivalents totalled RUB 1.6 billion as of 30 June 2017.

### **Subsidies**

In 1H 2017, the Group accrued subsidies for interest reimbursement of RUB 0.3 billion, which offset interest expense (1H 2016: RUB 1.1 billion). The Group received RUB 0.1 billion of subsidies in 1H 2017, compared to RUB 1.0 billion in 1H 2016.

### **Outlook**

The Group maintains a positive outlook for the remainder of 2017, based on progress across all segments of the business and the strong ruble in the year to date. At the same time, the Group maintains a robust risk forecasting and mitigation function.

The acquisition of NAPKO, a long-standing trusted supplier and related party, has expanded the Group's land bank and self-sufficiency in grain over the long term, strengthening the Group's business as a whole and reducing exposure to grain market volatility and shortages. Russian wheat harvests are forecasted to reach record levels this year, supported by Cherkizovo Group's wheat yields exceeding the budget so far.

Despite significant external risks, the Group remains optimistic about the second half of 2017 and prospects for 2018. The macroeconomic outlook is positive. The stronger ruble compared to major foreign currencies continues to drive lower feed prices, keeping meat prices lower. These factors, coupled with an on-going recovery in Russian consumer spending power should support continued solid Group profitability.

**For more information please visit <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 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 as shown in the reconciliation in Appendix 1. Adjusted EBITDA margin is defined as Adjusted EBITDA as a percentage of our net revenues. Our adjusted EBITDA may not be similar to adjusted EBITDA measures of other companies; is not a measurement under IFRS accounting principles and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of operations. We believe that adjusted EBITDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. Our adjusted EBITDA calculation is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies within our industry. Adjusted EBITDA is reconciled to our consolidated statements of operations in Appendix 1.*

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



## APPENDIX I: KEY DATA AND FIGURES

### UNAUDITED 6 Months 2017 Consolidated Selected Financial Data

(in thousands of rubles)	Meat-Processing	Poultry	Pork	Grain	Feed	Corporate assets/exp expenditures	Turkey	Inter-division	Combined
<b>Total Sales</b>	15 616 747	23 720 958	8 991 733	630 345	13 482 803	823 493	1 488 447	(21 405 630)	43 348 896
including other sales	304 833	438 300	95 680	36 963	-	823 493	-	(905 581)	793 688
including sales volume discount	(380 269)	(230 421)	-	-	-	-	(4 784)	-	(615 474)
Interdivision Sales	(6 586)	(884 399)	(6 670 439)	(136 515)	(13 013 551)	(694 140)	-	21 405 630	-
Sales to external customers	15 610 161	22 836 559	2 321 294	493 830	469 252	129 353	1 488 447	-	43 348 896
<i>% of Total sales</i>	36.0%	52.7%	5.4%	1.1%	1.1%	0.3%	3.4%	0.0%	100.0%
Net change in fair value of biological assets and agricultural produce	-	167 963	1 017 141	(97 580)	-	-	-	70 468	1 157 992
Cost of Sales	(12 879 207)	(18 139 359)	(6 032 517)	(781 799)	(12 918 113)	(741 664)	(1 446 573)	21 312 896	(31 626 336)
<b>Gross profit / (loss)</b>	<b>2 737 540</b>	<b>5 749 562</b>	<b>3 976 357</b>	<b>(249 034)</b>	<b>564 690</b>	<b>81 829</b>	<b>41 874</b>	<b>(22 266)</b>	<b>12 880 552</b>
<i>Gross margin</i>	17.5%	24.2%	44.2%	-39.5%	4.2%	9.9%	2.8%	0.1%	29.7%
Operating expenses	(1 867 689)	(2 461 562)	(121 175)	(169 821)	(182 483)	(1 337 548)	(51 529)	124 954	(6 066 853)
Share of loss of a joint venture	-	-	-	-	-	-	(189 991)	-	(189 991)
<b>Operating profit/(loss)</b>	<b>869 851</b>	<b>3 288 000</b>	<b>3 855 182</b>	<b>(418 855)</b>	<b>382 207</b>	<b>(1 255 719)</b>	<b>(199 646)</b>	<b>102 688</b>	<b>6 623 708</b>
<i>Operating margin</i>	5.6%	13.9%	42.9%	-66.4%	2.8%	-152.5%	-13.4%	-0.5%	15.3%
Other (expenses)/ income, net	(34 145)	(86 692)	17 583	(4 148)	639	123 356	-	(81 533)	(64 940)
Interest expense, net	(118 920)	(489 071)	(171 818)	(70 286)	(452 451)	(317 534)	-	81 533	(1 538 547)
<b>Division profit / (loss)</b>	<b>716 786</b>	<b>2 712 237</b>	<b>3 700 947</b>	<b>(493 289)</b>	<b>(69 605)</b>	<b>(1 449 897)</b>	<b>(199 646)</b>	<b>102 688</b>	<b>5 020 221</b>
<i>Division profit margin</i>	4.6%	11.4%	41.2%	-78.3%	-0.5%	-176.1%	-13.4%	-0.5%	11.6%
Supplemental information:									
Income Tax expense / (benefit)	2 725	17 920	13 765	1 516	(6 163)	10 677	-	-	40 440
Depreciation expense	329 218	956 711	539 321	106 504	309 890	141 610	-	-	2 383 254

## UNAUDITED 6 Months 2017 Consolidated Selected Financial Data Continued

(in thousands of rubles)	Meat-Processing	Poultry	Pork	Grain	Feed	Corporate assets/exp expenditures	Turkey	Inter-division	Combined
<b>Division profit / (loss)</b>	<b>716 786</b>	<b>2 712 237</b>	<b>3 700 947</b>	<b>(493 289)</b>	<b>(69 605)</b>	<b>(1 449 897)</b>	<b>(199 646)</b>	<b>102 688</b>	<b>5 020 221</b>
Add:									
Interest expense, net	118 920	489 071	171 818	70 286	452 451	317 534	-	(81 533)	1 538 547
Interest income	(7 825)	(76 801)	(20 443)	(1 143)	(863)	(114 155)	-	81 533	(139 697)
Foreign exchange loss/(gain), net	41 978	166 212	3 420	5 374	947	(8 819)	-	-	209 112
Depreciation and amortization	329 218	956 711	539 321	106 504	309 890	141 610	-	-	2 383 254
Net change in fair value of biological assets and agricultural produce	-	(167 963)	(1 017 141)	97 580	-	-	-	(70 468)	(1 157 992)
Share of loss of a joint venture	-	-	-	-	-	-	189 991	-	189 991
<b>Adjusted EBITDA*</b>	<b>1 199 077</b>	<b>4 079 467</b>	<b>3 377 922</b>	<b>(214 688)</b>	<b>692 820</b>	<b>(1 113 727)</b>	<b>(9 655)</b>	<b>32 220</b>	<b>8 043 436</b>
<i>Adjusted EBITDA Margin*</i>	<i>7.7%</i>	<i>17.2%</i>	<i>37.6%</i>	<i>-34.1%</i>	<i>5.1%</i>	<i>-135.2%</i>	<i>-0.6%</i>	<i>-0.2%</i>	<i>18.6%</i>

### Reconciliation between net division profit and profit attributable to Cherkizovo Group

<b>Total division profit</b>	<b>5 020 221</b>
Non-controlling interests	126 474
Income taxes	(40 440)
<b>Profit attributable to Cherkizovo Group</b>	<b>5 106 255</b>



## UNAUDITED CONSOLIDATED INCOME STATEMENT DATA

(in thousands of rubles)	Six months ended 30 June 2017	Six months ended 30 June 2016
Sales	<b>43 348 896</b>	<b>38 834 869</b>
incl. Sales volume discounts	(615 474)	(2 849 125)
incl. Sales returns	(241 366)	(346 301)
Net change in fair value of biological assets and agricultural produce	1 157 992	1 116 380
Cost of sales	(31 626 336)	(31 807 140)
<b>Gross profit</b>	<b>12 880 552</b>	<b>8 144 109</b>
<i>Gross margin</i>	29.7%	21.0%
Operating expenses	(6 066 853)	(6 371 320)
Share of loss of a joint venture	(189 991)	-
<b>Operating profit</b>	<b>6 623 708</b>	<b>1 772 789</b>
<i>Operating margin</i>	15.3%	4.6%
<b>Profit before income tax</b>	<b>5 020 221</b>	<b>946 455</b>
<b>Profit attributable to Cherkizovo Group</b>	<b>5 106 255</b>	<b>948 816</b>
<i>Net profit margin</i>	11.8%	2.4%
Weighted average number of shares outstanding	43 855 590	43 855 590
<b>Earnings per share</b>		
<b>Profit attributable to Cherkizovo Group per share – basic and diluted (rubles)</b>	<b>116.4</b>	<b>21.6</b>
<b>Consolidated Adjusted EBITDA reconciliation*</b>		
<b>Profit before income tax</b>	<b>5 020 221</b>	<b>946 455</b>
Add:		
Interest expense, net of subsidies	1 538 547	1 349 349
Interest income	(139 697)	(215 145)
Foreign exchange loss/(gain), net	209 112	(308 146)
Depreciation and amortisation	2 383 254	2 071 535
Net change in fair value of biological assets and agricultural produce	(1 157 992)	(1 116 380)
Share of loss of a joint venture	189 991	-
<b>Consolidated Adjusted EBITDA*</b>	<b>8 043 436</b>	<b>2 727 668</b>
<i>Adjusted EBITDA Margin</i>	18.6%	7.0%

**POULTRY DIVISION UNAUDITED INCOME STATEMENT DATA**

(in thousands of rubles)	Six months ended 30 June 2017	Six months ended 30 June 2016
Total Sales	23 720 958	22 856 884
Interdivision sales	(884 399)	(957 742)
<b>Sales to external customers</b>	<b>22 836 559</b>	<b>21 899 142</b>
Net change in fair value of biological assets and agricultural produce	167 963	199 466
Cost of sales	(18 139 359)	(20 333 789)
<b>Gross profit</b>	<b>5 749 562</b>	<b>2 722 561</b>
<i>Gross margin</i>	24.2%	11.9%
Operating expenses	(2 461 562)	(2 556 955)
<b>Operating profit</b>	<b>3 288 000</b>	<b>165 606</b>
<i>Operating margin</i>	13.9%	0.7%
Interest income	76 801	86 069
Interest expense, net	(489 071)	(419 795)
Other expenses, net	(163 493)	(397 430)
<b>Division profit/(loss)</b>	<b>2 712 237</b>	<b>(565 550)</b>
<i>Division profit margin</i>	11.4%	-2.5%
<b>Poultry division Adjusted EBITDA reconciliation*</b>		
<b>Division profit/(loss)</b>	<b>2 712 237</b>	<b>(565 550)</b>
Add:		
Interest expense, net of subsidies	489 071	419 795
Interest income	(76 801)	(86 069)
Foreign exchange loss, net	166 212	402 820
Depreciation and amortisation	956 711	972 765
Net change in fair value of biological assets and agricultural produce	(167 963)	(199 466)
<b>Poultry division Adjusted EBITDA*</b>	<b>4 079 467</b>	<b>944 295</b>
<i>Adjusted EBITDA Margin</i>	17.2%	4.1%



**PORK DIVISION UNAUDITED INCOME STATEMENT DATA**

(in thousands of rubles)	Six months ended 30 June 2017	Six months ended 30 June 2016
Total Sales	8 991 733	7 108 869
Interdivision sales	(6 670 439)	(5 628 254)
<b>Sales to external customers</b>	<b>2 321 294</b>	<b>1 480 615</b>
Net change in fair value of biological assets and agricultural produce	1 017 141	837 161
Cost of sales	(6 032 517)	(5 755 261)
<b>Gross profit</b>	<b>3 976 357</b>	<b>2 190 769</b>
<i>Gross margin</i>	44.2%	30.8%
Operating expenses	(121 175)	(401 945)
<b>Operating profit</b>	<b>3 855 182</b>	<b>1 788 824</b>
<i>Operating margin</i>	42.9%	25.2%
Interest income	20 443	15 284
Interest expense, net	(171 818)	(308 385)
Other (expenses)/income, net	(2 860)	4 785
<b>Division profit</b>	<b>3 700 947</b>	<b>1 500 508</b>
<i>Division profit margin</i>	41.2%	21.1%
<b>Pork division Adjusted EBITDA reconciliation*</b>		
<b>Division profit</b>	<b>3 700 947</b>	<b>1 500 508</b>
Add:		
Interest expense, net of subsidies	171 818	308 385
Interest income	(20 443)	(15 284)
Foreign exchange loss/(gain), net	3 420	(2 401)
Depreciation and amortisation	539 321	407 120
Net change in fair value of biological assets and agricultural produce	(1 017 141)	(837 161)
<b>Pork division Adjusted EBITDA*</b>	<b>3 377 922</b>	<b>1 361 167</b>
<i>Adjusted EBITDA Margin</i>	37.6%	19.1%

**MEAT PROCESSING DIVISION UNAUDITED INCOME STATEMENT DATA**

(in thousands of rubles)	Six months ended 30 June 2017	Six months ended 30 June 2016
Total Sales	15 616 747	14 652 813
Interdivision sales	(6 586)	(11 977)
<b>Sales to external customers</b>	<b>15 610 161</b>	<b>14 640 836</b>
Cost of sales	(12 879 207)	(12 122 540)
<b>Gross profit</b>	<b>2 737 540</b>	<b>2 530 273</b>
<i>Gross margin</i>	17.5%	17.3%
Operating expenses	(1 867 689)	(1 753 892)
<b>Operating profit</b>	<b>869 851</b>	<b>776 381</b>
<i>Operating margin</i>	5.6%	5.3%
Interest income	7 825	5 325
Interest expense, net	(118 920)	(121 447)
Other (expenses)/income, net	(41 970)	79 611
<b>Division profit</b>	<b>716 786</b>	<b>739 870</b>
<i>Division profit margin</i>	4.6%	5.0%
<b>Meat processing division Adjusted EBITDA reconciliation*</b>		
<b>Division profit</b>	<b>716 786</b>	<b>739 870</b>
Add:		
Interest expense, net of subsidies	118 920	121 447
Interest income	(7 825)	(5 325)
Foreign exchange loss/(gain), net	41 978	(88 015)
Depreciation and amortisation	329 218	314 136
<b>Meat processing division Adjusted EBITDA*</b>	<b>1 199 077</b>	<b>1 082 113</b>
<i>Adjusted EBITDA Margin</i>	7.7%	7.4%

**FEED DIVISION UNAUDITED INCOME STATEMENT DATA**

(in thousands of rubles)	Six months ended 30 June 2017	Six months ended 30 June 2016
Total Sales	13 482 803	15 523 182
Interdivision sales	(13 013 551)	(15 312 530)
<b>Sales to external customers</b>	<b>469 252</b>	<b>210 652</b>
Cost of sales	(12 918 113)	(15 355 668)
<b>Gross profit</b>	<b>564 690</b>	<b>167 514</b>
<i>Gross margin</i>	4.2%	1.1%
Operating expenses	(182 483)	(199 007)
<b>Operating profit / (loss)</b>	<b>382 207</b>	<b>(31 493)</b>
<i>Operating margin</i>	2.8%	-0.2%
Interest income	863	9 338
Interest expense, net	(452 451)	(265 607)
Other (expenses) / income, net	(224)	188 335
<b>Division loss</b>	<b>(69 605)</b>	<b>(99 427)</b>
<i>Division profit margin</i>	-0.5%	-0.6%
<b>Feed division Adjusted EBITDA reconciliation*</b>		
<b>Division loss</b>	<b>(69 605)</b>	<b>(99 427)</b>
Add:		
Interest expense, net of subsidies	452 451	265 607
Interest income	(863)	(9 338)
Foreign exchange loss/(gain), net	947	(188 228)
Depreciation and amortisation	309 890	272 198
<b>Feed division Adjusted EBITDA*</b>	<b>692 820</b>	<b>240 812</b>
<i>Adjusted EBITDA Margin</i>	5.1%	1.6%



**APPENDIX II:**

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2017**

(in thousands of rubles)	Six months ended 30 June 2017	Six months ended 30 June 2016	Year Ended 31 December 2016
Sales	43 348 896	38 834 869	82 417 193
Net change in fair value of biological assets and agricultural produce	1 157 992	1 116 380	(340 063)
Cost of sales	(31 626 336)	(31 807 140)	(64 222 344)
<b>Gross profit</b>	<b>12 880 552</b>	<b>8 144 109</b>	<b>17 854 786</b>
Selling, general and administrative expense	(6 333 796)	(6 517 539)	(13 008 713)
Other operating income, net	266 943	146 219	410 591
Share of loss of a joint venture	(189 991)	-	(200 191)
<b>Operating profit</b>	<b>6 623 708</b>	<b>1 772 789</b>	<b>5 056 473</b>
Interest income	139 697	215 145	343 737
Interest expense, net	(1 538 547)	(1 349 349)	(3 738 315)
Other (expenses) / income, net	(204 637)	307 870	298 484
<b>Profit before income tax</b>	<b>5 020 221</b>	<b>946 455</b>	<b>1 960 379</b>
Income tax expense	(40 440)	(131 825)	(72 861)
<b>Profit for the period</b>	<b>4 979 781</b>	<b>814 630</b>	<b>1 887 518</b>
<b>Profit, attributable to Cherkizovo</b>	<b>5 106 255</b>	<b>948 816</b>	<b>1 919 227</b>
Non-controlling interests	(126 474)	(134 186)	(31 709)





**APPENDIX III:**

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

	<b>30 June 2017</b>	<b>31 December 2016</b>
<hr/>		
(in thousands of rubles)		
<hr/>		
<b>ASSETS</b>		
<hr/>		
<b>Non-current assets</b>		
Property, plant and equipment	71 307 104	64 445 256
Investment property	587 023	443 676
Goodwill	557 191	557 191
Intangible assets	1 899 131	1 949 663
Non-current biological assets	2 096 435	1 926 714
Notes receivable, net	610 000	510 000
Investments in joint venture	2 216 481	2 061 472
Long-term deposits in banks	641 365	641 365
Restricted cash***	1 854 945	-
Deferred tax assets	479 624	479 624
Other non-current receivables	531 181	508 140
<b>Total non-current assets</b>	<b>82 780 480</b>	<b>73 523 101</b>
<hr/>		
<b>Current assets</b>		
Biological assets	14 316 842	10 712 481
Inventories	8 745 094	10 602 118
Taxes recoverable and prepaid	1 637 377	1 904 786
Trade receivables, net	3 890 597	4 942 884
Advances paid, net	1 267 342	1 721 691
Other receivables, net	1 642 411	1 393 473
Cash and cash equivalents	1 575 265	1 002 203
Other current assets	526 784	534 838
<b>Total current assets</b>	<b>33 601 712</b>	<b>32 814 474</b>
<hr/>		
<b>TOTAL ASSETS</b>	<b>116 382 192</b>	<b>106 337 575</b>

\*\*\* 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 30 JUNE 2017 Continued**

	<b>30 June 2017</b>	<b>31 December 2016</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	52 011 086	47 503 411
<b>Total shareholder's equity</b>	<b>57 521 813</b>	<b>53 014 138</b>
Non-controlling interest	1 095 806	1 026 280
<b>Total equity</b>	<b>58 617 619</b>	<b>54 040 418</b>
<b>Non-current liabilities</b>		
Long-term borrowings	32 970 568	24 469 704
Provisions	58 131	58 131
Deferred tax liability	422 114	420 299
Other liabilities	8 832	14 379
<b>Total non-current liabilities</b>	<b>33 459 645</b>	<b>24 962 513</b>
<b>Current liabilities</b>		
Short-term borrowings	12 438 147	14 122 997
Trade payables	7 458 730	8 608 271
Advances received	460 483	562 584
Payables for non-current assets	1 121 721	1 061 629
Tax related liabilities	827 727	849 400
Payroll related liabilities	1 508 553	1 394 940
Other payables and accruals	489 567	734 823
<b>Total current liabilities</b>	<b>24 304 928</b>	<b>27 334 644</b>
<b>Total liabilities</b>	<b>57 764 573</b>	<b>52 297 157</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>116 382 192</b>	<b>106 337 575</b>



**APPENDIX IV:**

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before income tax</b>	<b>5 020 221</b>	<b>946 455</b>	<b>1 960 379</b>
Adjustments for:			
Depreciation and amortization	2 383 254	2 071 535	4 660 365
Bad debt expense	26 947	91 530	231 981
Foreign exchange loss (gain), net	209 112	(308 146)	(621 087)
Interest income	(139 697)	(215 145)	(343 737)
Interest expense, net	1 538 547	1 349 349	3 738 315
Net change in fair value of biological assets and agricultural produce	(1 157 992)	(1 116 380)	340 063
Loss (gain) on disposal of property, plant and equipment, net	52 844	9 400	(8 054)
Gain on disposal of non-current biological assets, net	(314 637)	(155 602)	(402 456)
Write-off of receivables from insurance company	-	-	347 975
Share of loss of a joint venture	189 991	-	200 191
Other adjustments, net	(3 161)	(2 353)	(28 059)
<b>Operating cash flows before working capital and other changes</b>	<b>7 805 429</b>	<b>2 670 643</b>	<b>10 075 876</b>
Decrease in inventories	2 686 051	2 311 295	770 364
Increase in biological assets	(2 167 397)	(1 935 675)	(202 031)
Decrease (increase) in trade receivables	1 045 212	(269 446)	(477 366)
Decrease in advances paid	56 901	263 937	796 090
Decrease in other receivables and other current assets	189 135	499 592	947 249
Increase in other non-current assets	(30 597)	(30 132)	(70 105)
(Decrease) increase in trade payables	(1 379 117)	(931 797)	675 348
Increase (decrease) in tax related liabilities (other than income tax)	84 324	(22 928)	41 155
(Decrease) increase in other current payables	(385 949)	143 249	142 585
<b>Operating cash flows before interest and income tax</b>	<b>7 903 992</b>	<b>2 698 738</b>	<b>12 699 165</b>
Interest received	77 428	159 010	255 850
Interest paid	(1 456 204)	(2 578 856)	(4 895 763)
Government grants for compensation of interest expense received	58 507	851 030	1 433 471
Income tax paid	(116 936)	(55 663)	(124 186)
<b>Net cash from operating activities</b>	<b>6 466 787</b>	<b>1 074 259</b>	<b>9 368 537</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment	(3 975 563)	(4 073 105)	(8 569 640)
Purchases of non-current biological assets	(443 895)	(268 255)	(1 110 778)
Purchases of intangible assets	(98 558)	(197 100)	(555 633)
Proceeds from sale of property, plant and equipment	1 694	29 995	34 013
Proceeds from disposal of non-current biological assets	577 978	323 635	755 422
Acquisitions of subsidiaries, net of cash acquired	(4 768 059)	-	-
Investments in joint venture	(345 000)	(150 000)	(960 000)
Issuance of long-term loans and placing of deposits	(1 471)	-	-
Purchase of notes receivable	(100 000)	-	(210 000)
Proceeds from redemption of deposits and short-term loans receivables	50	4 627	6 273
<b>Net cash used in investing activities</b>	<b>(9 152 824)</b>	<b>(4 330 203)</b>	<b>(10 610 343)</b>

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

	<b>Six months ended 30 June 2017</b>	<b>Six months ended 30 June 2016</b>	<b>Year ended 31 December 2016</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term loans	9 419 635	1 291 699	11 862 021
Repayment of long-term loans	(1 803 054)	(3 825 614)	(5 363 445)
Proceeds from short-term loans	5 194 473	11 823 904	21 834 999
Repayment of short-term loans	(8 953 480)	(9 308 226)	(30 652 746)
Dividends paid	(598 580)	(998 771)	(998 771)
Disposal of non-controlling interests	105	-	1 127
<b>Net cash from (used in) financing activities</b>	<b>3 259 099</b>	<b>(1 017 008)</b>	<b>(3 316 815)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>573 062</b>	<b>(4 272 952)</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>1 575 265</b>	<b>1 287 872</b>	<b>1 002 203</b>



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