



## Cherkizovo Group

### Announces financial results for the third quarter and nine months of 2016

Moscow, Russia — November 16, 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 period ending September 30, 2016.

#### Third quarter financial highlights

- Net revenue came in at RUB 20.4 billion, was flat quarter-on-quarter or increase of 3% from RUB 19.8 billion vs. 3Q of 2015;
- Gross profit decreased by 4% to RUB 4.9 billion from RUB 5.1 billion in 2Q and increased by 61% from RUB 3.0 billion in 3Q 2015;
- Gross margin of 24.0% vs. 25.0% in 2Q 2016 and 15.3% in 3Q 2015;
- Operating expenses fell by 6% quarter-on-quarter to RUB 3.1 billion from RUB 3.3 billion in 2Q 2016 and increased by 9% from RUB 2.8 billion in 3Q 2015;
- Adjusted EBITDA\* was 31% higher quarter-on-quarter and reached RUB 2.6 billion, compared to RUB 2.0 billion in 2Q 2016 and 24% lower from RUB 3.5 billion in the third quarter 2015;
- Adjusted EBITDA Margin of 12.8% compared to 9.9% in 2Q 2016 and 17.4% in 3Q 2015.

#### Nine months financial highlights

- Net revenue increased by 6% year-on-year to RUB 59.2 billion from RUB 56.0 billion in the corresponding period of 2015;
- Gross profit decreased by 11% year-on-year to RUB 13.0 billion, compared to RUB 14.6 billion in 9M of 2015;
- Gross margin fell to 22.0% from 26.1% in 9M 2015;
- Operating expenses grew by 16% year-on-year to RUB 9.5 billion, compared to RUB 8.2 billion in 9M of 2015;
- Adjusted EBITDA\* of RUB 5.3 billion, compared to RUB 9.9 billion in the corresponding period of last year, a year-on-year drop of 46%;
- Adjusted EBITDA margin of 9.0%, compared to 17.7% in the first nine months of 2015;
- Net profit for the period was RUB 2.2 billion, down 60% year-on-year from RUB 5.4 billion in 9M 2015;
- Net operating cash flow for the period was RUB 5.1 billion compared to RUB 5.4 billion in 9M 2015;
- Net debt\*\* was RUB 38.4 billion as of September 30, 2016 compared to RUB 30.7 billion as of September 30, 2015;
- The effective cost of debt was 6.1% (vs. 9M 2015 of 3.2%);
- Earnings per share of RUB 50.0 (in 9M 2015 EPS was RUB 123.4).

## **Key corporate highlights for the third quarter**

- The first cluster of the new parent stock breeding farm was completed in Elets (Lipetsk region), which is a key step towards import substitution and the Group ultimately achieving self-sufficiency in hatching eggs;
- The slaughter facility at Tambov Turkey was launched at the end of September. First shipments of turkey products to retail chains will begin at the end of November;
- Cherkizovo Group started exporting poultry meat to Tanzania. The first shipments began in mid-August and are expected to reach 500 tons by the year-end;
- Cherkizovo Group implemented the SAP ERP solution on the HANA platform at the Petelino Trading House. The project was launched simultaneously across 14 sites and provides a centralised platform to help streamline operations and improve efficiency.

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

“We continued to see stronger financial performance during the third quarter, particularly in the meat processing segment, which delivered year-on-year EBITDA growth of 38%. The uptick we have seen over the last two quarters has been partially driven by many improvements we have made in operational efficiency. The markets we operate in are also showing tentative signs of recovery, with the stabilisation of both pork and poultry prices carrying through to the third quarter.

“While the broader economic recovery in Russia remains fragile for now, Cherkizovo Group continues to follow its diversification strategy by focusing on the value-added products, improving operational efficiency and further expanding into international markets. We have recently received permission to export our poultry products to the EU, which is a significant step forward in building our future export portfolio. With the progress that we are making in expanding exports and our strong and growing market position in Russia, we are well-positioned to capture future growth opportunities both domestically and internationally and have redoubled our efforts to achieve operational and working capital efficiencies and continue to deliver improved profitability and cash flow results.”

## Financial summary

	9M 16	9M 15	Year-on-year change	3Q 16	2Q 16	Quarter-on-quarter change
	mln RUB	mln RUB	%	mln RUB	mln RUB	%
<b>Revenue</b>	59,226.0	56,018.8	6%	20,391.1	20,290.1	0%
<b>Gross profit</b>	13,034.0	14,617.5	(11%)	4,889.9	5,069.9	(4%)
<b>Operating expenses</b>	(9,454.6)	(8,182.5)	16%	(3,083.3)	(3,275.9)	(6%)
<b>Adjusted EBITDA</b>	<b>5,345.6</b>	<b>9,910.3</b>	(46%)	<b>2,617.9</b>	<b>2,002.3</b>	31%
<i>Adjusted EBITDA margin</i>	9.0%	17.7%		12.8%	9.9%	
<b>Operating profit / (loss)</b>	<b>3,579.4</b>	<b>6,434.9</b>	(44%)	<b>1,806.6</b>	<b>1,794.0</b>	1%
<i>Income / (Loss) before tax</i>	2,273.2	5,479.4	(59%)	1,326.8	1,438.9	(8%)
<b>Profit / (loss)</b>	<b>2,191.7</b>	<b>5,411.9</b>	(60%)	<b>1,242.9</b>	<b>1,389.7</b>	(11%)
<b>Net operating cash flow</b>	<b>5,065.6</b>	<b>5,409.4</b>	(6%)	<b>3,991.4</b>	<b>2,405.0</b>	66%
<b>Net debt</b>	<b>38,366.9</b>	<b>35,009.6<sup>1</sup></b>	10%	<b>38,366.9</b>	<b>39,250.6</b>	(2%)

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

### Revenue

Net sales increased by 6% year-on-year in the nine months of 2016 to RUB 59.2 billion, compared to RUB 56.0 billion in the corresponding period of 2015. The main drivers behind this growth were the poultry and meat processing segments. In the third quarter sales growth was flat at RUB 20.4 billion.

### Gross Profit

Gross profit fell by 11% year-on-year to RUB 13.0 billion from RUB 14.6 billion in the nine months of 2015. The majority of this decrease can be attributed to the poultry and pork segments, where a significant share of expenses is pegged to foreign currency. As a result of higher costs, the gross margin consequently fell to 22.0% in the nine months of 2016 from 26.1% in the corresponding period of 2015. In the third quarter gross profit decreased by 4% quarter-on-quarter to RUB 4.9 billion, compared to RUB 5.1 billion in the second quarter of 2016.

### Operating Expenses

Operating expenses increased by 16% year-on-year to RUB 9.5 billion, compared to RUB 8.2 billion in the nine months of 2015, as a result of higher payroll, taxes (transportation, property) and other selling expenses. In the third quarter, however, operating expenses fell by 6% quarter-on-quarter to RUB 3.1 billion. Operating Expenses as percentage of sales increased to 16.0% in the nine months of 2016 from 14.6% in the corresponding period of last year.

### Adjusted EBITDA

In the first nine months of 2016, adjusted EBITDA fell by 46% year-on-year to RUB 5.3 billion from RUB 9.9 billion in the corresponding period of 2015. The adjusted EBITDA margin fell to 9.0% in 9M 2016. Nonetheless, in the third quarter of 2016, EBITDA demonstrated growth of 31% and reached RUB 2.6 billion (2Q 2016: RUB 2.0 billion).

### Interest Expense

Interest expense was up 28% year-on-year to RUB 3.5 billion in the nine months of 2016. The main drivers behind the increase were a 23% year-on-year increase in total loan portfolio to RUB 40.0 billion (9M 2015: RUB 32.5 billion), as well as a rise in bank's interest rates. Net interest expense for 9M 2016 was RUB 1.9

billion, up 126% from the 2015 level of RUB 0.9 billion. The Group accrued RUB 1.5 billion of subsidies in the nine months of 2016 included in the net interest expense above, a year-on-year decrease of 17%.

## Net Profit

Net profit for the Group came in at RUB 2.2 billion, a decrease of 60% year-on-year from RUB 5.4 billion in the nine months of 2015. The Net Profit margin fell to 3.7% from 9.7% in the nine months of 2015.

## Cash Flow

Net operating cash flow for nine months of 2016 was RUB 5.1 billion, compared with RUB 5.4 billion in the nine months of 2015. This was mostly the result of decreasing operating income.

## Business segments

Divisions	Sales volume 9M 2016, thousand tons	Sales volume 9M 2015, thousand tons	Year-on- year change %	Revenue 9M 2016, RUB# mln	Revenue 9M 2015, RUB# mln	Year-on- year change %	Share of Group revenue %
<b>Poultry</b>	372.1	341.4	9%	34,453.2	32,058.9	7%	51%
<b>Pork</b>	131.6	123.5	7%	11,171.3	12,682.0	(12%)	16%
<b>Meat processing</b>	158.6	135.2	17%	22,818.5	20,842.7	9%	33%

# Includes intersegment sales

## Poultry Division

Sales volume in the first nine months of 2016 increased by 9% year-on-year to 372,070 tons of sellable weight, from 341,370 tons in the corresponding period of 2015. This growth was driven by higher production levels, which resulted from improvements in efficiency, sales of excess inventory and the launch of new poultry houses at the Mosselprom production facility. In the third quarter of 2016, sales volume decreased by 4% quarter-on-quarter to 119,720 tons of sellable weight. This was a result of the Lipetsk Chicken Kingdom poultry production facility shifting to produce halal products, which weigh less than the non-halal equivalents, for exports.

The average price during the first nine months of 2016 dropped by 3% year-on-year to 92.26 RUB/kg<sup>1</sup> due to the market's remaining on the back of consumers' falling purchasing power. On a quarter-on-quarter basis, the average price grew by 6% to 96.89 RUB/kg.

Total sales for the division increased 7% year-on-year to RUB 34.5 billion (9M 2015: RUB 32.1 billion). Sales increased 1% quarter-on-quarter and reached RUB 11.6 billion (2Q 2016: RUB 11.5 billion)

Gross profit fell by 19% year-on-year to RUB 4.9 billion from RUB 6.1 billion in the first nine months of 2015 as costs for feed components, hatching eggs and veterinary supplies are denominated in foreign currency. The negative effect was mostly evident in the first quarter of the year when the Russian ruble hit a new historical low. Even though the currency exchange situation has stabilised since then, the average real exchange rate for the first nine months of 2016 was still 15% lower year-on-year. The gross margin for 9M 2016 decreased to 14.3% from 18.9% in the corresponding period of 2015. Between the second and third quarter of 2016, the segment's gross profit has delivered growth of 26%.

Operating expenses as a percentage of sales were 10.9% for the first nine months of the year (9M 2015: 11.3%).

<sup>1</sup> Here and below, all average prices exclude VAT

Operating income fell by 52% year-on-year to RUB 1.2 billion from RUB 2.5 billion in the first nine months of 2015, while operating margin fell to 3.4% from 7.7% in the corresponding period of last year. Net profit for the division came in at RUB 0.3 billion, a year-on-year drop of 90%. This was mainly a result of the costs of feed components and other direct materials being pegged to foreign currencies.

Adjusted EBITDA dropped 48% year-on-year to RUB 2.2 billion (9M 2015: RUB 4.2 billion), while the adjusted EBITDA margin fell to 6.3% from 13.0% in the first nine months of 2015. However, on a quarter-on-quarter basis, EBITDA grew by 47% in the third quarter and reached RUB 1.2 billion (2Q 2016: RUB 0.8 billion).

## **Pork Division**

In the first nine months of 2016, sales volume in the pork division increased by 7% year-on-year to 131,581 tons of sellable weight. This was primarily due to a new genetics improvement strategy launched by the management at the beginning of the year to improve pigs' health status and efficiency by increasing livability and weekly farrows. Meanwhile, on a quarter-on-quarter basis, sales volume fell by 4% to 44,679 tons as improvements in production levels and the genetics strategy outpaced the growth of available finishing space.

In 9M 2016, the average price decreased by 16% year-on-year to 86.59 RUB/kg, while on a quarter-on-quarter basis, it increased by 10% to 93.19 RUB/kg. The year-on-year drop was a result of Russian consumers' lower purchasing power and an overall increase in pork production across the country. The quarter-on-quarter improvement was due to an outbreak of ASF along with a steady decline of imports, which began in June.

Total sales in the pork division fell 12% year-on-year to RUB 11.2 billion (9M 2015: RUB 12.7 billion). This dip in sales was expected as the average price fell by 16% year-on-year. On a quarter-on-quarter basis, however, sales increased by 5% and reached RUB 4.1 billion (2Q 2016: RUB 3.9 billion).

Gross profit for the nine months of 2016 stood at RUB 3.3 billion, a year-on-year drop of 14%, due to feed components and medication costs being denominated in foreign currencies. The segment's gross margin fell to 29.8% from 30.5% in 9M 2015. Nonetheless, the pork segment's gross profit increased by 21% between the second and third quarter of 2016.

Operating expenses as a percentage of sales were slightly higher compared to the corresponding period of last year and stood at 4.9% (9M 2015: 3.3%). Transportation tax was the main driver of the expense growth.

Operating income fell by 19% year-on-year to RUB 2.8 billion from RUB 3.5 billion in the nine months of 2015. The operating margin dropped to 24.9% from 27.2% the corresponding period last year. Net profit decreased by 25% year-on-year to RUB 2.4 billion (9M 2015: RUB 3.2 billion).

Adjusted EBITDA decreased to RUB 2.5 billion, a year-on-year decrease of 54%. The adjusted EBITDA margin fell to 22.1% in the nine months of 2016 from 42.4% in 9M 2015. On a quarter-on-quarter basis, adjusted EBITDA demonstrated growth of 44%.

## **Meat Processing Division**

During 9M 2016, sales volume in the meat processing division grew by 17% year-on-year to 158,647 tons from 135,247 tons in the nine months of 2015. This increase was the result of the launch of a new pig slaughter facility at the Dankov meat processing plant in the second half of 2015, which boosted both volume and product assortment. On a quarter-on-quarter basis, sales volume increased by 3% in the third quarter to 55,749 tons.

In the nine months of 2016, the average price fell by 4% year-on-year to 166.91 RUB/kg due to non-sausage products from the Dankov meat processing plant representing a greater share of sales. The average

price increased by 5% quarter-on-quarter to 171.49 RUB/kg due to higher demand for sausages and B2B/B2C products in the third quarter.

Total sales were 9% higher in the nine months of 2016 and reached RUB 22.8 billion (9M 2015: RUB 20.8 billion). In the third quarter, sales grew by 6% quarter-on-quarter.

Gross profit for the nine months of the year increased 29% year-on-year to RUB 3.9 billion, compared to RUB 3.0 billion in the corresponding period of 2015. The gross margin rose to 17.1% from 14.4% in the nine months of 2015. On a quarter-on-quarter basis, gross profit remained flat.

In the first nine months of 2016, operating expenses as a percentage of sales grew slightly to 11.9%, compared to 10.4% in the corresponding period of 2015. This was a result of higher transportation and payroll expenses.

In 9M 2016, operating income increased by 39% year-on-year to RUB 1.2 billion from RUB 0.8 billion in 9M 2015. The operating margin rose to 5.1% from 4.1% in 9M 2015. In the nine months of 2016, the meat processing segment generated net profit of RUB 1.1 billion, almost twice that of the corresponding period of 2015 (RUB 0.6 billion).

In the nine months of 2016, adjusted EBITDA demonstrated growth of 38% and reached RUB 1.6 billion (9M 2015: RUB 1.2 billion). The adjusted EBITDA margin reached 7.2% in 9M 2016, compared to 5.7% in 9M 2015. Adjusted EBITDA growth decreased by 12% on a quarter-on-quarter basis to RUB 0.6 billion.

### **Grain Division**

Cherkizovo has begun its 2016 harvesting campaign and Russian harvests are expected to reach record levels this year. The Group expects to harvest a total of 500,000 tons of crops this year; wheat yields have already exceeded the budget.

Due to the seasonality of this 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 the property, plants, equipment and maintenance amounted to RUB 7.4 billion in the nine months of 2016, a year-on-year decrease of 8%. Of that, RUB 2.4 billion was invested into the poultry division, primarily into the construction of the hatchery and grain storage facility in the Lipetsk region (Eletsproj Project). In the pork division, RUB 2.3 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 1.2 billion of investments for the construction of the Kashira meat processing plant in the Moscow Region. In the grain division, RUB 1.1 billion was invested into the construction of a new grain drying facility. Cherkizovo Group has also invested RUB 0.6 billion into the Tambov Turkey project.

As of 30 September, 2016, Net Debt amounted to RUB 38.4 billion, compared to RUB 35.0 billion at the end of 2015. Total debt was at RUB 40.0 billion as of 30 September 2016, a decrease of 3% from the end of 2015. As of 30 September 2016, long-term debt represented 39% of the debt portfolio and was RUB 15.8 billion. Short-term debt stood at RUB 24.3 billion, or 61% of the portfolio. The effective cost of debt was 6.1% in the nine months of 2016 (9M 2015: 3.2%). Subsidised loans and credit lines made up 77% of the debt portfolio in the nine months of 2016 (9M 2015: 86%). Cash and cash equivalents totalled RUB 1.0 billion as of 30 September, 2016.

### **Subsidies**

In the first nine months of 2016, the Group accrued subsidies for interest reimbursement of RUB 1.5 billion, which offset interest expense (9M 2015: RUB 1.9 billion). The Group received RUB 1.1 billion of subsidies in 9M 2016, compared to RUB 1.4 billion in 9M 2015.

## 2016 Outlook

The third quarter has brought stability to the meat sales and pricing environment, which continues to improve as meat consumption in Russia shows some signs of growth. Both pork and poultry prices have also bottomed out and the Group expects this improving trend to continue in the fourth quarter this year. However, it is still too early to assess whether this positive trend will carry forward into next year.

The Group's export strategy is making a good progress as its shipments to Tanzania and Egypt have begun, and permission to export poultry products to the EU has also been granted. By the end of the year, Cherkizovo will start exporting poultry to Angola. The Group's total export volume is expected to reach 10,000 tons in the fourth quarter of 2016.

On the domestic market, the Tambov Turkey project is now fully operational with first shipments of turkey products set to begin in the fourth quarter of the year. In 2017, the facility will reach its full production capacity of 50,000 tons of turkey meat, which will position the Company as one of Russia's top turkey producers.

For the full year, the Company expects production and revenue growth across all segments, although the margins will be lower than last year following a challenging first quarter.

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 sales growth and profitability. The Company's consolidated revenue reached RUB 77 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 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 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 1. Adjusted EBITDA margin is defined as Adjusted EBITDA as a percentage of our net revenues. Our adjusted EBITDA may not be similar to adjusted EBITDA measures of other companies; is not a measurement under IFRS accounting principles and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of operations. We believe that adjusted EBITDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. Our adjusted EBITDA calculation is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies within our industry. Adjusted EBITDA is reconciled to our consolidated statements of operations in Appendix 1.

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



**APPENDIX I: KEY DATA AND FIGURES**  
**UNAUDITED 9 Months 2016 ended September 30, 2016 Consolidated Selected Financial**  
**Data (RUB 000)**

<b>(in thousands of rubles)</b>	<b>Meat-processing</b>	<b>Pork</b>	<b>Poultry</b>	<b>Grain</b>	<b>Feed</b>	<b>Corporate assets/expenditure</b>	<b>Inter-division##</b>	<b>Combined</b>
Total sales	22 818 460	11 171 291	34 453 166	1 009 121	22 733 050	59 677	(33 018 754)	59 226 011
including other sales	370 040	128 361	1 026 163	41 594	-	59 677	(219 275)	1 406 560
including sales volume discounts	(3 445 477)	-	(951 690)	-	-	-	-	(4 397 167)
Intersegment sales	(15 232)	(8 897 343)	(1 427 287)	(287 698)	(22 360 638)	(30 556)	33 018 754	-
Sales to external customers	22 803 228	2 273 948	33 025 879	721 423	372 412	29 121	-	59 226 011
Net change in fair value of biological assets and agricultural produce	-	968 454	457 393	11 227	-	-	-	1 437 074
Cost of sales	(18 926 107)	(8 812 665)	(29 970 381)	(654 340)	(22 434 342)	(56 263)	33 224 977	(47 629 121)
<b>Gross profit / (loss)</b>	<b>3 892 353</b>	<b>3 327 080</b>	<b>4 940 178</b>	<b>366 008</b>	<b>298 708</b>	<b>3 414</b>	<b>206 223</b>	<b>13 033 964</b>
Operating expense	(2 720 418)	(549 605)	(3 754 100)	(204 237)	(286 871)	(1 980 116)	40 746	(9 454 601)
<b>Operating income / (expense)</b>	<b>1 171 935</b>	<b>2 777 475</b>	<b>1 186 078</b>	<b>161 771</b>	<b>11 837</b>	<b>(1 976 702)</b>	<b>246 969</b>	<b>3 579 363</b>
Other income (expense), net	99 204	24 462	(326 165)	(1 150)	226 474	842 596	(247 629)	617 792
Interest expense, net	(180 194)	(427 022)	(603 909)	(41 652)	(353 383)	(565 378)	247 629	(1 923 909)
<b>Profit before income tax (division profit)</b>	<b>1 090 945</b>	<b>2 374 915</b>	<b>256 004</b>	<b>118 969</b>	<b>(115 072)</b>	<b>(1 699 484)</b>	<b>246 969</b>	<b>2 273 246</b>
Adjustments for:								
Interest expense, net	180 194	427 022	603 909	41 652	353 383	565 378	(247 629)	1 923 909
Interest income	(6 939)	(20 856)	(128 678)	(787)	(10 261)	(353 470)	247 629	(273 362)
Foreign exchange loss/(gain)	(100 446)	(1 153)	460 234	1 937	(215 160)	(488 880)	-	(343 468)
Depreciation and amortisation expense	485 167	653 273	1 448 885	57 876	449 538	107 567	-	3 202 306
Net change in fair value of biological assets and agricultural produce	-	(968 454)	(457 393)	(11 227)	-	-	-	(1 437 074)
<b>Adjusted EBITDA</b>	<b>1 648 921</b>	<b>2 464 747</b>	<b>2 182 961</b>	<b>208 420</b>	<b>462 428</b>	<b>(1 868 889)</b>	<b>246 969</b>	<b>5 345 557</b>

<b>Total net division profit</b>	<b>2 273 246</b>
Profit attributable to non-controlling interests	79 035
Income taxes	(160 534)
<b>Profit attributable to Cherkizovo Group</b>	<b>2 191 747</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)	Nine months ended 30 September 2016	Nine months ended 30 September 2015
<b>Sales</b>	<b>59 226 011</b>	<b>56 018 779</b>
incl. Sales volume discounts	(4 397 167)	(3 722 518)
incl. Sales returns	(649 121)	(769 900)
Net change in fair value of biological assets and agricultural produce	1 437 074	(660 973)
Cost of sales	(47 629 121)	(40 740 349)
<b>Gross profit</b>	<b>13 033 964</b>	<b>14 617 457</b>
<i>Gross margin</i>	22.0%	26.1%
Operating expenses	(9 454 601)	(8 182 527)
<b>Operating Income</b>	<b>3 579 363</b>	<b>6 434 930</b>
<i>Operating margin</i>	6.0%	11.5%
<b>Profit before income tax and non-controlling interests</b>	<b>2 273 246</b>	<b>5 479 434</b>
<b>Profit attributable to Group Cherkizovo</b>	<b>2 191 747</b>	<b>5 411 882</b>
<i>Net profit margin</i>	3.7%	9.7%
<b>Weighted average number of shares outstanding</b>	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>50,0</b>	<b>123,4</b>
Consolidated Adjusted EBITDA reconciliation*		
<b>Profit before income tax and non-controlling interests</b>	<b>2 273 246</b>	<b>5 479 434</b>
Add:		
Interest expense, net of subsidies	1 923 909	852 697
Interest income	(273 362)	(115 658)
Foreign exchange loss/(gain), net	(343 468)	240 218
Depreciation and amortisation	3 202 306	2 792 604
Net change in fair value of biological assets and agricultural produce	(1 437 074)	660 973
<b>Consolidated Adjusted EBITDA*</b>	<b>5 345 557</b>	<b>9 910 268</b>
<i>Adjusted EBITDA Margin</i>	9.0%	17.7%

**POULTRY DIVISION UNAUDITED INCOME STATEMENT DATA**

(in thousands of rubles)	Nine months ended 30 September 2016	Nine months ended 30 September 2015
Total Sales	34 453 166	32 058 897
Interdivision sales	(1 427 287)	(1 632 840)
<b>Sales to external customers</b>	<b>33 025 879</b>	<b>30 426 057</b>
Net change in fair value of biological assets and agricultural produce	457 393	(312 860)
Cost of sales	(29 970 381)	(25 681 971)
<b>Gross profit</b>	<b>4 940 178</b>	<b>6 064 066</b>
<i>Gross margin</i>	14.3%	18.9%
Operating expenses	(3 754 100)	(3 609 783)
<b>Operating Income</b>	<b>1 186 078</b>	<b>2 454 283</b>
<i>Operating margin</i>	3.4%	7.7%
Interest income	128 678	126 371
Interest expense, net	(603 909)	(504 061)
Other (expenses) income, net	(454 843)	383 461
<b>Division (loss) / profit</b>	<b>256 004</b>	<b>2 460 054</b>
<i>Division profit margin</i>	0.7%	7.7%

**Poultry processing division Adjusted EBITDA  
reconciliation\***

<b>Division profit</b>	<b>256 004</b>	<b>2 460 054</b>
Add:		
Interest expense, net of subsidies	603 909	504 061
Interest income	(128 678)	(126 371)
Foreign exchange loss/(gain)	460 234	(383 095)
Depreciation and amortisation	1 448 885	1 397 546
Net change in fair value of biological assets and agricultural produce	(457 393)	312 860
<b>Poultry processing division Adjusted EBITDA*</b>	<b>2 182 961</b>	<b>4 165 055</b>
<i>Adjusted EBITDA Margin</i>	6.3%	13.0%

**PORK DIVISION UNAUDITED INCOME STATEMENT DATA**

(in thousands of rubles)	Nine months ended 30 September 2016	Nine months ended 30 September 2015
Total Sales	11 171 291	12 681 982
Interdivision sales	(8 897 343)	(8 315 521)
<b>Sales to external customers</b>	<b>2 273 948</b>	<b>4 366 461</b>
Net change in fair value of biological assets and agricultural produce	968 454	(1 273 126)
Cost of sales	(8 812 665)	(7 540 269)
<b>Gross profit</b>	<b>3 327 080</b>	<b>3 868 587</b>
<i>Gross margin</i>	29.8%	30.5%
Operating expenses	(549 605)	(418 535)
<b>Operating Income</b>	<b>2 777 475</b>	<b>3 450 052</b>
<i>Operating margin</i>	24.9%	27.2%
Interest income	20 856	3 563
Interest expense, net	(427 022)	(234 686)
Other (expenses)/income, net	3 606	(37 080)
<b>Division profit</b>	<b>2 374 915</b>	<b>3 181 849</b>
<i>Division profit margin</i>	21.3%	25.1%
 <b>Pork division Adjusted EBITDA reconciliation*</b>		
<b>Division profit</b>	<b>2 374 915</b>	<b>3 181 849</b>
Add:		
Interest expense, net of subsidies	427 022	234 686
Interest income	(20 856)	(3 563)
Foreign exchange loss/(gain)	(1 153)	37 874
Depreciation and amortisation	653 273	657 720
Net change in fair value of biological assets and agricultural produce	(968 454)	1 273 126
<b>Pork division Adjusted EBITDA*</b>	<b>2 464 747</b>	<b>5 381 692</b>
<i>Adjusted EBITDA Margin</i>	22.1%	42.4%

## MEAT PROCESSING DIVISION UNAUDITED INCOME STATEMENT DATA

	Nine months ended 30 September 2016	Nine months ended 30 September 2015
<i>(in thousands of rubles)</i>		
Total Sales	22 818 460	20 842 663
Interdivision sales	(15 232)	(16 709)
<b>Sales to external customers</b>	<b>22 803 228</b>	<b>20 825 954</b>
Cost of sales	(18 926 107)	(17 835 148)
<b>Gross profit</b>	<b>3 892 353</b>	<b>3 007 515</b>
<i>Gross margin</i>	<i>17.1%</i>	<i>14.4%</i>
Operating expenses	(2 720 418)	(2 161 895)
<b>Operating Income</b>	<b>1 171 935</b>	<b>845 620</b>
<i>Operating margin</i>	<i>5.1%</i>	<i>4.1%</i>
Interest income	6 939	7 571
Interest expense, net	(180 194)	(146 517)
Other (expenses)/income, net	92 265	(148 393)
<b>Division profit</b>	<b>1 090 945</b>	<b>558 281</b>
<i>Division profit margin</i>	<i>4.8%</i>	<i>2.7%</i>
<b>Meat processing division Adjusted EBITDA reconciliation*</b>		
<b>Division profit</b>	<b>1 090 945</b>	<b>558 281</b>
Add:		
Interest expense, net of subsidies	180 194	146 517
Interest income	(6 939)	(7 571)
Foreign exchange loss/ (gain)	(100 446)	161 164
Depreciation and amortisation	485 167	339 893
<b>Meat processing division Adjusted EBITDA*</b>	<b>1 648 921</b>	<b>1 198 284</b>
<i>Adjusted EBITDA Margin</i>	<i>7.2%</i>	<i>5.7%</i>

## FEED DIVISION UNAUDITED INCOME STATEMENT DATA

(in thousands of rubles)	Nine months ended 30 September 2016	Nine months ended 30 September 2015
Total Sales	22 733 050	20 068 244
Interdivision sales	(22 360 638)	(19 782 691)
<b>Sales to external customers</b>	<b>372 412</b>	<b>285 553</b>
Cost of sales	(22 434 342)	(19 603 229)
<b>Gross profit</b>	<b>298 708</b>	<b>465 015</b>
<i>Gross margin</i>	1.3%	2.3%
Operating expenses	(286 871)	(390 343)
<b>Operating loss</b>	<b>11 837</b>	<b>74 672</b>
<i>Operating margin</i>	0.1%	0.4%
Interest income	10 261	19 478
Interest expense, net	(353 383)	(89 606)
Other expenses, net	216 213	101 380
<b>Division loss</b>	<b>(115 072)</b>	<b>105 924</b>
<i>Division profit margin</i>	-0.5%	0.5%
<b>Feed division Adjusted EBITDA reconciliation*</b>		
<b>Division loss</b>	<b>(115 072)</b>	<b>105 924</b>
Add:		
Interest expense, net of subsidies	353 383	89 606
Interest income	(10 261)	(19 478)
Foreign exchange loss/ (gain)	(215 160)	(94 244)
Depreciation and amortisation	449 538	305 025
<b>Feed division Adjusted EBITDA*</b>	<b>462 428</b>	<b>386 833</b>
<i>Adjusted EBITDA Margin</i>	2.0%	1.9%

## APPENDIX II:

### **UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

(in thousands of rubles)	Nine months ended 30 September 2016	Nine months ended 30 September 2015	Year ended 31 December 2015
Sales	59 226 011	56 018 779	77 032 622
Net change in fair value of biological assets and agricultural produce	1 437 074	(660 973)	(1 163 727)
Cost of sales	(47 629 121)	(40 740 349)	(56 720 216)
<b>Gross profit</b>	<b>13 033 964</b>	<b>14 617 457</b>	<b>19 148 679</b>
Selling, general and administrative expense	(9 756 412)	(8 530 217)	(11 947 142)
Other operating income (expense), net	301 811	347 690	332 489
<b>Operating / Profit</b>	<b>3 579 363</b>	<b>6 434 930</b>	<b>7 534 026</b>
Interest income	273 362	115 658	285 762
Interest expense, net	(1 923 909)	(852 697)	(1 364 766)
Other income (expenses), net	344 430	(218 457)	(583 273)
<b>Profit before income tax</b>	<b>2 273 246</b>	<b>5 479 434</b>	<b>5 871 749</b>
Income tax (expense) benefit	(160 534)	(32 910)	149 060
<b>Profit for the period</b>	<b>2 112 712</b>	<b>5 446 524</b>	<b>6 020 809</b>
<b>Profit, attributable to Cherkizovo</b>	<b>2 191 747</b>	<b>5 411 882</b>	<b>6 007 482</b>
Non-controlling interests	(79 035)	34 642	13 327

**APPENDIX III:****UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2016**

(in thousands of rubles)	<b>30 September 2016</b>	<b>31 December 2015</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	63 933 625	60 436 029
Investment property	431 977	432 771
Goodwill	557 191	557 191
Intangible assets	1 895 990	1 603 903
Non-current biological assets	1 770 989	1 617 833
Notes receivable, net	350 000	300 000
Investments in joint venture	1 858 663	1 301 663
Long-term deposits in banks	641 365	641 365
Deferred tax assets	331 300	331 300
Other non-current receivables	474 337	430 811
<b>Total non-current assets</b>	<b>72 245 437</b>	<b>67 652 866</b>
<b>Current assets</b>		
Biological assets	13 566 222	9 829 675
Inventories	9 205 021	12 258 555
Taxes recoverable and prepaid	1 892 386	2 835 987
Trade receivables, net	5 001 383	4 444 991
Advances paid, net	1 832 557	2 733 842
Other receivables, net	2 495 148	1 782 019
Cash and cash equivalents	1 033 697	5 560 824



Other current assets	713 485	612 566
<b>Total current assets</b>	<b>35 739 899</b>	<b>40 058 459</b>
<b>TOTAL ASSETS</b>	<b>107 985 336</b>	<b>107 711 325</b>

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF 30 September 2016 Continued**

	<b>30 September 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	47 775 931	46 582 955
<b>Total shareholder's equity</b>	<b>53 286 658</b>	<b>52 093 682</b>
Non-controlling interest	977 484	1 055 392
<b>Total equity</b>	<b>54 264 142</b>	<b>53 149 074</b>

**Non-current liabilities**

Long-term borrowings	15 789 559	16 118 747
Provisions	58 131	67 131
Deferred tax liability	453 851	405 097
Other liabilities	89 521	96 185

**Total non-current liabilities**

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	<b>16 391 062</b>	<b>16 687 160</b>
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**Current liabilities**

Short-term borrowings	24 252 376	25 093 017
Trade payables	8 310 837	8 461 657
Advances received	335 190	443 018
Payables for non-current assets	1 522 247	1 445 128
Tax related liabilities	892 310	790 344
Payroll related liabilities	1 588 142	1 372 176
Other payables and accruals	429 030	269 751

**Total current liabilities**

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	<b>37 330 132</b>	<b>37 875 091</b>
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**Total liabilities**

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	<b>53 721 194</b>	<b>54 562 251</b>
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**TOTAL EQUITY AND LIABILITIES**

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	<b>107 985 336</b>	<b>107 711 325</b>
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**APPENDIX IV:****UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

	Nine months ended 30 September 2016	Nine months ended 30 September 2015	Year ended 31 December 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before income tax</b>	<b>2 273 246</b>	<b>5 479 434</b>	<b>5 871 749</b>
Adjustments for:			
Depreciation and amortization	3 202 306	2 792 604	3 826 525
Bad debt expense	143 589	28 183	32 062
Foreign exchange (gain) loss, net	(343 468)	240 218	646 802
Interest income	(273 362)	(115 658)	(285 762)
Interest expense, net	1 923 909	852 697	1 364 766
Net change in fair value of biological assets and agricultural produce	(1 437 074)	660 973	1 163 727
Loss (gain) on disposal of property, plant and equipment, net	(16 257)	(39 760)	(49 793)
Gain on disposal of non-current biological assets, net	(285 475)	(301 057)	(282 827)
Other adjustments, net	(7 073)	(23 816)	(108 612)
<b>Operating cash flows before working capital changes</b>	<b>5 180 341</b>	<b>9 573 818</b>	<b>12 178 637</b>
Decrease (increase) in inventories	2 757 728	(2 108 098)	(4 648 048)
Increase in biological assets	(1 942 579)	(823 747)	(1 586 899)
Increase in trade receivables	(625 293)	(269 861)	(466 088)
Decrease (increase) in advances paid	843 104	(159 459)	(522 982)
Decrease (increase) in other receivables and other current assets	835 817	(1 701 928)	(1 450 027)
Increase in other non-current assets	(35 978)	(7 194)	(28 022)
Increase in trade payables	183 531	1 838 506	3 607 415
Increase in tax related liabilities (other than income tax)	60 648	259 811	17 693
Increase (decrease) in other current payables	209 109	(105 180)	(651 507)
<b>Operating cash flows before interest and income tax</b>	<b>7 446 428</b>	<b>6 496 667</b>	<b>6 450 172</b>
<b>Interest received</b>	<b>218 464</b>	<b>83 778</b>	<b>219 758</b>
<b>Interest paid</b>	<b>(3 427 037)</b>	<b>(2 429 840)</b>	<b>(3 530 632)</b>
<b>Government grants for compensation of interest expense received</b>	<b>883 766</b>	<b>1 398 749</b>	<b>2 019 481</b>
<b>Income tax paid</b>	<b>(79 464)</b>	<b>(139 957)</b>	<b>(166 521)</b>
<b>Net cash from operating activities</b>	<b>5 062 157</b>	<b>5 409 397</b>	<b>4 992 258</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment	(6 619 138)	(6 889 777)	(9 415 480)
Purchases of non-current biological assets	(495 699)	(346 553)	(432 481)
Purchases of intangible assets	(316 412)	(172 413)	(273 343)
Proceeds from sale of property, plant and equipment	45 830	178 260	220 832
Proceeds from disposal of non-current biological assets	561 159	478 384	537 051
Investments in joint venture	(557 000)	(300 000)	(450 000)
Placing of deposits and issuance of short-term loans	-	(126 855)	(156 855)

Purchases of notes receivable	(50 000)	(300 000)	(300 000)
Repayment of short-term loans issued and redemption of deposits	5 827	163 316	183 895
<b>Net cash used in investing activities</b>	<b>(7 425 433)</b>	<b>(7 315 638)</b>	<b>(10 086 381)</b>

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016 Continued**

	Nine months ended 30 September 2016	Nine months ended 30 September 2015	Year ended 31 December 2015
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term loans	2 228 463	2 822 578	9 218 443
Repayment of long-term loans	(4 550 218)	(3 861 045)	(5 110 160)
Proceeds from short-term loans	17 767 593	15 332 101	21 686 431
Repayment of short-term loans	(16 610 918)	(9 896 718)	(12 736 663)
Dividends paid	(998 771)	(2 395 334)	(3 392 766)
Acquisition of non-controlling interests	-	(17 242)	(17 892)
<b>Net cash (used in) generated from financing activities</b>	<b>(2 163 851)</b>	<b>1 984 340</b>	<b>9 647 393</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(4 527 127)</b>	<b>78 099</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>1 033 697</b>	<b>1 085 653</b>	<b>5 560 824</b>