



## **Cherkizovo Group Announces third quarter and nine month 2019 Financial Results**

**Moscow, Russia – November 21, 2019– PJSC Cherkizovo Group (MOEX: GCHE), the largest vertically integrated meat producer in Russia, today announces its unaudited consolidated IFRS results for the third quarter and nine months of 2019.**

### **Third quarter financial highlights**

- Revenue increased by 21.4% year-on-year (y-o-y) to RUB 30.0 billion.
- Gross profit of RUB 6.4 billion increased by 11.1% from 3Q18.
- Adjusted EBITDA\* expanded by 15.4% y-o-y to RUB 7.6 billion. Adjusted EBITDA margin amounted to 25.3%, up from 26.6% in 3Q18.
- Net profit came to RUB 1.2 billion, a 25.5% decline from RUB 1.6 billion in 3Q18. Adjusted net profit\*\* totalled RUB 4.0 billion compared to RUB 3.7 billion a year ago.

### **Nine months financial highlights**

- Revenue increased by 23.8% y-o-y to RUB 85.6 billion.
- Net change in fair value of biological assets changed to negative RUB 0.6 billion, compared to RUB 4.0 billion in 9M18. Net revaluation of harvested crops in stock totalled RUB 0.7 billion, compared to RUB 2.4 billion in 9M18.
- Gross profit of RUB 21.0 billion declined by 5.9% compared to a year ago.
- Adjusted EBITDA\* up by 14.8% y-o-y and amounted to RUB 15.7 billion. Adjusted EBITDA margin declined to 18.3%, from 19.7% in 9M18.
- Net profit fell to RUB 6.6 billion from RUB 10.4 billion in 9M18. Adjusted net profit\*\* increased to RUB 7.2 billion, up 13.0% y-o-y from RUB 6.4 billion a year ago.
- Net debt amounted to RUB 62.4 billion as of September 30, 2019.

### **Third quarter corporate highlights**

- In September, the Group launched a comprehensive revamp of its flagship brand, Cherkizovo. The changes impacting both the product appearance and ingredients are designed to emphasize our focus on customers and quality.

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

- In October, the Company announced an expansion of Tambov Turkey, a joint venture producer of Pava-Pava branded turkey. The project, estimated to cost RUB 4 billion, will increase turkey volumes by 50% to 82 thousand tons, with new volumes expected in early 2021.
- In October, Cherkizovo purchased 100% shares of Rovensky Broiler for RUB 1.7 billion. The acquired company is a hatching egg producer with production capacity of 80 million eggs/year, located in the Belgorod region, close to our existing operations.



The deal makes the company self-sufficient in hatching eggs, closing the gap in hatching egg supply, that appeared after we'd acquired a few assets in 2018.

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

"Our performance year to date was mixed. The chicken segment was bolstered by sales of Petelinka branded products, which increased by 20% y-o-y as we broadened distribution and fine-tuned sales mix. Foodservice and export offering of poultry products increased significantly with immediate effect on sales and profits. Results of the pork business deteriorated due to the softer pricing environment, driven by capacity additions domestically, while our cost leadership position remains. In the meat processing segment the profitability was challenged by market competitive dynamics, but we've taken necessary steps to rebuild our platform: started a comprehensive rebranding campaign, coupled with SKU optimization, and facilitated by promotions to aid our positions in the retail channel. We continue refining our customer proposition and anticipate further results' improvements in this segment in the final months of the year and beyond. Lastly, we are in the final stage of the harvest campaign with encouraging initial estimates to increase volumes by c. 15%."

**Financial summary**

<b>RUB mln</b>	<b>3Q 2019</b>	<b>3Q 2018</b>	<b>y-o-y, %</b>	<b>9M 2019</b>	<b>9M 2018</b>	<b>y-o-y, %</b>
<b>Revenue</b>	<b>29 958</b>	<b>24 680</b>	<b>21.4%</b>	<b>85 619</b>	<b>69 187</b>	<b>23.8%</b>
Net change in fair value of biological assets	(2 813)	(2 076)	35.5%	(565)	3 989	n.a.
Net revaluation of harvested crops in stock	1 324	1 463	-9.5%	664	2 408	-72.4%
<b>Gross profit</b>	<b>6 374</b>	<b>5 736</b>	<b>11.1%</b>	<b>20 991</b>	<b>22 317</b>	<b>-5.9%</b>
<i>Gross margin</i>	<i>21.3%</i>	<i>23.2%</i>	<i>-2.0 p.p.</i>	<i>24.5%</i>	<i>32.3%</i>	<i>-7.7 p.p.</i>
Operating expenses , net	(3 933)	(3 011)	30.6%	(11 880)	(8 887)	33.7%
Share of profit/loss of joint ventures and associates	(84)	102	n.a.	(220)	(128)	71.9%
<b>Operating profit</b>	<b>2 357</b>	<b>2 827</b>	<b>-16.6%</b>	<b>8 891</b>	<b>13 302</b>	<b>-33.2%</b>
<i>Operating margin</i>	<i>7.9%</i>	<i>11.5%</i>	<i>-3.6 p.p.</i>	<i>10.4%</i>	<i>19.2%</i>	<i>-8.8 p.p.</i>
<b>Adjusted EBITDA <sup>1</sup></b>	<b>7 572</b>	<b>6 563</b>	<b>15.4%</b>	<b>15 662</b>	<b>13 647</b>	<b>14.8%</b>
<i>Adjusted EBITDA margin</i>	<i>25.3%</i>	<i>26.6%</i>	<i>-1.3 p.p.</i>	<i>18.3%</i>	<i>19.7%</i>	<i>-1.4 p.p.</i>
Profit before income tax	1 441	1 782	-19.1%	6 639	10 490	-36.7%
<b>Net profit</b>	<b>1 227</b>	<b>1 646</b>	<b>-25.5%</b>	<b>6 628</b>	<b>10 354</b>	<b>-36.0%</b>
<b>Adjusted Net profit <sup>1</sup></b>	<b>4 040</b>	<b>3 722</b>	<b>8.5%</b>	<b>7 193</b>	<b>6 365</b>	<b>13.0%</b>
<b>Net operating cash flow</b>	<b>5 327</b>	<b>2 581</b>	<b>106.4%</b>	<b>8 949</b>	<b>7 374</b>	<b>21.4%</b>
<b>Net debt</b>				<b>62 390</b>	<b>51 078</b>	<b>22.1%</b>

<sup>1</sup> In line with the Group's management accounting practices and described herein (\*,\*\*) in more detail, Adjusted EBITDA and Adjusted Net profit don't include the net change in fair value of biological assets.



## **Revenue**

In the first nine months of 2019, revenue increased by 23.8% y-o-y to RUB 85.6 billion (9M18: RUB 69.2 billion). Revenue growth is attributed to higher volumes across business lines, primarily in the chicken segment, with volumes added in the late 2018 following a string of M&A, and better pricing environment for poultry products.

## **Gross profit**

Gross profit declined by 5.9% y-o-y to RUB 21.0 billion, (9M18: RUB 22.3 billion). Revenue growth was offset by the negative net change in fair value of biological assets, lower effect from net revaluation of harvested crops in stock, and cost pressure from higher grains price. Gross profit margin declined to 24.5% (9M18: 32.3%).

## **Operating expenses**

Operating expenses increased by 33.7% y-o-y to RUB 11.9 billion, from RUB 8.9 billion a year ago. Operating expenses as a percentage of sales increased to 13.9% (9M18: 12.8%). Selling, general, and administrative expenses of RUB 11.9 billion increased by 27.0%, and as a percentage of sales amounted to 13.9% compared to 13.5% a year ago.

## **Adjusted EBITDA**

Adjusted EBITDA of RUB 15.7 billion, increased by 14.8% y-o-y. Adjusted EBITDA margin declined to 18.3% (9M18: 19.7%) driven by softer pricing in the pork segment, marginal decline in profitability in meat processing, and offset by better results in the chicken business.

## **Interest expense**

Net interest expense in 9M19 increased by 24.2% y-o-y to RUB 3.1 billion.

## **Net profit**

Net profit for the Group totaled RUB 6.6 billion in 9M19, down 36.0% compared to RUB 10.4 billion in 9M18. Net profit margin declined to 7.7% from 15.0% a year ago.

Adjusted net profit increased by 13.0% y-o-y to RUB 7.2 billion, from RUB 6.4 billion a year ago. Adjusted net profit margin amounted to 8.4%, compared to 9.2% a year ago.

## **Cash flow**

Operating cash flow expanded by 21.4% to RUB 8.9 billion (9M18: RUB 7.4 billion), driven by working capital outflow.

## **Capital expenditure and debt**

The Group's capital expenditure on property, plant, equipment and maintenance amounted to RUB 6.2 billion during 9M19, a decline of 17.3% y-o-y as we curtail our major capital-intensive projects.

As of September 30, 2019, net debt\*\*\* was RUB 62.4 billion, compared to RUB 51.1 billion at the end of 9M18. Gross debt increased to RUB 65.5 billion as of September 30, 2019, compared to RUB 53.8 billion a year ago. At the end of 9M19 long-term debt accounted for 51% of the debt portfolio and amounted to RUB 33.4 billion. The effective cost of debt\*\*\*\* was 5.9% as of September 30, 2019. Subsidized loans and credit facilities made up 40% of the debt portfolio in 9M19 (9M18: 33%).



## Subsidies

Total government grants for compensation of interest expense recognized in profit and loss amounted to RUB 1.3 billion RUB.

## Net change in fair value of biological assets

Net change in fair value of biological assets is explained by a lower valuation of chicken and market hogs, and higher valuation for the upcoming harvest.

## Business segments

Divisions	Sales volume		Change y-o-y, %	Revenue <sup>2</sup>		Change y-o-y, %
	9m19, k ton	9m18, k ton		9m19, RUB mln	9m18, RUB mln	
Chicken	487.6	399.8	22.0%	51 192	36 500	40.3%
Turkey <sup>3</sup>	28.2	29.6	-4.7%	4 722	4 002	18.0%
Pork	195.2	166.7	17.1%	18 118	16 198	11.9%
Meat processing	178.7	169.9	5.2%	29 315	28 058	4.5%
Samson <sup>4</sup>	15.6	-	N/A	-	-	-

<sup>2</sup> Revenue includes inter-segment sales

<sup>3</sup> Volume and revenue reported in turkey section represent turkey sales by Trading Company "Cherkizovo"

<sup>4</sup> Volumes denote to sales volumes of associate company Samson – Food Products.

## Poultry Division

Sales volumes in 9M19 increased by 22.0% to 487.6 thousand tonnes (9M18:399.8 thousand tonnes). The average selling price increased by 14.9% y-o-y to 104.9 RUB/kg. Sales of our key brand in the retail channel, Petelinka, expanded by 20.3% compared to 9M18, while sales in the foodservice channel more than doubled, and exports volumes picked up following removal of China exports restrictions for chicken products. As a result, the segment's revenue increased by 40.3% and amounted to RUB 51.2 billion (9M18: RUB 36.5 billion).

Gross profit was up by 41.1% y-o-y and totaled RUB 11.7 billion, (9M18: RUB 8.3 billion) as sales mix improved, and we kept major cost items under control. Gross margin increased to 22.8%, from 22.6% in 9M18.

Operating expenses as a percentage of sales remained unchanged at 10.3% compared to 10.2% a year ago. Operating income increased by 40.8% y-o-y to RUB 6.4 billion (9M18: RUB 4.5 billion). Operating margin stepped up to 12.5% from 12.4% in 9M18.

The segment's profit before income tax amounted to RUB 5.6 billion (9M18: RUB 4.1 billion).

Adjusted EBITDA of RUB 8.8 billion, increased by 72.4% y-o-y, while Adjusted EBITDA margin increased to 17.3% from 14.1% a year ago.

## Pork Division

Sales volumes in 9M19 increased by 17.1% y-o-y, to 195.2 thousand tonnes (9M18: 166.7 thousand tonnes). The average selling price of 92.8 RUB/kg, declined by 4.4% y-o-y compared to 97.2 RUB/kg a year ago, as acceleration of domestic pork supply weighed on prices. The segment's revenue increased by 11.9% y-o-y to RUB 18.1 billion (9M18: RUB 16.2 billion) with our recently build production facilities ramping up production.



Gross profit of RUB 5.2 billion declined by 45.7% compared to 9M18, on softer price environment and 12.0% cost inflation in per kg pork production. The segment's gross margin declined to 28.9%, from 59.6% a year ago.

Operating income amounted to RUB 4.9 billion (9M18: RUB 9.6 billion). The segment's operating margin declined to 26.9% from 59.0% a year ago.

The segment's profit before income tax declined by 54.4% y-o-y to RUB 4.2 billion (9M18: RUB 9.2 billion).

Adjusted EBITDA compressed by 13.4% y-o-y to RUB 6.6 billion (9M18: RUB 7.6 billion). Adjusted EBITDA margin declined to 36.3% from 46.9% in 9M18.

### **Meat Processing Division**

Sales volumes in 9M19 increased by 5.2% y-o-y to 178.7 thousand tonnes (9M18: 169.9 thousand tonnes). The average selling price declined by 1.0% y-o-y to 163.8 RUB/kg (9M18: 165.5 RUB/kg). The segment's revenue increased by 4.5% and reached RUB 29.3 billion (9M18: RUB 28.1 billion). Revenue growth is attributed to higher volumes of the pork carcass in the sales mix, on the back of expanded live pork operations, coupled with better pricing for sausages and cuts.

Gross profit declined by 27.6% y-o-y to RUB 1.8 billion, (9M18: RUB 2.5 billion). The gross margin fell to 6.2% from 9.0% a year ago.

Operating expenses as a percentage of sales amounted to 10.7%, vs. 9.5% in 9M18.

Operating loss amounted to RUB 1.4 billion compared to RUB 0.1 billion in 9M18.

The segment's loss before income tax was RUB 1.1 billion, compared to a loss of RUB 0.5 billion a year ago.

Adjusted EBITDA turned to negative RUB 0.3 billion from RUB 0.5 billion in 9M18 as we intensified marketing activities to support sales of the value-added products.

### **Outlook**

Consumer confidence in the third quarter improved from low levels observed earlier this year on the back of declining inflation and absence of bad news, but is yet to return to the sustainable growth trajectory. Nevertheless, we remain optimistic with regards to the economic conditions as we enter final months of the year, seasonally strong festive season and into 2020.

We stay committed to the domestic market where we retain leadership positions and keep pushing our flagship brands in poultry and pork categories to grow further, simultaneously re-focusing to the fast growing new channels – foodservice and exports, the latter set to expand significantly in upcoming quarters.

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

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## About Cherkizovo Group

Cherkizovo is the largest diversified meat producer in Russia. The Group is a top-3 producer in each of the Russian poultry, pork and processed meat markets.

The Group's operations are spread over the full production cycle from grain and feed production to animal breeding, meat processing and distribution. The operational facilities of the Group include eight meat processing plants (including meat processing plant operated by an equity associate Samson – Food Products), nineteen pork farms, nine poultry production complexes (including the Belaya Ptitsa production complex which is currently operate pursuant to a lease agreement), nine animal feed plants, twelve grain elevators and circa 300 thousand hectares of agricultural land, and a full-cycle turkey production plant in Tambov, owned and operated as a joint venture with Grupo Fuertes, a leading Spanish agriculture and food company.

Due to its vertically-integrated structure, which includes grain growing and storage, feed production, livestock breeding, fattening and slaughtering, and meat processing, alongside a distribution network across Russia, the Group has delivered long-term sales growth and profitability.

Cherkizovo Group shares are traded 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.*



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**\* 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, bonuses to employees under long-term incentive program and share of loss of joint ventures and associates plus share of adjusted EBITDA of joint ventures and associates and depreciation and amortisation accumulated in harvested crops in stock 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.

**\*\* Adjusted Net profit** Adjusted Net profit is defined as profit for the period before net change in fair value of biological assets. Adjusted Net profit margin is defined as Adjusted Net profit as a percentage of our net revenues. Our Adjusted Net profit may not be similar to Adjusted Net profit 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 Net profit provides useful information to investors in order to estimate dividend payout.

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

**\*\*\*\* Effective cost of debt** is calculated as LTM interest expense divided over the end of the period gross debt.

**APPENDIX I: KEY DATA AND FIGURES,  
Unaudited 9 months 2019 Consolidated Selected Financial Data**

RUB mln	Meat-Processing	Poultry	Pork	Grain	Feed	Total reportable segments	Corporate	Intersegment and other adjustments	Total without Turkey	Turkey	Combined
<b>Total Sales</b>	<b>29 315</b>	<b>51 192</b>	<b>18 118</b>	<b>2 554</b>	<b>30 324</b>	<b>131 503</b>	-	<b>(50 606)</b>	<b>80 897</b>	<b>4 722</b>	<b>85 619</b>
including sales volume discount	(650)	(554)	-	-	-	(1 204)	-	-	(1 204)	(95)	(1 299)
Interdivision Sales	(4)	(1 417)	(16 035)	(2 170)	(30 316)	(49 942)	-	50 040	98	(98)	-
Sales to external customers (Sales)	29 311	49 775	2 083	384	8	81 561	-	(566)	80 995	4 624	85 619
% of Total sales	34.2%	58.1%	2.4%	0.4%	0.0%	95.3%	0.0%	-0.7%	94.6%	5.4%	100.0%
Net change in fair value of biological assets	-	(464)	(482)	381	-	(565)	-	-	(565)	-	(565)
Net revaluation of harvested crops in stock	-	-	-	958	-	958	-	(294)	664	-	664
Cost of Sales	(27 497)	(39 065)	(12 398)	(1 940)	(30 000)	(110 900)	-	50 387	(60 513)	(4 214)	(64 727)
<b>Gross profit/(loss)</b>	<b>1 818</b>	<b>11 663</b>	<b>5 238</b>	<b>1 953</b>	<b>324</b>	<b>20 996</b>	-	<b>(513)</b>	<b>20 483</b>	<b>508</b>	<b>20 991</b>
Gross margin	6.2%	22.8%	28.9%	76.5%	1.1%	16.0%	0.0%	1.0%	25.3%	10.8%	24.5%
Operating expenses	(3 124)	(5 277)	(365)	(136)	(133)	(9 035)	(2 956)	548	(11 443)	(437)	(11 880)
Share of gain/(loss) of joint ventures and associates	(68)	7	-	-	-	(61)	-	-	(61)	(159)	(220)
<b>Operating income/(loss)</b>	<b>(1 374)</b>	<b>6 393</b>	<b>4 873</b>	<b>1 817</b>	<b>191</b>	<b>11 900</b>	<b>(2 956)</b>	<b>35</b>	<b>8 979</b>	<b>(88)</b>	<b>8 891</b>
Operating margin	-4.7%	12.5%	26.9%	71.1%	0.6%	9.0%	-	-0.1%	11.1%	-1.9%	10.4%
Interest income	14	196	3	1	30	244	118	(169)	193	-	193
Interest expense, net	(119)	(971)	(714)	(93)	(481)	(2 378)	(880)	169	(3 089)	-	(3 089)
Other income/ (expenses), net	389	20	15	9	270	703	(59)	-	644	-	644
<b>Division profit / (loss) before income tax</b>	<b>(1 090)</b>	<b>5 638</b>	<b>4 177</b>	<b>1 734</b>	<b>10</b>	<b>10 469</b>	<b>(3 777)</b>	<b>35</b>	<b>6 727</b>	<b>(88)</b>	<b>6 639</b>
Division profit margin	-3.7%	11.0%	23.1%	67.9%	0.0%	8.0%	-	-0.1%	8.3%	-1.9%	7.8%
Supplemental information:											
Income tax expense (benefit)	1	30	(7)	10	1	35	116	-	151	-	151
Segment's capital expenditure	464	1 303	2 306	989	593	5 655	495	-	6 150	-	6 150



**Unaudited 9 months 2019 Consolidated Selected Financial Data**

RUB mln	Meat Processing	Poultry	Pork	Grain	Feed	Total reportable segments	Corporate	Intersegment and other adjustments	Total without Turkey	Turkey	Combined
<b>Division profit / (loss) before income tax</b>	<b>(1 090)</b>	<b>5 638</b>	<b>4 177</b>	<b>1 734</b>	<b>10</b>	<b>10 469</b>	<b>(3 777)</b>	<b>35</b>	<b>6 727</b>	<b>(88)</b>	<b>6 639</b>
Add:											
Interest expense, net	119	971	714	93	481	2 378	880	(169)	3 089	-	3 089
Interest income	(14)	(196)	(3)	(1)	(30)	(244)	(118)	169	(193)	-	(193)
Foreign exchange loss/(gain)	(389)	(18)	(13)	(8)	(269)	(697)	59	-	(638)	-	(638)
Depreciation and amortisation expense	920	1 787	1 209	262	502	4 680	453	-	5 133	2	5 135
Net change in fair value of biological assets	-	464	482	(381)	-	565	-	-	565	-	565
Share of gain/(loss) of joint ventures and associates	68	(7)	-	-	-	61	-	-	61	159	220
Share of adjusted EBITDA of joint ventures and associates	37	156	-	-	-	193	-	-	193	278	471
Bonuses to employees under long-term incentive program	6	52	11	2	5	76	99	-	175	-	175
Change in unrealized depreciation and amortisation expense accumulated within the cost of the unsold harvest	-	-	-	199	-	199	-	-	199	-	199
<b>Adjusted EBITDA</b>	<b>(343)</b>	<b>8 847</b>	<b>6 577</b>	<b>1 900</b>	<b>699</b>	<b>17 680</b>	<b>(2 404)</b>	<b>35</b>	<b>15 311</b>	<b>351</b>	<b>15 662</b>
<i>Adjusted EBITDA Margin</i>	<i>-1.2%</i>	<i>17.3%</i>	<i>36.3%</i>	<i>74.4%</i>	<i>2.3%</i>	<i>13.4%</i>	<i>-</i>	<i>-0.1%</i>	<i>18.9%</i>	<i>7.4%</i>	<i>18.3%</i>

<b>Reconciliation between division profit and profit attributable to Cherkizovo Group</b>	<b>9m19</b>
Total division profit before income tax	6 639
(Profit)/loss attributable to non-controlling interests	140
Income taxes	(151)
<b>Profit attributable to Cherkizovo Group</b>	<b>6 628</b>



## UNAUDITED CONSOLIDATED INCOME STATEMENT DATA

RUB mln	9 months ended September 30, 2019	9 months ended September 30, 2018
Sales	85 619	69 187
incl. Sales volume discounts	(1 299)	(1 163)
incl. Sales returns	(761)	(736)
Net change in fair value of biological assets	(565)	3 989
Net revaluation of harvested crops in stock	664	2 408
Cost of sales	(64 727)	(53 267)
<b>Gross profit</b>	<b>20 991</b>	<b>22 317</b>
<i>Gross margin</i>	24.5%	32.3%
Operating expenses	(11 880)	(8 887)
Share of (loss) of joint ventures and associates	(220)	(128)
<b>Operating profit</b>	<b>8 891</b>	<b>13 302</b>
<i>Operating margin</i>	10.4%	19.2%
<b>Profit before income tax</b>	<b>6 639</b>	<b>10 490</b>
<b>Profit attributable to Cherkizovo Group</b>	<b>6 628</b>	<b>10 354</b>
<i>Net profit margin</i>	7.7%	15.0%
Weighted average number of shares outstanding	41 047 014	41 047 014
<b>Earnings per share</b>		
<b>Profit attributable to Cherkizovo Group per share – basic and diluted (RUB)</b>	<b>161.48</b>	<b>252.26</b>
<b>Consolidated Adjusted EBITDA reconciliation</b>		
<b>Profit before income tax</b>	<b>6 639</b>	<b>10 490</b>
Add:		
Interest expense, net of subsidies	3 089	2 487
Interest income	(193)	(195)
Foreign exchange (gain)/loss, net	(638)	530
Depreciation and amortisation	5 135	4 314
Net change in fair value of biological assets	565	(3 989)
Share of loss of joint ventures and associates	220	128
Share of adjusted EBITDA of joint ventures and associates	471	32
Bonuses to employees under long-term incentive program	175	-
Change in unrealized depreciation and amortisation expense accumulated within the cost of the unsold harvest	199	(150)
<b>Consolidated Adjusted EBITDA</b>	<b>15 662</b>	<b>13 647</b>
<i>Adjusted EBITDA Margin</i>	18.3%	19.7%
<b>Consolidated Adjusted net profit</b>		
<b>Profit attributable to Cherkizovo Group</b>	<b>6 628</b>	<b>10 354</b>
Add:		
Net change in fair value of biological assets	565	(3 989)
<b>Adjusted net profit attributable to Cherkizovo Group</b>	<b>7 193</b>	<b>6 365</b>



## POULTRY DIVISION UNAUDITED INCOME STATEMENT DATA

RUB mln	9 months ended September 30, 2019	9 months ended September 30, 2018
Total Sales	51 192	36 500
Interdivision sales	(1 417)	(1 107)
<b>Sales to external customers</b>	<b>49 775</b>	<b>35 393</b>
Net change in fair value of biological assets	(464)	921
Cost of sales	(39 065)	(29 158)
<b>Gross profit/(loss)</b>	<b>11 663</b>	<b>8 263</b>
<i>Gross margin</i>	22.8%	22.6%
Operating expenses	(5 277)	(3 724)
Share of gain/(loss) of joint ventures	7	-
<b>Operating profit/(loss)</b>	<b>6 393</b>	<b>4 539</b>
<i>Operating margin</i>	12.5%	12.4%
Interest income	196	93
Interest expense, net	(971)	(464)
Other income/(expenses), net	20	(53)
<b>Division profit/(loss) before income tax</b>	<b>5 638</b>	<b>4 115</b>
<i>Division profit margin</i>	11.0%	11.3%
Poultry division Adjusted EBITDA reconciliation		
<b>Division profit/(loss) before income tax</b>	<b>5 638</b>	<b>4 115</b>
Add:		
Interest expense, net of subsidies	971	464
Interest income	(196)	(93)
Foreign exchange (gain)/loss, net	(18)	53
Depreciation and amortisation	1 787	1 514
Net change in fair value of biological assets	464	(921)
Share of (gain)/loss of joint ventures	(7)	-
Share of adjusted EBITDA of joint ventures	156	-
Bonuses to employees under long-term incentive program	52	-
<b>Poultry division Adjusted EBITDA</b>	<b>8 847</b>	<b>5 132</b>
<i>Adjusted EBITDA Margin</i>	17.3%	14.1%



## PORK DIVISION UNAUDITED INCOME STATEMENT DATA

RUB mln	9 months ended September 30, 2019	9 months ended September 30, 2018
Total Sales	18 118	16 198
Interdivision sales	(16 035)	(14 615)
<b>Sales to external customers</b>	<b>2 083</b>	<b>1 583</b>
Net change in fair value of biological assets	(482)	2 903
Cost of sales	(12 398)	(9 455)
<b>Gross profit/(loss)</b>	<b>5 238</b>	<b>9 646</b>
<i>Gross margin</i>	28.9%	59.6%
Operating expenses	(365)	(90)
<b>Operating profit/(loss)</b>	<b>4 873</b>	<b>9 556</b>
<i>Operating margin</i>	26.9%	59.0%
Interest income	3	52
Interest expense, net	(714)	(442)
Other income/(expenses), net	15	(2)
<b>Division profit/(loss) before income tax</b>	<b>4 177</b>	<b>9 164</b>
<i>Division profit margin</i>	23.1%	56.6%
Pork division Adjusted EBITDA reconciliation		
<b>Division profit/(loss) before income tax</b>	<b>4 177</b>	<b>9 164</b>
Add:		
Interest expense, net of subsidies	714	442
Interest income	(3)	(52)
Foreign exchange (gain)/loss, net	(13)	2
Depreciation and amortisation	1 209	939
Net change in fair value of biological assets	482	(2 903)
Bonuses to employees under long-term incentive program	11	-
<b>Pork division Adjusted EBITDA</b>	<b>6 577</b>	<b>7 592</b>
<i>Adjusted EBITDA Margin</i>	36.3%	46.9%



## MEAT PROCESSING DIVISION UNAUDITED INCOME STATEMENT DATA

RUB mln	9 months ended September 30, 2019	9 months ended September 30, 2018
Total Sales	29 315	28 058
Interdivision sales	(4)	(33)
<b>Sales to external customers</b>	<b>29 311</b>	<b>28 025</b>
Cost of sales	(27 497)	(25 546)
<b>Gross profit/(loss)</b>	<b>1 818</b>	<b>2 512</b>
<i>Gross margin</i>	6.2%	9.0%
Operating expenses	(3 124)	(2 659)
Share of gain/(loss) of associates	(68)	0
<b>Operating profit/(loss)</b>	<b>(1 374)</b>	<b>(147)</b>
<i>Operating margin</i>	-4.7%	-0.5%
Interest income	14	14
Interest expense, net	(119)	(51)
Other income/(expenses), net	389	(332)
<b>Division profit/(loss) before income tax</b>	<b>(1 090)</b>	<b>(516)</b>
<i>Division profit margin</i>	-3.7%	-1.8%
Meat processing division Adjusted EBITDA reconciliation		
<b>Division profit/(loss) before income tax</b>	<b>(1 090)</b>	<b>(516)</b>
Add:		
Interest expense, net of subsidies	119	51
Interest income	(14)	(14)
Foreign exchange (gain)/loss, net	(389)	341
Depreciation and amortisation	920	593
Share of (gain)/loss of associates	68	-
Share of adjusted EBITDA of associates	37	-
Bonuses to employees under long-term incentive program	6	-
<b>Meat processing division Adjusted EBITDA*</b>	<b>(343)</b>	<b>455</b>
<i>Adjusted EBITDA Margin</i>	-1.2%	1.6%



## FEED DIVISION UNAUDITED INCOME STATEMENT DATA

RUB mln	9 months ended September 30, 2019	9 months ended September 30, 2018
Total Sales	30 324	21 809
Interdivision sales	(30 316)	(21 809)
<b>Sales to external customers</b>	<b>8</b>	<b>-</b>
Cost of sales	(30 000)	(21 526)
<b>Gross profit/(loss)</b>	<b>324</b>	<b>283</b>
<i>Gross margin</i>	<i>1.1%</i>	<i>1.3%</i>
Operating expenses	(133)	(28)
<b>Operating profit/(loss)</b>	<b>191</b>	<b>255</b>
<i>Operating margin</i>	<i>0.6%</i>	<i>1.2%</i>
Interest income	30	45
Interest expense, net	(481)	(674)
Other income/(expenses), net	270	(144)
<b>Division profit/(loss) before income tax</b>	<b>10</b>	<b>(518)</b>
<i>Division profit margin</i>	<i>0.0%</i>	<i>-2.4%</i>
Feed division Adjusted EBITDA reconciliation		
<b>Division profit/(loss) before income tax</b>	<b>10</b>	<b>(518)</b>
Add:		
Interest expense, net of subsidies	481	674
Interest income	(30)	(45)
Foreign exchange (gain)/loss, net	(269)	144
Depreciation and amortisation	502	451
Bonuses to employees under long-term incentive program	5	-
<b>Feed division Adjusted EBITDA</b>	<b>699</b>	<b>706</b>
<i>Adjusted EBITDA Margin</i>	<i>2.3%</i>	<i>3.2%</i>



## GRAIN DIVISION UNAUDITED INCOME STATEMENT DATA

RUB mln	9 months ended September 30, 2019	9 months ended September 30, 2018
Total Sales	2 554	4 132
Interdivision sales	(2 170)	(3 001)
<b>Sales to external customers</b>	<b>384</b>	<b>1 131</b>
Net change in fair value of biological assets	381	165
Net revaluation of harvested crops in stock	958	1 651
Cost of sales	(1 940)	(4 351)
<b>Gross profit/(loss)</b>	<b>1 953</b>	<b>1 597</b>
<i>Gross margin</i>	76.5%	38.6%
Operating expenses	(136)	(125)
<b>Operating profit/(loss)</b>	<b>1 817</b>	<b>1 472</b>
<i>Operating margin</i>	71.1%	35.6%
Interest income	1	1
Interest expense, net	(93)	(131)
Other income/(expenses), net	9	1
<b>Division profit/(loss) before income tax</b>	<b>1 734</b>	<b>1 343</b>
<i>Division profit margin</i>	67.9%	32.5%
Grain division Adjusted EBITDA reconciliation		
<b>Division profit/(loss) before income tax</b>	<b>1 734</b>	<b>1 343</b>
Add:		
Interest expense, net of subsidies	93	131
Interest income	(1)	(1)
Foreign exchange (gain)/loss, net	(8)	(1)
Depreciation and amortisation	262	553
Net change in fair value of biological assets	(381)	(165)
Change in unrealized depreciation and amortisation expense accumulated within the cost of the unsold harvest	199	(150)
Bonuses to employees under long-term incentive program	2	-
<b>Grain division Adjusted EBITDA</b>	<b>1 900</b>	<b>1 710</b>
<i>Adjusted EBITDA Margin</i>	74.4%	41.4%



**APPENDIX II:**

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME FOR 9 MONTHS ENDED SEPTEMBER, 30 2019**

<b>RUB mln</b>	<b>9 months ended September 30, 2019</b>	<b>9 months ended September 30, 2018</b>
Revenue	85 619	69 187
Net change in fair value of biological assets	(565)	3 989
Net revaluation of harvested crops in stock	664	2 408
Cost of sales	(64 727)	(53 267)
<b>Gross profit</b>	<b>20 991</b>	<b>22 317</b>
Selling, general and administrative expense	(11 898)	(9 369)
Other operating income, net	18	482
Share of loss of joint ventures and associates	(220)	(128)
<b>Operating profit</b>	<b>8 891</b>	<b>13 302</b>
Interest income	193	195
Interest expense, net	(3 089)	(2 487)
Other income/(expenses), net	644	(520)
<b>Profit before income tax</b>	<b>6 639</b>	<b>10 490</b>
Income tax expense	(151)	(129)
<b>Profit for the period and total comprehensive income</b>	<b>6 488</b>	<b>10 361</b>
<b>Profit and total comprehensive income, attributable to Cherkizovo Group</b>	<b>6 628</b>	<b>10 354</b>
<b>Non-controlling interests</b>	<b>(140)</b>	<b>7</b>



**APPENDIX III:**
**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2019**

RUB mln	30 September, 2019	31 December, 2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	82 607	82 766
Investment property	585	595
Right-of-use assets	1 643	-
Goodwill	1 255	1 255
Intangible assets	2 215	2 144
Non-current biological assets	2 620	2 673
Investments in joint ventures and associates	3 713	3 518
Long-term deposits in banks	641	641
Restricted cash	-	109
Deferred tax assets	1 204	1 073
Rights to claim debt	4 685	4 685
Other non-current assets	1 259	678
<b>Total non-current assets</b>	<b>102 427</b>	<b>100 137</b>
<b>Current assets</b>		
Biological assets	16 829	15 395
Inventories	14 296	12 429
Taxes recoverable and prepaid	2 831	1 909
Trade receivables, net	5 438	5 733
Advances paid, net	848	875
Other receivables, net	692	1 523
Cash and cash equivalents	2 436	9 613
Other current assets	573	563
<b>Total current assets</b>	<b>43 943</b>	<b>48 040</b>
<b>TOTAL ASSETS</b>	<b>146 370</b>	<b>148 177</b>



**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2019**

Continued

<b>RUB mln</b>	<b>30 September, 2019</b>	<b>31 December, 2018</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	-	-
Treasury shares	(3 724)	(3 724)
Additional paid-in capital	5 622	5 611
Retained earnings	58 385	57 932
<b>Total shareholder's equity</b>	<b>60 283</b>	<b>59 819</b>
Non-controlling interest	840	990
<b>Total equity</b>	<b>61 123</b>	<b>60 809</b>
<b>Non-current liabilities</b>		
Long-term borrowings	32 565	44 643
Long-term lease liabilities	836	-
Provisions	-	-
Deferred tax liability	1 048	996
Other liabilities	-	-
<b>Total non-current liabilities</b>	<b>34 449</b>	<b>45 639</b>
<b>Current liabilities</b>		
Short-term borrowings	31 679	24 170
Short-term lease liabilities	388	-
Trade payables	11 442	10 830
Advances received	371	576
Payables for non-current assets	763	1 216
Tax related liabilities	1 206	1 325
Payroll related liabilities	2	2 707
Other payables and accruals	448	905
	2	
	501	
<b>Total current liabilities</b>	<b>50 798</b>	<b>41 729</b>
<b>Total liabilities</b>	<b>85 247</b>	<b>87 368</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>146 370</b>	<b>148 177</b>



**APPENDIX IV:**

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR 9 MONTHS ENDED SEPTEMBER 30, 2019**

	9 months ended September 30, 2019	9 months ended September 30, 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before income tax</b>	<b>6 639</b>	<b>10 490</b>
Adjustments for:		
Depreciation and amortization	5 135	4 314
Change in allowance for expected credit losses	(4)	65
Foreign exchange (loss)/gain, net	(638)	530
Interest income	(193)	(195)
Interest expense, net	3 089	2 487
Net change in fair value of biological assets	565	(3 989)
Revaluation of harvested crops in stock	(664)	(2 408)
Loss on disposal of property, plant and equipment, net	(33)	(51)
Gain on disposal of non-current biological assets, net	29	(160)
Share of loss of a joint ventures and associates	220	128
Other adjustments, net	(15)	(10)
<b>Operating cash flows before working capital and other changes</b>	<b>14 130</b>	<b>11 201</b>
(Increase)/decrease in inventories	(1 174)	246
Increase in biological assets	(1 913)	(880)
Decrease/(increase) in trade receivables	297	(722)
Decrease in advances paid	40	331
(Increase)/decrease in other receivables and other current assets	(488)	395
Increase in other non-current assets	(12)	(45)
Increase in trade payables	981	142
(Decrease)/increase in tax related liabilities (other than income tax)	(129)	208
Decrease in other current payables	(260)	(364)
<b>Operating cash flows before interest and income tax</b>	<b>11 472</b>	<b>10 512</b>
Interest received	177	194
Interest paid	(2 999)	(2 953)
Government grants for compensation of interest expense received	1 061	70
Income tax paid	(762)	(449)
<b>Net cash from operating activities</b>	<b>8 949</b>	<b>7 374</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(5 722)	(6 946)
Purchases of non-current biological assets	(1 013)	(659)
Purchases of intangible assets	(322)	(269)
Proceeds from sale of property, plant and equipment	256	122
Proceeds from disposal of non-current biological assets	611	828
Acquisitions of subsidiaries, net of cash acquired	(190)	-
Investments in joint ventures and associates	(780)	(202)
Placing of deposits and issuance of loans	(146)	(70)
Proceeds from repayment of loans issued and redemption of deposits	150	388
<b>Net cash used in investing activities</b>	<b>(7 156)</b>	<b>(6 808)</b>



**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR  
9 MONTHS ENDED SEPTEMBER 30, 2019**  
Continued

	<b>9 months ended September 30, 2019</b>	<b>9 months ended September 30, 2018</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term loans	4 025	23 471
Repayment of long-term loans	(7 350)	(15 965)
Proceeds from short-term loans	9 057	11 989
Repayment of short-term loans	(10 103)	(15 571)
Lease payments	(428)	-
Dividends paid	(4 171)	(3 081)
(Purchase) disposal of non-controlling interests	-	(40)
<b>Net cash from financing activities</b>	<b>(8 970)</b>	<b>803</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(7 177)</b>	<b>1 369</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>9 613</b>	<b>705</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>2 436</b>	<b>2 074</b>