

# **PJSC Cherkizovo Group**

Unaudited Condensed Consolidated Interim  
Financial Statements  
for the Six Months ended 30 June 2017

# Contents

	<b>Page</b>
<b>STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS</b>	<b>1</b>
<b>REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS</b>	<b>2</b>
<b>UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017:</b>	
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	3
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION	4
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY	6
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS	7
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS:	
1. Nature of the business	8
2. Basis of preparation	8
3. Significant accounting policies	9
4. Operating segments	9
5. Cost of sales	13
6. Selling, general and administrative expenses	13
7. Interest expense, net	13
8. Other (expenses) income, net	14
9. Property, plant and equipment, net	14
10. Biological assets	14
11. Inventories	15
12. Other receivables, net	15
13. Cash and cash equivalents	16
14. Shareholder's equity	16
15. Borrowings	16
16. Financial instruments	17
17. Related parties	18
18. Acquisition of NAPKO	19
19. Contingencies	20
20. Subsequent events	20

# PJSC CHERKIZOVO GROUP

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

---

Management is responsible for the preparation of the condensed consolidated interim financial statements that present fairly the financial position of PJSC Cherkizovo Group (the "Company") and its subsidiaries (collectively – the "Group") as at 30 June 2017, and the consolidated results of its operations, cash flows and changes in equity for the six months then ended, in compliance with International Accounting Standard ("IAS") 34, Interim Financial Reporting.

In preparing the condensed consolidated interim financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the condensed consolidated interim financial statements of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2017 were approved by Management on 23 August 2017.

On behalf of the Management:



---

**Ludmila Mikhailova**  
Chief Financial Officer

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Board of Directors and Shareholders of PJSC Cherkizovo Group

### Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of PJSC Cherkizovo Group and subsidiaries (collectively – the “Group”) as at 30 June 2017 and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

  
Rinat Khasanov, director

  
23 August 2017



The Entity: PJSC Cherkizovo Group

Primary State Registration Number: 1057748318473

Certificate of registration in the Unified State Register № 1057748318473 of 22.09.2005, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 46.

Address: 5B Lesnaya street, Moscow, Russian Federation, 125047

Audit Firm: ZAO “Deloitte & Touche CIS”

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Primary State Registration Number: 1027700425444

Certificate of registration in the Unified State Register № 77 004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Member of Self-regulated organization of auditors “Russian Union of auditors” (Association), ORNZ 11603080484.

## For the six months ended 30 June 2017

(in thousands of Russian roubles, unless otherwise indicated)

	Notes	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Revenue		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	5	(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 expenses	6	(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	7	(1 538 547)	(1 349 349)	(3 738 315)
Other (expenses) income, net	8	(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 and total comprehensive income</b>		<b>4 979 781</b>	<b>814 630</b>	<b>1 887 518</b>
<b>Profit (loss) and total comprehensive income (loss) attributable to:</b>				
Cherkizovo Group		5 106 255	948 816	1 919 227
Non-controlling interests		(126 474)	(134 186)	(31 709)
<b>Earnings per share</b>				
Weighted average number of shares outstanding – basic and diluted:		43 855 590	43 855 590	43 855 590
Profit attributable to Cherkizovo Group per share – basic and diluted (in Russian roubles):		116.43	21.64	43.76

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

# Unaudited condensed consolidated interim statement of financial position

As at 30 June 2017

(in thousands of Russian roubles, unless otherwise indicated)

	Notes	30 June 2017	31 December 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net	9	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	10	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	9	1 854 945	-
Deferred tax assets		479 624	479 624
Other non-current assets		531 181	508 140
<b>Total non-current assets</b>		<b>82 780 480</b>	<b>73 523 101</b>
<b>Current assets</b>			
Biological assets	10	14 316 842	10 712 481
Inventories	11	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	12	1 642 411	1 393 473
Cash and cash equivalents	13	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>
<b>TOTAL ASSETS</b>		<b>116 382 192</b>	<b>106 337 575</b>

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

# Unaudited condensed consolidated interim statement of financial position (continued)

As at 30 June 2017

(in thousands of Russian roubles, unless otherwise indicated)

	Notes	30 June 2017	31 December 2016
<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	14	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	15	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	15	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>

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

# Unaudited condensed consolidated interim statement of changes in equity

For the six months ended 30 June 2017

(in thousands of Russian roubles, unless otherwise indicated)

	Share capital		Treasury shares		Additional paid-in capital	Retained earnings	Total shareholder's equity	Non-controlling interests	Total equity
	Amount	Number of shares	Amount	Number of shares					
<b>Balances at 1 January 2016</b>	<b>440</b>	<b>43 963 773</b>	<b>(78 033)</b>	<b>(108 183)</b>	<b>5 588 320</b>	<b>46 582 955</b>	<b>52 093 682</b>	<b>1 055 392</b>	<b>53 149 074</b>
Profit for the period and total comprehensive income	-	-	-	-	-	948 816	<b>948 816</b>	(134 186)	<b>814 630</b>
Dividends	-	-	-	-	-	(998 771)	<b>(998 771)</b>	-	<b>(998 771)</b>
<b>Balances at 30 June 2016</b>	<b>440</b>	<b>43 963 773</b>	<b>(78 033)</b>	<b>(108 183)</b>	<b>5 588 320</b>	<b>46 533 000</b>	<b>52 043 727</b>	<b>921 206</b>	<b>52 964 933</b>
<b>Balances at 1 January 2017</b>	<b>440</b>	<b>43 963 773</b>	<b>(78 033)</b>	<b>(108 183)</b>	<b>5 588 320</b>	<b>47 503 411</b>	<b>53 014 138</b>	<b>1 026 280</b>	<b>54 040 418</b>
Profit for the period and total comprehensive income	-	-	-	-	-	5 106 255	<b>5 106 255</b>	(126 474)	<b>4 979 781</b>
Additional non-controlling interests recognized on acquisition of subsidiaries (Note 18)	-	-	-	-	-	-	-	196 000	<b>196 000</b>
Dividends (Note 14)	-	-	-	-	-	(598 580)	<b>(598 580)</b>	-	<b>(598 580)</b>
<b>Balances at 30 June 2017</b>	<b>440</b>	<b>43 963 773</b>	<b>(78 033)</b>	<b>(108 183)</b>	<b>5 588 320</b>	<b>52 011 086</b>	<b>57 521 813</b>	<b>1 095 806</b>	<b>58 617 619</b>

The accompanying notes form an integral part of these condensed consolidated interim financial statements.



# Unaudited condensed consolidated interim statement of cash flows

For the six months ended 30 June 2017

(in thousands of Russian roubles, unless otherwise indicated)

	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before income tax	5 020 221	946 455	1 960 379
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 (Note 18)	(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>
<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>

**Non-cash transactions:** the Group obtained various letters of credit in a well-known Russian bank with respect to the Group's commitments to certain suppliers of machinery and equipment. At the date of each letter the bank opened a credit line to the Group and transferred an equal and opposite amount to a special restricted deposit account as a guarantee of fulfilment of the Group's obligations under the letters of credit (see Note 9). The transfer represents a non-cash transaction, because the credit line and the restricted bank account were opened within the same bank and the transaction did not impact the Group's cash position.

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

# Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2017

(in thousands of Russian roubles, unless otherwise indicated)

## 1. Nature of the business

### General information

PJSC Cherkizovo Group (the "Company") is a public joint stock company incorporated in Russia. The registered office of the Company is 5, Lesnaya st., building B, Moscow, 125047, Russia.

The Company's parent is MB Capital Europe Ltd., which is registered in Cyprus and owned approximately 61% of the Company's shares at the reporting date. The ultimate controlling party of PJSC Cherkizovo Group is Babaev / Mikhailov family who jointly control MB Capital Europe Ltd.

### The business of the Group

The Group's operations are spread over the full production cycle from grain and feed production and breeding to meat processing and distribution. The operational facilities of the Group include six meat processing plants, fifteen pig production complexes, eight poultry production complexes, six combined fodder production plants and more than 287 000 hectares of agricultural land and a swine nucleus unit. The Group also operates three trading houses with subsidiaries in several major Russian cities.

The Group's geographical reach covers Moscow, the Moscow region, the regions of Saint Petersburg, Kaliningrad, Penza, Lipetsk, Vologda, Ulyanovsk, Chelyabinsk, Tambov, Krasnodar, Ekaterinburg, Rostov-na-Donu, Bryansk, Voronezh, Belgorod, Kursk, Orel and Kazan. The Group is represented in the European part of Russia through its own distribution network.

The Group owns locally recognised brands, which include Cherkizovo ("Черкизово"), Рух Звезд ("Пять Звезд"), Petelinka ("Петелинка"), Kurinoe Tsarstvo ("Куриное Царство") and Imperia Vkusa ("Империя вкуса") and has a diverse customer base.

### Operating environment

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly; tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. This led to reduced access of the Russian businesses to international capital markets.

The impact of further economic and political developments on future operations and financial position of the Group is difficult to determine at this stage.

## 2. Basis of preparation

These financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

These financial statements do not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures, which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2016 prepared in accordance with International Financial Reporting Standards ("IFRS"), such as accounting policies and details of accounts, which have not changed significantly in amount or composition.

The financial results for the six months ended 30 June 2017 are not necessarily indicative of the financial results for the full year. The unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2016.

# Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2017

(in thousands of Russian roubles, unless otherwise indicated)

## 3. Significant accounting policies

These financial statements have been prepared under the historical cost convention, except for biological assets measured at fair value less estimated point-of-sale costs; and assets and liabilities of subsidiaries acquired and recorded in accordance with IFRS 3 "Business combinations" ("IFRS 3").

The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2016, except for the impact of the change in accounting policy noted below and the adoption of the following amended standards from 1 January 2017:

- Amendments to IAS 7 – *Disclosure Initiative*;
- Amendments to IAS 12 – *Recognition of Deferred Tax Assets for Unrealised Losses*;
- Annual Improvements to IFRSs 2014-2016 Cycle.

This adoption of the above standards and amendments did not have an impact on the Group's results of operations, financial position or cash flows.

The Group did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

### Change in accounting policy

The Group has changed its accounting policy in relation to the acquisitions of entities under common control. Pursuant to the Group's revised accounting policy, the Group now accounts for such business combinations using the acquisition method. Prior to this change, all acquisitions of entities under common control were accounted for on the basis of predecessor carrying values ('pooling of interest' method).

The Group has retrospectively applied the new accounting policy, however, in prior periods, starting from the date of transition to IFRSs, the Group had no acquisitions of entities under common control and, therefore, the change had no impact on the comparative information.

## 4. Operating segments

The Group's operations are divided into five segments by types of products produced: poultry, pork, meat processing, grain and feed. Substantially all of the Group's operations are located within the Russian Federation. All segments have different segment managers responsible for the segments' operations. The chief operating decision maker (the Chief Executive Officer) is individual responsible for allocating resources to and assessing the performance of each segment of the business.

The meat processing segment is involved in the production of a wide range of meat products, including sausages, ham and raw meat. The pork and poultry segments produce and offer distinctive products, such as semi-finished poultry products, raw meat and other poultry meat products in the poultry segment and raw pork meat in the pork segment. The grain segment is involved in the farming of wheat and other crops. The feed segment is involved in the production of feed for internal use by pork and poultry segments. All five segments are involved in other business activities, including production of dairy, sale of non-hatchery eggs and other services, which are non-core business activities.

The Group evaluates segment performance based on 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. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. The Group accounts for inter-segment sales and transfers as if the sales or transfers were to third parties. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3.

# Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2017

(in thousands of Russian roubles, unless otherwise indicated)

## 4. Operating segments continued

Segment information for the six months ended at 30 June 2017 comprised:

	Meat-processing	Pork	Poultry	Grain	Feed	Total operating segments	Corporate	Turkey***	Intersegment	Total consolidated
Total sales	15 616 747	8 991 733	23 720 958	630 345	13 482 803	62 442 586	823 493	1 488 447	(21 405 630)	43 348 896
including other sales	304 833	95 680	438 300	36 963	-	875 776	823 493	-	(905 581)	793 688
including sales volume discounts	(380 269)	-	(230 421)	-	-	(610 690)	-	(4 784)	-	(615 474)
Intersegment sales	(6 586)	(6 670 439)	(884 399)	(136 515)	(13 013 551)	(20 711 490)	(694 140)	-	21 405 630	-
Sales to external customers	15 610 161	2 321 294	22 836 559	493 830	469 252	41 731 096	129 353	1 488 447	-	43 348 896
Net change in fair value of biological assets and agricultural produce	-	1 017 141	167 963	(97 580)	-	1 087 524	-	-	70 468	1 157 992
Cost of sales	(12 879 207)	(6 032 517)	(18 139 359)	(781 799)	(12 918 113)	(50 750 995)	(741 664)	(1 446 573)	21 312 896	(31 626 336)
<b>Gross profit / (loss)</b>	<b>2 737 540</b>	<b>3 976 357</b>	<b>5 749 562</b>	<b>(249 034)</b>	<b>564 690</b>	<b>12 779 115</b>	<b>81 829</b>	<b>41 874</b>	<b>(22 266)</b>	<b>12 880 552</b>
Operating expense*	(1 867 689)	(121 175)	(2 461 562)	(169 821)	(182 483)	(4 802 730)	(1 337 548)	(51 529)	124 954	(6 066 853)
Share of loss of a joint venture	-	-	-	-	-	-	-	(189 991)	-	(189 991)
<b>Operating income / (expense)</b>	<b>869 851</b>	<b>3 855 182</b>	<b>3 288 000</b>	<b>(418 855)</b>	<b>382 207</b>	<b>7 976 385</b>	<b>(1 255 719)</b>	<b>(199 646)</b>	<b>102 688</b>	<b>6 623 708</b>
Other income (expense), net**	(34 145)	17 583	(86 692)	(4 148)	639	(106 763)	123 356	-	(81 533)	(64 940)
Interest expense, net	(118 920)	(171 818)	(489 071)	(70 286)	(452 451)	(1 302 546)	(317 534)	-	81 533	(1 538 547)
<b>Profit / (loss) before income tax</b>	<b>716 786</b>	<b>3 700 947</b>	<b>2 712 237</b>	<b>(493 290)</b>	<b>(69 605)</b>	<b>6 567 076</b>	<b>(1 449 898)</b>	<b>(199 646)</b>	<b>102 688</b>	<b>5 020 221</b>
Adjustments for:										
Interest expense, net	118 920	171 818	489 071	70 286	452 451	1 302 546	317 534	-	(81 533)	1 538 547
Interest income	(7 825)	(20 443)	(76 801)	(1 143)	(863)	(107 075)	(114 155)	-	81 533	(139 697)
Foreign exchange loss/(gain)	41 978	3 420	166 212	5 374	947	217 931	(8 819)	-	-	209 112
Depreciation and amortisation expense	329 218	539 321	956 711	106 504	309 890	2 241 644	141 610	-	-	2 383 254
Net change in fair value of biological assets and agricultural produce	-	(1 017 141)	(167 963)	97 580	-	(1 087 524)	-	-	(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>3 377 922</b>	<b>4 079 467</b>	<b>(214 688)</b>	<b>692 820</b>	<b>9 134 598</b>	<b>(1 113 727)</b>	<b>(9 655)</b>	<b>32 220</b>	<b>8 043 436</b>
Supplemental information:										
Expenditure for segment property, plant and equipment	1 391 607	1 979 708	679 783	266 063	134 920	4 452 081	130 008	-	-	4 582 089
Income tax expense (benefit)	2 725	13 765	17 920	1 516	(6 163)	29 763	10 677	-	-	40 440

\* Operating expenses include selling, general and administrative expenses and other operating income, net.

\*\* Other income (expense), net presents interest income and other income/expense as a combined line item.

\*\*\* Turkey represents operations related to purchase and subsequent resale of turkey meat produced by its joint venture through the Group's distribution network. Turkey itself is not an operating segment.

# Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2017

(in thousands of Russian roubles, unless otherwise indicated)

## 4. Operating segments continued

Segment information for the six months ended 30 June 2016:

	Meat-processing	Pork	Poultry	Grain	Feed	Total operating segments	Corporate	Intersegment	Total consolidated
Total sales	14 652 813	7 108 869	22 856 884	653 124	15 523 182	60 794 872	16 400	(21 976 403)	38 834 869
including other sales	249 132	81 389	739 292	27 925	-	1 097 738	16 400	(198 929)	915 209
including sales volume discounts	(2 205 447)	-	(643 678)	-	-	(2 849 125)	-	-	(2 849 125)
Intersegment sales	(11 977)	(5 628 254)	(957 742)	(65 900)	(15 312 530)	(21 976 403)	-	21 976 403	-
Sales to external customers	14 640 836	1 480 615	21 899 142	587 224	210 652	38 818 469	16 400	-	38 834 869
Net change in fair value of biological assets and agricultural produce	-	837 161	199 466	79 753	-	1 116 380	-	-	1 116 380
Cost of sales	(12 122 540)	(5 755 261)	(20 333 789)	(372 459)	(15 355 668)	(53 939 717)	(32 620)	22 165 197	(31 807 140)
<b>Gross profit / (loss)</b>	<b>2 530 273</b>	<b>2 190 769</b>	<b>2 722 561</b>	<b>360 418</b>	<b>167 514</b>	<b>7 971 535</b>	<b>(16 220)</b>	<b>188 794</b>	<b>8 144 109</b>
Operating expense*	(1 753 892)	(401 945)	(2 556 955)	(132 855)	(199 007)	(5 044 654)	(1 333 250)	6 584	(6 371 320)
<b>Operating income / (expense)</b>	<b>776 381</b>	<b>1 788 824</b>	<b>165 606</b>	<b>227 563</b>	<b>(31 493)</b>	<b>2 926 881</b>	<b>(1 349 470)</b>	<b>195 378</b>	<b>1 772 789</b>
Other income (expense), net**	84 936	20 069	(311 361)	264	197 673	(8 419)	718 598	(187 164)	523 015
Interest expense, net	(121 447)	(308 385)	(419 795)	(21 867)	(265 607)	(1 137 101)	(399 412)	187 164	(1 349 349)
<b>Profit / (loss) before income tax</b>	<b>739 870</b>	<b>1 500 508</b>	<b>(565 550)</b>	<b>205 960</b>	<b>(99 427)</b>	<b>1 781 361</b>	<b>(1 030 284)</b>	<b>195 378</b>	<b>946 455</b>
Adjustments for:									
Interest expense, net	121 447	308 385	419 795	21 867	265 607	1 137 101	399 412	(187 164)	1 349 349
Interest income	(5 325)	(15 284)	(86 069)	(270)	(9 338)	(116 286)	(286 023)	187 164	(215 145)
Foreign exchange loss/(gain)	(88 015)	(2 401)	402 820	6	(188 228)	124 182	(432 328)	-	(308 146)
Depreciation and amortisation expense	314 136	407 120	972 765	44 450	272 198	2 010 669	60 866	-	2 071 535
Net change in fair value of biological assets and agricultural produce	-	(837 161)	(199 466)	(79 753)	-	(1 116 380)	-	-	(1 116 380)
<b>Adjusted EBITDA</b>	<b>1 082 113</b>	<b>1 361 167</b>	<b>944 295</b>	<b>192 260</b>	<b>240 812</b>	<b>3 820 647</b>	<b>(1 288 357)</b>	<b>195 378</b>	<b>2 727 668</b>
Supplemental information:									
Expenditures for segment property, plant and equipment	450 597	1 369 676	1 699 121	783 287	18 904	4 321 585	83 136	-	4 404 721
Income tax expense (benefit)	125 435	(2 508)	(3 446)	6 794	3 674	129 949	1 876	-	131 825

\* Operating expenses include selling, general and administrative expenses and other operating income, net.

\*\* Other income (expense), net presents interest income and other income/expense as a combined line item.

# Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2017

(in thousands of Russian roubles, unless otherwise indicated)

## 4. Operating segments continued

Segment information for the year ended at 31 December 2016 comprised:

	Meat-processing	Pork	Poultry	Grain	Feed	Total operating segments	Corporate	Intersegment	Total consolidated
Total sales	31 667 448	15 920 146	47 724 031	3 055 762	28 727 843	127 095 230	126 251	(44 804 288)	82 417 193
including other sales	526 538	171 106	1 331 875	47 426	-	2 076 945	126 251	(783 561)	1 419 635
including sales volume discounts	(4 545 908)	-	(1 340 206)	-	-	(5 886 114)	-	-	(5 886 114)
Intersegment sales	(22 795)	(12 634 006)	(1 961 921)	(1 956 712)	(28 146 309)	(44 721 743)	(82 545)	44 804 288	-
Sales to external customers	31 644 653	3 286 140	45 762 110	1 099 050	581 534	82 373 487	43 706	-	82 417 193
Net change in fair value of biological assets and agricultural produce	-	861 422	(288 114)	(477 482)	-	95 826	-	(435 889)	(340 063)
Cost of sales	(26 141 947)	(12 182 666)	(40 049 212)	(2 873 596)	(28 109 353)	(109 356 774)	(78 511)	45 212 941	(64 222 344)
<b>Gross profit / (loss)</b>	<b>5 525 501</b>	<b>4 598 902</b>	<b>7 386 705</b>	<b>(295 316)</b>	<b>618 490</b>	<b>17 834 282</b>	<b>47 740</b>	<b>(27 236)</b>	<b>17 854 786</b>
Operating expense*	(3 743 466)	(782 107)	(5 035 890)	(267 828)	(404 658)	(10 233 949)	(2 445 280)	81 107	(12 598 122)
Share of loss of a joint venture	-	-	-	-	-	-	(200 191)	-	(200 191)
<b>Operating income / (expense)</b>	<b>1 782 035</b>	<b>3 816 795</b>	<b>2 350 815</b>	<b>(563 144)</b>	<b>213 832</b>	<b>7 600 333</b>	<b>(2 597 731)</b>	<b>53 871</b>	<b>5 056 473</b>
Other income (expense), net**	207 378	(289 198)	(114 744)	4 885	319 704	128 025	820 560	(306 364)	642 221
Interest expense, net	(245 885)	(964 742)	(1 076 908)	(94 361)	(930 799)	(3 312 695)	(731 984)	306 364	(3 738 315)
<b>Profit / (loss) before income tax</b>	<b>1 743 528</b>	<b>2 562 855</b>	<b>1 159 163</b>	<b>(652 620)</b>	<b>(397 263)</b>	<b>4 415 663</b>	<b>(2 509 155)</b>	<b>53 871</b>	<b>1 960 379</b>
Adjustments for:									
Interest expense, net	245 885	964 742	1 076 908	94 361	930 799	3 312 695	731 984	(306 364)	3 738 315
Interest income	(9 561)	(33 764)	(173 895)	(1 710)	(10 723)	(229 653)	(420 448)	306 364	(343 737)
Foreign exchange loss (gain)	(192 501)	(22 285)	304 147	(3 026)	(307 559)	(221 224)	(399 863)	-	(621 087)
Depreciation and amortisation expense	639 237	1 010 334	1 969 279	295 430	590 646	4 504 926	155 439	-	4 660 365
Net change in fair value of biological assets and agricultural produce	-	(861 422)	288 114	477 482	-	(95 826)	-	435 889	340 063
Write-off of receivables from insurance company	-	347 975	-	-	-	347 975	-	-	347 975
Share of loss of a joint venture	-	-	-	-	-	-	200 191	-	200 191
<b>Adjusted EBITDA</b>	<b>2 426 588</b>	<b>3 968 435</b>	<b>4 623 716</b>	<b>209 917</b>	<b>805 900</b>	<b>12 034 556</b>	<b>(2 241 852)</b>	<b>489 760</b>	<b>10 282 464</b>
Supplemental information:									
Expenditure for segment property, plant and equipment	1 456 365	3 751 235	2 938 689	1 204 436	191 254	9 541 979	328 777	-	9 870 756
Income tax expense (benefit)	79 442	71 961	(67 967)	8 978	50 983	143 397	(70 536)	-	72 861

\* Operating expenses include selling, general and administrative expenses and other operating income, net.

\*\* Other income (expense), net presents interest income and other income/expense as a combined line item.

Items included within Corporate mainly include payroll and other expenses of the holding company.

Segment assets and liabilities are not disclosed, as this information is not provided to the chief operating decision maker.

# Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2017

(in thousands of Russian roubles, unless otherwise indicated)

## 5. Cost of sales

Cost of sales for the six months ended 30 June 2017 and 2016 and for the year ended 31 December 2016 comprised:

	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Raw materials	21 703 750	22 381 329	44 264 751
Personnel (excluding pension costs)	4 008 036	3 886 879	7 996 612
Depreciation	2 107 895	1 867 935	4 213 810
Utilities	1 847 668	1 753 814	3 480 318
Pension costs	777 305	722 090	1 477 768
Other	1 181 682	1 195 093	2 789 085
<b>Total cost of sales</b>	<b>31 626 336</b>	<b>31 807 140</b>	<b>64 222 344</b>

## 6. Selling, general and administrative expenses

Selling, general and administrative expenses for the six months ended 30 June 2017 and 2016 and for the year ended 31 December 2016 comprised:

	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Personnel (excluding pension costs)	2 432 689	2 521 595	4 541 506
Transportation	917 552	729 565	1 656 604
Taxes (other than income tax)	472 143	360 852	752 460
Pension costs	313 808	402 914	698 965
Materials and supplies	311 194	331 733	666 390
Depreciation and amortisation	275 359	203 600	446 535
Advertising and marketing	261 078	332 838	676 903
Security services	211 213	208 460	431 931
Rent expenses	208 563	228 171	458 576
Information technology and communication services	120 115	141 374	300 026
Utilities	118 853	117 167	237 292
Audit, consulting and legal fees	111 437	150 507	322 062
Veterinary services	75 810	75 625	147 531
Insurance	70 977	63 586	130 138
Repairs and maintenance	30 772	29 390	72 467
Change in bad debt allowance and other write-off	23 560	91 530	231 981
Bank charges	10 616	8 924	25 676
Other	368 057	519 708	1 211 670
<b>Total selling, general and administrative expenses</b>	<b>6 333 796</b>	<b>6 517 539</b>	<b>13 008 713</b>

## 7. Interest expense, net

Interest expense, net for the six months ended 30 June 2017 and 2016 and for the year ended 31 December 2016 comprised:

	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Interest on bank overdrafts and loans	2 141 096	2 546 300	4 920 223
Interest on obligations under finance leases	29 865	26 238	54 349
Less: amounts included in the cost of qualifying assets	(378 713)	(175 338)	(492 099)
<b>Total interest expense</b>	<b>1 792 248</b>	<b>2 397 200</b>	<b>4 482 473</b>
Government grants for compensation of interest expenses*	(469 617)	(1 151 996)	(1 070 023)
Less: amounts included in the cost of qualifying assets	215 916	104 145	325 865
<b>Total government grants for compensation of interest expenses</b>	<b>(253 701)</b>	<b>(1 047 851)</b>	<b>(744 158)</b>
<b>Total interest expense, net</b>	<b>1 538 547</b>	<b>1 349 349</b>	<b>3 738 315</b>

\* Government grants decreased due to the change in government policy effective from 1 January 2017 – starting from this date accredited banks provide loans to agricultural producers at reduced rates not exceeding 5% per annum on Rouble-denominated loans.

# Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2017

(in thousands of Russian roubles, unless otherwise indicated)

## 8. Other (expenses) income, net

Other (expenses) income, net for the six months ended 30 June 2017 and 2016 and for the year ended 31 December 2016 comprised:

	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Foreign exchange (loss) gain	(209 112)	308 146	621 087
Other income (expenses), net	4 475	(276)	25 372
Write-off of receivables from insurance company	-	-	(347 975)
<b>Total other (expense) income, net</b>	<b>(204 637)</b>	<b>307 870</b>	<b>298 484</b>

## 9. Property, plant and equipment, net

The carrying amounts of property, plant and equipment as of 30 June 2017 and 31 December 2016 comprised:

	30 June 2017	31 December 2016
Land	7 876 149	2 748 147
Buildings, infrastructure and leasehold improvements	37 424 726	35 726 243
Machinery and equipment	14 752 233	14 006 643
Vehicles	2 601 196	2 638 793
Other	95 095	100 651
Construction in-progress and equipment for installation	6 375 460	7 346 024
Advances paid for property, plant and equipment	2 182 245	1 878 755
<b>Total property, plant and equipment, net</b>	<b>71 307 104</b>	<b>64 445 256</b>

During the period, the Group acquired assets with a cost of 3 885 301 and recognized a depreciation expense in the amount of 2 365 708. In addition to that, the Group acquired assets with a cost of 5 555 849 through business combination, see Note 18.

Starting from 2017 the Group uses special bank accounts as a guarantee for fulfilment of the Group's obligations under the purchase contracts with foreign suppliers of machinery and equipment. At 30 June 2017, 1 854 945 deposited on such accounts were presented as restricted in the condensed consolidated interim statement of financial position, since the Group is unable to use these funds for anything other than to fulfil their obligations with respect to the purchase contracts.

## 10. Biological assets

### Non-current biological assets

The balances of non-current biological assets as of 30 June 2017 and 31 December 2016 were as follows:

	30 June 2017		31 December 2016	
	Units	Carrying amount	Units	Carrying amount
Sows, heads	89 288	2 071 084	90 959	1 902 652
Cattle, heads	448	25 351	434	24 062
<b>Total bearer non-current biological assets</b>	<b>89 736</b>	<b>2 096 435</b>	<b>91 393</b>	<b>1 926 714</b>



# Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2017

(in thousands of Russian roubles, unless otherwise indicated)

## 10. Biological assets continued

### Current biological assets

The balances of current biological assets were as follows:

	30 June 2017		31 December 2016	
	Units	Carrying amount	Units	Carrying amount
<b>Pork</b>				
Market hogs, heads	953 357	6 524 706	870 402	5 504 933
	<b>953 357</b>	<b>6 524 706</b>	<b>870 402</b>	<b>5 504 933</b>
<b>Poultry</b>				
Broilers, heads	26 000 589	1 838 437	28 828 752	2 243 036
Breeders, heads (bearer biological assets)	2 661 176	1 933 346	2 440 969	1 512 225
	<b>28 661 765</b>	<b>3 771 783</b>	<b>31 269 721</b>	<b>3 755 261</b>
<b>Hatchery eggs, quantity</b>	21 199 718	244 802	20 972 292	224 085
<b>Other</b>	500	34 906	414	31 586
<b>Unharvested crops, hectares</b>	170 325	3 740 645	25 682	509 012
<b>Work-in progress related to cultivation of crops</b>		-		687 604
<b>Total current biological assets</b>		<b>14 316 842</b>		<b>10 712 481</b>

Unharvested crops largely increased due to the acquisition of NAPKO (see Note 18) and to the seasonality of crop farming with the majority of costs incurred during the first half of the year.

## 11. Inventories

Inventories as of 30 June 2017 and 31 December 2016 comprised:

	30 June 2017	31 December 2016
Raw materials	6 050 818	7 784 431
Spare parts	803 956	693 730
Work-in-process	350 279	333 379
Finished goods	1 540 041	1 790 578
<b>Total inventories</b>	<b>8 745 094</b>	<b>10 602 118</b>

## 12. Other receivables, net

Other receivables as of 30 June 2017 and 31 December 2016 comprised:

	30 June 2017	31 December 2016
Subsidies receivable for interest expense reimbursement	1 256 810	1 100 598
Subsidies receivable for purchase of fodder	4 374	4 374
Other receivables	427 212	301 913
Less: allowance for doubtful other receivables	(45 985)	(13 412)
<b>Total other receivables, net</b>	<b>1 642 411</b>	<b>1 393 473</b>

# Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2017

(in thousands of Russian roubles, unless otherwise indicated)

## 13. Cash and cash equivalents

	30 June 2017	31 December 2016
Rouble-denominated cash at banks	377 219	227 208
EURO-denominated cash at banks	2	3 411
USD-denominated cash at banks	62 084	65 759
Bank deposits	1 131 933	700 951
Cash in hand	4 027	4 874
<b>Total cash and cash equivalents</b>	<b>1 575 265</b>	<b>1 002 203</b>

## 14. Shareholder's equity

### Dividends

In accordance with Russian legislation, earnings available for dividends are limited to retained earnings of the Company, calculated in accordance with statutory rules in local currency. On 11 April 2017 dividends of approximately 13.65 Russian roubles per share (598 580 in total) were approved at the extraordinary shareholders' meeting and have been fully paid during the six months ended 30 June 2017.

## 15. Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. Terms and conditions of outstanding loans were as follows:

	Nominal interest rate	EIR <sup>1</sup>	Adjusted EIR <sup>2</sup>	Year of maturity	30 June 2017		31 December 2016	
					Current	Non-current	Current	Non-current
Bonds	12.50%	12.50%	12.50%	2020	-	5 000 000	-	5 000 000
Bank loans	1.00% – 16.80%	9.15%	6.09%	2017-2024	11 655 765	27 659 729	13 079 826	19 099 708
Factoring	9.50% – 9.80%	9.55%	9.55%	2017	258 722	-	628 933	-
Other borrowings	-	-	-	2018-2023	28 500	6 571	-	10 947
Interest payable					382 192	-	298 588	-
Finance lease liabilities	8.57% – 16.62%	14.15%	14.15%	2017–2024	112 968	304 268	115 650	359 049
<b>Total borrowings</b>					<b>12 438 147</b>	<b>32 970 568</b>	<b>14 122 997</b>	<b>24 469 704</b>

As of 30 June 2017, the Group's borrowings were denominated in the following currencies: 42 867 663 in Russian roubles and 2 541 052 in Euro. As of 31 December 2016, the Group's borrowings were denominated in the following currencies: 37 867 221 in Russian roubles and 725 480 in Euro.

Interest on the majority of borrowings is paid on a monthly or quarterly basis, with the exception of bonds, for which the interest is paid on a semi-annual basis.

### Bonds

#### Bonds due in October 2020

In October 2015, the Group placed 5 000 000 bonds in roubles at par value (1 000 roubles at the issuance date) with a maturity date in October 2020. The coupon rate on the bonds, payable semi-annually, is set at 12.5% per annum. The Group accounts for these instruments at amortized cost.

### Bank loans

#### Sberbank of Russia

Borrowings from the Sberbank of Russia consist of three long-term euro denominated bank loans with interest ranging from 1.20% to 2.50%, fifteen long-term and seven short-term rouble denominated lines of credit with interest ranging from 8.55% to 13.10% per annum. Principal payments are due from 2017 to 2024. The amount outstanding was 13 220 231 and 10 678 385 as of 30 June 2017 and 31 December 2016, respectively.

<sup>1</sup> EIR represents the weighted average interest rate on outstanding loans.

<sup>2</sup> Adjusted EIR represents the effective rate on borrowings at year end, adjusted by government subsidies for certain qualifying debt. Since approvals for subsidies are submitted annually by the Group as required by law, the existence of such subsidies in any given year is not necessarily indicative of their existence in future periods. See Note 7 for further disclosure of government subsidies related to interest on borrowings.

# Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2017

(in thousands of Russian roubles, unless otherwise indicated)

## 15. Borrowings continued

### Gazprombank

Borrowings from Gazprombank consist of two long-term euro denominated loans with interest ranging from 1.20% to 3.40%, eight long-term and six short-term rouble denominated lines of credit with interest ranging from 2.00% to 13.50% per annum. Principal payments are due from 2017 to 2022. The amount outstanding was 10 547 117 and 12 624 909 as of 30 June 2017 and 31 December 2016, respectively.

### Rosselkhozbank

Borrowings from Rosselkhozbank consist of sixteen long-term and twelve short-term rouble denominated lines of credit with fixed interest rates ranging from 5.00% to 16.80% per annum. Principal payments are due from 2017 to 2023. The amount outstanding was 2 667 786 and 2 274 894 as of 30 June 2017 and 31 December 2016, respectively.

### Bank VTB

Borrowings from Bank VTB consist of one long-term euro denominated loan with an interest set at 2.01% per annum, four long-term and one short-term rouble denominated lines of credit with interest ranging from 9.50% to 12.25% per annum. Principal payments are due from 2017 to 2018. The amount outstanding was 970 150 and 1 798 954 as of 30 June 2017 and 31 December 2016, respectively.

### Alfa bank

Borrowings from Alfa Bank consist of thirteen long-term and eleven short-term rouble denominated lines of credit with interest ranging from 1.00% to 10.60% per annum. Principal payments are due from 2018 to 2019. The amount outstanding was 7 043 886 and 4 803 644 as of 30 June 2017 and 31 December 2016, respectively.

### UniCredit Bank

Borrowings from UniCredit Bank consist of one long-term rouble denominated line of credit with an interest set at 9.41% per annum. Principal payments are due to 2018. The amount outstanding was 4 872 000 as of 30 June 2017.

### Unused lines of credit

The total amount of unused credit on lines of credit as of 30 June 2017 is 27 215 415. The unused credit can be utilized from 2018 to 2020 with expiration of available amounts varying as follows: 1 745 820 expires by 30 June 2018, 10 501 390 expires by 31 December 2018, 752 525 expires by 31 December 2019, 14 215 680 expires by 31 December 2020.

## 16. Financial instruments

### Categories of financial instruments and fair value measurements

The carrying values and fair values of the Group's financial assets and liabilities as of 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017		31 December 2016	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets not measured at fair value</b>				
Loans and receivables				
Notes receivable, net	610 000	600 904	510 000	504 034
Long-term deposits in banks	641 365	631 034	641 365	631 034
Other non-current assets	94 235	94 235	111 663	111 663
Trade receivables	3 890 597	3 890 597	4 942 884	4 942 884
Other receivables	1 642 411	1 642 411	1 393 473	1 393 473
Other current assets	10 364	10 364	10 892	10 892
Restricted cash	1 854 945	1 854 945	-	-
Cash and cash equivalents	1 575 265	1 575 265	1 002 203	1 002 203
	<b>10 319 182</b>	<b>10 299 755</b>	<b>8 612 480</b>	<b>8 596 183</b>
<b>Financial liabilities not measured at fair value</b>				
Amortised cost				
Borrowings, other than finance lease*	44 991 479	44 432 205	38 118 002	36 304 998
Financial lease liabilities	417 236	385 941	474 699	436 848
Trade payables	7 458 730	7 458 730	8 608 271	8 608 271
Payables for non-current assets	1 121 721	1 121 721	1 061 629	1 061 629
Payroll related liabilities	1 508 553	1 508 553	1 394 940	1 394 940
Other payables and accruals	301 823	301 823	362 395	362 395
	<b>55 799 542</b>	<b>55 208 973</b>	<b>50 019 936</b>	<b>48 169 081</b>

\* at 30 June 2017 and 31 December 2016 the Group used 11.7% as market rate of cost of debt for the fair value estimation (for borrowings nominated in RUB). That rate excludes the effect of subsidies.

# Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2017

(in thousands of Russian roubles, unless otherwise indicated)

## 17. Related parties

The Company and its subsidiaries enter into various transactions with related parties such as the sale and purchase of inventory. In addition, the Group enters into financing transactions with related parties.

### Transactions with key management personnel

Key management personnel of the Group are all members of Board of Directors and members of Management Board. The remuneration of key management personnel during the six months ended 30 June 2017 and 2016 were as follows:

	Six months ended 30 June 2017	Six months ended 30 June 2016
Salaries and bonuses	172 092	195 095

### Trading transactions with entities under common control

Trading transactions with related parties comprised mostly of purchases of grain crops from and rendering of storage services to JSC Lipetskmyaso, LLC Agrarnaya Gruppa and JSC Penzamyasoprom. On 28 April 2017, the Group acquired JSC Lipetskmyaso and LLC Agrarnaya Gruppa, being a part of NAPKO Group (Note 18). The Group also sells sausages, raw meat and poultry to a retail chain "Myasnov".

Trade receivables, trade payables and advances issued are associated with such transactions. The Group expects to settle such balances in the normal operating cycle.

Balances with companies under common control are summarized as follows:

Balances	30 June 2017	31 December 2016
Trade receivables	260 743	256 179
Other non-current assets	76 782	80 723
Advances paid	3 605	3 620
Advances paid for property, plant and equipment	-	18 843
Other receivables	4 810	1 762
Trade payables	9 464	5 443
Advances received	1 341	11
Other payables	203	1 349

Transactions with companies under common control are summarized as follows:

Transactions	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Revenue	1 314 536	1 191 459	2 555 161
Rent income	96 190	89 971	184 936
Purchases of property, plant and equipment	14 686	30 809	38 231
Purchases of goods and other services	19 627	47 810	949 904

# Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2017

(in thousands of Russian roubles, unless otherwise indicated)

## 17. Related parties continued

### Trading transactions with joint ventures

The Group purchases day-old chicks from its joint venture Broiler Budushchego LLC. The Group also purchases turkey meat from LLC Tambovskaya Indeika for its subsequent resale through distribution network of the Group. The Group also sells mixed fodder to LLC Tambovskaya Indeika.

Trade receivables, trade payables and advances issued are associated with such transactions. The Group expects to settle such balances in the normal course of business.

Balances with joint ventures are summarized as follows:

<b>Balances</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
Trade receivables	59 132	23 620
Advances paid	90 610	167 951
Other receivables	536	226
Other non-current assets	96 770	66 839
Trade payables	555 602	140 337
Advances received	30 211	30 211

Transactions with joint ventures are summarized as follows:

<b>Transactions</b>	<b>Six months ended 30 June 2017</b>	<b>Six months ended 30 June 2016</b>	<b>Year ended 31 December 2016</b>
Revenue	293 826	137 930	337 875
Rent income	1 347	3 716	16 471
Purchases of goods and other services	1 643 738	243 291	733 654

## 18. Acquisition of NAPKO

On 28 April 2017, the Group completed the acquisition of 100% of NAPKO, one of Russia's leading grain producers for cash consideration of 4 872 000.

NAPKO's agricultural land bank of 147 000 hectares and the related supporting production infrastructure to cultivate the land and store grain is located in the Lipetsk, Tambov and Penza regions. In 2016, NAPKO produced 250 000 tons of grain.

The results of NAPKO's operations have been included in the condensed consolidated interim financial statements from the acquisition date. The acquisition was accounted for using historical book values of assets and liabilities acquired as provisional values since there was no other information available at that time. The difference between consideration paid and historical book value of the net assets acquired was preliminary allocated to land and land lease rights as the valuation of the acquired business done by an independent appraiser shows that vast majority of the surplus relates to that category of property, plant and equipment.

The Group is in the process of obtaining a third party valuation report on the fair value of the assets and liabilities acquired including obtaining third-party valuation of the property, plant and equipment, and accordingly, these amounts are preliminary and subject to change.

# Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2017

(in thousands of Russian roubles, unless otherwise indicated)

## 18. Acquisition of NAPKO continued

The provisional purchase price allocation was as follows:

<b>Purchase price</b>	<b>4 872 000</b>
Land and land lease rights	5 249 411
Other items of property, plant and equipment	306 438
Inventories and biological assets	829 408
Other current assets	319 510
Short-term loans and finance leases	(958 070)
Other current liabilities	(678 697)
Non-controlling interests	(196 000)
<b>Total assets acquired and liabilities assumed</b>	<b>4 872 000</b>

Net outflow of cash and cash equivalents on acquisition comprised of the following:

Cash paid to acquire NAPKO	4 872 000
Less: cash and cash equivalents of subsidiaries acquired	(103 941)
<b>Net outflow of cash and cash equivalents on acquisition of NAPKO</b>	<b>(4 768 059)</b>

The following pro forma financial information presents condensed consolidated statement of profit or loss as if the acquisition occurred as of the beginning of the reporting period. In determining pro forma amounts, all non-recurring costs were determined to be immaterial.

<b>Pro forma Information</b>	<b>For the six months ended 30 June 2017</b>
Revenue	43 306 777
Operating profit	6 639 317
<b>Profit for the period attributable to Cherkizovo Group</b>	<b>5 132 898</b>

The actual results of operations of NAPKO are included in the condensed consolidated interim financial statements of the Group only from the date of acquisition and were:

<b>Actual results of NAPKO from the date of acquisition (28 April 2017) to 30 June 2017</b>	
Revenue	34 922
Operating loss	(38 009)
<b>Loss for the period</b>	<b>(57 674)</b>

## 19. Contingencies

There were no major changes from the year-end.

## 20. Subsequent events

In August 2017 the controlling shareholder of Cherkizovo Group, together with the Group and its affiliates, acquired approximately 21% of the Group's ordinary shares and GDRs from funds and portfolios under the management of Prosperity Capital Management at a price of RUB 1,300 per ordinary share in the total amount around RUB 12 billion. 5.36% of those shares were acquired by the Group as treasury shares for approximately RUB 3 billion.