



Cherkizovo Group Announces First Quarter 2018 Financial Results

Moscow, Russia – May 17 2018 – PJSC Cherkizovo Group (MOEX: GCHE), the largest vertically integrated meat producer in Russia, today announces its unaudited consolidated IFRS results for the quarter ending March 31, 2018.

First quarter financial highlights

- Revenue increased 4.6% year-on-year (y-o-y) to RUB 21.9 billion.
- Gross profit increased by 34% y-o-y and amounted to RUB 7.5 billion.
- Adjusted EBITDA* decreased by 27.1% y-o-y and totalled RUB 2.7 billion. Adjusted EBITDA* margin amounted to 12.2%.
- Net income grew by 55% to RUB 2.9 billion. Net income margin improved to 13.1% from 8.8% a year ago.
- Earnings per share (EPS) reached RUB 72.0 (1Q17: EPS was RUB 44.1).
- Net operating cash flow declined 52% to RUB 1.0 billion.
- Net debt** amounted to RUB 49.7 billion as of March 31, 2018.

First quarter key corporate highlights

- We opened two new wean-to-finish facilities in the Lipetsk region, as a part of our expansion program in the pork segment that we started in 2015.
- We made a number of key management appointments in the first quarter: Vadim Sadovoy was hired to head our Meatprocessing segment, and Ray Cheeks started as a Business Manager of Tambov Turkey JV.
- On March 23rd, the Annual General Meeting elected a new board of Directors. We are pleased to welcome a new member of our Board, Phillip Kegels, an independent Director, who will serve in the Audit, Remuneration, and Investment & Strategic Committees starting from May 2018.

Sergei Mikhailov, CEO of Cherkizovo, commented:

“Our sales in the first quarter of the year increased across all segments and reached Rub 21.9 bn. Poultry sales volumes were up almost 10%, though we anticipate full year volumes in this segment to be roughly in line with the previous year. We continue ramping up sales volumes and net sales of our pork segment, which delivered 29% and 15.6% increases respectively, y-o-y. Higher pork volumes contributed additional profits and also enabled the increase in sales in our meat processing segment. Our Tambov Turkey JV is on track to produce its capacity of 45 thousand tonnes in 2018. Our operational performance was undermined by seasonal weakness in prices, which already recovered in the beginning of the second quarter as we approach the active summer season.



We continued to increase the share of our production sold as branded value-added products at higher margin, e.g. sales of Petelinka grew 30% compared to the first quarter of previous year. We also expanded our distribution to modern retail trade and HoReCa channels and achieved a modest lift in market share in the North-West of Russia, predominantly in Saint Petersburg.

We increased sales and marketing expenses to support our sales effort generally and to bolster the Company's strong brand positions going forward. At the same time, we continued our cost optimization programme, which led to a decline of live production costs in poultry and pork segments. However, the efficiencies were not sufficient to overcome the weak pricing environment and EBITDA for the period declined by 25.9% to RUB 2.7 billion."

Financial summary

RUB mln	1Q 2018	1Q 2017	y-o-y, %
Revenue	21 935	20 971	4.6%
Gross profit	7 532	5 640	33.5%
Operating expenses and share of JV results	3 937	3 186	23.6%
Adjusted EBITDA	2 680	3 675	-27.1%
<i>EBITDA margin, adjusted</i>	<i>12.2%</i>	<i>17.5%</i>	
Operating profit	3 595	2 455	46.5%
Profit before tax	2 938	1 878	56.5%
Profit	2 865	1 848	55.1%
Net operating cash flow	1 022	2 114	-51.7%
Net debt	49 727	48 669¹	2.2%

¹As of December 31, 2017

Revenue

Net sales increased to RUB 21.9 billion, up 4.6% y-o-y (1Q17: RUB 21.0 billion), with meat processing and turkey revenues the major drivers of the increase (up 11.0% and 109.6% y-o-y respectively). Poultry segment sales declined by 2.6% compared to 1Q17 and amounted to RUB 11.5 billion. In the first quarter of 2018 sales volumes increased across all segments, while the pricing environment remained weak, compared to relatively high levels a year ago.

Gross profit

Gross profit increased by 33.5% y-o-y to RUB 7.5 billion, (1Q17: RUB 5.6 billion). Gross profit margin increased to 34.3% (1Q17: 26.9%). However, when gross profit was adjusted for the RUB 2.9 billion change in fair value of biological assets and agricultural produce, our adjusted gross profit declined by 17.1% y-o-y to RUB 4.6 billion. The year-on-year performance was the net result of a number of competing factors, driven by including lower average selling prices, a higher level of production across all segments, offset by lower feed costs in poultry and pork segments, and operational efficiency gains across all segments which led to lower costs per KG across all segments.



Operating expenses

Operating expenses increased by 23.6% y-o-y to RUB 3.9 billion, (1Q17: RUB 3.2 billion), because of higher volumes sold and associated logistics costs, increased marketing spend, and increased volumes of turkey sales. Operating expenses as percentage of sales increased to 17.9% in 1Q18 (1Q17: 15.2%).

Adjusted EBITDA

Adjusted EBITDA totalled RUB 2.7 billion, a 27.1% decline y-o-y. Adjusted EBITDA margin amounted to 12.2% (1Q17: 17.5%) due to lower profitability in the poultry and meat processing segments, partially offset by better results in the pork segment. Results of the poultry and meat processing segment were hurt by weak prices.

Starting in 2018 the Group has changed the approach for Adjusted EBITDA calculation for unsold harvest of the current year. Adjusted EBITDA now includes the unrealised gain / (loss) on mark-to-market revaluation of the current year harvest, which remained unsold at the year-end, plus the depreciation accumulated within the cost of production of the harvest less the realised effect of prior year harvest sold during the current period. The main reason for the change was to align reported calendar year Adjusted EBITDA of the Grain segment with agricultural year Adjusted EBITDA, to more accurately assess the performance of the segment. Furthermore, the crops produced by the Group are grain commodities and therefore can be easily sold at a market price and the price is readily available, therefore, for reporting purposes the Group adds to the Grain segment results the estimated Adjusted EBITDA of the unsold harvest.

The comparative financial information for 2017 and three months ended 31 March 2017 has been retrospectively adjusted to reflect the change in the segment profit measure. Adjusted EBITDA before the change of calculation amounted to RUB 15.3 billion in 2017 and RUB 3.7 billion in 1Q17 respectively. After the change of approach, Adjusted EBITDA was RUB 14.6 billion in 2017 and RUB 3.7 billion in 1Q17.

Interest expense

Net interest expense in 1Q18 remained flat y-o-y and totalled RUB 0.7 billion.

Net profit

Net profit for the Group totalled RUB 2.9 billion in 1Q18, up 55.1% compared to RUB 1.8 billion in 1Q17. Net profit margin improved to 13.1% from 8.8% in 1Q17. Net profit increase was positively affected by RUB 2.9 billion change in fair value of biological assets and agricultural produce.

Cash flow

Operating cash flow was RUB 1.0 billion (1Q17: RUB 2.1 billion), a decline of 51.7% primarily due to the decline in operating income, partially offset by an improvement in working capital.

Capital expenditure and debt

The Group's capital expenditure on property, plant, equipment and maintenance amounted to RUB 2.0 billion in the first quarter of 2018, an increase of 8.1% y-o-y.



The meat processing segment received RUB 0.7 billion for the construction of the Kashira meat processing plant in the Moscow region. Another RUB 0.9 billion was invested into the pork segment, in new wean-to-finish facilities in the Penza region.

As of March 31, 2018, net debt** was RUB 49.7 billion, compared to RUB 48.7 billion at the end of 2017. Total debt increased to RUB 52.5 billion as of March 31, 2018 compared to 50.0 billion at the end 2017. At the end of 1Q18 long-term debt accounted for 65% of the debt portfolio and amounted to RUB 34.2 billion, while short-term debt totalled RUB 18.3 billion, or 35% of the portfolio. The effective cost of debt was 7.0% in 1Q18 (1Q17: 9.5%). Subsidised loans and credit facilities made up 29% of the debt portfolio in 1Q18 (1Q17: 34%). Cash and cash equivalents totalled RUB 2.1 billion as of March 31, 2018.

Subsidies

The Group accrued direct subsidies of RUB 80.9 million in 1Q18 (1Q17: RUB 53.4 million). The Group accrued subsidies for interest reimbursement of RUB 138.2 million in 1Q18 (1Q17: RUB 138.7 million).

Business segments

Divisions	Sales volume		Change y-o-y, %	Revenue		Change y-o-y, %
	1Q18, k tonnes	1Q17, k tonnes		1Q18, RUB mln	1Q17, RUB mln	
Chicken	137.55	125.55	9.6%	11 525	11 832	-2.6%
Turkey	9.74	3.34	191.6%	1 130	539	109.6%
Pork	54.84	42.61	28.7%	4 544	3 930	15.6%
Meat processing	53.06	43.52	21.9%	8 253	7 435	11.0%

Volume and revenue reported in turkey section represent sales of the Trading Company "Cherkizovo". Revenue includes intersegment sales

Poultry Division

Sales volumes in 1Q18 increased by 9.6% and amounted to 137.55 thousand tonnes (1Q17: 125.55 thousand tonnes). The average selling price weakened by 11% y-o-y to 82.07 RUB/kg mostly due to the higher base effect of the previous year.

The segment's revenue declined by 2.6% y-o-y to RUB 11.5 billion (1Q17: RUB 11.8 billion): higher sales volumes were negatively affected by the decline of the average selling price, despite an increased share of value-added branded products in the sales mix.

Gross profit declined by 18.4% y-o-y to RUB 2.1 billion, (1Q17: RUB 2.6 billion in 1Q17, due to lower prices. Gross margin was 18.6%, vs. 22.2% in 1Q17.

Operating expenses as a percentage of sales amounted to 12.3%, an increase from 10.0% in 1Q17. Operating income decreased 49.2% y-o-y to RUB 729 million (1Q17: RUB 1.4 billion). Operating margin fell to 6.3% in 1Q18 from 12.1% in 1Q17.

The segment's net profit amounted to RUB 590 million (1Q17: RUB 1.2 billion).



Adjusted EBITDA declined 48.7% y-o-y and amounted to RUB 1.0 billion (1Q17: RUB 2.0 billion), while adjusted EBITDA margin decreased to 9.0% from 17.1% a year ago.

Pork Division

Sales volumes in the first quarter of 2018 increased by 28.7% y-o-y, to 54.84 thousand tonnes (1Q17: 42.61 thousand tonnes). The average selling price was down by 11% y-o-y to 81.59 RUB/kg compared to 90.23 RUB/kg a year ago.

The segment's total sales increased by 15.6% y-o-y to RUB 4.5 billion (1Q17: RUB 3.9 billion). The sales growth was attributable to a higher volume of production, though partially offset by the weak average selling price in the reporting period.

Gross profit grew almost three fold y-o-y, to RUB 3.6 billion (1Q17: RUB 1.2 billion) due to higher sales volumes, further improvement in operational KPI's, lower feed costs, and a non-cash change in the fair value of biological assets in the amount of RUB 2.1 billion (net of the revaluation gross profit increased by 27.0% to RUB 1.5 billion). The segment's gross margin soared to 79.1% from 31.5% in 1Q17.

Operating expenses as a percentage of sales amounted to 4.8%, compared to 1.8% in 1Q17.

Operating income was up 189% y-o-y, to RUB 3.4 billion from RUB 1.2 billion in 1Q17. The segment's operating margin increased to 74.3% from 29.7% in the quarter a year ago.

Net profit tripled to RUB 3.3 billion compared to 1Q17 result of RUB 1.1 billion.

Adjusted EBITDA increased by 16.3% y-o-y and amounted to RUB 1.6 billion (1Q17: RUB 1.4 billion). Adjusted EBITDA margin remained virtually unchanged at 35.5% vs. 35.3% in 1Q17.

Meat Processing Division

Sales volumes in 1Q18 were up 21.9% y-o-y, and amounted to 53.06 thousand tonnes (1Q17 43.52 thousand tonnes). The average selling price declined to 155.29 RUB/kg, from 174.80 Rub/kg in a quarter a year ago.

The segment's total sales increased by 11% and reached RUB 8.3 billion (1Q17: RUB 7.4 billion). The sales growth was driven by an increased share of carcass in the sales mix, on the back of higher volumes of market hogs production in the pork segment.

Gross profit declined by 10.4% y-o-y, to RUB 1.3 billion, (1Q17: RUB 1.4 billion) due to lower average selling price per kilogram driven by the higher carcass sales. The gross margin declined to 15.2% from 18.8% a year ago.

Operating expenses as a percentage of sales amounted to 12.3%, vs. 12.1% in 1Q17.

Operating income decreased by 52.5% y-o-y to RUB 235 million from RUB 495 million in 1Q17. Operating margin decreased to 2.8% from 6.7% in the quarter a year ago.

The segment's net profit was RUB 154 million, a decrease of 67.3% y-o-y.



Adjusted EBITDA declined to RUB 416 million. Adjusted EBITDA margin decreased to 5.0% (1Q17: 8.7%).

Grain Division

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

Outlook

The macroeconomic environment in Russia remains generally favourable, with inflation near historic lows and GDP, real disposable income and food retail sales all on the rise. A recent increase in FX volatility spurred by the latest round of sanctions appears to be settling down. We are therefore relatively optimistic looking out into the rest of the financial year due to a combination of positive drivers, both externally and internally.

We believe the pricing weakness, common for the first quarter of the year, is largely behind us, with prices moving upwards already in April. We are on track to launch new pork facilities that will increase our production capacity to 300 thousand tonnes by the end of the year, and to launch production at our state of the art meat processing plant in Kashira in the second quarter. The approaching completion and commercialization of these and other large capital projects will substantially complete our current investment cycle and position the company to deliver increased sales, earnings and cash flow in coming years.

Our business strategy is centered around our consumers. We target to increase sales of high margin branded products in the poultry segment, especially Petelinka, and to offer our consumers the best value for money in sausage and pork product categories. We intend to further evolve our portfolio of value-added products in line with consumer demand, strengthen our brands, solidify our market position in high-margin segments and high growth sales channels. To that end, we will strive to sustain our position as the main supplier for nationwide retail chains and HoReCa customers, through product quality, shelf life, service and competitive terms, and to leverage these relationships to gradually expand our regional coverage.

For more information please visit www.cherkizovo.com or contact:

Anatoliy Vereschagin

Managing Partner
Progress Communications Agency
+7 965 334 34 34 av@progresspr.ru



About Cherkizovo Group

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

Cherkizovo Group encompasses eight full cycle poultry production facilities, 16 modern pork production facilities, six meat processing plants, eight feed mills and 287,000 hectares of agricultural land. The Group also includes Tambov Turkey facility, a joint Russian-Spanish venture. In 2017, Cherkizovo Group produced c. 1 mn tonnes of meat and meat products.

Thanks to its vertically integrated structure, which includes grain growing and storage, feed production, livestock breeding, fattening and slaughtering, and meat processing, alongside a distribution system, the Group has delivered long-term sales growth and profitability. The Group's consolidated revenue was RUB 90.5 billion in 2017.

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.*

Adjusted Earnings before Interest, Income Tax, Depreciation and Amortization ("Adjusted EBITDA"). *Adjusted EBITDA is defined as profit for the period before income tax expense/benefit, interest income and interest expense, net, foreign exchange loss/gain, depreciation and amortisation expense, net change in fair value of biological assets and agricultural produce, write-off of receivables from insurance company, share of gain / (loss) of a joint venture and loss on disposal of subsidiaries, plus share of adjusted EBITDA of a joint venture and effect of annual mark-to-market revaluation of unsold harvest of the Grain segment on adjusted EBITDA as shown in the reconciliation in Appendix 1. Adjusted EBITDA margin is defined as Adjusted EBITDA as a percentage of our net revenues. Our adjusted EBITDA*



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

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

APPENDIX I: KEY DATA AND FIGURES

UNAUDITED 3 Months ended March 31, 2018 Consolidated Selected Financial Data

(in thousands of rubles)	Meat Processing	Poultry	Pork	Grain	Feed	Total reportable segments	Corporate	Inter-division	Total without Turkey	Turkey	Combined
Total Sales	8 253 333	11 525 124	4 543 949	994 455	6 834 235	32 151 096	181 539	(11 527 509)	20 805 126	1 130 034	21 935 160
including other sales	167 518	236 395	69 910	23 107	-	496 930	181 539	(274 775)	403 694	-	403 694
including sales volume discount	(178 384)	(137 264)	-	-	-	(315 648)	-	-	(315 648)	(10 620)	(326 268)
Interdivision Sales	(46 839)	(462 561)	(3 922 972)	(265 724)	(6 724 357)	(11 422 453)	(105 056)	11 527 509	-	-	-
Sales to external customers (Sales)	8 206 494	11 062 563	620 977	728 731	109 878	20 728 643	76 483	-	20 805 126	1 130 034	21 935 160
<i>% of Total sales</i>	<i>37.4%</i>	<i>50.4%</i>	<i>2.8%</i>	<i>3.3%</i>	<i>0.5%</i>	<i>94.5%</i>	<i>0.3%</i>	<i>0.0%</i>	<i>94.8%</i>	<i>5.2%</i>	<i>100.0%</i>
Net change in fair value of biological assets	-	201 318	2 058 483	662 073	-	2 921 874	-	15 478	2 937 352	-	2 937 352
Cost of Sales	(7 000 415)	(9 585 561)	(3 007 797)	(1 367 002)	(6 667 566)	(27 628 341)	(115 859)	11 402 868	(16 341 332)	(999 587)	(17 340 919)
Gross profit	1 252 918	2 140 881	3 594 635	289 526	166 669	7 444 629	65 680	(109 163)	7 401 146	130 447	7 531 593
<i>Gross margin</i>	<i>15.2%</i>	<i>18.6%</i>	<i>79.1%</i>	<i>29.1%</i>	<i>2.4%</i>	<i>23.2%</i>	<i>36.2%</i>	<i>0.9%</i>	<i>35.6%</i>	<i>11.5%</i>	<i>34.3%</i>
Operating expenses	(1 017 767)	(1 412 348)	(219 408)	(107 456)	(70 607)	(2 827 586)	(734 528)	119 587	(3 442 527)	(121 437)	(3 563 964)
Share of loss of a joint venture	-	-	-	-	-	-	-	-	-	(372 582)	(372 582)
Operating income	235 151	728 533	3 375 227	182 070	96 062	4 617 043	(668 848)	10 424	3 958 619	(363 572)	3 595 047
<i>Operating margin</i>	<i>2.8%</i>	<i>6.3%</i>	<i>74.3%</i>	<i>18.3%</i>	<i>1.4%</i>	<i>14.4%</i>	<i>-368.4%</i>	<i>-0.1%</i>	<i>19.0%</i>	<i>-32.2%</i>	<i>16.4%</i>
Interest income	5 240	42 672	6 703	891	167	55 673	10 602	(783)	65 492	-	65 492
Interest expense, net	(19 404)	(161 770)	(51 827)	(38 666)	(198 263)	(469 930)	(267 640)	783	(736 787)	-	(736 787)
Other expenses, net	(66 333)	(19 928)	702	(1 851)	101 723	14 313	1	-	14 314	-	14 314
Division profit / (loss)	154 654	589 507	3 330 805	142 444	(311)	4 217 099	(925 885)	10 424	3 301 638	(363 572)	2 938 066
<i>Division profit margin</i>	<i>1.9%</i>	<i>5.1%</i>	<i>73.3%</i>	<i>14.3%</i>	<i>0.0%</i>	<i>13.1%</i>	<i>-510.0%</i>	<i>-0.1%</i>	<i>15.9%</i>	<i>-32.2%</i>	<i>13.4%</i>
Supplemental information:											
Income Tax expense	24 595	280	13 101	(4 628)	(47)	33 301	39 862	-	73 163	-	73 163
Depreciation expense	181 047	509 608	297 865	192 847	139 682	1 321 049	95 185	-	1 416 234	403	1 416 637

UNAUDITED 3 Months ended March 31, 2018 Consolidated Selected Financial Data

(in thousands of rubles)	Meat Processing	Poultry	Pork	Grain	Feed	Total reportable segments	Corporate	Inter-division	Total without Turkey	Turkey	Combined
Division profit / (loss)	154 654	589 507	3 330 805	142 444	(311)	4 217 099	(925 885)	10 424	3 301 638	(363 572)	2 938 066
Add:											
Interest expense, net	19 404	161 770	51 827	38 666	198 263	469 930	267 640	(783)	736 787	-	736 787
Interest income	(5 240)	(42 672)	(6 703)	(891)	(167)	(55 673)	(10 602)	783	(65 492)	-	(65 492)
Foreign exchange loss/gain	66 542	19 981	(635)	1 851	(101 723)	(13 984)	(1)	-	(13 985)	-	(13 985)
Depreciation and amortisation	181 047	509 608	297 865	192 847	139 682	1 321 049	95 185	-	1 416 234	403	1 416 637
Net change in fair value of biological assets	-	(201 318)	(2 058 483)	(662 073)	-	(2 921 874)	-	(15 478)	(2 937 352)	-	(2 937 352)
Share of loss of a joint venture	-	-	-	-	-	-	-	-	-	372 582	372 582
Share of adjusted EBITDA of a joint venture	-	-	-	-	-	-	-	-	-	(36 114)	(36 114)
Effect of the annual mark-to-market revaluation of unsold current year harvest less the effect of prior year harvest sold during the current period	-	-	-	253 685	-	253 685	-	15 478	269 163	-	269 163
Adjusted EBITDA*	416 407	1 036 876	1 614 676	(33 471)	235 744	3 270 232	(573 663)	10 424	2 706 993	(26 701)	2 680 292
Adjusted EBITDA Margin*	5.0%	9.0%	35.5%	-3.4%	3.4%		-316.0%	-0.1%	13.0%	-2.4%	12.2%

Reconciliation between net division profit and income attributable to Cherkizovo Group	1Q18
Total net division profit	2 938 066
Net income attributable to non-controlling interests	88 977
Income taxes	(73 163)
Net income attributable to Cherkizovo Group	2 953 880

UNAUDITED CONSOLIDATED INCOME STATEMENT DATA

(in thousands of rubles)	Three months ended 31 March 2018	Three months ended 31 March 2017
Sales	21 935 160	20 970 909
incl. Sales volume discounts	(326 268)	(288 745)
incl. Sales returns	(231 628)	(241 366)
Net change in fair value of biological assets and agricultural produce	2 937 352	98 019
Cost of sales	(17 340 919)	(15 428 540)
Gross profit	7 531 593	5 640 388
Gross margin	34.3%	26.9%
Operating expenses	(3 563 964)	(2 993 747)
Share of loss of a joint venture	(372 582)	(192 110)
Operating profit	3 595 047	2 454 531
Operating margin	16.4%	11.7%
Profit before income tax	2 938 066	1 877 746
Profit attributable to Cherkizovo Group	2 953 880	1 934 013
<i>Net profit margin</i>	13.5%	9.2%
Weighted average number of shares outstanding	41 047 014	43 855 590
Profit attributable to Cherkizovo Group per share – basic and diluted (rubles)	72.0	44.1
Consolidated Adjusted EBITDA reconciliation*		
Profit before income tax	2 938 066	1 877 746
Add:		
Interest expense, net of subsidies	736 787	746 382
Interest income	(65 492)	(67 371)
Foreign exchange gain, net	(13 985)	(101 098)
Depreciation and amortisation	1 416 637	1 180 163
Net change in fair value of biological assets and agricultural produce	(2 937 352)	(98 019)
Share of loss of a joint venture	372 582	192 110
Share of adjusted EBITDA of a joint venture	(36 114)	-
Effect of the annual mark-to-market revaluation of unsold current year harvest less the effect of prior year harvest sold during the current period	269 163	(54 922)
Consolidated Adjusted EBITDA*	2 680 292	3 674 991
<i>Adjusted EBITDA Margin</i>	12.2%	17.5%

POULTRY DIVISION UNAUDITED INCOME STATEMENT DATA

(in thousands of rubles)	Three months ended 31 March 2018	Three months ended 31 March 2017
Total Sales	11 525 124	11 832 008
Interdivision sales	(462 561)	(376 668)
Sales to external customers	11 062 563	11 455 340
Net change in fair value of biological assets and agricultural produce	201 318	(103 743)
Cost of sales	(9 585 561)	(9 105 493)
Gross profit	2 140 881	2 622 772
<i>Gross margin</i>	18.6%	22.2%
Operating expenses	(1 412 348)	(1 187 292)
Operating Income	728 533	1 435 480
<i>Operating margin</i>	6.3%	12.1%
Interest income	42 672	37 212
Interest expense, net	(161 770)	(226 016)
Other expenses, net	(19 928)	(92 670)
Division profit	589 507	1 154 006
<i>Division profit margin</i>	5.1%	9.8%
Poultry processing division Adjusted EBITDA reconciliation*		
Division profit	589 507	1 154 006
Add:		
Interest expense, net of subsidies	161 770	226 016
Interest income	(42 672)	(37 212)
Foreign exchange loss, net	19 981	92 647
Depreciation and amortisation	509 608	480 250
Net change in fair value of biological assets and agricultural produce	(201 318)	103 743
Poultry processing division Adjusted EBITDA*	1 036 876	2 019 450
<i>Adjusted EBITDA Margin</i>	9.0%	17.1%



PORK DIVISION UNAUDITED INCOME STATEMENT DATA

(in thousands of rubles)	Three months ended 31 March 2018	Three months ended 31 March 2017
Total Sales	4 543 949	3 930 272
Interdivision sales	(3 922 972)	(3 034 782)
Sales to external customers	620 977	895 490
Net change in fair value of biological assets and agricultural produce	2 058 483	28 271
Cost of sales	(3 007 797)	(2 720 551)
Gross profit	3 594 635	1 237 992
<i>Gross margin</i>	79.1%	31.5%
Operating expenses	(219 408)	(70 288)
Operating Income	3 375 227	1 167 704
<i>Operating margin</i>	74.3%	29.7%
Interest income	6 703	9 950
Interest expense, net	(51 827)	(86 261)
Other income, net	702	6 459
Division profit	3 330 805	1 097 852
<i>Division profit margin</i>	73.3%	27.9%
Pork division Adjusted EBITDA reconciliation*		
Division profit	3 330 805	1 097 852
Add:		
Interest expense, net of subsidies	51 827	86 261
Interest income	(6 703)	(9 950)
Foreign exchange gain, net	(635)	(6 259)
Depreciation and amortisation	297 865	248 487
Net change in fair value of biological assets and agricultural produce	(2 058 483)	(28 271)
Pork division Adjusted EBITDA*	1 614 676	1 388 120
<i>Adjusted EBITDA Margin</i>	35.5%	35.3%



MEAT PROCESSING DIVISION UNAUDITED INCOME STATEMENT DATA

(in thousands of rubles)	Three months ended 31 March 2018	Three months ended 31 March 2017
Total Sales	8 253 333	7 434 546
Interdivision sales	(46 839)	(2 831)
Sales to external customers	8 206 494	7 431 715
Cost of sales	(7 000 415)	(6 036 648)
Gross profit	1 252 918	1 397 898
<i>Gross margin</i>	15.2%	18.8%
Operating expenses	(1 017 767)	(903 058)
Operating Income	235 151	494 840
<i>Operating margin</i>	2.8%	6.7%
Interest income	5 240	3 449
Interest expense, net	(19 404)	(67 669)
Other (expenses) / income, net	(66 333)	41 747
Division profit	154 654	472 367
<i>Division profit margin</i>	1.9%	6.4%
Meat processing division Adjusted EBITDA reconciliation*		
Division profit	154 654	472 367
Add:		
Interest expense, net of subsidies	19 404	67 669
Interest income	(5 240)	(3 449)
Foreign exchange loss/ (gain)	66 542	(41 740)
Depreciation and amortisation	181 047	153 181
Other income and expenses, net		
Meat processing division Adjusted EBITDA*	416 407	648 028
<i>Adjusted EBITDA Margin</i>	5.0%	8.7%



FEED DIVISION UNAUDITED INCOME STATEMENT DATA

(in thousands of rubles)	Three months ended 31 March 2018	Three months ended 31 March 2017
Total Sales	6 834 235	6 534 512
Interdivision sales	(6 724 357)	(6 354 366)
Sales to external customers	109 878	180 146
Cost of sales	(6 667 566)	(6 305 223)
Gross profit	166 669	229 289
<i>Gross margin</i>	2.4%	3.5%
Operating expenses	(70 607)	(86 107)
Operating Income	96 062	143 182
<i>Operating margin</i>	1.4%	2.2%
Interest income	167	433
Interest expense, net	(198 263)	(218 254)
Other income, net	101 723	139 248
Division profit	(311)	64 609
<i>Division profit margin</i>	0.0%	1.0%
Feed division Adjusted EBITDA reconciliation*		
Division profit	(311)	64 609
Add:		
Interest expense, net of subsidies	198 263	218 254
Interest income	(167)	(433)
Foreign exchange gain	(101 723)	(138 688)
Depreciation and amortisation	139 682	162 641
Feed division Adjusted EBITDA*	235 744	306 383
<i>Adjusted EBITDA Margin</i>	3.4%	4.7%



APPENDIX II:

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED MARCH 31 2018

(in thousands of rubles)	Three months ended 31 March 2018	Three months ended 31 March 2017	Year ended 31 December 2017
Revenue	21 935 160	20 970 909	90 465 069
Net change in fair value of biological assets and agricultural produce	2 937 352	98 019	(148 118)
Cost of sales	(17 340 919)	(15 428 540)	(66 758 340)
Gross profit	7 531 593	5 640 388	23 558 611
Selling, general and administrative expense	(3 562 137)	(3 088 754)	(13 936 562)
Other operating (expenses) / income, net	(1 827)	95 007	324 898
Share of loss of a joint venture	(372 582)	(192 110)	(221 325)
Operating profit	3 595 047	2 454 531	9 725 622
Interest income	65 492	67 371	277 148
Interest expense, net	(736 787)	(746 382)	(3 663 093)
Other income / (expenses), net	14 314	102 226	(384 002)
Profit before income tax	2 938 066	1 877 746	5 955 675
Income tax expense	(73 163)	(30 184)	(307 600)
Profit for the period and total comprehensive income	2 864 903	1 847 562	5 648 075
Profit and total comprehensive income, attributable to Cherkizovo Group	2 953 880	1 934 013	5 800 371
Non-controlling interests	(88 977)	(86 451)	(152 296)



APPENDIX III:

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF MARCH 31 2018

(in thousands of rubles)	31 March 2018	31 December 2017
ASSETS		
Non-current assets		
Property, plant and equipment	75 562 951	75 318 770
Investment property	588 421	589 411
Goodwill	1 254 572	1 254 572
Intangible assets	2 012 195	2 014 358
Non-current biological assets	2 573 909	2 288 524
Notes receivable, net	160 000	310 000
Investments in joint venture	2 245 603	2 185 147
Long-term deposits in banks	641 365	641 365
Restricted cash	239 451	740 848
Deferred tax assets	754 192	754 192
Other non-current receivables	461 052	804 322
Total non-current assets	86 493 711	86 901 509
Current assets		
Biological assets	14 378 898	11 566 300
Inventories	9 968 812	9 971 811
Taxes recoverable and prepaid	2 115 689	2 264 482
Trade receivables, net	4 362 809	4 448 735
Advances paid, net	831 580	1 415 099
Other receivables, net	1 389 667	836 563
Cash and cash equivalents	2 087 110	704 676
Other current assets	611 945	535 087
Total current assets	35 746 510	31 742 753
TOTAL ASSETS	122 240 221	118 644 262



UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF MARCH 31 2018 Continued

	31 March 2018	31 December 2017
EQUITY AND LIABILITIES		
Equity		
Share capital	440	440
Treasury shares	(3 724 561)	(3 724 561)
Additional paid-in capital	5 599 427	5 588 320
Retained earnings	49 722 293	49 849 812
Total shareholder's equity	51 597 599	51 714 011
Non-controlling interest	964 450	1 065 846
Total equity	52 562 049	52 779 857
Non-current liabilities		
Long-term borrowings	34 189 203	30 603 110
Provisions	58 131	58 131
Deferred tax liability	1 073 301	1 064 814
Other liabilities	576	3 272
Total non-current liabilities	35 321 211	31 729 327
Current liabilities		
Short-term borrowings	18 266 725	19 411 621
Trade payables	8 110 593	9 018 376
Advances received	441 067	616 371
Payables for non-current assets	1 230 533	1 912 620
Tax related liabilities	1 034 123	964 123
Payroll related liabilities	1 621 725	1 816 396
Dividends payable	3 081 399	-
Other payables and accruals	570 796	395 571
Total current liabilities	34 356 961	34 135 078
Total liabilities	69 678 172	65 864 405
TOTAL EQUITY AND LIABILITIES	122 240 221	118 644 262



APPENDIX IV:

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED MARCH 31 2018

	Three months ended 31 March 2018	Three months ended 31 March 2017	Year ended 31 December 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax	2 938 066	1 877 746	5 955 675
Adjustments for:			
Depreciation and amortization	1 416 637	1 180 163	5 153 486
Bad debt expense	27 711	6 140	282 166
Foreign exchange (gain), loss net	(13 985)	(101 098)	390 426
Interest income	(65 492)	(67 371)	(277 148)
Interest expense, net	736 787	746 382	3 663 093
Net change in fair value of biological assets and agricultural produce	(2 937 352)	(98 019)	148 118
(Gain)/loss on disposal of property, plant and equipment, net	(5 596)	40 238	106 321
Loss/gain on disposal of non-current biological assets, net	7 424	(130 095)	(423 512)
Share of loss of a joint venture	372 582	192 110	221 325
Other adjustments, net	(3 067)	(1 126)	(14 410)
Operating cash flows before working capital and other changes	2 473 715	3 645 070	15 205 540
Decrease (Increase) in inventories	34 729	(106 377)	1 259 252
Increase in biological assets	(193 694)	(650 464)	(489 539)
Decrease in trade receivables	75 975	843 802	384 564
Decrease (Increase) in advances paid	521 995	(356 797)	(169 281)
Decrease (Increase) in other receivables and other current assets	146 818	(302 996)	(333 616)
Increase in other non-current assets	(5 799)	(16 485)	(113 739)
(Decrease) increase in trade payables	(789 265)	(615 653)	48 691
Increase in tax related liabilities (other than income tax)	5 323	256 650	50 889
(Decrease) Increase in other current payables	(232 456)	(74 026)	445 491
Operating cash flows before interest and income tax	2 037 341	2 622 724	16 288 252
Interest received	104 520	37 755	143 745
Interest paid	(748 004)	(544 501)	(3 444 545)
Government grants for compensation of interest expense received	-	7 935	541 187
Income tax paid	(372 300)	(10 241)	(512 430)
Net cash from operating activities	1 021 557	2 113 672	13 016 209
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(2 332 467)	(1 692 159)	(9 881 600)
Purchase of non-current biological assets	(185 656)	(195 605)	(1 017 577)
Purchase of intangible assets	(86 717)	(31 663)	(372 470)
Proceeds from sale of property, plant and equipment	20 551	23	30 880
Proceeds from disposal of non-current biological assets	178 197	230 971	1 028 836
Acquisitions of subsidiaries, net of cash acquired	-	-	(4 768 059)
Investments in joint venture	(80 000)	(345 000)	(345 000)
Placing of deposits and issuance of loans	-	(1 471)	(412 470)
Placing of notes receivable	-	(100 000)	(100 000)
Repayment of loans issued and redemption of deposits	87 500	-	150 050
Net cash used in investing activities	(2 398 592)	(2 134 904)	(15 687 410)



UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED MARCH 31 2018 Continued

	Three months ended 31 March 2018	Three months ended 31 March 2017	Year ended 31 December 2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term loans	7 063 712	1 664 732	20 542 792
Repayment of long-term loans	(1 216 768)	(730 280)	(10 378 936)
Proceeds from short-term loans	3 393 715	2 024 459	11 555 329
Repayment of short-term loans	(6 479 878)	(2 795 539)	(12 246 483)
Purchase of treasury shares	-	-	(3 646 528)
Dividends paid	-	-	(3 453 970)
(Purchase) disposal of non-controlling interests	(1 312)	1 470	1 470
Net cash from financing activities	2 759 469	164 842	2 373 674
Net increase/(decrease) in cash and cash equivalents	1 382 434	143 610	(297 527)
Cash and cash equivalents at the beginning of the period	704 676	1 002 203	1 002 203
Cash and cash equivalents at the end of the period	2 087 110	1 145 813	704 676