



## **Cherkizovo Group Announces first quarter 2020 Financial Results**

**Moscow, Russia – May 21, 2020– PJSC Cherkizovo Group (MOEX: GCHE), the largest vertically integrated meat producer in Russia, today announces its unaudited consolidated IFRS results for the first quarter of 2020.**

### **First quarter financial highlights**

- Revenue increased by 13.1% year-on-year (y-o-y) to RUB 30.2 billion.
- Gross profit of RUB 8.8 billion, was 22.5% higher than year ago result.
- Adjusted EBITDA\* increased by 23.9% y-o-y to RUB 5.0 billion. Adjusted EBITDA margin improved to 16.6%, from 15.1% in 1Q19.
- The Group's a net profit RUB of 3.0 billion, declined by 6.1% compared to 1Q19. Adjusted net profit\*\* totalled RUB 1.3 billion, down 36.6% from 1Q19.

### **First quarter corporate highlights**

- During the quarter our export sales increased by 3.5 times compared to 1Q19 results and reached USD 35 million. We boosted chicken sales sixfold, primarily to Chinese customers, launched poultry shipments to the United Arab Emirates, and successfully passed audit from Saudi Food and Drug Authority to expand our export footprint in the Middle East going forward.
- In February, Cherkizovo decided to proceed with construction of an oil extraction plant, an oil crushing project located in the Lipetsk region, with capex of RUB 7 billion, and a preliminary launch date expected in 2022.
- On March 27<sup>th</sup>, the AGM approved a dividend distribution of RUB 60.92 per share, in line with our dividend policy to pay out 50% of 2019 net income, in addition to interim dividends of RUB 48.79 announced in August, 2019.
- On March 27<sup>th</sup>, the AGM elected seven Directors, with the following notable changes: Elliot Jones stepped down from the Board for personal reasons and Emin Mammadov stepped down to transition to a management role as Deputy CEO. Michael Balay, formerly with Cargill, and Christopher Warmoth, currently with Carlsberg, were elected as two new independent directors.

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

- As the COVID-19 pandemic outbreak continued to expand in Russia, the Russian Government declared a period of non-working days from March 30<sup>th</sup> to May 11<sup>th</sup>, 2020. Cherkizovo facilities remained operational, as we are a major food producer in Russia; however, the Company introduced a number of measures already in March to safeguard continuity and security of its operations and employees. These measures among others included elevated hygiene and disinfection measures, adjustment of access to the production sites, re-allocation of some production among plants and hiring of additional personnel to minimize risks of possible disruption. The Company also transferred administrative staff to remote work, and banned international business travel and participation in public events.



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

“In the first quarter of the year our business delivered higher revenues and profits as volumes rose and we continued to execute tight cost control. In our chicken business, we expanded sales of one of our core brands Chicken Kingdom by 10%, and significantly boosted our export sales, predominantly to China. Pork overproduction domestically continued, and prices for this protein remained under pressure in the absence of available export markets. However, our meat processing operations benefited from the lower cost of pork. Overall, we increased our EBITDA by 24% over Q1 2019 to RUB 5 billion.

In March, we had to readjust our sales between retail and foodservice, as orders from the latter started to decline and became almost extinct in April. We managed to grow export volumes, although international market remains challenging as Brazilian companies benefited from Real devaluation and US producers faced with demand drop in food service offered more volumes to exports. Domestically, we hope that various support mechanisms introduced by the Russian government will mitigate the decline in disposable income for our consumers.

The sharp depreciation of the Ruble that occurred in March is a net negative development for our business, as a proportion of our costs are linked to the dollar or Euro. We countered this through the growth of our export sales, aiming to double export volumes of chicken this year and increase turkey exports, holding multi-month physical grain inventory, and through our focus on achieving self-sufficiency in grain. While our major capital expenditure projects remain on track at this time, we continue to carefully evaluate the timing and safety of construction. We also closely monitor our supply chains for potential disruptions and maintain strong liquidity buffers.

As a major food producer and the largest vertically integrated meat producer in Russia, we are fully aware of our role to maintain food security domestically and ensure steady supply of quality meat products to our customers. We are taking all necessary steps to safeguard the security of our employees across our supply chain from farm to retail.”

**Financial summary**

<b>RUB mln</b>	<b>1Q 2020</b>	<b>1Q 2019</b>	<b>y-o-y, %</b>
<b>Revenue</b>	<b>30 164</b>	<b>26 681</b>	<b>13.1%</b>
Net change in fair value of biological assets	1 441	1 361	5.9%
Net revaluation of harvested crops in stock	(369)	(455)	-18.9%
<b>Gross profit</b>	<b>8 791</b>	<b>7 179</b>	<b>22.5%</b>
<i>Gross margin</i>	29.1%	26.9%	2.2 p.p.
Operating expenses, net	(4 374)	(3 681)	18.8%
Share of profit/(loss) of joint ventures and associates	232	(51)	n.a.
<b>Adjusted operating profit <sup>1</sup></b>	<b>2 909</b>	<b>2 239</b>	<b>29.9%</b>
<i>Adjusted operating margin</i>	9.6%	8.4%	1.2 p.p.
<b>Adjusted EBITDA <sup>1</sup></b>	<b>4 994</b>	<b>4 032</b>	<b>23.9%</b>
<i>Adjusted EBITDA margin</i>	16.6%	15.1%	1.4 p.p.
Profit before income tax	3 118	2 899	7.6%
<b>Net profit</b>	<b>3 005</b>	<b>3 201</b>	<b>-6.1%</b>
<b>Adjusted Net profit <sup>1</sup></b>	<b>1 265</b>	<b>1 994</b>	<b>-36.6%</b>
<b>Net operating cash flow</b>	<b>1 363</b>	<b>(61)</b>	<b>n.a.</b>
<b>Net debt</b>	<b>62 185</b>	<b>62 084</b>	<b>0.2%</b>



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

### **Revenue**

In 1Q20, revenue increased by 13.1% y-o-y to RUB 30.2 billion (1Q19: RUB 26.7 billion). Revenue growth is attributed to higher volumes across business segments on the back of organic growth and M&A, coupled with better pricing for chicken and turkey, whereas prices for pork and meat processing products were lower compared to 1Q19.

### **Gross profit**

Gross profit increased by 22.5% y-o-y to RUB 8.8 billion, (1Q19: RUB 7.2 billion). Gross profit growth was driven by higher revenue and realized cost efficiencies in feed components, overheads, while realizing a number of productivity gains. Gross profit margin improved to 29.1% (1Q19: 26.9%).

### **Operating expenses**

Operating expenses increased by 18.8% y-o-y, to RUB 4.4 billion on the back of higher production volumes, from RUB 3.7 billion a year ago. Operating expenses as a percentage of sales increased to 14.5% (1Q19: 13.8%).

### **Adjusted operating profit**

Adjusted operating profit of RUB 2.9 billion, increased by 29.9% y-o-y from RUB 2.2 billion a year ago. Our adjusted operating profit excludes net change in fair value of biological assets of the Group's segments in the amount of RUB 1.4 billion and JV in the amount of RUB 299 million.

### **Adjusted EBITDA**

Adjusted EBITDA of RUB 5.0 billion, up by 23.9% from a year ago (1Q19: RUB 4.0 billion). Adjusted EBITDA margin increased to 16.6% (1Q19: 15.1%) driven by better profitability in the chicken and meat processing business, and marginal decline in profitability in pork segments.

### **Interest expense**

Net interest expense in 1Q20 remained unchanged from a year ago and amounted to RUB 1.1 billion.

### **Net profit**

Net profit for the Group totalled RUB 3.0 billion in 1Q20, down 6.1% compared to RUB 3.2 billion in 1Q19. Net profit margin declined to 10.0% from 12.0% a year ago.

Adjusted net profit declined by 36.6% y-o-y to RUB 1.3 billion, from RUB 2.0 billion a year ago. Adjusted net profit margin amounted to 4.2%, compared to 7.5% in 1Q19.

### **Cash flow**

Operating cash flow expanded by to RUB 1.4 billion (1Q19: negative RUB 61 million), driven by higher operating profit, and improvement in working capital management.

### **Capital expenditure and debt**

The Group's capital expenditure on property, plant, equipment and maintenance amounted to RUB 1.9 billion during first quarter, almost in line with the results of the previous year.



As of March 31, 2020, net debt\*\*\*\* was RUB 62.2 billion, compared to RUB 62.1 billion at the end of 1Q19. Gross debt increased to RUB 73.6 billion as of March 31, 2020, compared to RUB 70.1 billion a year ago. At the end of the first quarter of 2020 long-term debt accounted for 59% of the debt portfolio and amounted to RUB 43.5 billion. The effective cost of debt\*\*\*\*\* was 6.1% as of March 31, 2020. Subsidized loans and credit facilities made up 25% of the debt portfolio in 1Q20 (1Q19: 36%).

### Subsidies

Total government grants received for compensation of interest expense amounted to RUB 0.1 billion RUB.

### Net change in fair value of biological assets

Net change in fair value of biological assets is explained by a higher valuation of chicken produce, grains and market hogs.

### Business segments

Divisions	Sales volume		Change y-o-y, %	Revenue <sup>2</sup>		Change y-o-y, %
	1Q20, k ton	1Q19, k ton		1Q20, RUB mln	1Q19, RUB mln	
Chicken	174.7	151.6	15.2%	18 071	15 740	14.8%
Turkey <sup>3</sup>	9.9	8.2	20.1%	1 711	1 463	17.0%
Pork	74.3	65.9	12.7%	5 940	5 880	1.0%
Meat processing	61.4	53.6	14.6%	9 532	8 766	8.7%
Samson <sup>4</sup>	5.9	5.0	18.1%	-	-	-

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

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

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

### Poultry Division

Sales volumes in 1Q20 increased by 15.2% to 174.7 thousand tonnes (1Q19:151.6 thousand tonnes) as we benefited from a production boost provided by assets acquired at the end of 2018. The average selling price remained unchanged compared to a year ago at 103.6 RUB/kg. Sales of our Petelinka branded products were flat compared to 1Q19, but we increased sales of products under Chicken Kingdom brand by 10%. Sales to federal retail chains increased by 5% y-o-y, and we boosted our export sales sixfold compared to 1Q19. As a result, the segment's revenue increased by 14.8% and amounted to RUB 18.1 billion (1Q19: RUB 15.7 billion).

Net change in fair value of biological assets amounted to RUB 0.8 billion, compared to a negative result of RUB 0.9 in 1Q19.

Gross profit doubled y-o-y and totalled RUB 5.2 billion, (1Q19: RUB 2.5 billion) driven by volumes growth, sales channel diversification, and productivity gains. Gross margin improved to 28.8%, from 15.9% in 1Q19.

Operating expenses as a percentage of sales increased to 11.3% compared to 10.3% a year ago. Operating income increased to RUB 3.3 billion (1Q19: RUB 1.0 billion). Operating margin increased to 18.3% from 6.2% in 1Q19.

The segment's profit before income tax amounted to RUB 3.6 billion (1Q19: RUB 0.7 billion).



Adjusted EBITDA of RUB 3.1 billion, increased by 26.0% y-o-y, while Adjusted EBITDA margin increased to 17.0% from 15.5% a year ago.

### **Pork Division**

Sales volumes in 1Q20 increased by 12.7% y-o-y, to 74.3 thousand tonnes (1Q19: 65.9 thousand tonnes), as we ramped up production facilities completed and populated in 2019. The average selling price of 80.0 RUB/kg, declined by 10.3% y-o-y compared to 89.2 RUB/kg a year ago, due to additional supply of pork meat from domestic producers, while export opportunities remained limited. The segment's revenue increased by 1.0% y-o-y to RUB 5.9 billion (1Q19: RUB 5.9 billion).

Net change in fair value of biological assets was RUB 0.2 billion, compared to RUB 1.7 billion a year ago.

Gross profit of RUB 1.8 billion declined by 47.7% compared to RUB 3.5 billion in 1Q19, on a combination of lower pork prices and smaller net change in fair value of biological produce, partially offset by lower cost of production. The segment's gross margin declined to 30.6%, from 59.0% a year ago.

Operating income amounted to RUB 1.7 billion (1Q19: RUB 3.3 billion). The segment's operating margin declined to 28.3% from 56.6% a year ago.

The segment's profit before income tax declined by 51.1% y-o-y to RUB 1.5 billion (1Q19: RUB 3.1 billion).

Adjusted EBITDA compressed by 7.1% y-o-y to RUB 1.9 billion (1Q19: RUB 2.0 billion). Adjusted EBITDA margin declined to 31.9% from 34.6% in 1Q19.

### **Meat Processing Division**

Sales volumes in 1Q20 increased by 14.6% y-o-y to 61.4 thousand tonnes (1Q19: 53.6 thousand tonnes), as higher volumes of pork production led to higher pork carcass coupled with the growth of sausages sales, the latter was particularly strong as we managed to grow sales across all our major product categories. The average selling price declined by 4.7% y-o-y to 155.3 RUB/kg (1Q19: 162.9 RUB/kg), due to the negative trend in pork carcass price, as sausage price remained largely stable. As a result, the segment's revenue increased by 8.7% and reached RUB 9.5 billion (1Q19: RUB 8.8 billion).

Gross profit increased by 141.1% y-o-y to RUB 1.2 billion, (1Q19: RUB 0.5 billion) due to the lower cost of ingredients for the produce. The gross margin amounted to 13.0%, compared to 5.9% a year ago.

Operating expenses increased by 19.2% y-o-y, and amounted to 11.8% as a percentage of sales (1Q19: 10.7%).

Operating profit amounted to RUB 0.1 billion compared to a loss of RUB 0.5 billion in 1Q19.

The segment's loss before income tax widened to RUB 0.5 billion, compared to a loss of RUB 0.2 billion a year ago, driven by FX loss of RUB 0.6 billion.

Adjusted EBITDA turned to positive RUB 0.5 billion from RUB 0.1 billion loss in 1Q19. EBITDA margin was 5.0% in 1Q20.

### **Results of joint ventures and associates**

The Group's significant joint ventures and associates include our 50% share in Tambov Turkey, a turkey producer established by the Company and its partner and shareholder



Grupo Corporativo Fuertes, our 75% share in Samson – Food products, a meat processor in St-Petersburg, and our 50% share in Cobb-Russia.

Total contribution to the consolidated EBITDA of the Group from all JVs and associates amounted to RUB 232 million during the period, versus a 51 mln RUB loss a year ago, mostly due to sharply improved results at both JV Tambov Turkey and at Samson – Food products.

## **Outlook**

The macro-economic situation in Russia quickly and significantly changed since the beginning of the year, due to the COVID-19 and the drop in oil prices. The two main concerns for our Company are the Ruble depreciating by nearly 20%, and declining consumer disposable income.

Our focus on foodservice and exports, two rapidly growing channels, is currently adjusting for the short term. We are shifting sales volumes towards domestic retail and exports, focusing on our branded value-added products. While we still believe that in the medium term major QSR chains will demand a significant share of our sales portfolio, the near term path to recovery of sales volumes to QSR chains is uncertain.

Expansion of our Tambov Turkey JV is on track and we anticipate first marketable product already in 2021, keeping plans to add more volumes over time.

Pork price weakness is expected to continue in 2020 due to steady growth in supply and a period of overproduction. We are strategically positioned to profit from lower pork raw material prices through our low cash costs, vertical integration and meaningful share in meat processing.

In closing, we approach the ongoing public health and economic crisis with seriousness and caution, aware of the heightened economic uncertainty, the important role we play in domestic food security, reflected by our inclusion in the Russian Government's list of Strategically Important Companies, maintaining our commitment to our employee safety and to our customers. With a strong balance sheet, we plan to continue to pursue opportunities to grow our market share through investment in capacity expansion and modernization and from selected acquisitions when they are compelling and in line with our strategic priorities.

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## About Cherkizovo Group

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

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

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

Cherkizovo Group shares are traded on the Moscow Exchange (MOEX).

*Some figures in this press-release are rounded for the reader's convenience.*

*Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of Cherkizovo Group. You can identify forward looking statements by terms such as "expect," "believe," "anticipate," "estimate," "intend," "will," "could," "may" or "might" the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, general economic conditions, our competitive environment, risks associated with operating in Russia, rapid technological and market change in our industry, as well as many other risks specifically related to Cherkizovo Group and its operations.*

**Non-IFRS financial measures.** *This press release includes financial information prepared in accordance with international financial reporting standards, or IFRS, as well as other financial measures referred to as non-IFRS. The non-IFRS financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS.*

**\* 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 amortization expense, net change in fair value of biological assets, bonuses to employees under long-term incentive program and share of loss of joint ventures and associates plus share of adjusted EBITDA of joint ventures and associates and depreciation and amortization accumulated in harvested crops in stock as shown in the reconciliation in Appendix 1. Adjusted EBITDA margin is defined as Adjusted EBITDA as a percentage of our net revenues. Our adjusted EBITDA*



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

**\*\* Adjusted Net profit** is defined as profit for the period before net change in fair value of biological assets recognized by the Group as well as by the Group's joint ventures and associates and non-recurring impairment loss recognized for non-operational items of property, plant and equipment. Adjusted Net profit margin is defined as Adjusted Net profit as a percentage of our net revenues. Our Adjusted Net profit may not be similar to Adjusted Net profit measures of other companies; is not a measurement under IFRS accounting principles and should be considered in addition to, but not as a substitute for, the information contained in our consolidated financial statements. We believe that Adjusted Net profit provides useful information to investors in order to estimate dividend payout.

**\*\*\* Adjusted Operating profit** is defined as operating profit for the period before net change in fair value of biological assets recognized by the Group as well as by the Group's joint ventures and associates and non-recurring impairment loss recognized for non-operational items of property, plant and equipment. Adjusted Operating profit margin is defined as Adjusted Operating profit as a percentage of our net revenues. Our Adjusted Operating profit may not be similar to Adjusted Operating profit measures of other companies; is not a measurement under IFRS accounting principles and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of operations. We believe that Adjusted Operating profit provides useful information to investors in order to better gauge underlying operating performance of the business.

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

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



**APPENDIX I: KEY DATA AND FIGURES,  
Unaudited first quarter 2020 Consolidated Selected Financial Data**

RUB mln	Meat Processing	Poultry	Pork	Grain	Feed	Total reportable segments	Corporate	Intersegment and other adjustments	Total without Turkey	Turkey	Combined
<b>Total Sales</b>	<b>9 532</b>	<b>18 071</b>	<b>5 940</b>	<b>1 213</b>	<b>10 157</b>	<b>44 913</b>	-	<b>(16 460)</b>	<b>28 453</b>	<b>1 711</b>	<b>30 164</b>
including sales volume discount	(143)	(174)	-	-	-	(317)	-	-	(317)	(32)	(349)
Interdivision Sales	-	(351)	(5 006)	(731)	(10 157)	(16 245)	-	16 275	30	(30)	-
Sales to external customers	9 532	17 720	934	482	-	28 668	-	(185)	28 483	1 681	30 164
<i>% of Total sales</i>	<i>31.6%</i>	<i>58.7%</i>	<i>3.1%</i>	<i>1.6%</i>	<i>0.0%</i>	<i>95.0%</i>		<i>-0.6%</i>	<i>94.4%</i>	<i>5.6%</i>	<i>100.0%</i>
Net change in fair value of biological assets	-	817	231	393	-	1 441	-	-	1 441	-	1 441
Net revaluation of harvested crops in stock	-	-	-	(249)	-	(249)	-	(120)	(369)	-	(369)
Cost of Sales	(8 295)	(13 683)	(4 354)	(900)	(10 019)	(37 251)	-	16 334	(20 917)	(1 528)	(22 445)
<b>Gross profit/(loss)</b>	<b>1 237</b>	<b>5 205</b>	<b>1 817</b>	<b>457</b>	<b>138</b>	<b>8 854</b>	-	<b>(246)</b>	<b>8 608</b>	<b>183</b>	<b>8 791</b>
<i>Gross margin</i>	<i>13.0%</i>	<i>28.8%</i>	<i>30.6%</i>	<i>37.7%</i>	<i>1.4%</i>	<i>19.7%</i>		<i>1.5%</i>	<i>30.3%</i>	<i>10.7%</i>	<i>29.1%</i>
Operating expenses	(1 123)	(2 033)	(135)	(3)	19	(3 275)	(1 115)	159	(4 231)	(143)	(4 374)
Share of gain/(loss) of joint ventures and associates	(6)	144	-	-	-	138	-	-	138	94	232
<b>Operating income/(loss)</b>	<b>108</b>	<b>3 316</b>	<b>1 682</b>	<b>454</b>	<b>157</b>	<b>5 717</b>	<b>(1 115)</b>	<b>(87)</b>	<b>4 515</b>	<b>134</b>	<b>4 649</b>
<i>Operating margin</i>	<i>1.1%</i>	<i>18.3%</i>	<i>28.3%</i>	<i>37.4%</i>	<i>1.5%</i>	<i>12.7%</i>		<i>0.5%</i>	<i>15.9%</i>	<i>7.8%</i>	<i>15.4%</i>
Interest income	4	41	30	-	29	104	257	(311)	50	-	50
Interest expense, net	(41)	(288)	(201)	(27)	(251)	(808)	(554)	311	(1 051)	-	(1 051)
Other income/ (expenses), net	(589)	511	(8)	(27)	(363)	(476)	(55)	-	(531)	1	(530)
<b>Division profit / (loss) before income tax</b>	<b>(518)</b>	<b>3 580</b>	<b>1 503</b>	<b>400</b>	<b>(428)</b>	<b>4 537</b>	<b>(1 467)</b>	<b>(87)</b>	<b>2 983</b>	<b>135</b>	<b>3 118</b>
<i>Division profit margin</i>	<i>-5.4%</i>	<i>19.8%</i>	<i>25.3%</i>	<i>33.0%</i>	<i>-4.2%</i>	<i>10.1%</i>		<i>0.5%</i>	<i>10.5%</i>	<i>7.9%</i>	<i>10.3%</i>
Supplemental information:											
Income tax expense (benefit)	3	20	(2)	3	-	24	29	-	53	-	53
Segment's capital expenditure	593	347	319	463	87	1 809	75	-	1 884	-	1 884

**Unaudited first quarter 2020 Consolidated Selected Financial Data**

RUB mln	Meat Processing	Poultry	Pork	Grain	Feed	Total reportable segments	Corporate	Intersegment and other adjustments	Total without Turkey	Turkey	Combined
<b>Division profit / (loss) before income tax</b>	<b>(518)</b>	<b>3 580</b>	<b>1 503</b>	<b>400</b>	<b>(428)</b>	<b>4 537</b>	<b>(1 467)</b>	<b>(87)</b>	<b>2 983</b>	<b>135</b>	<b>3 118</b>
Add:											
Interest expense, net	41	288	201	27	251	808	554	(311)	1 051	-	1 051
Interest income	(4)	(41)	(30)	-	(29)	(104)	(257)	311	(50)	-	(50)
Foreign exchange (gain)/loss	588	(511)	8	27	363	475	55	-	530	(1)	529
Depreciation and amortization expense	327	659	441	130	175	1 732	164	-	1 896	-	1 896
Net change in fair value of biological assets	-	(817)	(231)	(393)	-	(1 441)	-	-	(1 441)	-	(1 441)
Share of (gain)/loss of joint ventures and associates	6	(144)	-	-	-	(138)	-	-	(138)	(94)	(232)
Share of adjusted EBITDA of joint ventures and associates	37	67	-	-	-	104	-	-	104	123	227
Depreciation and amortization accumulated in harvested crops in stock	-	-	-	(104)	-	(104)	-	-	(104)	-	(104)
<b>Adjusted EBITDA</b>	<b>477</b>	<b>3 081</b>	<b>1 892</b>	<b>87</b>	<b>332</b>	<b>5 869</b>	<b>(951)</b>	<b>(87)</b>	<b>4 831</b>	<b>163</b>	<b>4 994</b>
<i>Adjusted EBITDA Margin</i>	<i>5.0%</i>	<i>17.0%</i>	<i>31.9%</i>	<i>7.2%</i>	<i>3.3%</i>	<i>13.1%</i>		<i>0.5%</i>	<i>17.0%</i>	<i>9.5%</i>	<i>16.6%</i>

<b>Reconciliation between net division profit and income attributable to Cherkizovo Group</b>	<b>1Q20</b>
Total net division profit	3 118
Profit (loss) attributable to non-controlling interests	(60)
Income taxes	(53)
<b>Net income attributable to Cherkizovo Group</b>	<b>3 005</b>

**UNAUDITED CONSOLIDATED INCOME STATEMENT DATA**

RUB mln	3 months ended March 31, 2020	3 months ended March 31, 2019
Sales	30 164	26 681
incl. Sales volume discounts	(349)	(399)
incl. Sales returns	(150)	(350)
Net change in fair value of biological assets	1 441	1 361
Net revaluation of harvested crops in stock	(369)	(455)
Cost of sales	(22 445)	(20 408)
<b>Gross profit</b>	<b>8 791</b>	<b>7 179</b>
<i>Gross margin</i>	29.1%	26.9%
Operating expenses	(4 374)	(3 681)
Share of gain/(loss) of joint ventures and associates	232	(51)
<b>Operating profit</b>	<b>4 649</b>	<b>3 447</b>
<i>Operating margin</i>	15.4%	12.9%
<b>Profit before income tax</b>	<b>3 118</b>	<b>2 899</b>
<b>Profit attributable to Cherkizovo Group</b>	<b>3 005</b>	<b>3 201</b>
<i>Net profit margin</i>	10.0%	12.0%
Weighted average number of shares outstanding	41 047 014	41 047 014
<b>Earnings per share</b>		
<b>Profit attributable to Cherkizovo Group per share – basic and diluted (RUB)</b>	<b>73.21</b>	<b>77.98</b>
<b>Consolidated Adjusted EBITDA reconciliation</b>		
<b>Profit before income tax</b>	<b>3 118</b>	<b>2 899</b>
Add:		
Interest expense, net of subsidies	1 051	1 086
Interest income	(50)	(109)
Foreign exchange (gain)/loss, net	529	(428)
Depreciation and amortization	1 896	1 683
Net change in fair value of biological assets	(1 441)	(1 361)
Share of (gain)/loss of joint ventures and associates	(232)	51
Share of adjusted EBITDA of joint ventures and associates	227	213
Bonuses to employees under long-term incentive program	-	59
Depreciation and amortization accumulated in harvested crops in stock	(104)	(61)
<b>Consolidated Adjusted EBITDA</b>	<b>4 994</b>	<b>4 032</b>
<i>Adjusted EBITDA Margin</i>	16.6%	15.1%
<b>Consolidated Adjusted Net profit</b>		
<b>Profit attributable to Cherkizovo Group</b>	<b>3 005</b>	<b>3 201</b>
Add:		
Net change in fair value of biological assets	(1 441)	(1 361)
Net change in fair value of biological assets of JVs	(299)	154
<b>Adjusted Profit attributable to Cherkizovo Group</b>	<b>1 265</b>	<b>1 994</b>



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**POULTRY DIVISION INCOME STATEMENT DATA**

<b>RUB mln</b>	<b>3 months ended March 31, 2020</b>	<b>3 months ended March 31, 2019</b>
Total Sales	18 071	15 740
Interdivision sales	(351)	(525)
<b>Sales to external customers</b>	<b>17 720</b>	<b>15 215</b>
Net change in fair value of biological assets	817	(862)
Cost of sales	(13 683)	(12 380)
<b>Gross profit/(loss)</b>	<b>5 205</b>	<b>2 498</b>
<i>Gross margin</i>	28.8%	15.9%
Operating expenses	(2 033)	(1 629)
Share of gain/(loss) of joint ventures	144	105
<b>Operating profit/(loss)</b>	<b>3 316</b>	<b>974</b>
<i>Operating margin</i>	18.3%	6.2%
Interest income	41	72
Interest expense, net	(288)	(330)
Other income/(expenses), net	511	19
<b>Division profit/(loss) before income tax</b>	<b>3 580</b>	<b>735</b>
<i>Division profit margin</i>	19.8%	4.7%
Poultry division Adjusted EBITDA reconciliation		
<b>Division profit/(loss) before income tax</b>	<b>3 580</b>	<b>735</b>
Add:		
Interest expense, net of subsidies	288	330
Interest income	(41)	(72)
Foreign exchange (gain)/loss, net	(511)	(17)
Depreciation and amortization	659	592
Net change in fair value of biological assets	(817)	862
Share of (gain)/loss of joint ventures	(144)	(105)
Share of adjusted EBITDA of joint ventures	67	104
Bonuses to employees under long-term incentive program	-	17
<b>Poultry division Adjusted EBITDA</b>	<b>3 081</b>	<b>2 446</b>
<i>Adjusted EBITDA Margin</i>	17.0%	15.5%

**PORK DIVISION INCOME STATEMENT DATA**

RUB mln	3 months ended March 31, 2020	3 months ended March 31, 2019
Total Sales	5 940	5 880
Interdivision sales	(5 006)	(4 807)
<b>Sales to external customers</b>	<b>934</b>	<b>1 073</b>
Net change in fair value of biological assets	231	1 691
Cost of sales	(4 354)	(4 100)
<b>Gross profit/(loss)</b>	<b>1 817</b>	<b>3 471</b>
<i>Gross margin</i>	<i>30.6%</i>	<i>59.0%</i>
Operating expenses	(135)	(140)
<b>Operating profit/(loss)</b>	<b>1 682</b>	<b>3 331</b>
<i>Operating margin</i>	<i>28.3%</i>	<i>56.6%</i>
Interest income	30	2
Interest expense, net	(201)	(270)
Other income/(expenses), net	(8)	10
<b>Division profit/(loss) before income tax</b>	<b>1 503</b>	<b>3 073</b>
<i>Division profit margin</i>	<i>25.3%</i>	<i>52.3%</i>
Pork division Adjusted EBITDA reconciliation		
<b>Division profit/(loss) before income tax</b>	<b>1 503</b>	<b>3 073</b>
Add:		
Interest expense, net of subsidies	201	270
Interest income	(30)	(2)
Foreign exchange (gain)/loss, net	8	(10)
Depreciation and amortization	441	392
Net change in fair value of biological assets	(231)	(1 691)
Bonuses to employees under long-term incentive program	-	4
<b>Pork division Adjusted EBITDA</b>	<b>1 892</b>	<b>2 036</b>
<i>Adjusted EBITDA Margin</i>	<i>31.9%</i>	<i>34.6%</i>



## MEAT PROCESSING DIVISION INCOME STATEMENT DATA

RUB mln	3 months ended March 31, 2020	3 months ended March 31, 2019
Total Sales	9 532	8 766
Interdivision sales	-	(1)
<b>Sales to external customers</b>	<b>9 532</b>	<b>8 765</b>
Cost of sales	(8 295)	(8 253)
<b>Gross profit/(loss)</b>	<b>1 237</b>	<b>513</b>
<i>Gross margin</i>	<i>13.0%</i>	<i>5.9%</i>
Operating expenses	(1 123)	(942)
Share of gain/(loss) of associates	(6)	(38)
<b>Operating profit/(loss)</b>	<b>108</b>	<b>(467)</b>
<i>Operating margin</i>	<i>1.1%</i>	<i>-5.3%</i>
Interest income	4	5
Interest expense, net	(41)	(44)
Other income/(expenses), net	(589)	300
<b>Division profit/(loss) before income tax</b>	<b>(518)</b>	<b>(206)</b>
<i>Division profit margin</i>	<i>-5.4%</i>	<i>-2.3%</i>
<b>Meat processing division Adjusted EBITDA reconciliation</b>		
<b>Division profit/(loss) before income tax</b>	<b>(518)</b>	<b>(206)</b>
Add:		
Interest expense, net of subsidies	41	44
Interest income	(4)	(5)
Foreign exchange (gain)/loss, net	588	(301)
Depreciation and amortization	327	296
Share of (gain)/loss of associates	6	38
Share of adjusted EBITDA of associates	37	(3)
Bonuses to employees under long-term incentive program	-	2
<b>Meat processing division Adjusted EBITDA*</b>	<b>477</b>	<b>(135)</b>
<i>Adjusted EBITDA Margin</i>	<i>5.0%</i>	<i>-1.5%</i>





## FEED DIVISION INCOME STATEMENT DATA

RUB mln	3 months ended March 31, 2020	3 months ended March 31, 2019
Total Sales	10 157	10 192
Interdivision sales	(10 157)	(10 185)
<b>Sales to external customers</b>	<b>-</b>	<b>7</b>
Cost of sales	(10 019)	(10 006)
<b>Gross profit/(loss)</b>	<b>138</b>	<b>186</b>
<i>Gross margin</i>	1.4%	1.8%
Operating expenses	19	(7)
<b>Operating profit/(loss)</b>	<b>157</b>	<b>179</b>
<i>Operating margin</i>	1.5%	1.8%
Interest income	29	2
Interest expense, net	(251)	(157)
Other income/(expenses), net	(363)	184
<b>Division profit/(loss) before income tax</b>	<b>(428)</b>	<b>208</b>
<i>Division profit margin</i>	-4.2%	2.0%
Feed division Adjusted EBITDA reconciliation		
<b>Division profit/(loss) before income tax</b>	<b>(428)</b>	<b>208</b>
Add:		
Interest expense, net of subsidies	251	157
Interest income	(29)	(2)
Foreign exchange (gain)/loss, net	363	(184)
Depreciation and amortization	175	158
Bonuses to employees under long-term incentive program	-	2
<b>Feed division Adjusted EBITDA</b>	<b>332</b>	<b>339</b>
<i>Adjusted EBITDA Margin</i>	3.3%	3.3%



## GRAIN DIVISION INCOME STATEMENT DATA

RUB mln	3 months ended March 31, 2020	3 months ended March 31, 2019
Total Sales	1 213	781
Interdivision sales	(731)	(489)
<b>Sales to external customers</b>	<b>482</b>	<b>292</b>
Net change in fair value of biological assets	393	532
Net revaluation of harvested crops in stock	(249)	(228)
Cost of sales	(900)	(588)
<b>Gross profit/(loss)</b>	<b>457</b>	<b>497</b>
<i>Gross margin</i>	37.7%	63.6%
Operating expenses	(3)	(10)
<b>Operating profit/(loss)</b>	<b>454</b>	<b>487</b>
<i>Operating margin</i>	37.4%	62.4%
Interest income	-	-
Interest expense, net	(27)	(34)
Other income/(expenses), net	(27)	1
<b>Division profit/(loss) before income tax</b>	<b>400</b>	<b>454</b>
<i>Division profit margin</i>	33.0%	58.1%
Grain division Adjusted EBITDA reconciliation		
<b>Division profit/(loss) before income tax</b>	<b>400</b>	<b>454</b>
Add:		
Interest expense, net of subsidies	27	34
Interest income	-	-
Foreign exchange (gain)/loss, net	27	(1)
Depreciation and amortization	130	107
Net change in fair value of biological assets	(393)	(532)
Depreciation and amortization accumulated in harvested crops in stock	(104)	(61)
Bonuses to employees under long-term incentive program	-	1
<b>Grain division Adjusted EBITDA</b>	<b>87</b>	<b>2</b>
<i>Adjusted EBITDA Margin</i>	7.2%	0.3%



**APPENDIX II:  
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME FOR 3 MONTHS ENDED MARCH, 31 2020**

<b>RUB mln</b>	<b>3 months ended March 31, 2020</b>	<b>3 months ended March 31, 2019</b>
Revenue	30 164	26 681
Net change in fair value of biological assets	1 441	1 361
Net revaluation of harvested crops in stock	(369)	(455)
Cost of sales	(22 445)	(20 408)
<b>Gross profit</b>	<b>8 791</b>	<b>7 179</b>
Selling, general and administrative expense	(4 466)	(3 619)
Other operating income/(expense) , net	92	(62)
Share of gain/(loss) of joint ventures and associates	232	(51)
<b>Operating profit</b>	<b>4 649</b>	<b>3 447</b>
Interest income	50	109
Interest expense, net	(1 051)	(1 086)
Other (expenses)/income, net	(530)	429
<b>Profit before income tax</b>	<b>3 118</b>	<b>2 899</b>
Income tax expense	(53)	(26)
<b>Profit for the period and total comprehensive income</b>	<b>3 065</b>	<b>2 873</b>
<b>Profit and total comprehensive income, attributable to Cherkizovo Group</b>	<b>3 005</b>	<b>3 201</b>
<b>Non-controlling interests</b>	<b>60</b>	<b>(328)</b>



**APPENDIX III:**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF MARCH 31, 2020**

<b>RUB mln</b>	<b>31 March, 2020</b>	<b>31 December, 2019</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	82 271	82 622
Investment property	660	664
Right-of-use assets	1 527	1 567
Goodwill	1 628	1 628
Intangible assets	2 305	2 335
Non-current biological assets	2 092	2 007
Investments in joint ventures and associates	4 021	3 789
Long-term deposits in banks	641	641
Deferred tax assets	1 214	1 214
Rights to claim debt	4 685	4 685
Other non-current assets	1 244	1 239
<b>Total non-current assets</b>	<b>102 288</b>	<b>102 391</b>
<b>Current assets</b>		
Biological assets	18 728	16 287
Inventories	14 018	13 223
Taxes recoverable and prepaid	2 885	2 396
Trade receivables, net	5 252	5 476
Advances paid, net	1 305	844
Other receivables, net	234	199
Cash and cash equivalents	10 726	3 304
Other current assets	408	328
<b>Total current assets</b>	<b>53 556</b>	<b>42 057</b>
<b>TOTAL ASSETS</b>	<b>155 844</b>	<b>144 448</b>



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF MARCH 31, 2020**  
Continued

RUB mln	31 March, 2020	31 December, 2019
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	-	-
Treasury shares	(3 724)	(3 724)
Additional paid-in capital	5 646	5 622
Retained earnings	59 012	58 507
<b>Total shareholder's equity</b>	<b>60 934</b>	<b>60 405</b>
Non-controlling interest	912	879
<b>Total equity</b>	<b>61 846</b>	<b>61 284</b>
<b>Non-current liabilities</b>		
Long-term borrowings	42 817	43 182
Long-term lease liabilities	716	759
Deferred tax liability	1 057	1 023
Other liabilities	1	-
<b>Total non-current liabilities</b>	<b>44 591</b>	<b>44 964</b>
<b>Current liabilities</b>		
Short-term borrowings	29 535	20 790
Short-term lease liabilities	484	420
Trade payables	10 727	11 560
Advances received	569	893
Payables for non-current assets	809	656
Tax related liabilities	1 589	1 327
Payroll related liabilities	2 826	2 317
Other payables and accruals	2 868	237
<b>Total current liabilities</b>	<b>49 407</b>	<b>38 200</b>
<b>Total liabilities</b>	<b>93 998</b>	<b>83 164</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>155 844</b>	<b>144 448</b>



**APPENDIX IV:  
CONSOLIDATED STATEMENT OF CASH FLOWS FOR 3 MONTHS ENDED MARCH 31,  
2020**

RUB mln	3 months ended March 31, 2020	3 months ended March 31, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before income tax</b>	<b>3 118</b>	<b>2 899</b>
Adjustments for:		
Depreciation and amortization	1 896	1 683
Change in allowance for expected credit losses	15	(12)
Foreign exchange loss/(gain), net	529	(428)
Interest income	(50)	(109)
Interest expense, net	1 051	1 086
Net change in fair value of biological assets	(1 441)	(1361)
Revaluation of harvested crops in stock	369	455
Loss on disposal of property, plant and equipment, net	20	26
Loss on disposal of non-current biological assets, net	34	41
Share of (gain)/loss of a joint venture and associates	(232)	51
Other adjustments, net	(2)	(5)
<b>Operating cash flows before working capital and other changes</b>	<b>5 307</b>	<b>4 326</b>
Increase in inventories	(1 225)	(1 322)
Increase in biological assets	(845)	(1 187)
Decrease in trade receivables	199	573
Increase in advances paid	(466)	(207)
Increase in other receivables and other current assets	(425)	(375)
Increase in other non-current assets	-	(497)
Decrease in trade payables	(887)	(379)
Increase in tax related liabilities (other than income tax)	258	106
Increase/(decrease) in other current payables	236	(469)
<b>Operating cash flows before interest and income tax</b>	<b>2 152</b>	<b>569</b>
Interest received	35	111
Interest paid	(930)	(953)
Government grants for compensation of interest expense received	122	381
Income tax paid	(16)	(169)
<b>Net cash from/(used in) operating activities</b>	<b>1 363</b>	<b>(61)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(1 462)	(1 494)
Purchases of non-current biological assets	(271)	(429)
Purchases of intangible assets	(61)	(135)
Proceeds from sale of property, plant and equipment	41	10
Proceeds from disposal of non-current biological assets	199	133
Placing of deposits and issuance of loans	(18)	(58)
Proceeds from repayment of loans issued and redemption of deposits	2	150
<b>Net cash used in investing activities</b>	<b>(1 570)</b>	<b>(1 823)</b>





**CONSOLIDATED STATEMENT OF CASH FLOWS FOR 3 MONTHS ENDED MARCH 31,  
2020 CONTINUED**

<b>RUB mln</b>	<b>3 months ended March 31, 2020</b>	<b>3 months ended March 31, 2019</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term loans	4 088	424
Repayment of long-term loans	(8 135)	(518)
Proceeds from short-term loans	17 272	4 328
Repayment of short-term loans	(5 534)	(4 456)
Repayment of lease obligations	(59)	(111)
Dividends paid	-	-
Purchase of non-controlling interests	(3)	-
<b>Net cash from/(used in) financing activities</b>	<b>7 629</b>	<b>(333)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>7 422</b>	<b>(2 217)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3 304</b>	<b>9 613</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>10 726</b>	<b>7 396</b>