



## **Cherkizovo Group Announces Financial Results for the third quarter and 9 months of 2018.**

**Moscow, Russia – November 15, 2018 – PJSC Cherkizovo Group (MOEX: GCHE), the largest vertically integrated meat producer in Russia, today announces its unaudited consolidated IFRS results for the period ending September 30, 2018.**

### **Third quarter financial highlights**

- Revenue increased by 10.7% year-on-year (y-o-y) to RUB 25.2 billion.
- Net change in fair value of biological assets amounted to negative RUB 1.4 billion in 3Q18, compared to negative RUB 1.0 billion in 3Q17. Revaluation of harvested crops in stock totalled RUB 0.8 billion from RUB 0.1 billion in 3Q17.
- Gross profit improved by 29.9% y-o-y to RUB 6.4 billion.
- Adjusted EBITDA\* up by 65.4% y-o-y to RUB 6.0 billion. Adjusted EBITDA margin amounted to 24.0%.
- Net profit tripled y-o-y to RUB 1.6 billion. Adjusted net profit\*\* doubled to RUB 3.4 billion, from RUB 1.6 billion a year ago.
- Net operating cash flow decreased by 23.4% to RUB 2.6 billion.

### **9 months financial highlights**

- Revenue increased by 7.0% y-o-y to RUB 70.7 billion from RUB 66.1 billion in 9M 2017.
- Net change in fair value of biological assets amounted to RUB 4.6 billion in 9M18, compared to RUB 0.1 billion in 9M17. Revaluation of harvested crops in stock totalled RUB 1.8 billion from RUB 0.2 billion in 9M17.
- Gross profit was up by 36.5% y-o-y to 24.3 billion from RUB 17.8 billion in 9M17.
- Adjusted EBITDA increased by 9.2% and amounted to RUB 13.0 billion. Adjusted EBITDA margin was 18.4%.
- Net profit reached RUB 10.4 billion, up 83.3% from 9M17. Adjusted net profit increased by 4.4% to RUB 5.9 billion, from RUB 5.7 billion a year ago.
- Net operating cash flow decreased by 25.0% to RUB 7.4 billion.
- Net debt\*\*\* amounted to RUB 51.1 billion as of September 30, 2018.

### **Third quarter key corporate highlights**

- During the quarter the Company launched two wean-to-finish facilities which will add c. 10 thousand tonnes of annual live-weight pork production capacity.
  - On July 16<sup>th</sup> Cherkizovo signed a letter of intent to acquire Altaisky Broiler, a poultry producer located in the Siberian Federal District. The acquisition when/if completed, will allow us to establish a footprint in the new region, grow alongside
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modern retail trade expansion, and further develop own brands in poultry and meat processing.

- On July 17<sup>th</sup> the Company launched a fully automated robotic meat processing plant in Kashira, in the Moscow Region. The facility further strengthened the Group's presence in the meat processing business.
- On September 27<sup>th</sup> shareholders approved a distribution of profits for the 1H2018 in the form of dividends in the amount of RUB 900 million.

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

- On October 1<sup>st</sup>, Cherkizovo announced its intention to acquire 75% of Samson – Food Products, a group of companies based in St Petersburg and offering meat products under such brands as Samson, Fileya and others, to strengthen Group's position in the North-Western Federal District.

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

"Our strong performance in the third quarter and year-to-date has demonstrated the Groups' ability to leverage market-leading positions and deliver strong operational and financial results. The focus on the domestic market, where prices hit bottom at the beginning of the year and gradually moved up as we progressed into the second half, was well rewarded with all segments recording significant profitability growth. Moreover, our vertical integration contributed to steady earnings growth, with strong increases in our pork segment driven by high market prices for pork, partially offset by lower earnings in meat processing. Simultaneously, we keep pushing our major brands, Petelinka, Chicken Kingdom, Cherkizovo and Pava-Pava, to gain market share in the key regions of our presence. We are also optimizing sales portfolio by adding more cut-up/RTE products that we offer through modern retail trade while diversifying our sales with more HoReCa clients. A consumer remains at a center stage of all our business processes – we relentlessly improve the quality of our product, broaden our marketing initiatives, and invest in new product development to cater to ever-evolving customer preferences.

The majority of our production assets now work at or close to capacity, with recently launched Kashira plant being one of the exceptions, as ramp-up of the facility continues, and we expect that it will be fully utilized during 2019. We also see a number of M&A opportunities that can fuel our growth and market share, however, we remain disciplined towards potential targets, paying close attention to the return profile and fit with our strategy.

Our vertically integrated business model proves its efficacy, as our recently completed harvesting campaign boosted self-sufficiency in grains to almost 30%, partially hedging against grain price volatility."



## Financial summary

RUB mln	3Q 2018	3Q 2017	y-o-y, %	9M 2018	9M 2017	y-o-y, %
<b>Revenue</b>	<b>25 208</b>	<b>22 780</b>	<b>10.7%</b>	<b>70 748</b>	<b>66 129</b>	<b>7.0%</b>
Net change in fair value of biological assets <sup>2</sup>	(1 442)	(977)	47.6%	4 623	104	4339.2%
Revaluation of harvested crops in stock	829	142	485.3%	1 774	218	712.6%
<b>Gross profit</b>	<b>6 401</b>	<b>4 927</b>	<b>29.9%</b>	<b>24 307</b>	<b>17 807</b>	<b>36.5%</b>
<i>Gross margin</i>	25.4%	21.6%		34.4%	26.9%	
Operating expenses and share of JV results	(3 573)	(3 428)	4.2%	(11 004)	(9 685)	13.6%
<b>Operating profit</b>	<b>2 829</b>	<b>1 499</b>	<b>88.7%</b>	<b>13 304</b>	<b>8 122</b>	<b>63.8%</b>
<i>Operating margin</i>	11.2%	6.6%		18.8%	12.3%	
<b>Adjusted EBITDA <sup>1</sup></b>	<b>6 045</b>	<b>3 654</b>	<b>65.4%</b>	<b>13 000</b>	<b>11 889</b>	<b>9.4%</b>
<i>Adjusted EBITDA margin</i>	24.0%	16.0%		18.4%	18.0%	
Profit before tax	1 782	690	158.1%	10 490	5 711	83.7%
<b>Net profit</b>	<b>1 646</b>	<b>543</b>	<b>203.0%</b>	<b>10 355</b>	<b>5 650</b>	<b>83.3%</b>
<b>Adjusted Net profit <sup>1</sup></b>	<b>3 396</b>	<b>1 569</b>	<b>116.5%</b>	<b>5 910</b>	<b>5 663</b>	<b>4.4%</b>
<b>Net operating cash flow</b>	<b>2 582</b>	<b>3 372</b>	<b>-23.4%</b>	<b>7 375</b>	<b>9 839</b>	<b>-25.0%</b>
<b>Net debt</b>				<b>51 078</b>	<b>47 214</b>	<b>8.2%</b>

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

<sup>2</sup> Net change in fair value of biological assets for 9m and Q3 periods includes also revaluation of crops harvested in Q3, but not yet sold to the Feed segment or external customers.

### Revenue

In the 9M18 revenue increased by 7.0% y-o-y to RUB 70.7 billion (9M17: RUB 66.1 billion). Revenue growth is attributed to higher volumes, favourable pricing environment for chicken and pork products in the second half of 2018, as well as better sales mix, the latter driven by the higher share of the branded value-added products.

### Gross profit

Gross profit increased by 36.5% y-o-y to RUB 24.3 billion, (9M17: RUB 17.8 billion). Gross profit was positively affected by higher revenue, operational efficiency gains, lower feed costs in the first half of the year, and by the net change in fair value of biological assets in pork, poultry and grain segments, offset by higher input prices for meat processing segment. Gross profit margin went up to 34.4% (9M17: 26.9%). Net of RUB 6.4 billion change in fair value of biological assets and revaluation of harvested crops in stock, gross profit remained unchanged at RUB 17.9 billion.

### Operating expenses

Operating expenses and share of JV results increased by 13.6% y-o-y to RUB 11.0 billion, (9M17: RUB 9.7 billion), due to higher selling expenses, which in turn is mostly driven by broadening of our distribution network. Operating expenses and share of JV results as a percentage of sales increased to 15.6% in 9M18 (9M17: 14.6%).

### Adjusted EBITDA

Adjusted EBITDA of RUB 13.0 billion, increased by 9.4% y-o-y. Adjusted EBITDA margin improved to 18.4% (9M17: 18.0%) due to higher revenue across segments,



improved performance of the grain segment, and a number of operational improvements.

### Interest expense

Net interest expense in 9M18 increased by 5.3% y-o-y to RUB 2.5 billion.

### Net profit

Net profit for the Group totalled RUB 10.4 billion in 9M18, up 83.3% compared to RUB 5.6 billion in 9M17. Net profit margin improved to 14.6% from 8.5% a year ago.

Adjusted net profit increased by 2.3% to RUB 5.6 billion, from RUB 5.5 billion a year ago. Adjusted net profit margin declined to 7.9% from 8.2% a year ago.

### Cash flow

Operating cash flow was RUB 7.4 billion (9M17: RUB 9.8 billion), a decline of 25.0% primarily due to the increase in operating expenses.

### Capital expenditure and debt

The Group's capital expenditure on property, plant, equipment and maintenance amounted to RUB 7.4 billion during 9M18, a decline of 21.3% y-o-y. Kashira facility completion and construction of new wean-to-finish pork facilities were major targets of capital expenditures in the reported period.

As of September 30, 2018, net debt\*\*\* was RUB 51.1 billion, compared to RUB 47.2 billion at the end of 9M17. Gross debt increased to RUB 53.8 billion as of September 30, 2018, compared to 50.4 billion a year ago. At the end of 3Q18 long-term debt accounted for 63% of the debt portfolio and amounted to RUB 34.1 billion. The effective cost of debt was 7.0% as of September 30, 2018 (September 30, 2017: 8.3%). Subsidised loans and credit facilities made up 33% of the debt portfolio in 9m18 (9M17: 31%). Cash and cash equivalents were RUB 2.1 billion as of September 30, 2018.

### Subsidies

The Group accrued direct subsidies of RUB 263.0 million in 9M18 (9M17: RUB 169.9 million). The Group accrued subsidies for interest reimbursement of RUB 608.6 million in 9m18.

### Net change in fair value of biological assets

A higher net change in fair value of biological assets is explained by a higher valuation of sows, market hogs, accounting for the upcoming harvest, and by higher market prices of the products that the Group produces.

### Business segments

Divisions	Sales volume		Change y-o-y, %	Revenue <sup>3</sup>		Change y-o-y, %
	9M18, k tonnes	9M17, k tonnes		9M18, RUB mln	9M17, RUB mln	
Chicken	399.8	385.4	3.7%	37 216	35 472	4.9%
Turkey <sup>4</sup>	29.6	16.7	78.0%	4 002	2 607	53.5%
Pork	166.7	140.3	18.8%	16 421	13 532	21.4%
Meat processing	169.9	144.7	17.4%	27 794	24 438	13.7%

<sup>3</sup> Revenue includes inter-segment sales

<sup>4</sup> Volume and revenue reported in turkey section represent turkey sales by Trading Company "Cherkizovo"



### **Poultry Division**

Sales volumes in 9M18 increased by 3.7% to 399.8 thousand tonnes (9M17: 385.4 thousand tonnes). The average selling price increased by 1.3% y-o-y to 91.3 RUB/kg due to better pricing environment in the second half of the year, Petelinka and Chicken Kingdom, our key brands, performing well, and a higher share of deboned, RTC/RTE products in the sales mix. As a result segment's revenue was up 4.9% and amounted to RUB 37.2 billion (9M17: RUB 35.5 billion).

Gross profit was up by 7.3% y-o-y and totalled RUB 8.7 billion, (9M17: RUB 8.1 billion) due to change in fair value of biological assets, higher volumes and sales price offset by higher processing costs. Gross margin remained unchanged at 23.5%, vs. 23.0% in 9M17.

Operating expenses as a percentage of sales amounted to 11.3%, an increase from 10.8% in 9M17. Operating income increased by 4.9% y-o-y to RUB 4.5 billion (9M17: RUB 4.3 billion). Operating margin was unchanged at 12.2% in 9M18.

The segment's profit before income tax amounted to RUB 4.1 billion (9M17: RUB 3.5 billion).

Adjusted EBITDA declined by 10.5% y-o-y to RUB 5.1 billion (9M17: RUB 5.7 billion), while Adjusted EBITDA margin decreased to 13.8% from 16.2% a year ago.

### **Pork Division**

Sales volumes in 9M18 increased by 18.8% y-o-y, to 166.7 thousand tonnes (9M17: 140.3 thousand tonnes). The average selling price of 97.2 RUB/kg, up by 2.0% y-o-y compared to 95.3 RUB/kg a year ago. The segment's revenue increased by 21.4% y-o-y to RUB 16.4 billion (9M17: RUB 13.5 billion), on the back of higher volumes and better pricing.

Gross profit doubled y-o-y, to RUB 10.1 billion (9M17: RUB 5.1 billion) due to higher sales volumes and prices, further improvement in operational KPI's and a non-cash change in the fair value of biological assets of RUB 2.9 billion (net of the revaluation, gross profit increased by 53.7% to RUB 7.2 billion). The segment's gross margin stands at 61.3%, up from 38.0% a year ago.

Operating expenses as a percentage of sales amounted to 3.1%, compared to 2.9% in 9M17.

Operating income was up 101.1% y-o-y, to RUB 9.6 billion from RUB 4.8 billion in 9M17. The segment's operating margin increased to 58.2% from 35.1% a year ago.

The segment's profit before income tax amounted to RUB 9.2 billion compared to the 9M17 result of RUB 4.5 billion.

Adjusted EBITDA increased by 49.1% y-o-y to RUB 7.6 billion (9M17: RUB 5.1 billion). Adjusted EBITDA margin improved to 46.2% from 37.6% in 9M17.

### **Meat Processing Division**

Sales volumes in 9M18 were up 17.4% y-o-y to 169.9 thousand tonnes (9M17 144.7 thousand tonnes). The average selling price declined to 165.7 RUB/kg, from 172.7 Rub/kg in 9M17. The segment's revenue increased by 13.7% and reached RUB 27.8 billion (9M17: RUB 24.4 billion). Revenue growth was driven by higher volumes of the



carcass in the sales mix, on the back of higher volumes of market hogs production in the pork segment.

Gross profit declined by 26.4% y-o-y to RUB 3.1 billion, (9M17: RUB 4.2 billion). The gross margin fell to 11.1% from 17.2% a year ago.

Operating expenses as a percentage of sales amounted to 11.6%, vs. 11.7% in 9M17.

Operating income turned to negative RUB 146.6 million from RUB 1.3 billion in 9M17.

The segment's loss before income tax was RUB 515.7 million, compared to a profit RUB 1.1 billion a year ago.

Adjusted EBITDA declined by 75.4% to RUB 455.8 million from RUB 1.9 billion in 9M17.

### **Grain Division**

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

### **Outlook**

Macroeconomic conditions slightly deteriorated during the third quarter of this year, with FX volatility remaining a major headwind for our business. At the same time inflation and consumers' real disposable income remained stable.

While market meat prices remain supported by steady consumption and dislocated supply, we see limited risk from easing of imports restrictions for Chinese poultry producers and Brazilian pork makers. We are optimistic looking forward into the year end and beyond, as we use favourable market conditions as an opportunity to gain market share in high value-added niches of the market for the branded product, while simultaneously exercising a rigorous cost control at all stages of production.

To maintain and extend our overall market leadership, we focus on growing our business both organically and via selective M&A, aligned with our strategic goals. Organic growth will mostly come from ongoing green-field development in pork and meat processing segments, and our recently announced intentions to acquire attractive meat producers, when completed, will unlock new domestic regional markets, solidify our brands' equity, and increase the share of further processed high-margin products.

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

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## **About Cherkizovo Group**

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

Cherkizovo Group encompasses eight full cycle poultry production facilities, sixteen 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 share of loss of a joint venture plus share of adjusted EBITDA of a joint venture, year-end mark-to-market revaluation of harvested crops in stock and change in unrealized depreciation and amortisation expense accumulated within the cost of the unsold harvest as shown in the reconciliation in Appendix 1. Adjusted EBITDA margin is defined as Adjusted EBITDA as a percentage of our net revenues. Our adjusted EBITDA may not be similar to adjusted EBITDA measures of other companies; is not a measurement under IFRS accounting principles and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of operations. We believe that adjusted EBITDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. Our adjusted EBITDA calculation is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies within our industry. Adjusted EBITDA is reconciled to our consolidated statements of operations in Appendix 1.

**\*\* Adjusted Net profit** Adjusted Net profit attributable to Cherkizovo Group is defined as profit for the period before net change in fair value of biological assets plus year-end mark-to-market revaluation of harvested crops in stock. Adjusted Net profit attributable to Cherkizovo Group margin is defined as Adjusted Net profit attributable to Cherkizovo Group as a percentage of our net revenues. Our Adjusted Net profit attributable to Cherkizovo Group may not be similar to Adjusted Net profit attributable to Cherkizovo Group measures of other companies; is not a measurement under IFRS accounting principles and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of operations. We believe that Adjusted Net profit attributable to Cherkizovo Group provides useful information to investors in order to estimate dividend payout.

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



## APPENDIX I: KEY DATA AND FIGURES, UNAUDITED 9 Months 2018 Consolidated Selected Financial Data

(in thousands of RUB)	Meat Processing	Poultry	Pork	Grain	Feed	Total reportable segments	Corporate	Interdivision	Total without Turkey	Turkey	Combined
<b>Total Sales</b>	<b>27 794 157</b>	<b>37 215 816</b>	<b>16 421 364</b>	<b>4 191 072</b>	<b>22 346 136</b>	<b>107 968 545</b>	<b>547 477</b>	<b>(41 770 204)</b>	<b>66 745 818</b>	<b>4 001 779</b>	<b>70 747 597</b>
including other sales	540 584	716 121	222 878	58 895	-	1 538 478	547 477	(853 668)	1 232 287	-	1 232 287
including sales volume discount	(605 562)	(504 275)	-	-	-	(1 109 837)	-	-	(1 109 837)	(52 867)	(1 162 704)
Interdivision Sales	(147 721)	(1 296 298)	(14 821 170)	(3 024 163)	(21 964 074)	(41 253 426)	(302 590)	41 770 204	214 188	(214 188)	-
Sales to external customers (Sales)	27 646 436	35 919 518	1 600 194	1 166 909	382 062	66 715 119	244 887	-	66 960 006	3 787 591	70 747 597
% of Total sales	39.1%	50.8%	2.3%	1.6%	0.5%	94.3%	0.3%	0.0%	94.6%	5.4%	100.0%
Net change in fair value of biological assets	-	920 515	2 903 227	799 002	-	4 622 744	-	-	4 622 744	-	4 622 744
Revaluation of harvested crops in stock	-	-	-	1 028 053	-	1 028 053	-	746 389	1 774 442	-	1 774 442
Cost of Sales	(24 707 294)	(29 399 025)	(9 253 607)	(4 244 804)	(21 881 797)	(89 486 527)	(377 898)	40 557 338	(49 307 087)	(3 530 235)	(52 837 322)
<b>Gross profit</b>	<b>3 086 863</b>	<b>8 737 306</b>	<b>10 070 984</b>	<b>1 773 323</b>	<b>464 339</b>	<b>24 132 815</b>	<b>169 579</b>	<b>(466 477)</b>	<b>23 835 917</b>	<b>471 544</b>	<b>24 307 461</b>
Gross margin	11.1%	23.5%	61.3%	42.3%	2.1%	22.4%	31.0%	1.1%	35.7%	11.8%	34.4%
Operating expenses	(3 233 504)	(4 198 983)	(514 900)	(289 374)	(208 818)	(8 445 579)	(2 346 262)	308 198	(10 483 643)	(391 861)	(10 875 504)
Share of gain/(loss) of a joint venture	-	-	-	-	-	-	-	-	-	(128 254)	(128 254)
<b>Operating income/ (loss)</b>	<b>(146 641)</b>	<b>4 538 323</b>	<b>9 556 084</b>	<b>1 483 949</b>	<b>255 521</b>	<b>15 687 236</b>	<b>(2 176 683)</b>	<b>(158 279)</b>	<b>13 352 274</b>	<b>(48 571)</b>	<b>13 303 703</b>
Operating margin	-0.5%	12.2%	58.2%	35.4%	1.1%	14.5%	-397.6%	0.4%	20.0%	-1.2%	18.8%
Interest income	14 497	92 606	52 327	960	45 039	205 429	91 024	(101 952)	194 501	-	194 501
Interest expense, net	(51 416)	(463 796)	(441 777)	(131 453)	(673 672)	(1 762 114)	(827 329)	101 952	(2 487 491)	-	(2 487 491)
Other income/ (expenses), net	(332 143)	(53 297)	(2 246)	1 036	(143 685)	(530 335)	9 911	-	(520 424)	-	(520 424)
<b>Division profit / (loss)</b>	<b>(515 703)</b>	<b>4 113 836</b>	<b>9 164 388</b>	<b>1 354 492</b>	<b>(516 797)</b>	<b>13 600 216</b>	<b>(2 903 077)</b>	<b>(158 279)</b>	<b>10 538 860</b>	<b>(48 571)</b>	<b>10 490 289</b>
Division profit margin	-1.9%	11.1%	55.8%	32.3%	-2.3%	12.6%	-530.3%	0.4%	15.8%	-1.2%	14.8%
Supplemental information:											
Income Tax expense (benefit)	67 425	64 438	11 309	10 087	(99 072)	54 187	74 503	-	128 690	-	128 690
Expenditure for segment property, plant and equipment	1 927 696	1 309 314	2 981 884	245 808	242 384	6 707 086	731 840	-	7 438 926	-	7 438 926

## UNAUDITED 9 Months 2018 Consolidated Selected Financial Data

(in thousands of RUB)	Meat Processing	Poultry	Pork	Grain	Feed	Total reportable segments	Corporate	Interdivision	Total without Turkey	Turkey	Combined
<b>Division profit / (loss)</b>	<b>(515 703)</b>	<b>4 113 836</b>	<b>9 164 388</b>	<b>1 354 492</b>	<b>(516 797)</b>	<b>13 600 216</b>	<b>(2 903 077)</b>	<b>(158 279)</b>	<b>10 538 860</b>	<b>(48 571)</b>	<b>10 490 289</b>
Add:											
Interest expense, net	51 416	463 796	441 777	131 453	673 672	1 762 114	827 329	(101 952)	2 487 491	-	2 487 491
Interest income	(14 497)	(92 606)	(52 327)	(960)	(45 039)	(205 429)	(91 024)	101 952	(194 501)	-	(194 501)
Foreign exchange loss/(gain)	341 247	53 355	2 344	(1 035)	143 685	539 596	(9 885)	-	529 711	-	529 711
Depreciation and amortisation	593 330	1 514 274	939 115	552 650	450 550	4 049 919	262 351	-	4 312 270	1 844	4 314 114
Net change in fair value of biological assets	-	(920 515)	(2 903 227)	(799 002)	-	(4 622 744)	-	-	(4 622 744)	-	(4 622 744)
Share of gain/(loss) of a joint venture	-	-	-	-	-	-	-	-	-	128 254	128 254
Share of adjusted EBITDA of a joint venture	-	-	-	-	-	-	-	-	-	32 238	32 238
Year-end mark-to-market revaluation of harvested crops in stock / reversal of the revaluation	-	-	-	177 506	-	177 506	-	-	177 506	-	177 506
Change in unrealized depreciation and amortisation expense accumulated within the cost of the unsold prior year harvest	-	-	-	(342 152)	-	(342 152)	-	-	(342 152)	-	(342 152)
<b>Adjusted EBITDA</b>	<b>455 793</b>	<b>5 132 140</b>	<b>7 592 070</b>	<b>1 072 952</b>	<b>706 071</b>	<b>14 959 026</b>	<b>(1 914 306)</b>	<b>(158 279)</b>	<b>12 886 441</b>	<b>113 765</b>	<b>13 000 206</b>
<i>Adjusted EBITDA Margin</i>	<i>1.6%</i>	<i>13.8%</i>	<i>46.2%</i>	<i>25.6%</i>	<i>3.2%</i>	<i>13.9%</i>	<i>-349.7%</i>	<i>0.4%</i>	<i>19.3%</i>	<i>2.8%</i>	<i>18.4%</i>

### Reconciliation between division profit and profit attributable to Cherkizovo Group

**9M18**

Total division profit	10 490 289
Non-controlling interests	(6 524)
Income taxes	(128 690)
<b>Profit attributable to Cherkizovo Group</b>	<b>10 355 075</b>



## UNAUDITED CONSOLIDATED INCOME STATEMENT DATA

(in thousands of RUB)	9 months ended September 30, 2018	9 months ended September 30, 2017
Sales	70 747 597	66 129 241
incl. Sales volume discounts	(1 162 704)	(992 634)
incl. Sales returns	(736 361)	(764 157)
Net change in fair value of biological assets	4 622 744	104 135
Revaluation of harvested crops in stock	1 774 442	218 374
Cost of sales	(52 837 322)	(48 644 641)
<b>Gross profit</b>	<b>24 307 461</b>	<b>17 807 109</b>
<i>Gross margin</i>	34.4%	26.9%
Operating expenses	(10 875 504)	(9 526 529)
Share of gain/(loss) of a joint venture	(128 254)	(158 107)
<b>Operating profit</b>	<b>13 303 703</b>	<b>8 122 473</b>
<i>Operating margin</i>	18.8%	12.3%
<b>Profit before income tax</b>	<b>10 490 289</b>	<b>5 710 634</b>
<b>Profit attributable to Cherkizovo Group</b>	<b>10 355 075</b>	<b>5 649 688</b>
<i>Net profit margin</i>	14.6%	8.5%
Weighted average number of shares outstanding	41 047 014	43 335 484
<b>Earnings / (Loss) per share</b>		
<b>Profit attributable to Cherkizovo Group per share – basic and diluted (RUB)</b>	<b>252.27</b>	<b>130.37</b>
<b>Consolidated Adjusted EBITDA reconciliation</b>		
<b>Profit before income tax</b>	<b>10 490 289</b>	<b>5 710 634</b>
Add:		
Interest expense, net of subsidies	2 487 491	2 361 382
Interest income	(194 501)	(215 036)
Foreign exchange (gain)/loss, net	529 711	270 009
Depreciation and amortisation	4 314 114	3 675 130
Net change in fair value of biological assets	(4 622 744)	(104 135)
Share of gain/(loss) of a joint venture	128 254	158 107
Share of adjusted EBITDA of a joint venture	32 238	60 718
Year-end mark-to-market revaluation of harvested crops in stock / reversal of the revaluation	177 506	117 742
Change in unrealized depreciation and amortisation expense accumulated within the cost of the unsold prior year harvest	(342 152)	(145 982)
<b>Consolidated Adjusted EBITDA</b>	<b>13 000 206</b>	<b>11 888 569</b>
<i>Adjusted EBITDA Margin</i>	18.4%	18.0%
<b>Consolidated Adjusted Net profit</b>		
<b>Profit attributable to Cherkizovo Group</b>	<b>10 355 075</b>	<b>5 649 688</b>
Add:		
Net change in fair value of biological assets	(4 622 744)	(104 135)
Year-end mark-to-market revaluation of harvested crops in stock / reversal of the revaluation	177 506	117 742
<b>Adjusted Profit attributable to Cherkizovo Group</b>	<b>5 909 837</b>	<b>5 663 295</b>

## POULTRY DIVISION INCOME STATEMENT DATA

(in thousands of RUB)	9 months ended 30 September, 2018	9 months ended 30 September, 2017
Total Sales	37 215 816	35 472 273
Interdivision sales	(1 296 298)	(1 410 769)
<b>Sales to external customers</b>	<b>35 919 518</b>	<b>34 061 504</b>
Net change in fair value of biological assets	920 515	38 196
Cost of sales	(29 399 025)	(27 367 424)
<b>Gross profit</b>	<b>8 737 306</b>	<b>8 143 045</b>
<i>Gross margin</i>	23.5%	23.0%
Operating expenses	(4 198 983)	(3 816 294)
<b>Operating Income</b>	<b>4 538 323</b>	<b>4 326 751</b>
<i>Operating margin</i>	12.2%	12.2%
Interest income	92 606	121 062
Interest expense, net	(463 796)	(766 156)
Other income/(expenses), net	(53 297)	(161 534)
<b>Division profit before income tax</b>	<b>4 113 836</b>	<b>3 520 123</b>
<i>Division profit margin</i>	11.1%	9.9%
Poultry processing division Adjusted EBITDA reconciliation		
<b>Division profit before income tax</b>	<b>4 113 836</b>	<b>3 520 123</b>
Add:		
Interest expense, net of subsidies	463 796	766 156
Interest income	(92 606)	(121 062)
Foreign exchange (gain)/loss, net	53 355	164 217
Depreciation and amortisation	1 514 274	1 443 043
Net change in fair value of biological assets	(920 515)	(38 196)
<b>Poultry processing division Adjusted EBITDA</b>	<b>5 132 140</b>	<b>5 734 281</b>
<i>Adjusted EBITDA Margin</i>	13.8%	16.2%

## PORK DIVISION INCOME STATEMENT DATA

(in thousands of RUB)	9 months ended 30 September, 2018	9 months ended 30 September, 2017
Total Sales	16 421 364	13 531 737
Interdivision sales	(14 821 170)	(10 309 852)
<b>Sales to external customers</b>	<b>1 600 194</b>	<b>3 221 885</b>
Net change in fair value of biological assets	2 903 227	476 492
Cost of sales	(9 253 607)	(8 868 287)
<b>Gross profit</b>	<b>10 070 984</b>	<b>5 139 942</b>
<i>Gross margin</i>	61.3%	38.0%
Operating expenses	(514 900)	(387 912)
<b>Operating Income</b>	<b>9 556 084</b>	<b>4 752 030</b>
<i>Operating margin</i>	58.2%	35.1%
Interest income	52 327	31 103
Interest expense, net	(441 777)	(326 526)
Other income/(expenses), net	(2 246)	(4 120)
<b>Division profit before income tax</b>	<b>9 164 388</b>	<b>4 452 487</b>
<i>Division profit margin</i>	55.8%	32.9%
Pork division Adjusted EBITDA reconciliation		
<b>Division profit before income tax</b>	<b>9 164 388</b>	<b>4 452 487</b>
Add:		
Interest expense, net of subsidies	441 777	326 526
Interest income	(52 327)	(31 103)
Foreign exchange (gain)/loss, net	2 344	4 678
Depreciation and amortisation	939 115	816 140
Net change in fair value of biological assets	(2 903 227)	(476 492)
<b>Pork division Adjusted EBITDA</b>	<b>7 592 070</b>	<b>5 092 236</b>
<i>Adjusted EBITDA Margin</i>	46.2%	37.6%



## MEAT PROCESSING DIVISION INCOME STATEMENT DATA

(in thousands of RUB)	9 months ended 30 September, 2018	9 months ended 30 September, 2017
Total Sales	27 794 157	24 437 763
Interdivision sales	(147 721)	(10 890)
<b>Sales to external customers</b>	<b>27 646 436</b>	<b>24 426 873</b>
Cost of sales	(24 707 294)	(20 243 981)
<b>Gross profit</b>	<b>3 086 863</b>	<b>4 193 782</b>
<i>Gross margin</i>	11.1%	17.2%
Operating expenses	(3 233 504)	(2 852 799)
<b>Operating Income</b>	<b>(146 641)</b>	<b>1 340 983</b>
<i>Operating margin</i>	-0.5%	5.5%
Interest income	14 497	12 059
Interest expense, net	(51 416)	(158 968)
Other income/(expenses), net	(332 143)	(102 061)
<b>Division profit before income tax</b>	<b>(515 703)</b>	<b>1 092 013</b>
<i>Division profit margin</i>	-1.9%	4.5%
Meat processing division Adjusted EBITDA reconciliation		
<b>Division profit before income tax</b>	<b>(515 703)</b>	<b>1 092 013</b>
Add:		
Interest expense, net of subsidies	51 416	158 968
Interest income	(14 497)	(12 059)
Foreign exchange (gain)/loss, net	341 247	102 118
Depreciation and amortisation	593 330	510 917
<b>Meat processing division Adjusted EBITDA*</b>	<b>455 793</b>	<b>1 851 957</b>
<i>Adjusted EBITDA Margin</i>	1.6%	7.6%



## FEED DIVISION INCOME STATEMENT DATA

(in thousands of RUB)	9 months ended 30 September, 2018	9 months ended 30 September, 2017
Total Sales	22 346 136	20 683 380
Interdivision sales	(21 964 074)	(19 991 703)
<b>Sales to external customers</b>	<b>382 062</b>	<b>691 677</b>
Cost of sales	(21 881 797)	(19 795 745)
<b>Gross profit</b>	<b>464 339</b>	<b>887 635</b>
<i>Gross margin</i>	2.1%	4.3%
Operating expenses	(208 818)	(271 569)
<b>Operating Income</b>	<b>255 521</b>	<b>616 066</b>
<i>Operating margin</i>	1.1%	3.0%
Interest income	45 039	2 159
Interest expense, net	(673 672)	(619 651)
Other income/(expenses), net	(143 685)	(7 098)
<b>Division loss before income tax</b>	<b>(516 797)</b>	<b>(8 524)</b>
<i>Division profit margin</i>	-2.3%	0.0%
Feed division Adjusted EBITDA reconciliation		
<b>Division loss before income tax</b>	<b>(516 797)</b>	<b>(8 524)</b>
Add:		
Interest expense, net of subsidies	673 672	619 651
Interest income	(45 039)	(2 159)
Foreign exchange (gain)/loss, net	143 685	7 825
Depreciation and amortisation	450 550	453 566
<b>Feed division Adjusted EBITDA</b>	<b>706 071</b>	<b>1 070 359</b>
<i>Adjusted EBITDA Margin</i>	3.2%	5.2%



**APPENDIX II:**
**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR 9 MONTHS ENDED 30 SEPTEMBER 2018**

(in thousands of RUB)	9 months ended 30 September, 2018	9 months ended 30 September, 2017	Year ended 31 December, 2017
<b>Revenue</b>	<b>70 747 597</b>	<b>66 129 241</b>	<b>90 465 069</b>
Net change in fair value of biological assets	4 622 744	104 135	(260 299)
Revaluation of harvested crops in stock	1 774 442	218 374	112 181
Cost of sales	(52 837 322)	(48 644 641)	(66 758 340)
<b>Gross profit</b>	<b>24 307 461</b>	<b>17 807 109</b>	<b>23 558 611</b>
Selling, general and administrative expense	(11 087 071)	(9 709 973)	(13 936 562)
Other operating income, net	211 567	183 444	324 898
Share of loss of a joint venture	(128 254)	(158 107)	(221 325)
<b>Operating profit</b>	<b>13 303 703</b>	<b>8 122 473</b>	<b>9 725 622</b>
Interest income	194 501	215 036	277 148
Interest expense, net	(2 487 491)	(2 361 382)	(3 663 093)
Other income/(expenses), net	(520 424)	(265 493)	(384 002)
<b>Profit before income tax</b>	<b>10 490 289</b>	<b>5 710 634</b>	<b>5 955 675</b>
Income tax expense	(128 690)	(202 715)	(307 600)
<b>Profit for the period and total comprehensive income</b>	<b>10 361 599</b>	<b>5 507 919</b>	<b>5 648 075</b>
<b>Profit and total comprehensive income, attributable to Cherkizovo Group</b>	<b>10 355 075</b>	<b>5 649 688</b>	<b>5 800 371</b>
Non-controlling interests	6 524	(141 769)	(152 296)



**APPENDIX III:  
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL  
POSITION AS OF 30 SEPTEMBER, 2018**

(in thousands of RUB)	<b>30 September, 2018</b>	<b>December 31, 2017</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	77 269 772	75 318 770
Investment property	582 381	589 411
Goodwill	1 254 572	1 254 572
Intangible assets	2 047 755	2 014 358
Non-current biological assets	2 649 777	2 288 524
Notes receivable	160 000	310 000
Investments in joint venture	2 939 950	2 185 147
Long-term deposits in banks	641 362	641 365
Restricted cash	138 440	740 848
Deferred tax assets	754 192	754 192
Other non-current receivables	821 584	804 322
<b>Total non-current assets</b>	<b>89 259 785</b>	<b>86 901 509</b>
<b>Current assets</b>		
Biological assets	16 585 669	11 566 300
Inventories	11 626 780	9 971 811
Taxes recoverable and prepaid	2 031 634	2 264 482
Trade receivables, net	5 124 785	4 448 735
Advances paid, net	1 085 955	1 415 099
Other receivables, net	1 362 147	836 563
Cash and cash equivalents	2 074 324	704 676
Other current assets	392 102	535 087
<b>Total current assets</b>	<b>40 283 396</b>	<b>31 742 753</b>
<b>TOTAL ASSETS</b>	<b>129 543 181</b>	<b>118 644 262</b>



**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER, 2018 Continued**

	<b>30 September 2018</b>	<b>31 December 2017</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	440	440
Treasury shares	(3 724 561)	(3 724 561)
Additional paid-in capital	5 610 553	5 588 320
Retained earnings	56 282 845	49 849 812
<b>Total shareholder's equity</b>	<b>58 169 277</b>	<b>51 714 011</b>
Non-controlling interest	1 021 026	1 065 846
<b>Total equity</b>	<b>59 190 303</b>	<b>52 779 857</b>
<b>Non-current liabilities</b>		
Long-term borrowings	34 106 147	30 603 110
Provisions	58 131	58 131
Deferred tax liability	999 197	1 064 814
Other liabilities	414	3 272
<b>Total non-current liabilities</b>	<b>35 163 889</b>	<b>31 729 327</b>
<b>Current liabilities</b>		
Short-term borrowings	19 687 464	19 411 621
Trade payables	9 369 063	9 018 376
Advances received	407 396	616 371
Payables for non-current assets	1 439 057	1 912 620
Tax related liabilities	1 050 223	964 123
Payroll related liabilities	1 685 923	1 816 396
Other payables and accruals	1 549 863	395 571
<b>Total current liabilities</b>	<b>35 188 989</b>	<b>34 135 078</b>
<b>Total liabilities</b>	<b>70 352 878</b>	<b>65 864 405</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>129 543 181</b>	<b>118 644 262</b>

**APPENDIX IV:****UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR 9 MONTHS ENDED SEPTEMBER, 30 2018**

	Nine months ended 30 September 2018	Nine months ended 30 September 2017	Year ended 31 December 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before income tax</b>	<b>10 490 289</b>	<b>5 710 634</b>	<b>5 955 675</b>
Adjustments for:			
Depreciation and amortization	4 314 114	3 675 130	5 153 486
Bad debt expense	64 567	28 836	282 148
Foreign exchange loss, net	529 711	270 009	390 426
Interest income	(194 501)	(215 036)	(277 148)
Interest expense, net	2 487 491	2 361 382	3 663 093
Net change in fair value of biological assets	(4 622 744)	(104 135)	260 299
Revaluation of harvested crops in stock	(1 774 442)	(218 374)	(112 181)
Loss on disposal of property, plant and equipment, net	(51 082)	95 518	106 321
Gain on disposal of non-current biological assets, net	(160 485)	(273 813)	(423 512)
Share of loss of a joint venture	128 254	158 107	221 325
Other adjustments, net	(9 638)	(3 202)	(14 392)
<b>Operating cash flows before working capital and other changes</b>	<b>11 201 534</b>	<b>11 485 056</b>	<b>15 205 540</b>
Decrease in inventories	246 026	1 965 432	1 259 252
Increase in biological assets	(879 524)	(1 207 396)	(489 539)
(Increase) decrease in trade receivables	(722 286)	575 307	384 564
Decrease (increase) in advances paid	331 093	(230 928)	(169 281)
Decrease (increase) in other receivables and other current assets	394 549	(75 264)	(333 616)
Increase in other non-current assets	(44 676)	(69 116)	(113 739)
(Decrease) increase in trade payables	142 031	(703 964)	48 691
(Decrease) increase in tax related liabilities (other than income tax)	208 324	198 444	50 889
(Decrease) increase in other current payables	(363 564)	(317 077)	445 491
<b>Operating cash flows before interest and income tax</b>	<b>10 513 507</b>	<b>11 620 494</b>	<b>16 288 252</b>
Interest received	194 380	113 229	143 745
Interest paid	(2 954 130)	(2 179 660)	(3 444 545)
Government grants for compensation of interest expense received	70 095	521 554	541 187
Income tax paid	(449 287)	(236 468)	(512 430)
<b>Net cash from operating activities</b>	<b>7 374 565</b>	<b>9 839 149</b>	<b>13 016 209</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment	(6 945 437)	(7 776 315)	(9 881 600)
Purchases of non-current biological assets	(659 279)	(755 193)	(1 017 577)
Purchases of intangible assets	(268 480)	(197 838)	(372 470)
Proceeds from sale of property, plant and equipment	122 132	3 439	30 880
Proceeds from disposal of non-current biological assets	827 884	691 403	1 028 836
Acquisitions of subsidiaries, net of cash acquired	-	(4 768 073)	(4 768 059)
Investments in joint ventures	(201 923)	(345 000)	(345 000)
Placing of deposits and issuance of loans	(70 000)	(325 061)	(412 470)
Placing of notes receivable	-	(100 000)	(100 000)
Proceeds from repayment of loans issued and redemption of deposits	387 500	50	150 050
<b>Net cash used in investing activities</b>	<b>(6 807 603)</b>	<b>(13 572 588)</b>	<b>(15 687 410)</b>



**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR  
9 MONTHS ENDED 30 SEPTEMBER, 2018 Continued**

	<b>Nine months ended 30 September 2018</b>	<b>Nine months ended 30 September 2017</b>	<b>Year ended 31 December 2017</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term loans	23 470 898	14 340 943	20 542 792
Repayment of long-term loans	(15 965 115)	(3 529 829)	(10 378 936)
Proceeds from short-term loans	11 989 306	9 795 910	11 555 329
Repayment of short-term loans	(15 571 123)	(11 217 043)	(12 246 483)
Purchase of treasury shares	-	(3 154 555)	(3 646 528)
Dividends paid	(3 081 399)	(996 063)	(3 453 970)
(Purchase) disposal of non-controlling interests	(39 881)	1 470	1 470
<b>Net cash from financing activities</b>	<b>802 686</b>	<b>5 240 833</b>	<b>2 373 674</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1 369 648</b>	<b>1 507 394</b>	<b>(297 527)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>704 676</b>	<b>1 002 203</b>	<b>1 002 203</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>2 074 324</b>	<b>2 509 597</b>	<b>704 676</b>