



## **Cherkizovo Group Announces First Half 2019 Financial Results**

**Moscow, Russia – August 22, 2019– PJSC Cherkizovo Group (MOEX: GCHE), the largest vertically integrated meat producer in Russia, today announces its unaudited consolidated IFRS results for the first half 2019.**

### **Second quarter financial highlights**

- Revenue increased by 25.5% year-on-year (y-o-y) to RUB 29.0 billion.
- Gross profit of RUB 7.4 billion declined by 23.8% compared to 2Q18.
- Adjusted EBITDA\* decreased by 7.3% y-o-y to RUB 4.1 billion. Adjusted EBITDA margin contracted to 14.0% from 19.0% in 2Q18.
- Net profit declined to RUB 2.2 billion from RUB 5.8 billion in 2Q18. Adjusted net profit\*\* amounted to RUB 1.3 billion, compared to RUB 2.2 billion a year ago.

### **First half financial highlights**

- Revenue increased by 25.1% y-o-y to RUB 55.7 billion.
- Net change in fair value of biological assets amounted to RUB 2.2 billion, compared to RUB 6.1 billion in 1H18. Net revaluation of harvested crops in stock changed to negative RUB 0.7 billion from RUB 0.9 billion in 1H18.
- Gross profit of RUB 14.6 billion declined by 11.8% compared to a year ago.
- Adjusted EBITDA\* up by 14.2% y-o-y to RUB 8.1 billion. Adjusted EBITDA margin contracted to 14.5% from 15.9% in 1H18.
- Net profit dipped to RUB 5.4 billion from RUB 8.7 billion in 1H18. Adjusted net profit\*\* totaled RUB 3.2 billion, up 19.3% y-o-y from RUB 2.6 billion a year ago.
- Net debt amounted to RUB 64.6 billion as of June 30, 2019.

### **Second quarter corporate highlights**

- In May, the Group became one of the winners of Russia's Best Social Projects 2019 Award, an annual event supporting public initiatives and facilitating sustainable development.
- In June, the Company announced that Tambov Turkey, its 50-50 Joint Venture with Grupo Fuertes, was considering construction of the second stage of the its modern turkey production and processing facility, aimed to increase production at the JV by 29 thousand tons (live weight) per annum. We anticipate it would take two years to implement the expansion project.
- In June, following bilateral agreements between Russia and China to open markets for chicken products, the Group signed pilot agreements to export chicken produce to China directly.

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

- On August 21, the Board of Directors recommended to the Extraordinary General Shareholders Meeting to distribute the Company's net profit following the results of



the first half of 2019 in the form of dividends in the amount of RUB 48.79 per ordinary share.

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

“First half of the year the Company delivered improvements over the previous year in overall sales and EBITDA, but failed to meet ambitious internal goals due to a combination of market pricing and internal factors.

Our chicken business was fueled by strong growth of the key brands in the retail channel, coupled with significant acceleration of sales to HoReCa clients. Pork segment, where we almost completed the current investment cycle, continued to deliver operational excellence, which transformed into cost savings and mitigated negative effects of rising input prices, and sales price pressures. Meanwhile, we put much effort to bring profitability of the meat processing segment back to the historical averages.

Overall the first half year provided solid foundation for continued profitable growth of the Group in the coming quarters.”

**Financial summary**

<b>RUB mln</b>	<b>2Q 2019</b>	<b>2Q 2018</b>	<b>y-o-y, %</b>	<b>1H 2019</b>	<b>1H 2018</b>	<b>y-o-y, %</b>
<b>Revenue</b>	<b>28 980</b>	<b>23 086</b>	<b>25.5%</b>	<b>55 661</b>	<b>44 507</b>	<b>25.1%</b>
Net change in fair value of biological assets	887	3 596	-75.3%	2 248	6 065	-62.9%
Net revaluation of harvested crops in stock	(205)	477	n.a.	(660)	945	n.a.
<b>Gross profit</b>	<b>7 438</b>	<b>9 756</b>	<b>-23.8%</b>	<b>14 617</b>	<b>16 581</b>	<b>-11.8%</b>
<i>Gross margin</i>	<i>25.7%</i>	<i>42.3%</i>	<i>-16.6 p.p.</i>	<i>26.3%</i>	<i>37.3%</i>	<i>-11.0 p.p.</i>
Operating expenses , net	(4 266)	(3 018)	41.4%	(7 947)	(5 876)	35.3%
Share of profit/loss of joint ventures and associates	(85)	143	n.a.	(136)	(230)	-40.9%
<b>Operating profit</b>	<b>3 087</b>	<b>6 881</b>	<b>-55.1%</b>	<b>6 534</b>	<b>10 475</b>	<b>-37.6%</b>
<i>Operating margin</i>	<i>10.7%</i>	<i>29.8%</i>	<i>-19.1 p.p.</i>	<i>11.7%</i>	<i>23.5%</i>	<i>-11.8 p.p.</i>
<b>Adjusted EBITDA <sup>1</sup></b>	<b>4 058</b>	<b>4 376</b>	<b>-7.3%</b>	<b>8 090</b>	<b>7 084</b>	<b>14.2%</b>
<i>Adjusted EBITDA margin</i>	<i>14.0%</i>	<i>19.0%</i>	<i>-5.0 p.p.</i>	<i>14.5%</i>	<i>15.9%</i>	<i>-1.4 p.p.</i>
Profit before income tax	2 299	5 770	-60.2%	5 198	8 708	-40.3%
<b>Net profit</b>	<b>2 200</b>	<b>5 754</b>	<b>-61.8%</b>	<b>5 401</b>	<b>8 708</b>	<b>-38.0%</b>
<b>Adjusted Net profit <sup>1</sup></b>	<b>1 313</b>	<b>2 158</b>	<b>-39.2%</b>	<b>3 153</b>	<b>2 643</b>	<b>19.3%</b>
<b>Net operating cash flow</b>	<b>3 683</b>	<b>3 769</b>	<b>-2.3%</b>	<b>3 622</b>	<b>4 793</b>	<b>-24.4%</b>
<b>Net debt</b>				<b>64 558</b>	<b>50 721</b>	<b>27.3%</b>

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



## **Revenue**

In the first half of 2019, revenue increased by 25.1% y-o-y to RUB 55.7 billion (1H18: RUB 44.5 billion). Revenue growth is attributed to higher volumes and prices across segments, most notably in the chicken segment on the back of consolidation of the assets acquired at the end of 2018 in Siberia and Central part of Russia.

## **Gross profit**

Gross profit declined by 11.8% y-o-y to RUB 14.6 billion, (1H18: RUB 16.6 billion). Revenue growth in the first half of the year was offset by the lower net change in fair value of biological assets, negative effect from net revaluation of harvested crops in stock, and higher input cost in chicken and pork segments. Gross profit margin declined to 26.3% (1H18: 37.3%).

## **Operating expenses**

Operating expenses increased by 35.2% y-o-y to RUB 7.9 billion, from RUB 5.9 billion a year ago. Operating expenses as a percentage of sales increased to 14.3% (1H18: 13.2%). Selling, general, and administrative expenses of RUB 7.8 billion increased in line with revenue growth and as a percentage of sales amounted to 14.0% compared to 13.7% a year ago.

## **Adjusted EBITDA**

Adjusted EBITDA of RUB 8.1 billion, increased by 14.2% y-o-y. Adjusted EBITDA margin declined to 14.5% (1H18: 15.9%) driven by higher revenues across segments and higher profitability of the chicken segment, and positive impact from Tambov Turkey JV results offset by lower results in the meat processing segment.

## **Interest expense**

Net interest expense in 1H19 increased by 26.0% y-o-y to RUB 2.1 billion.

## **Net profit**

Net profit for the Group totaled RUB 5.4 billion in 1H19, down 38.0% compared to RUB 8.7 billion in 1H18. Net profit margin declined to 9.7% from 19.6% a year ago.

Adjusted net profit increased by 19.3% y-o-y to RUB 3.2 billion, from RUB 2.6 billion a year ago. Adjusted net profit margin declined to 5.7% from 5.9% a year ago.

## **Cash flow**

Operating cash flow declined by 24.4% to RUB 3.6 billion (1H18: RUB 4.8 billion), affected by working capital increase, on the back of higher grain and livestock inventory.

## **Capital expenditure and debt**

The Group's capital expenditure on property, plant, equipment and maintenance amounted to RUB 4.0 billion during 1H19, a decline of 12.2% y-o-y. Investments in the grain segment and new wean-to-finish pork facilities were significant projects of capital expenditures in the reported period.

As of June 30, 2019, net debt\*\*\* was RUB 64.6 billion, compared to RUB 50.7 billion at the end of 1H18. Gross debt increased to RUB 66.7 billion as of June 30, 2019, compared to RUB 52.7 billion a year ago. At the end of 1H19 long-term debt accounted for 46% of the debt portfolio and amounted to RUB 30.7 billion. The effective cost of debt\*\*\*\* was 5.5% as of June 30, 2019. Subsidized loans and credit facilities made up 39% of the debt portfolio in 1H19 (1H18: 34%).



## Subsidies

Total government grants for compensation of interest expense recognized in profit and loss amounted to RUB 0.9 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 market hogs, accounting for the upcoming harvest, and lower market prices for the poultry products.

## Business segments

Divisions	Sales volume		Change y-o-y, %	Revenue <sup>2</sup>		Change y-o-y, %
	1H19, k ton	1H18, k ton		1H19, RUB mln	1H18, RUB mln	
Chicken	323.1	268.5	20.3%	32 953	23 486	40.3%
Turkey <sup>3</sup>	17.1	20.3	-15.5%	2 935	2 549	15.2%
Pork	130.7	109.8	19.0%	12 089	9 889	22.2%
Meat processing	115.0	110.5	4.1%	18 968	17 694	7.2%
Samson <sup>4</sup>	9.8	-	N/A	-	-	-

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

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

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

## Poultry Division

Sales volumes in 1H19 increased by 20.3% to 323.1 thousand tonnes (1H18:268.5 thousand tonnes). The average selling price increased by 16.6% y-o-y to 101.85 RUB/kg as we further increased sales of Petelinka and Chicken Kingdom branded products, and sales in the HoReCa channel more than doubled in 1H19 compared to a year ago. As a result, the segment's revenue increased by 40.3% and amounted to RUB 33.0 billion (1H18: RUB 23.5 billion).

Gross profit was up by 33.4% y-o-y and totaled RUB 6.9 billion, (1H18: RUB 5.1 billion) on better sales mix, and operational efficiencies that mitigated the negative effect from higher input cost. Gross margin declined to 20.8%, from 21.9% in 1H18.

Operating expenses as a percentage of sales improved to 10.5% from 10.8% a year ago. Operating income increased by 34.7% y-o-y to RUB 3.5 billion (1H18: RUB 2.6 billion). Operating margin declined to 10.7% from 11.1% in 1H18.

The segment's profit before income tax amounted to RUB 3.0 billion (1H18: RUB 2.3 billion).

Adjusted EBITDA of RUB 5.0 billion, an increase of 67.7% y-o-y, while Adjusted EBITDA margin increased to 15.3% from 12.8% a year ago.

## Pork Division

Sales volumes in 1H19 increased by 19.0% y-o-y, to 130.7 thousand tonnes (1H18: 109.8 thousand tonnes). The average selling price of 92.49 RUB/kg, up by 2.7% y-o-y compared to 90.04 RUB/kg a year ago. The segment's revenue increased by 22.2% y-o-y to RUB 12.1 billion (1H18: RUB 9.9 billion), due to the ramp of newly built facilities.



Gross profit of RUB 5.5 billion declined by 27.6% compared to 1H18, due to decline of the net change in the fair value of biological assets by RUB 2.1 billion, and 13.4% cost inflation in per kg pork production. The segment's gross margin declined to 45.6%, from 76.9% a year ago.

Operating income amounted to RUB 5.3 billion (1H18: RUB 7.5 billion). The segment's operating margin declined to 43.8% from 75.8% a year ago.

The segment's profit before income tax declined by 33.4% y-o-y to RUB 4.8 billion (1H18: RUB 7.2 billion).

Adjusted EBITDA increased by 3.3% y-o-y to RUB 4.4 billion (1H18: RUB 4.2 billion). Adjusted EBITDA margin declined to 36.0% from 42.6% in 1H18.

### **Meat Processing Division**

Sales volumes in 1H19 increased by 4.1% y-o-y to 115.0 thousand tonnes (1H18: 110.5 thousand tonnes). The average selling price increased by 2.7% y-o-y to 164.91 RUB/kg (1H18: 160.1RUB/kg). The segment's revenue increased by 7.2% and reached RUB 19.0 billion (1H18: RUB 17.7 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, coupled with higher pricing for sausages, cuts, and carcasses.

Gross profit declined by 41.6% y-o-y to RUB 1.1 billion, (1H18: RUB 1.9 billion). The gross margin fell to 5.9% from 10.8% a year ago.

Operating expenses as a percentage of sales amounted to 10.6%, vs. 9.4% in 1H18.

Operating income turned to negative RUB 1.0 billion from RUB 0.2 billion in 1H18.

The segment's loss before income tax was RUB 0.7 billion, compared to a profit RUB 0.1 billion a year ago, on lower results from operations partially offset by RUB 0.3 billion FX gain, related to EUR denominated loan.

Adjusted EBITDA turned to negative RUB 0.3 billion from RUB 0.6 billion in 1H18.

### **Outlook**

Russia's domestic macroeconomic conditions remain relatively stable with inflation pressures subsiding, rouble staying in the narrow range, and firm consumption that we anticipate through year-end.

We believe that cost pressures witnessed in the first half year will ease by year-end, as prices for grains are expected to decline with the arrival of new harvest in Russia.

While our overriding strategic priority and focus remains on domestic market and growth of value-added branded products, we are pleased that our efforts to develop selective export opportunities are showing encouraging results, eg, China, which recently opened its market for Russian chicken produce.



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

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**About Cherkizovo Group**

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

The Group's operations are spread over the full production cycle from grain and feed production to animal breeding, meat processing and distribution. The operational facilities of the Group include eight meat processing plants (including meat processing plant operated by an equity associate Samson – Food Products), nineteen pork farms, nine poultry production complexes (including the Belaya Ptitsa production complex which is currently operate pursuant to a lease agreement), nine animal feed plants, twelve grain elevators and more than 290 000 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 amortisation expense, net change in fair value of biological assets, bonuses to employees under long-term incentive program and share of loss of joint ventures and associates plus share of adjusted EBITDA of joint ventures and associates and depreciation and amortisation accumulated in harvested crops in stock as shown in the reconciliation in Appendix 1. Adjusted EBITDA margin is defined as Adjusted EBITDA as a percentage of our net revenues. Our adjusted EBITDA may not be similar to adjusted EBITDA measures of other companies; is not a measurement under IFRS accounting principles and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of operations. We believe that adjusted EBITDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. Our adjusted EBITDA calculation is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies within our industry. Adjusted EBITDA is reconciled to our consolidated statements of operations in Appendix 1.

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

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

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

## APPENDIX I: KEY DATA AND FIGURES, Unaudited 6 months 2019 Consolidated Selected Financial Data

RUB mln	Meat-Processing	Poultry	Pork	Grain	Feed	Total reportable segments	Corporate	Intersegment and other adjustments	Total without Turkey	Turkey	Combined
<b>Total Sales</b>	<b>18 968</b>	<b>32 953</b>	<b>12 089</b>	<b>977</b>	<b>20 116</b>	<b>85 103</b>	-	<b>(32 377)</b>	<b>52 726</b>	<b>2 935</b>	<b>55 661</b>
including sales volume discount	(433)	(348)	-	-	-	(781)	-	-	(781)	(62)	(843)
Interdivision Sales	(2)	(816)	(10 375)	(655)	(20 107)	(31 955)	-	32 029	74	(74)	-
Sales to external customers (Sales)	18 966	32 137	1 714	322	9	53 148	-	(348)	52 800	2 861	55 661
% of Total sales	34.1%	57.7%	3.1%	0.6%	0.0%	95.5%	0.0%	-0.6%	94.9%	5.1%	100.0%
Net change in fair value of biological assets	-	(324)	1 734	838	-	2 248	-	-	2 248	-	2 248
Net revaluation of harvested crops in stock	-	-	-	(157)	-	(157)	-	(503)	(660)	-	(660)
Cost of Sales	(17 850)	(25 774)	(8 315)	(753)	(19 917)	(72 609)	-	32 639	(39 970)	(2 662)	(42 632)
<b>Gross profit/(loss)</b>	<b>1 118</b>	<b>6 855</b>	<b>5 508</b>	<b>905</b>	<b>199</b>	<b>14 585</b>	-	<b>(241)</b>	<b>14 344</b>	<b>273</b>	<b>14 617</b>
Gross margin	5.9%	20.8%	45.6%	92.6%	1.0%	17.1%	0.0%	0.7%	27.2%	9.3%	26.3%
Operating expenses	(2 003)	(3 447)	(216)	(115)	(91)	(5 872)	(2 045)	275	(7 642)	(305)	(7 947)
Share of gain/(loss) of joint ventures and associates	(67)	103	-	-	-	36	-	-	36	(172)	(136)
<b>Operating profit / (loss)</b>	<b>(952)</b>	<b>3 511</b>	<b>5 292</b>	<b>790</b>	<b>108</b>	<b>8 749</b>	<b>(2 045)</b>	<b>34</b>	<b>6 738</b>	<b>(204)</b>	<b>6 534</b>
<b>Operating margin</b>	<b>-5.0%</b>	<b>10.7%</b>	<b>43.8%</b>	<b>80.9%</b>	<b>0.5%</b>	<b>10.3%</b>	-	<b>-0.1%</b>	<b>12.8%</b>	<b>-7.0%</b>	<b>11.7%</b>
Interest income	12	129	2	-	2	145	107	(105)	147	-	147
Interest expense, net	(77)	(654)	(482)	(62)	(308)	(1 583)	(587)	105	(2 065)	-	(2 065)
Other income/ (expenses), net	341	23	11	7	258	640	(58)	-	582	-	582
<b>Division profit / (loss) before income tax</b>	<b>(676)</b>	<b>3 009</b>	<b>4 823</b>	<b>735</b>	<b>60</b>	<b>7 951</b>	<b>(2 583)</b>	<b>34</b>	<b>5 402</b>	<b>(204)</b>	<b>5 198</b>
<b>Division profit margin</b>	<b>-3.6%</b>	<b>9.1%</b>	<b>39.9%</b>	<b>75.2%</b>	<b>0.3%</b>	<b>9.3%</b>	-	<b>-0.1%</b>	<b>10.2%</b>	<b>-7.0%</b>	<b>9.3%</b>
Supplemental information:											
Income tax expense (benefit)	30	29	(8)	(2)	3	52	110	-	162	-	162
Segment's capital expenditure	493	740	1 337	848	206	3 624	338	-	3 962	-	3 962



## Unaudited 6 months 2019 Consolidated Selected Financial Data

RUB mln	Meat Processing	Poultry	Pork	Grain	Feed	Total reportable segments	Corporate	Intersegment and other adjustments	Total without Turkey	Turkey	Combined
<b>Division profit / (loss) before income tax</b>	<b>(676)</b>	<b>3 009</b>	<b>4 823</b>	<b>735</b>	<b>60</b>	<b>7 951</b>	<b>(2 583)</b>	<b>34</b>	<b>5 402</b>	<b>(204)</b>	<b>5 198</b>
Add:											
Interest expense, net	77	654	482	62	308	1 583	587	(105)	2 065	-	2 065
Interest income	(12)	(129)	(2)	-	(2)	(145)	(107)	105	(147)	-	(147)
Foreign exchange loss/(gain)	(343)	(20)	(11)	(6)	(257)	(637)	59	-	(578)	-	(578)
Depreciation and amortisation expense	613	1 201	790	147	323	3 074	282	-	3 356	1	3 357
Net change in fair value of biological assets	-	324	(1 734)	(838)	-	(2 248)	-	-	(2 248)	-	(2 248)
Share of gain/(loss) of joint ventures and associates	67	(103)	-	-	-	(36)	-	-	(36)	172	136
Share of adjusted EBITDA of joint ventures and associates	4	79	-	-	-	83	-	-	83	178	261
Bonuses to employees under long-term incentive program	4	34	7	1	3	49	67	-	116	-	116
Depreciation and amortisation accumulated in harvested crops in stock	-	-	-	(70)	-	(70)	-	-	(70)	-	(70)
<b>Adjusted EBITDA</b>	<b>(266)</b>	<b>5 049</b>	<b>4 355</b>	<b>31</b>	<b>435</b>	<b>9 604</b>	<b>(1 695)</b>	<b>34</b>	<b>7 943</b>	<b>147</b>	<b>8 090</b>
<i>Adjusted EBITDA Margin</i>	<i>-1.4%</i>	<i>15.3%</i>	<i>36.0%</i>	<i>3.2%</i>	<i>2.2%</i>	<i>11.3%</i>	<i>-</i>	<i>-0.1%</i>	<i>15.1%</i>	<i>5.0%</i>	<i>14.5%</i>

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

1H19

Total division profit before income tax	5 198
(Profit)/loss attributable to non-controlling interests	365
Income taxes	(162)
<b>Profit attributable to Cherkizovo Group</b>	<b>5 401</b>



## UNAUDITED CONSOLIDATED INCOME STATEMENT DATA

RUB mln	6 months ended June 30, 2019	6 months ended June 30, 2018
Sales	55 661	44 507
incl. Sales volume discounts	(843)	(693)
incl. Sales returns	(550)	(435)
Net change in fair value of biological assets	2 248	6 065
Net revaluation of harvested crops in stock	(660)	945
Cost of sales	(42 632)	(34 936)
<b>Gross profit</b>	<b>14 617</b>	<b>16 581</b>
<i>Gross margin</i>	26.3%	37.3%
Operating expenses	(7 947)	(5 876)
Share of gain/(loss) of joint ventures and associates	(136)	(230)
<b>Operating profit</b>	<b>6 534</b>	<b>10 475</b>
<i>Operating margin</i>	11.7%	23.5%
<b>Profit before income tax</b>	<b>5 198</b>	<b>8 708</b>
<b>Profit attributable to Cherkizovo Group</b>	<b>5 401</b>	<b>8 708</b>
<i>Net profit margin</i>	9.7%	19.6%
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>131.61</b>	<b>212.16</b>
<b>Consolidated Adjusted EBITDA reconciliation</b>		
<b>Profit before income tax</b>	<b>5 198</b>	<b>8 708</b>
Add:		
Interest expense, net of subsidies	2 065	1 639
Interest income	(147)	(128)
Foreign exchange (gain)/loss, net	(578)	256
Depreciation and amortisation	3 357	2 839
Net change in fair value of biological assets	(2 248)	(6 065)
Share of (gain)/loss of joint ventures and associates	136	230
Share of adjusted EBITDA of joint ventures and associates	261	(67)
Bonuses to employees under long-term incentive program	116	-
Depreciation and amortisation accumulated in harvested crops in stock	(70)	(328)
<b>Consolidated Adjusted EBITDA</b>	<b>8 090</b>	<b>7 084</b>
<i>Adjusted EBITDA Margin</i>	14.5%	15.9%
<b>Consolidated Adjusted net profit</b>		
<b>Profit attributable to Cherkizovo Group</b>	<b>5 401</b>	<b>8 708</b>
Add:		
Net change in fair value of biological assets	(2 248)	(6 065)
<b>Adjusted net profit attributable to Cherkizovo Group</b>	<b>3 153</b>	<b>2 643</b>

## POULTRY DIVISION UNAUDITED INCOME STATEMENT DATA

RUB mln	6 months ended June 30, 2019	6 months ended June 30, 2018
Total Sales	32 953	23 486
Interdivision sales	(816)	(683)
<b>Sales to external customers</b>	<b>32 137</b>	<b>22 803</b>
Net change in fair value of biological assets	(324)	614
Cost of sales	(25 774)	(18 963)
<b>Gross profit/(loss)</b>	<b>6 855</b>	<b>5 137</b>
<i>Gross margin</i>	<i>20.8%</i>	<i>21.9%</i>
Operating expenses	(3 447)	(2 530)
Share of gain/(loss) of joint ventures	103	-
<b>Operating profit/(loss)</b>	<b>3 511</b>	<b>2 607</b>
<i>Operating margin</i>	<i>10.7%</i>	<i>11.1%</i>
Interest income	129	38
Interest expense, net	(654)	(301)
Other income/(expenses), net	23	(32)
<b>Division profit/(loss) before income tax</b>	<b>3 009</b>	<b>2 312</b>
<i>Division profit margin</i>	<i>9.1%</i>	<i>9.8%</i>
Poultry division Adjusted EBITDA reconciliation		
<b>Division profit/(loss) before income tax</b>	<b>3 009</b>	<b>2 312</b>
Add:		
Interest expense, net of subsidies	654	301
Interest income	(129)	(38)
Foreign exchange (gain)/loss, net	(20)	32
Depreciation and amortisation	1 201	1 018
Net change in fair value of biological assets	324	(614)
Share of (gain)/loss of joint ventures	(103)	-
<i>Share of adjusted EBITDA</i> of joint ventures	<i>79</i>	<i>-</i>
Bonuses to employees under long-term incentive program	34	-
<b>Poultry division Adjusted EBITDA</b>	<b>5 049</b>	<b>3 011</b>
<i>Adjusted EBITDA Margin</i>	<i>15.3%</i>	<i>12.8%</i>

**PORK DIVISION UNAUDITED INCOME STATEMENT DATA**

RUB mln	6 months ended June 30, 2019	6 months ended June 30, 2018
Total Sales	12 089	9 889
Interdivision sales	(10 375)	(8 755)
<b>Sales to external customers</b>	<b>1 714</b>	<b>1 134</b>
Net change in fair value of biological assets	1 734	3 876
Cost of sales	(8 315)	(6 161)
<b>Gross profit/(loss)</b>	<b>5 508</b>	<b>7 604</b>
<i>Gross margin</i>	45.6%	76.9%
Operating expenses	(216)	(108)
<b>Operating profit/(loss)</b>	<b>5 292</b>	<b>7 496</b>
<i>Operating margin</i>	43.8%	75.8%
Interest income	2	23
Interest expense, net	(482)	(270)
Other income/(expenses), net	11	(5)
<b>Division profit/(loss) before income tax</b>	<b>4 823</b>	<b>7 244</b>
<i>Division profit margin</i>	39.9%	73.3%
Pork division Adjusted EBITDA reconciliation		
<b>Division profit/(loss) before income tax</b>	<b>4 823</b>	<b>7 244</b>
Add:		
Interest expense, net of subsidies	482	270
Interest income	(2)	(23)
Foreign exchange (gain)/loss, net	(11)	6
Depreciation and amortisation	790	595
Net change in fair value of biological assets	(1 734)	(3 876)
Bonuses to employees under long-term incentive program	7	-
<b>Pork division Adjusted EBITDA</b>	<b>4 355</b>	<b>4 216</b>
<i>Adjusted EBITDA Margin</i>	36.0%	42.6%

**MEAT PROCESSING DIVISION UNAUDITED INCOME STATEMENT DATA**

RUB mln	6 months ended June 30, 2019	6 months ended June 30, 2018
Total Sales	18 968	17 694
Interdivision sales	(2)	(20)
<b>Sales to external customers</b>	<b>18 966</b>	<b>17 674</b>
Cost of sales	(17 850)	(15 779)
<b>Gross profit/(loss)</b>	<b>1 118</b>	<b>1 915</b>
<i>Gross margin</i>	5.9%	10.8%
Operating expenses	(2 003)	(1 667)
Share of gain/(loss) of associates	(67)	-
<b>Operating profit/(loss)</b>	<b>(952)</b>	<b>248</b>
<i>Operating margin</i>	-5.0%	1.4%
Interest income	12	11
Interest expense, net	(77)	(29)
Other income/(expenses), net	341	(180)
<b>Division profit/(loss) before income tax</b>	<b>(676)</b>	<b>50</b>
<i>Division profit margin</i>	-3.6%	0.3%
<b>Meat processing division Adjusted EBITDA reconciliation</b>		
<b>Division profit/(loss) before income tax</b>	<b>(676)</b>	<b>50</b>
Add:		
Interest expense, net of subsidies	77	29
Interest income	(12)	(11)
Foreign exchange (gain)/loss, net	(343)	179
Depreciation and amortisation	613	364
Share of (gain)/loss of associates	67	-
Share of adjusted EBITDA of associates	4	-
Bonuses to employees under long-term incentive program	4	-
<b>Meat processing division Adjusted EBITDA*</b>	<b>(266)</b>	<b>611</b>
<i>Adjusted EBITDA Margin</i>	-1.4%	3.5%



## FEED DIVISION UNAUDITED INCOME STATEMENT DATA

RUB mln	6 months ended June 30, 2019	6 months ended June 30, 2018
Total Sales	20 116	13 681
Interdivision sales	(20 107)	(13 681)
<b>Sales to external customers</b>	<b>9</b>	<b>-</b>
Cost of sales	(19 917)	(13 455)
<b>Gross profit/(loss)</b>	<b>199</b>	<b>226</b>
<i>Gross margin</i>	<i>1.0%</i>	<i>1.7%</i>
Operating expenses	(91)	(17)
<b>Operating profit/(loss)</b>	<b>108</b>	<b>209</b>
<i>Operating margin</i>	<i>0.5%</i>	<i>1.5%</i>
Interest income	2	3
Interest expense, net	(308)	(428)
Other income/(expenses), net	258	(48)
<b>Division profit/(loss) before income tax</b>	<b>60</b>	<b>(264)</b>
<i>Division profit margin</i>	<i>0.3%</i>	<i>-1.9%</i>
Feed division Adjusted EBITDA reconciliation		
<b>Division profit/(loss) before income tax</b>	<b>60</b>	<b>(264)</b>
Add:		
Interest expense, net of subsidies	308	428
Interest income	(2)	(3)
Foreign exchange (gain)/loss, net	(257)	48
Depreciation and amortisation	323	287
Bonuses to employees under long-term incentive program	3	-
<b>Feed division Adjusted EBITDA</b>	<b>435</b>	<b>496</b>
<i>Adjusted EBITDA Margin</i>	<i>2.2%</i>	<i>3.6%</i>

**GRAIN DIVISION UNAUDITED INCOME STATEMENT DATA**

RUB mln	6 months ended June 30, 2019	6 months ended June 30, 2018
Total Sales	977	1 976
Interdivision sales	(655)	(1 048)
<b>Sales to external customers</b>	<b>322</b>	<b>928</b>
Net change in fair value of biological assets	838	1 575
Net revaluation of harvested crops in stock	(157)	965
Cost of sales	(753)	(2 871)
<b>Gross profit/(loss)</b>	<b>905</b>	<b>1 645</b>
<i>Gross margin</i>	92.6%	83.2%
Operating expenses	(115)	(96)
<b>Operating profit/(loss)</b>	<b>790</b>	<b>1 549</b>
<i>Operating margin</i>	80.9%	78.4%
Interest income	0	1
Interest expense, net	(62)	(86)
Other income/(expenses), net	7	3
<b>Division profit/(loss) before income tax</b>	<b>735</b>	<b>1 467</b>
<i>Division profit margin</i>	75.2%	74.2%
Grain division Adjusted EBITDA reconciliation		
<b>Division profit/(loss) before income tax</b>	<b>735</b>	<b>1 467</b>
Add:		
Interest expense, net of subsidies	62	86
Interest income	-	(1)
Foreign exchange (gain)/loss, net	(6)	(3)
Depreciation and amortisation	147	393
Net change in fair value of biological assets	(838)	(1 575)
Depreciation and amortisation accumulated in harvested crops in stock	(70)	(328)
Bonuses to employees under long-term incentive program	1	-
<b>Grain division Adjusted EBITDA</b>	<b>31</b>	<b>39</b>
<i>Adjusted EBITDA Margin</i>	3.2%	2.0%

**APPENDIX II:  
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME FOR 6 MONTHS ENDED JUNE, 30 2019**

RUB mln	6 months ended June 30, 2019	6 months ended June 30, 2018
Revenue	55 661	44 507
Net change in fair value of biological assets	2 248	6 065
Net revaluation of harvested crops in stock	(660)	945
Cost of sales	(42 632)	(34 936)
<b>Gross profit</b>	<b>14 617</b>	<b>16 581</b>
Selling, general and administrative expense	(7 807)	(6 108)
Other operating (expense)/income, net	(140)	232
Share of loss of joint ventures and associates	(136)	(230)
<b>Operating profit</b>	<b>6 534</b>	<b>10 475</b>
Interest income	147	128
Interest expense, net	(2 065)	(1 639)
Other income/(expenses), net	582	(256)
<b>Profit before income tax</b>	<b>5 198</b>	<b>8 708</b>
Income tax expense	(162)	(92)
<b>Profit for the period and total comprehensive income</b>	<b>5 036</b>	<b>8 616</b>
<b>Profit and total comprehensive income, attributable to Cherkizovo Group</b>	<b>5 401</b>	<b>8 708</b>
<b>Non-controlling interests</b>	<b>(365)</b>	<b>(92)</b>



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

RUB mln	30 June, 2019	31 December, 2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	82 069	82 766
Investment property	589	595
Right-of-use assets	1 527	-
Goodwill	1 255	1 255
Intangible assets	2 210	2 144
Non-current biological assets	2 864	2 673
Investments in joint ventures and associates	3 431	3 518
Long-term deposits in banks	641	641
Restricted cash	100	109
Deferred tax assets	1 204	1 073
Rights to claim debt	4 685	4 685
Other non-current assets	1 219	678
<b>Total non-current assets</b>	<b>101 794</b>	<b>100 137</b>
<b>Current assets</b>		
Biological assets	20 776	15 395
Inventories	10 839	12 429
Taxes recoverable and prepaid	2 469	1 909
Trade receivables, net	5 503	5 733
Advances paid, net	818	875
Other receivables, net	612	1 523
Cash and cash equivalents	1 467	9 613
Other current assets	520	563
<b>Total current assets</b>	<b>43 004</b>	<b>48 040</b>
<b>TOTAL ASSETS</b>	<b>144 798</b>	<b>148 177</b>

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

Continued

RUB mln	30 June, 2019	31 December, 2018
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	-	-
Treasury shares	(3 724)	(3 724)
Additional paid-in capital	5 611	5 611
Retained earnings	59 162	57 932
<b>Total shareholder's equity</b>	<b>61 049</b>	<b>59 819</b>
Non-controlling interest	625	990
<b>Total equity</b>	<b>61 674</b>	<b>60 809</b>
<b>Non-current liabilities</b>		
Long-term borrowings	29 917	44 643
Long-term lease liabilities	741	-
Deferred tax liability	835	996
<b>Total non-current liabilities</b>	<b>31 493</b>	<b>45 639</b>
<b>Current liabilities</b>		
Short-term borrowings	35 658	24 170
Short-term lease liabilities	351	-
Trade payables	9 849	10 830
Advances received	454	576
Payables for non-current assets	964	1 216
Tax related liabilities	1 276	1 325
Payroll related liabilities	2 254	2 707
Other payables and accruals	825	905
<b>Total current liabilities</b>	<b>51 631</b>	<b>41 729</b>
<b>Total liabilities</b>	<b>83 124</b>	<b>87 368</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>144 798</b>	<b>148 177</b>



**APPENDIX IV:**

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR 6 MONTHS ENDED JUNE 30, 2019**

<b>RUB mln</b>	<b>6 months ended June 30, 2019</b>	<b>6 months ended June 30, 2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before income tax</b>	<b>5 198</b>	<b>8 708</b>
Adjustments for:		
Depreciation and amortization	3 357	2 839
Change in allowance for expected credit losses	(24)	37
Foreign exchange (loss)/gain, net	(578)	256
Interest income	(147)	(128)
Interest expense, net	2 065	1 639
Net change in fair value of biological assets	(2 248)	(6 065)
Revaluation of harvested crops in stock	660	(945)
Loss on disposal of property, plant and equipment, net	31	9
Gain on disposal of non-current biological assets, net	35	(59)
Share of loss of a joint venture and associates	136	230
Other adjustments, net	(10)	(3)
<b>Operating cash flows before working capital and other changes</b>	<b>8 475</b>	<b>6 518</b>
Decrease in inventories	1 163	1 554
Increase in biological assets	(3 092)	(1 519)
Decrease/(increase) in trade receivables	254	(132)
Decrease in advances paid	74	600
(Increase)/decrease in other receivables and other current assets	(294)	248
Decrease in other non-current assets	(8)	(17)
Decrease in trade payables	(630)	(146)
(Decrease)/increase in tax related liabilities (other than income tax)	(48)	177
Decrease in other current payables	(454)	(216)
<b>Operating cash flows before interest and income tax</b>	<b>5 440</b>	<b>7 067</b>
Interest received	151	145
Interest paid	(2 131)	(2 091)
Government grants for compensation of interest expense received	800	70
Income tax paid	(638)	(398)
<b>Net cash from operating activities</b>	<b>3 622</b>	<b>4 793</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(3 724)	(4 417)
Purchases of non-current biological assets	(719)	(419)
Purchases of intangible assets	(235)	(168)
Proceeds from sale of property, plant and equipment	45	64
Proceeds from disposal of non-current biological assets	364	487
Acquisitions of subsidiaries, net of cash acquired	(190)	-
Investments in joint ventures and associates	-	(198)
Placing of deposits and issuance of loans	(81)	-
Proceeds from repayment of loans issued and redemption of deposits	150	388
<b>Net cash used in investing activities</b>	<b>(4 390)</b>	<b>(4 263)</b>



**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR  
6 MONTHS ENDED JUNE 30, 2019**

**Continued**

<b>RUB mln</b>	<b>6 months ended June 30, 2019</b>	<b>6 months ended June 30, 2018</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term loans	730	13 241
Repayment of long-term loans	(2 421)	(8 643)
Proceeds from short-term loans	7 192	9 971
Repayment of short-term loans	(8 428)	(11 360)
Lease payments	(280)	-
Dividends paid	(4 171)	(3 081)
Purchase disposal of non-controlling interests	-	(1)
<b>Net cash from financing activities</b>	<b>(7 378)</b>	<b>127</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(8 146)</b>	<b>657</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>9 613</b>	<b>705</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1 467</b>	<b>1 362</b>