

PJSC Cherkizovo Group

**Unaudited Condensed Consolidated Interim
Financial Statements
for the Six Months ended 30 June 2016**

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PJSC CHERKIZOVO GROUP

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

Management is responsible for the preparation of the condensed consolidated interim financial statements that present fairly the financial position of PJSC Cherkizovo Group (the "Company") and its subsidiaries (collectively – the "Group") as at 30 June 2016, and the consolidated results of its operations, cash flows and changes in equity for the six months then ended, in compliance with International Accounting Standard ("IAS") 34, Interim Financial Reporting.

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

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

Management is also responsible for:

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

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2016 were approved by Management on 24 August 2016.

On behalf of the Management:



Ludmila Mikhailova
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Board of Directors and Shareholders of PJSC Cherkizovo Group:

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of PJSC Cherkizovo Group and subsidiaries (collectively – the “Group”) as at 30 June 2016 and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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



24 August 2016
Moscow, Russian Federation

Unaudited condensed consolidated interim statement of profit or loss and other comprehensive income

For the six months ended 30 June 2016

(in thousands of Russian rubles, unless otherwise indicated)

	Notes	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Revenue		38 834 869	36 211 140	77 032 622
Net change in fair value of biological assets and agricultural produce		1 116 380	1 581 089	(1 163 727)
Cost of sales	5	(31 807 140)	(26 203 390)	(56 720 216)
Gross profit		8 144 109	11 588 839	19 148 679
Selling, general and administrative expenses	6	(6 517 539)	(5 547 253)	(11 947 142)
Other operating income, net		146 219	183 861	332 489
Operating profit		1 772 789	6 225 447	7 534 026
Interest income		215 145	78 584	285 762
Interest expense, net	7	(1 349 349)	(608 332)	(1 364 766)
Other income (expenses), net	8	307 870	70 769	(583 273)
Profit before income tax		946 455	5 766 468	5 871 749
Income tax (expense) benefit		(131 825)	(20 611)	149 060
Profit for the period and total comprehensive income		814 630	5 745 857	6 020 809
Profit and total comprehensive income attributable to:				
Cherkizovo Group		948 816	5 676 457	6 007 482
Non-controlling interests		(134 186)	69 400	13 327
Earnings per share				
Weighted average number of shares outstanding – basic and diluted:		43 855 590	43 855 590	43 855 590
Profit attributable to Cherkizovo Group per share – basic and diluted (in Russian rubles):		21.64	129.44	136.98

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

Unaudited condensed consolidated interim statement of financial position

As at 30 June 2016

(in thousands of Russian rubles, unless otherwise indicated)

	Notes	30 June 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	9	62 322 839	60 436 029
Investment property		431 977	432 771
Goodwill		557 191	557 191
Intangible assets		1 771 650	1 603 903
Non-current biological assets	10	1 867 009	1 617 833
Notes receivable, net		300 000	300 000
Investments in joint venture		1 451 663	1 301 663
Long-term deposits in banks		641 365	641 365
Deferred tax assets		331 300	331 300
Other non-current assets		464 353	430 811
Total non-current assets		70 139 347	67 652 866
Current assets			
Biological assets	10	13 347 837	9 829 675
Inventories	11	9 331 787	12 258 555
Taxes recoverable and prepaid		2 494 129	2 835 987
Trade receivables, net		4 685 670	4 444 991
Advances paid, net		2 411 493	2 733 842
Other receivables, net	12	2 023 594	1 782 019
Cash and cash equivalents	13	1 287 872	5 560 824
Other current assets		776 162	612 566
Total current assets		36 358 544	40 058 459
TOTAL ASSETS		106 497 891	107 711 325

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

Unaudited condensed consolidated interim statement of financial position (continued)

As at 30 June 2016

(in thousands of Russian rubles, unless otherwise indicated)

	Notes	30 June 2016	31 December 2015
EQUITY AND LIABILITIES			
Equity			
Share capital		440	440
Treasury shares		(78 033)	(78 033)
Additional paid-in capital		5 588 320	5 588 320
Retained earnings	14	46 533 000	46 582 955
Total shareholder's equity		52 043 727	52 093 682
Non-controlling interest		921 206	1 055 392
Total equity		52 964 933	53 149 074
Non-current liabilities			
Long-term borrowings	15	15 680 852	16 118 747
Provisions		58 131	67 131
Deferred tax liability		440 386	405 097
Other liabilities		92 229	96 185
Total non-current liabilities		16 271 598	16 687 160
Current liabilities			
Short-term borrowings	15	25 498 963	25 093 017
Trade payables		7 232 041	8 461 657
Advances received		311 975	443 018
Payables for non-current assets		1 341 730	1 445 128
Tax related liabilities		817 290	790 344
Payroll related liabilities		1 521 581	1 372 176
Other payables and accruals		537 780	269 751
Total current liabilities		37 261 360	37 875 091
Total liabilities		53 532 958	54 562 251
TOTAL EQUITY AND LIABILITIES		106 497 891	107 711 325

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

Unaudited condensed consolidated interim statement of changes in equity

For the six months ended 30 June 2016

(in thousands of Russian rubles, unless otherwise indicated)

	Share capital		Treasury shares		Additional paid-in capital	Retained earnings	Total shareholder's equity	Non-controlling interests	Total equity
	Amount	Number of shares	Amount	Number of shares					
Balances at 1 January 2015	440	43 963 773	(78 033)	(108 183)	5 591 204	43 968 239	49 481 850	1 057 073	50 538 923
Profit for the period and total comprehensive income	-	-	-	-	-	5 676 457	5 676 457	69 400	5 745 857
Dividends	-	-	-	-	-	(2 395 334)	(2 395 334)	-	(2 395 334)
Balances at 30 June 2015	440	43 963 773	(78 033)	(108 183)	5 591 204	47 249 362	52 762 973	1 126 473	53 889 446
Balances at 1 January 2016	440	43 963 773	(78 033)	(108 183)	5 588 320	46 582 955	52 093 682	1 055 392	53 149 074
Profit for the period and total comprehensive income	-	-	-	-	-	948 816	948 816	(134 186)	814 630
Dividends	-	-	-	-	-	(998 771)	(998 771)	-	(998 771)
Balances at 30 June 2016	440	43 963 773	(78 033)	(108 183)	5 588 320	46 533 000	52 043 727	921 206	52 964 933

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

Unaudited condensed consolidated interim statement of cash flows

For the six months ended 30 June 2016

(in thousands of Russian rubles, unless otherwise indicated)

	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax	946 455	5 766 468	5 871 749
Adjustments for:			
Depreciation and amortization	2 071 535	1 799 795	3 826 525
Bad debt expense	91 530	37 937	32 062
Foreign exchange (gain) loss, net	(308 146)	(13 940)	646 802
Interest income	(215 145)	(78 584)	(285 762)
Interest expense, net	1 349 349	608 332	1 364 766
Net change in fair value of biological assets and agricultural produce	(1 116 380)	(1 581 089)	1 163 727
Loss (gain) on disposal of property, plant and equipment, net	9 400	6 757	(49 793)
Gain on disposal of non-current biological assets, net	(155 602)	(134 193)	(282 827)
Other adjustments, net	(2 353)	(14 059)	(108 612)
Operating cash flows before working capital and other changes	2 670 643	6 397 424	12 178 637
Decrease (increase) in inventories	2 311 295	(1 326 499)	(4 648 048)
Increase in biological assets	(1 935 675)	(600 084)	(1 586 899)
Increase in trade receivables	(269 446)	(30 929)	(466 088)
Decrease (increase) in advances paid	263 937	(354 768)	(522 982)
Decrease (increase) in other receivables and other current assets	499 592	(1 272 321)	(1 450 027)
Increase in other non-current assets	(30 132)	(43 716)	(28 022)
(Decrease) increase in trade payables	(931 797)	1 195 050	3 607 415
(Decrease) increase in tax related liabilities (other than income tax)	(22 928)	267 192	17 693
Increase (decrease) in other current payables	143 249	(109 350)	(651 507)
Operating cash flows before interest and income tax	2 698 738	4 121 999	6 450 172
Interest received	159 010	58 922	219 758
Interest paid	(2 578 856)	(1 467 163)	(3 530 632)
Government grants for compensation of interest expense received	851 030	863 860	2 019 481
Income tax paid	(55 663)	(99 968)	(166 521)
Net cash from operating activities	1 074 259	3 477 650	4 992 258
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(4 073 105)	(3 790 716)	(9 415 480)
Purchases of non-current biological assets	(268 255)	(252 979)	(432 481)
Purchases of intangible assets	(197 100)	(119 167)	(273 343)
Proceeds from sale of property, plant and equipment	29 995	96 885	220 832
Proceeds from disposal of non-current biological assets	323 635	240 074	537 051
Investments in joint venture	(150 000)	(175 000)	(450 000)
Placing of deposits and issuance of short-term loans	-	(12 714)	(156 855)
Purchases of notes receivable	-	-	(300 000)
Repayment of short-term loans issued and redemption of deposits	4 627	30 000	183 895
Net cash used in investing activities	(4 330 203)	(3 983 617)	(10 086 381)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term loans	1 291 699	884 411	9 218 443
Repayment of long-term loans	(3 825 614)	(2 600 625)	(5 110 160)
Proceeds from short-term loans	11 823 904	8 790 469	21 686 431
Repayment of short-term loans	(9 308 226)	(4 513 836)	(12 736 663)
Dividends paid	(998 771)	(2 395 334)	(3 392 766)
Acquisition of non-controlling interests	-	-	(17 892)
Net cash (used in) generated from financing activities	(1 017 008)	165 085	9 647 393
Net (decrease) increase in cash and cash equivalents	(4 272 952)	(340 882)	4 553 270
Cash and cash equivalents at the beginning of the period	5 560 824	1 007 554	1 007 554
Cash and cash equivalents at the end of the period	1 287 872	666 672	5 560 824

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

Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2016

(in thousands of Russian rubles, unless otherwise indicated)

1. Nature of the business

General information

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

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

The business of the Group

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

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

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

Operating environment

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

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2015 and then in the first quarter of 2016, the oil price decreased significantly, which led to substantial decrease of the Russian Ruble exchange rate.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. In the first quarter of 2015 two international credit agencies downgraded Russia's long-term foreign currency sovereign rating to the speculative level with the negative outlook.

The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, slackening of the economic growth rates and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is difficult to determine at this stage.

2. Basis of preparation

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

These financial statements do not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2015 prepared in accordance with International Financial Reporting Standards ("IFRS"), such as accounting policies and details of accounts which have not changed significantly in amount or composition.

The financial results for the six months ended 30 June 2016 are not necessarily indicative of the financial results for the full year. The unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2015.

Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2016

(in thousands of Russian rubles, unless otherwise indicated)

3. Significant accounting policies

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

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2015, except for the impact of the adoption of the following amended standards from 1 January 2016:

- Amendments to IFRS 11 - Accounting for Acquisition of Interests in Joint Operations;
- Amendments to IAS 1 – Disclosure Initiative;
- Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation;
- Amendments to IAS 16 and IAS 41 - Agriculture: Bearer Plants;
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception;
- IFRS 14 Regulatory Deferral Accounts;
- Amendments to IAS 27 - Equity Method in Separate Financial Statements;
- Annual Improvements to IFRSs 2012-2014 Cycle.

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

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

4. Operating segments

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

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

The Group evaluates segment performance based on adjusted EBITDA. Adjusted EBITDA is defined as profit for the period before income tax expense/benefit, interest income and interest expense, foreign exchange loss/gain, depreciation and amortisation expense, net change in fair value of biological assets and agricultural produce and loss on disposal of subsidiaries. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. The Group accounts for inter-segment sales and transfers as if the sales or transfers were to third parties. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3.

Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2016

(in thousands of Russian rubles, unless otherwise indicated)

4. Operating segments continued

Segment information for the six months ended at 30 June 2016 comprised:

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

*Consists of selling, general and administrative expenses and other operating income, net

**Presents interest income and other income/expense as a combined line item, consistent with the reporting provided to the CODM

Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2016

(in thousands of Russian rubles, unless otherwise indicated)

4. Operating segments continued

Segment information for the six months ended 30 June 2015:

	Meat-processing	Pork	Poultry	Grain	Feed	Total operating segments	Corporate	Intersegment	Total consolidated
Total sales	12 684 642	7 840 564	21 211 298	128 581	13 133 229	54 998 314	12 136	(18 799 310)	36 211 140
including other sales	204 619	54 019	400 241	29 055	-	687 934	12 136	(56 542)	643 528
including sales volume discounts	(1 538 516)	-	(699 307)	-	-	(2 237 823)	-	-	(2 237 823)
Intersegment sales	(12 378)	(4 786 788)	(950 762)	(49 911)	(12 999 471)	(18 799 310)	-	18 799 310	-
Sales to external customers	12 672 264	3 053 776	20 260 536	78 670	133 758	36 199 004	12 136	-	36 211 140
Net change in fair value of biological assets and agricultural produce	-	1 603 925	(624 963)	602 127	-	1 581 089	-	-	1 581 089
Cost of sales	(10 756 936)	(4 379 108)	(16 892 647)	(98 241)	(13 022 347)	(45 149 279)	-	18 945 889	(26 203 390)
Gross profit / (loss)	1 927 706	5 065 381	3 693 688	632 467	110 882	11 430 124	12 136	146 579	11 588 839
Operating expense	(1 405 412)	(488 648)	(2 353 181)	(27 962)	(177 212)	(4 452 415)	(929 390)	18 413	(5 363 392)
Operating income / (expense)	522 294	4 576 733	1 340 507	604 505	(66 330)	6 977 709	(917 254)	164 992	6 225 447
Other income (expense), net	(25 319)	48 293	73 710	(7 232)	57 154	146 606	253 125	(250 378)	149 353
Interest expense, net	(91 447)	(164 237)	(377 151)	(6 974)	(62 918)	(702 727)	(155 983)	250 378	(608 332)
Profit / (loss) before income tax	405 528	4 460 789	1 037 066	590 299	(72 094)	6 421 588	(820 112)	164 992	5 766 468
Adjustments for:									
Interest expense, net	91 447	164 237	377 151	6 974	62 918	702 727	155 983	(250 378)	608 332
Interest income	(5 012)	(1 681)	(90 857)	(128)	(14 255)	(111 933)	(217 029)	250 378	(78 584)
Foreign exchange loss/(gain)	34 831	(46 431)	58 990	10 285	(35 519)	22 156	(36 096)	-	(13 940)
Depreciation and amortisation expense	214 681	394 543	936 073	22 397	202 045	1 769 739	30 056	-	1 799 795
Net change in fair value of biological assets and agricultural produce	-	(1 603 925)	624 963	(602 127)	-	(1 581 089)	-	-	(1 581 089)
Other income and expenses, net	-	-	(42 800)	-	-	(42 800)	-	-	(42 800)
Adjusted EBITDA	741 475	3 367 532	2 900 586	27 700	143 095	7 180 388	(887 198)	164 992	6 458 182
Supplemental information:									
Expenditures for segment property, plant and equipment	619 406	702 789	1 317 540	405 683	950 398	3 995 816	150 009	-	4 145 825
Income tax expense (benefit)	19 513	2 803	7 164	(889)	(9 431)	19 160	1 451	-	20 611

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4. Operating segments continued

Segment information for the year ended at 31 December 2015 comprised:

	Meat-processing	Pork	Poultry	Grain	Feed	Total operating segments	Corporate	Intersegment	Total consolidated
Total sales	29 150 254	16 579 185	44 590 211	2 580 713	27 855 810	120 756 173	27 205	(43 750 756)	77 032 622
including other sales	416 945	172 835	1 511 443	57 512	-	2 158 734	27 205	(647 109)	1 538 831
including sales volume discounts	(3 954 954)	-	(1 388 201)	-	-	(5 343 155)	-	-	(5 343 155)
Intersegment sales	(32 016)	(11 502 192)	(2 640 958)	(2 117 129)	(27 458 461)	(43 750 756)	-	43 750 756	-
Sales to external customers	29 118 238	5 076 993	41 949 253	463 584	397 349	77 005 417	27 205	-	77 032 622
Net change in fair value of biological assets and agricultural produce	-	(1 387 143)	(283 880)	326 376	-	(1 344 647)	-	180 920	(1 163 727)
Cost of sales	(24 835 957)	(10 529 115)	(35 901 044)	(1 827 087)	(27 033 691)	(100 126 894)	(13 484)	43 420 162	(56 720 216)
Gross profit / (loss)	4 314 297	4 662 927	8 405 287	1 080 002	822 119	19 284 632	13 721	(149 674)	19 148 679
Operating expense	(3 060 987)	(662 041)	(5 061 999)	(242 294)	(590 873)	(9 618 194)	(2 089 879)	93 420	(11 614 653)
Operating income / (expense)	1 253 310	4 000 886	3 343 288	837 708	231 246	9 666 438	(2 076 158)	(56 254)	7 534 026
Other income (expense), net	(163 317)	(73 852)	794 746	15 555	(96 885)	476 247	(314 189)	(459 569)	(297 511)
Interest expense, net	(202 541)	(356 155)	(628 523)	(14 277)	(192 010)	(1 393 506)	(430 748)	459 488	(1 364 766)
Profit / (loss) before income tax	887 452	3 570 879	3 509 511	838 986	(57 649)	8 749 179	(2 821 095)	(56 335)	5 871 749
Adjustments for:									
Interest expense, net	202 541	356 155	628 523	14 277	192 010	1 393 506	430 748	(459 488)	1 364 766
Interest income	(10 405)	(11 102)	(175 026)	(330)	(25 059)	(221 922)	(523 438)	459 598	(285 762)
Foreign exchange loss/(gain)	205 719	71 822	(614 651)	17 144	129 179	(190 787)	837 589	-	646 802
Depreciation and amortisation expense	467 157	869 643	1 862 574	167 236	399 855	3 766 465	60 060	-	3 826 525
Net change in fair value of biological assets and agricultural produce	-	1 387 143	283 880	(326 376)	-	1 344 647	-	(180 920)	1 163 727
Loss on disposal of subsidiaries	-	42 569	-	-	-	42 569	-	-	42 569
Adjusted EBITDA	1 752 464	6 287 109	5 494 811	710 937	638 336	14 883 657	(2 016 136)	(237 145)	12 630 376
Supplemental information:									
Expenditures for segment property, plant and equipment	1 339 934	1 932 674	4 390 494	812 359	2 034 685	10 510 146	459 969	-	10 970 115
Income tax expense (benefit)	(110 423)	6 698	(8 040)	5 962	4 421	(101 382)	(47 678)	-	(149 060)

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

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

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5. Cost of sales

Cost of sales for the six months ended 30 June 2016 and 2015 and for the year ended 31 December 2015 comprised:

	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Raw materials	22 381 329	18 495 224	39 911 889
Personnel (excluding pension costs)	3 886 879	3 233 346	6 962 848
Depreciation	1 867 935	1 581 404	3 454 254
Utilities	1 753 814	1 605 605	3 174 341
Pension costs	722 090	602 816	1 286 236
Other	1 195 093	684 995	1 930 648
Total cost of sales	31 807 140	26 203 390	56 720 216

6. Selling, general and administrative expenses

Selling, general and administrative expenses for the six months ended 30 June 2016 and 2015 and for the year ended 31 December 2015 comprised:

	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Personnel (excluding pension costs)	2 521 595	2 120 077	4 216 641
Transportation	729 565	603 701	1 442 255
Pension costs	402 914	363 393	675 212
Taxes (other than income tax)	360 852	323 409	687 737
Advertising and marketing	332 838	295 100	657 163
Materials and supplies	331 733	281 003	902 606
Rent	228 171	264 191	673 789
Security services	208 460	204 142	427 248
Depreciation and amortisation	203 600	218 391	372 271
Audit, consulting and legal fees	150 507	69 272	191 010
Information technology and communication services	141 374	82 985	231 153
Utilities	117 167	83 172	222 247
Bad debt expense	91 530	37 937	32 063
Veterinary services	75 625	62 067	126 251
Insurance	63 586	53 343	103 208
Repairs and maintenance	29 390	39 797	106 012
Bank charges	8 924	16 517	41 076
Other	519 708	428 756	839 200
Total selling, general and administrative expenses	6 517 539	5 547 253	11 947 142

7. Interest expense, net

Interest expense, net for the six months ended 30 June 2016 and 2015 and for the year ended 31 December 2015 comprised:

	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Interest on bank overdrafts and loans	2 546 300	1 728 164	3 976 055
Interest on obligations under finance leases	26 238	19 633	49 231
Less: amounts included in the cost of qualifying assets	(175 338)	(32 312)	(92 545)
Total interest expense	2 397 200	1 715 485	3 932 741
Government grants for compensation of interest expenses	(1 151 996)	(1 128 413)	(2 616 550)
Less: amounts included in the cost of qualifying assets	104 145	21 260	48 575
Total government grants for compensation of interest expenses	(1 047 851)	(1 107 153)	(2 567 975)
Total interest expense, net	1 349 349	608 332	1 364 766

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8. Other income (expenses), net

Other income (expenses), net for the six months ended 30 June 2016 and 2015 and for the year ended 31 December 2015 comprised:

	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Foreign exchange gain (loss)	308 146	13 940	(646 802)
Other (expenses) income, net	(276)	56 829	63 529
Total other income (expense), net	307 870	70 769	(583 273)

9. Property, plant and equipment, net

The carrying amounts of property, plant and equipment as of 30 June 2016 and 31 December 2015 comprised:

	30 June 2016	31 December 2015
Land	2 727 108	2 617 042
Buildings, infrastructure and leasehold improvements	34 146 482	33 781 830
Machinery and equipment	13 754 068	12 713 841
Vehicles	2 624 662	2 425 230
Other	101 273	96 214
Construction in-progress and equipment for installation	6 449 943	6 190 507
Advances paid for property, plant and equipment	2 519 303	2 611 365
Total property, plant and equipment, net	62 322 839	60 436 029

During the period, the Group acquired assets with a cost of 3 939 859 and recognized a depreciation expense in the amount of 2 096 121.

10. Biological assets

Non-current biological assets

The balances of non-current biological assets as of 30 June 2016 and 31 December 2015 were as follows:

	30 June 2016		31 December 2015	
	Units	Carrying amount	Units	Carrying amount
Sows, heads	86 056	1 843 300	76 640	1 597 495
Cattle, heads	429	23 709	423	20 338
Total bearer non-current biological assets	86 485	1 867 009	77 063	1 617 833

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10. Biological assets continued

Current biological assets

The balances of current biological assets were as follows:

	30 June 2016		31 December 2015	
	Units	Carrying amount	Units	Carrying amount
Pork				
Market hogs, heads	896 554	5 539 264	799 184	4 232 255
	896 554	5 539 264	799 184	4 232 255
Poultry				
Broilers, heads	26 750 007	2 004 747	29 890 640	1 728 769
Breeders, heads (bearer biological assets)	2 404 061	2 187 593	2 402 262	2 602 867
	29 154 068	4 192 340	32 292 902	4 331 636
Hatchery eggs, quantity	24 922 520	315 376	21 195 577	287 676
Other	414	44 017	435	30 028
Unharvested crops, hectares	81 865	3 256 840	26 482	948 080
Total current biological assets		13 347 837		9 829 675

Unharvested crops largely increased due to seasonality of crop farming with majority of costs incurred during the first half of the year.

11. Inventories

Inventories as of 30 June 2016 and 31 December 2015 comprised:

	30 June 2016	31 December 2015
Raw materials	7 091 030	9 655 054
Spare parts	850 051	742 454
Work in-process	449 837	311 393
Finished goods	940 869	1 549 654
Total inventories	9 331 787	12 258 555

12. Other receivables, net

Other receivables as of 30 June 2016 and 31 December 2015 comprised:

	30 June 2016	31 December 2015
Subsidies receivable for interest expense reimbursement	1 753 752	1 417 074
Subsidies receivable for purchase of fodder	4 289	4 916
Other receivables	286 947	390 353
Less: allowance for doubtful other receivables	(21 394)	(30 324)
Total other receivables, net	2 023 594	1 782 019

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13. Cash and cash equivalents

	30 June 2016	31 December 2015
Ruble-denominated cash at banks	1 199 522	468 173
EURO-denominated cash at banks	8 353	74
USD-denominated cash at banks	73 428	84 997
Bank deposits	931	5 002 812
Cash in hand	5 638	4 768
Total cash and cash equivalents	1 287 872	5 560 824

14. Shareholder's equity

Dividends

In accordance with Russian legislation, earnings available for dividends are limited to retained earnings of the Company, calculated in accordance with statutory rules in local currency. On April 2016 dividends of approximately 22.77 Russian rubles per share (998 771 in total) were approved at the extraordinary shareholders' meeting and have been fully paid during the six months ended 30 June 2016.

15. Borrowings

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

	Nominal interest rate	EIR ¹	Adjusted EIR ²	Year of maturity	30 June 2016		31 December 2015	
					Current	Non-current	Current	Non-current
Bonds	12.50%	12.50%	12.50%	2020	-	5 000 000	2 500 000	5 000 000
Bank loans	3.39% – 16.50%	12.20%	5.44%	2016-2023	1 398 978	1 486 770	1 805 224	1 685 587
Credit lines	9.50% – 15.60%	12.06%	2.86%	2016-2024	23 650 756	8 804 230	20 343 233	9 145 226
Other borrowings	-	-	-	2023	-	10 947	-	10 947
Interest payable					346 747	-	363 084	-
Finance lease liabilities	8.57% – 16.62%	14.18%	14.18%	2016-2024	102 482	378 905	81 476	276 987
Total borrowings					25 498 963	15 680 852	25 093 017	16 118 747

As of 30 June 2016, the Group's borrowings were denominated in the following currencies: 40 729 932 in Russian rubles, 449 882 in Euro. As of 31 December 2015, the Group's borrowings were denominated in the following currencies: 40 874 513 in Russian rubles, 337 251 in Euro.

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

Bonds

Bonds maturing in October 2020

In October 2015, the Group placed 5 000 000 bonds in roubles at par value (1 000 roubles at the issuance date) with a maturity date in October 2020. The coupon rate on the bonds, payable semi-annually, is set at 12.50% per annum.

Bank loans

Gazprombank

Borrowings from Gazprombank consist of two long-term euro denominated loans with interest rates ranging from 3.39% to 4.92% per annum. The amount outstanding was 316 365 and 829 493 as of 30 June 2016 and 31 December 2015, respectively.

¹ EIR represents the weighted average interest rate on outstanding loans.

² Adjusted EIR represents the effective rate on borrowings at year end, adjusted by government subsidies for certain qualifying debt. Since approvals for subsidies are submitted annually by the Group as required by law, the existence of such subsidies in any given year is not necessarily indicative of their existence in future periods. See Note 10 for further disclosure of government subsidies related to interest on borrowings.

Notes to the unaudited condensed consolidated interim financial statements

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15. Borrowings continued

Savings Bank of Russia

Borrowings from Savings Bank of Russia consist of one long-term and two short-term rouble denominated loans with interest rates ranging from 12.00% to 12.20% per annum. The principal of the long-term loans is due on maturity in 2017. The amount of such loans outstanding was 970 554 and 987 302 as of 30 June 2016 and 31 December 2015, respectively.

Rosselkhozbank

Borrowings from Rosselkhozbank consist of eight long-term rouble denominated loans with interest rates ranging from 12.00% to 16.50% per annum. The principal of the long-term loans is due on maturity from 2018 to 2023. The amount of such loans outstanding was 1 471 896 and 1 532 155 as of 30 June 2016 and 31 December 2015, respectively.

Alfa-bank

Borrowings from Alfa Bank consist of two long-term euro denominated loans with interest rates of 4.10% per annum. The amount outstanding was 126 564 and 141 648 as of 30 June 2016 and 31 December 2015, respectively.

Credit lines

Sberbank of Russia

Borrowings from the Sberbank of Russia consist of thirteen long-term and twenty five short-term rouble denominated lines of credit with interest rates ranging from 9.60% to 14.00% per annum. Principal payments are due to be paid from 2016 to 2024. The total amount outstanding was 15 884 606 and 14 963 631 as of 30 June 2016 and 31 December 2015, respectively.

Gazprombank

Borrowings from Gazprombank consist of five long-term and eleven short-term rouble denominated lines of credit with interest rates ranging from 9.50% to 13.10% per annum. Principal payments are due to be paid from 2016 to 2022. The total amount outstanding was 9 475 980 and 8 361 308 as of 30 June 2016 and 31 December 2015, respectively.

Rosselkhozbank

Borrowings from Rosselkhozbank consist of seventeen rouble and one Euro denominated long-term lines of credit with fixed interest rates ranging from 10.50% to 15.00% per annum. Principal payments are due to be paid from 2016 to 2020. The total amount outstanding was 1 269 202 and 1 674 497 for rouble denominated and 6 954 and 11 982 for Euro denominated lines of credit as of 30 June 2016 and 31 December 2015, respectively.

Bank VTB

Borrowings from Bank VTB consist of fourteen long-term and five short-term rouble denominated lines of credit with interest rates ranging from 11.75% to 15.60% per annum. Principal is due to be paid upon maturity from 2016 to 2017. The total amount outstanding was 3 275 695 and 2 644 099 as of 30 June 2016 and 31 December 2015, respectively.

Alfa-Bank

Borrowings from Alfa-Bank consist of five short-term rouble denominated lines of credit with interest rates ranging from 11.25% to 13.90% per annum. The total amount outstanding was 2 000 000 and 1 486 000 as of 30 June 2016 and 31 December 2015, respectively.

Covenants

During the six months ended 30 June 2016, a Group subsidiary breached certain loan covenants, which are calculated based on statutory financial statements of the subsidiary. The Group obtained a waiver from these covenants from the bank, which allowed the Group not to be in breach of its existing covenants as at the reporting date.

Unused lines of credit

The total amount of unused credit on lines of credit as of 30 June 2016 is 21 169 572. The unused credit can be utilised from 2016 to 2018 with expiration of available amounts varying as follows: 13 128 693 expires by 31 December 2016, 2 850 000 expires by 31 December 2017, and 5 190 879 expires by 31 December 2018.

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16. Financial instruments

Categories of financial instruments and fair value measurements

The carrying values and fair values of the Group's financial assets and liabilities as of 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016		31 December 2015	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets not measured at fair value				
Loans and receivables				
Notes receivable, net	300 000	297 619	300 000	296 044
Long-term deposits in banks	641 365	612 614	641 365	601 369
Other non-current assets	107 121	107 121	96 379	96 379
Trade receivables	4 685 670	4 685 670	4 444 991	4 444 991
Other receivables	2 023 594	2 023 594	1 782 019	1 782 019
Other current assets	417 886	417 886	425 906	425 906
Cash and cash equivalents	1 287 872	1 287 872	5 560 824	5 560 824
	9 463 508	9 432 376	13 251 484	13 207 532
Financial liabilities not measured at fair value				
Amortised cost				
Borrowings, other than finance lease*	40 698 428	39 462 981	40 853 301	39 545 901
Financial lease liabilities	481 387	460 046	358 463	336 368
Trade payables	7 232 041	7 232 041	8 461 657	8 461 657
Payables for non-current assets	1 341 730	1 341 730	1 445 128	1 445 128
Payroll related liabilities	1 521 581	1 521 581	1 372 176	1 372 176
Other payables and accruals	537 780	537 780	269 751	269 751
	51 812 947	50 556 159	52 760 476	51 430 981

* at 30 June 2016 the Group used 12.9% as market rate of cost of debt for the fair value estimation (for borrowings nominated in RUB). That rate excludes the effect of subsidies.

17. Related parties

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

Transactions with key management personnel

Key management personnel of the Group are all members of Board of Directors and members of Management Board. The remuneration of key management personnel during the six months ended 30 June 2015 and 2016 were as follows:

	Six months ended 30 June 2016	Six months ended 30 June 2015
Salaries and bonuses	195 095	184 133

Trading transactions

Trading transactions with related parties comprise mostly of purchases of grain crops from and rendering of storage services to TZK NAPKO, Agrarnaya Gruppya and CJSC Penzamyasoprom. The Group also sells sausages, raw meat and poultry to a retail chain "Myasnov". All listed above related parties are entities under common control with the Group. The Group also purchases day-old chicks from its joint venture Broiler Budushchego LLC.

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

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17. Related parties continued

Financing transactions

As at 30 June 2016 certain shareholders personally guaranteed certain of the bank loans and lines of credit for the total amount of 1 016 298.

Balances with companies under common control are summarized as follows:

Balances	30 June 2016	31 December 2015
Trade receivables	221 356	243 453
Other non-current assets	80 723	57 083
Advances paid	438 344	2 269
Advances paid for property, plant and equipment	22 640	-
Other current assets	-	2 927
Other receivables	1 033	19 014
Trade payables	10 485	18 093
Advances received	64	450
Other payables	53	53
Long-term payables to shareholders	-	9 138

Transactions with companies under common control are summarized as follows:

Transactions	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Revenue	1 191 459	1 235 485	2 593 693
Rent income	89 971	74 929	159 218
Purchases of security services	-	21 810	21 810
Purchases of property, plant and equipment	30 809	119 230	267 459
Purchases of goods and other services	47 810	126 042	1 173 837

Balances with joint ventures are summarized as follows:

Balances	30 June 2016	31 December 2015
Trade receivables	100 988	21
Advances paid	200 792	135 641
Other receivables	7 287	-
Other non-current assets	38 569	28 293
Other current assets	-	3 400
Trade payables	23 559	4 557
Advances received	39 222	63 722

Transactions with joint ventures are summarized as follows:

Transactions	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Revenue	137 930	4 370	5 539
Sales of property, plant and equipment	-	58 048	666 349
Rent income	3 716	983	1 030
Purchases of goods and other services	243 291	135 772	246 715

18. Contingencies

There were no major changes from the year-end.