24 May 2011

Cherkizovo Group OJSC ("Cherkizovo" or "the Group" or "the Company")

Financial results for the First Quarter Ended 31 March 2011

Moscow, 24 May 2011 - Cherkizovo Group (LSE: CHE), one of Russia's leading integrated and diversified meat producers, today announces quarterly results for the period ended 31 March 2011.

Highlights

- Revenues increased 14% on a rouble currency basis, and increased 16% to $308.2 million from $265.0 million for the first quarter of 2010
- Adjusted EBITDA* decreased 31% on a rouble currency basis, and 30% to $34.9 million from $49.6 million for the first quarter of 2010
- Adjusted EBITDA* margin decreased to 11%
- Gross profit decreased 14% on a rouble currency basis, and decreased 12% to $64.6 million from $73.5 million for the first quarter of 2010
- Group gross margin was 21%
- Net income decreased 44% on a rouble currency basis, and decreased 42% to $18.4 million from $31.9 million for the first quarter of 2010
- For the first quarter 2011 Net debt** increased 3% on a rouble currency basis, and was $642.1 million.
- The effective cost of debt remained at 2%.
- Net income per share decreased 42%.

Business Developments

- Cherkizovo Group has opened the poultry breeding facility, "Komarovka", at its Penza cluster. The facility, which was built as part of Cherkizovo's ongoing poultry capacity increase project in Penza, consists of 34 bird houses, with a combined capacity of almost 1.1 million broilers.
- Cherkizovo Group has opened a second line at the poultry breeding facility in its Bryansk cluster. It consists of 26 bird houses, with a combined capacity of almost 880,000 broilers. The bird houses will be populated using the Group's own hatcheries, and equipped with state-of-the-art technologies that reflect the latest innovations and best practices in poultry keeping.
- Cherkizovo has reached an agreement to acquire 100% of Mosselprom - the diversified vertically-integrated agro-industrial group. Mosselprom's production activities include the following: poultry, pork, feed production and grain businesses. Subsequently, the strategic acquisition was completed on 16th May, 2011.

Sergey Mikhailov, Chief Executive Officer of Cherkizovo Group, said:

"The first quarter of 2011 was a very challenging period for all domestic producers including ourselves. This was due to a combination of especially low prices for our products caused by an increased level of imports late last year, and sharply rising input costs, as the full effect of increased grain costs impacted our Poultry segment. However, while the majority of industry producers were operating at breakeven levels, Cherkizovo did manage to report $308.2 million in Group revenue and an Adjusted EBITDA of $34.9 million, while maintaining an 11% Adjusted EBITDA margin. Towards the end of the first quarter and going into the second quarter, poultry prices recovered, and this trend is continuing.

We are making solid progress in our large-scale projects to increase poultry capacity. This is already reflected in our sales volumes for the Poultry division, and we are on track to provide significantly higher output from 2011, which is also supported by our recent launch of the poultry sites in Bryansk and Penza. The Pork division is delivering volume growth including operations at acquired farms, while demand for our meat processing products has also remained strong.

Elsewhere, we have recently announced the start of a transformational project – the construction of a unique complex in the Lipetsk region, which will allow us to significantly increase production by 2016 and set industry trends in efficiency and product quality.

We have also completed the strategic acquisition of Mosselprom, a large, diversified vertically-integrated agro-industrial holding company that comprises poultry production and feed production, as well as land cultivation and cropping, and we expect strong production volume growth in poultry and pork, with significant synergies that will further enhance our performance.

We remain broadly positive on Russian consumption, and, as the pricing environment improves, we expect consumption to remain generally favorable. This trend will be supported by growing consumer confidence, reduced imports and increased costs from rising grain prices.

We also welcome the Government's recent decision to offer producers direct subsidies to offset sharp cost increases, and to distribute grain from the intervention fund directly to regions that have suffered most. These measures combined will stabilise the market environment and allow domestic producers to continue developing quality local products, despite the difficult trading conditions. Moreover, the current grain harvest outlook is positive for Russia, which, we expect, will further stabilise input costs.

Overall, we expect that in the second half of the year we will return to normalized profitability levels, as cost pressures decrease; this will offset the negative impact of the performance in the first quarter. Accordingly, management is optimistic that we are on track to meet expectations for the full year."

- Ends -

For further information:

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Chief Executive's Review

Financial Overview

The table below summarises the Group's performance on a rouble currency basis in the first quarter of 2011:

RUR, mln (unaudited)	1Q2011	1Q2010	Change
Sales	9 020.1	7 919.4	14%
Gross Profit	1 889.5	2 198.2	(14%)
Gross margin, %	*21%*	*28%*	
Operating expenses	(1 264.7)	(1 071.0)	18%
Operating Income	624.8	1 127.2	(45%)
Operating Income margin, %	*7%*	*14%*	
Net Income	537.2	952.3	(44%)
Adjusted EBITDA	1 020.6	1 481.9	(31%)
EBITDA margin, %	*11%*	*19%*	

On a reported currency basis sales increased by 16% to US$308.2 million (1Q2010: US$265.0 million). Gross profit decreased 12% to US$64.6 million (1Q2010: US$73.5 million). Operating expenses as a percentage of sales were flat at 14%. Net income decreased 42% to $18.4 million (1Q2010: US$31.9 million).

Adjusted EBITDA* decreased 30% to US $34.9 million (1Q2010: US$49.6 million) and adjusted EBITDA* margin was at 11%, reflecting satisfactory operating performance by the Group in an extremely tight environment.

Poultry Division

Sales volumes in the Poultry division in the first quarter of 2011 increased by a robust 15% to approximately 53,570 tonnes of sellable weight compared to approximately 46,570 tonnes for the first quarter of 2010, reflecting the contribution from the newly launched sites at Bryansk.

Prices for poultry sales in dollar terms increased by 5% from $2.32 per kg in the first quarter of 2010 to $2.43 per kg in the first quarter of 2011 (excluding VAT)*. Compared to the price in the fourth quarter of 2010 of $2.45, prices in the first quarter of 2011 were almost flat.

Prices in rouble terms increased by 3% from 69.20 roubles per kg in the first quarter of 2010 to 71.07 roubles per kg in the first quarter of 2011 (excluding VAT)*. However, compared to the price in the fourth quarter of 2010 of 75.15 roubles per kg, the price in the first quarter of 2011 decreased by 5%, reflecting pressure from higher inventories caused by a larger share of imports entering Russia in the fourth quarter. Prices in the second quarter so far have been on an upward trend, and we anticipate this will continue through the second quarter of the year, given the considerable reduction in poultry import quotas, as well as meat price inflation resulting from rising input costs.

Total sales in the Poultry division increased 18% to US$139.4 million (1Q2010: US$118.5 million). Gross Profit decreased 23% to US$26.2 million (1Q2010: US$33.9 million), divisional Gross Margin decreased to 19% (1Q2010: 29%) due to lower selling prices in the first quarter of the year and rising input costs, as the full effect of the grain price increase was realised in this period.

Operating expenses as a percentage of sales remained flat at 13%. Operating income of the division decreased by 58% to US$7.6 million (1Q2010: US$18.3 million), and operating margin was 6% as a result of the above-mentioned factors. Profit in the Poultry division decreased by 60% to US$6.3 million (1Q2010: US$15.8 million).

Adjusted EBITDA* decreased 40% to US$14.3 million (1Q2010: US$23.9 million), while Adjusted EBITDA* margin in the Poultry division was 10% in the first quarter of 2011.

Pork Division

Sales volumes in the Pork division in the first quarter of 2011 increased by 5% to approximately 20,220 tonnes of live weight, compared to approximately 19,190 tonnes in the first quarter of 2010.

In dollar terms, prices for pork sales increased by 12% from $2.29 per kg of live weight in the first quarter of 2010 to $2.57 per kg of live weight in the first quarter of 2011 (excluding VAT)*. Compared to the price in the fourth quarter of 2010 of $2.33 per kg, the price in the first quarter of 2011 increased by 10%.

Prices in rouble terms increased by 10% from 68.59 roubles per kg in the first quarter of 2010 to 75.27 roubles per kg in the first quarter of 2011 (excluding VAT)*. Compared to the price in the fourth quarter of 2010 of 71.61 roubles per kg, the price in the first quarter of 2011 increased by 5%. The pricing environment for pork products in Russia at the end of 2010 and beginning of 2011 was negatively affected by a larger than usual reduction of livestock by smaller and less efficient producers and households, and we expect it to recover in the second quarter as the summer season progresses.

Total sales in the Pork division increased 21% to US$58.0 million (1Q2010: US$47.9 million). Gross Profit decreased 4% to US$18.6 million (1Q2010: US$19.4 million) while Gross Margin decreased to 32%, resulting from pork prices coming under pressure in the first quarter of the year, as well as rising input costs, while the full effect of the grain price increase is yet to be realised in the second quarter due to a longer cycle in pork production.

Operating Expenses as a percentage of sales decreased to 7% from 8% in the first quarter of 2010, reflecting increasing economies of scale. The division generated Operating Income of US$14.6 million (1Q2010: US$15.7 million), while Operating Margin was 25% (1Q2010: 33%). Profits in the Pork division were flat US$14.1 million.

Adjusted EBITDA* generated by the division decreased 4% to US$18.5 million (1Q2010: US$19.2 million), and Adjusted EBITDA* Margin decreased to 32% (1Q2010: 40%).

Meat Processing Division

Sales volumes increased by 8% to approximately 33,200 tonnes from 30,790 tonnes for the first quarter of 2010.

Prices in dollar terms increased by 13% from $3.80 per kg in the first quarter of 2010 to $4.30 per kg in the first quarter of 2011 (excluding VAT)*. Compared to the price in the fourth quarter of 2010 of $4.08, the price in the first quarter of 2011 increased by 5%.

Prices in rouble terms increased by 11% from 113.71 roubles in the first quarter of 2010 to 125.75 roubles per kg in the first quarter of 2011 (excluding VAT)*. Compared to the price in the fourth quarter of 2010 of 125.37 roubles per kg, the price in the first quarter of 2011 remained flat.

Sales in the Meat Processing division increased 23% to US$138.4 million (1Q2010: US$112.8 million). Divisional Gross Profit decreased 2% to US$19.9 million (1Q2010: US$20.3 million), while Gross Margin decreased from 18% to 14%. Operating expenses as a percentage of sales were flat at 13%. Division profit was US$0.4 million.

Adjusted EBITDA* for the division decreased 35% to US$5.5 million (1Q2010: US$8.4 million), and Adjusted EBITDA* margin decreased to 4% (1Q2010: 7%).

Financial Position

The Group's Capital Expenditure on property, plant and equipment and maintenance amounted to US$46.8 million in the first quarter of 2011. Of that, US$19.2 million was invested into the Poultry division, mainly into the capacity increase projects at Bryansk and Penza clusters. The Pork division received US$25.1 million of investment and there was US$2.5 million of investment, primarily for capital maintenance, in the Meat Processing division.

Net Debt** at the end of the first quarter of 2011 was US$642.1 million or RUR18.3 billion. Total Debt was at US$697.5 million or RUR19 830.5 million. Of the Total Debt long-term debt was approximately US$494.1 million or 71% of the debt portfolio. Short-term debt was US$203.5 million, or 29% of the portfolio. Cost of Debt for the first quarter of 2011 was 2%. The portion of subsidised loans and credit lines in the portfolio was 88%. Cash and cash equivalents totalled US$55.4 million at 31 March 2011.

Subsidies

In the first quarter of 2011 and 2010 the Group received no direct subsidies. The Group accrued subsidies for interest reimbursement of US$11.9 million which offset interest expense (1Q2010: US$10.7).

Outlook

The first quarter of 2011 was an extremely challenging time for domestic producers, as performance was affected by lower than expected selling prices and at the same time by sharply rising input costs, as in the Poultry segment we experienced the full effect of the grain price increases. Despite this, Cherkizovo demonstrated solid operational and financial results.

Alongside the anticipated progress in our existing organic expansion projects, we have recently announced the start of a transformational project – the construction of a unique complex in the Lipetsk region, which will allow us to significantly increase production by 2016 and set new industry standards in efficiency and product quality.

We have also completed a strategic acquisition of Mosselprom, a large, diversified vertically-integrated agro-industrial holding company that comprises poultry production and feed production, as well as land cultivation and cropping; and we additionally expect strong production volume growth in poultry and pork, with significant synergies that will further enhance our performance.

We remain broadly positive on Russian consumption, and as the pricing environment improves, we expect it to remain broadly favorable thereafter, supported by growing consumer confidence, reduced imports and increased costs resulting from grain price increases.

We welcome the Government's recent decision to offer producers direct subsidies to offset sharp cost increases and to distribute grain from the intervention fund directly to regions that have suffered most. These measures combined will stabilise the market environment and allow domestic producers to continue developing quality local produce, despite the difficult trading conditions. Moreover, the current grain harvest outlook is positive for Russia, which, we expect, will further stabilise input costs. Overall, management is confident that the Group will continue to enhance efficiency increases and delivering against its strategy.

***Non-GAAP financial measures**. This press release includes financial information prepared in accordance with accounting principles generally accepted in the United States of America, or US GAAP, as well as other financial measures referred to as non-GAAP. The non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with US GAAP.*

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

***** Net debt** is calculated as total debt minus cash and cash equivalents*

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 the 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 market change in our industry, as well as many other risks specifically related to the Group and its operations.

APPENDIX I: KEY DATA AND FIGURES

1q 2011 Consolidated Selected Financial Data (US$000)

(in thousands of US dollars)	Meat-Processing	Poultry	Pork	Corporate assets/expenditures	Interdivision	Combined
Total Sales	138 440	139 368	57 979	734	(28 345)	**308 176**
including sales of principal products	142 996	130 075	52 003	-	-	**325 074**
including other sales	673	14 953	5 976	-	-	**21 602**
including sales volume discount	(5 229)	(5 660)	-	-	-	**(10 889)**
Interdivision Sales	(192)	(9 733)	(17 686)	(734)	28 345	**-**
Sales to external customers	138 248	129 635	40 293		-	**308 176**
% of Total sales	*44.9%*	*42.1%*	*13.0%*			***100.0%***
Cost of Sales	(118 581)	(113 176)	(39 412)		27 549	**(243 620)**
Gross profit	**19 859**	**26 192**	**18 567**	**734**	(796)	**64 556**
Gross margin	*14.3%*	*18.8%*	*32.0%*			***20.9%***
Operating expenses	(17 290)	(18 549)	(3 977)	(4 188)	796	**(43 208)**
Operating income	**2 569**	**7 643**	**14 590**	**(3 454)**		**21 348**
Operating margin	*1.9%*	*5.5%*	*25.2%*			***6.9%***
Other income and expenses, net	193	(258)	90	2 663	(2 252)	**436**
Financial expense, net	(2 358)	(1 123)	(541)	(1 385)	2 252	**(3 155)**
Division profit / (loss)	**404**	**6 262**	**14 139**	**(2 176)**		**18 629**
Division profit margin	*0.3%*	*4.5%*	*24.4%*			***6.0%***
Supplemental information:						
Income Tax expense	119	103	(17)	-	-	**205**
Depreciation expense	2 909	6 545	3 983	113	-	**13 550**

Adjusted EBITDA reconciliation						
Division profit / (loss)	**404**	**6 262**	**14 139**	**(2 176)**		**18 629**
Add:						
Financial expense, net	2 358	1 123	541	1 385	(2 252)	**3 155**
Interest income	(63)	(23)	(58)	(3 014)	2 252	**(906)**
Foreign exchange loss (gain)	(129)	408	(155)	352	-	**476**
Depreciation expense	2 909	6 545	3 983	113	-	**13 550**
Adjusted EBITDA*	**5 479**	**14 315**	**18 450**	**(3 340)**		**34 904**
*Adjusted EBITDA Margin**	*4.0%*	*10.3%*	*31.8%*			***11.3%***

Reconciliation between net division profit and consolidated net income attributable to Group Cherkizovo	
Total net division profit	**18 629**
Net income attributable to noncontrolling interests	(66)
Income taxes	(205)
Net income attributable to Group Cherkizovo	**18 358**

UNAUDITED CONSOLIDATED INCOME STATEMENT DATA

(in thousands of US dollars)	**Three months ended 31 March 2011**	**Three months ended 31 March 2010 (Restated**)**
Sales	308 176	264 951
incl. Sales volume discount	10 889	8 831
incl. Sales returns	3 908	2 544
Cost of sales	(243 620)	(191 408)
Gross profit	**64 556**	**73 543**
Gross margin	*20.9%*	*27.8%*
Operating expenses	(43 208)	(35 831)
Operating Income	**21 348**	**37 712**
Operating margin	*6.9%*	*14.2%*
Income before income tax and non-controlling interests	**18 629**	**33 304**
Net income attributable to Group Cherkizovo	**18 358**	**31 862**
Net profit margin	*6.0%*	*12.0%*
Weighted average number of shares outstanding	43 028 022	43 028 022
Earnings per share		
Net income attributable to Cherkizovo Group per share – basic and diluted	**0.43**	**0.74**
Consolidated Adjusted EBITDA reconciliation*		
Income before income tax and non-controlling interests	**18 629**	**33 304**
Add:		
Financial expense, net	3 155	4 920
Interest income	(906)	(212)
Foreign exchange loss (gain)	476	(304)
Depreciation expense	13 550	11 780
Consolidated Adjusted EBITDA	**34 904**	**49 488**
Adjusted EBITDA Margin	*11.3%*	*18.7%*

UNAUDITED MEAT PROCESSING DIVISION INCOME STATEMENT DATA

(in thousands of US dollars)	**Three months ended 31 March 2011**	**Three months ended 31 March 2010 (Restated**)**
Total Sales	138 440	112 830
Interdivision sales	(192)	(105)
Sales to external customers	**138 248**	**112 725**
Cost of sales	(118 581)	(92 533)
Gross profit	**19 859**	**20 297**
Gross margin	*14.3%*	*18.0%*
Operating expenses	(17 290)	(14 643)
Operating Income	**2 569**	**5 654**
Operating margin	*1.9%*	*5.0%*
Other income and expenses, net	193	869
Financial expense, net	(2 358)	(2 199)
Division profit	**404**	**4 324**
Division profit margin	*0.3%*	*3.8%*

Meat processing division Adjusted EBITDA reconciliation**		
Division profit	**404**	**4 324**
Add:		
Financial expense, net	2 358	2 199
Interest income	(63)	(336)
Foreign exchange gain	(129)	(522)
Depreciation expense	2 909	2 711
Meat processing division Adjusted EBITDA	**5 479**	**8 376**
Adjusted EBITDA Margin	*4.0%*	*7.4%*

UNAUDITED POULTRY PROCESSING DIVISION INCOME STATEMENT DATA

(in thousands of US dollars)	**Three months ended 31 March 2011**	**Three months ended 31 March 2010 (Restated**)**
Total Sales	139 368	118 535
Interdivision sales	(9 733)	(9 049)
Sales to external customers	**129 635**	**109 486**
Cost of sales	(113 176)	(84 628)
Gross profit	**26 192**	**33 907**
Gross margin	*18.8%*	*28.6%*
Operating expenses	(18 549)	(15 588)
Operating Income	**7 643**	**18 319**
Operating margin	*5.5%*	*15.5%*
Other expenses, net	(258)	(197)
Financial expense, net	(1 123)	(2 361)
Division profit	**6 262**	**15 761**
Division profit margin	*4.5%*	*13.3%*
Poultry division Adjusted EBITDA reconciliation**		
Division profit	**6 262**	**15 761**
Add:		
Financial expense, net	1 123	2 361
Interest income	(23)	(4)
Foreign exchange loss	408	227
Depreciation expense	6 545	5 545
Poultry division Adjusted EBITDA	**14 315**	**23 890**
Adjusted EBITDA Margin	*10.3%*	*20.2%*

UNAUDITED PORK PROCESSING DIVISION INCOME STATEMENT DATA

(in thousands of US dollars)	Three months ended 31 March 2011	Three months ended 31 March 2010 (Restated**)
Total Sales	57 979	47 945
Interdivision sales	(17 686)	(5 205)
Sales to external customers	**40 293**	**42 740**
Cost of sales	(39 412)	(28 543)
Gross profit	**18 567**	**19 402**
Gross margin	*32.0%*	*40.5%*
Operating expenses	(3 977)	(3 664)
Operating Income	**14 590**	**15 738**
Operating margin	*25.2%*	*32.8%*
Other income and expenses, net	90	257
Financial expense, net	(541)	(1 852)
Division profit	**14 139**	**14 143**
Division profit margin	*24.4%*	*29.5%*
Pork division Adjusted EBITDA reconciliation**		
Division profit	**14 139**	**14 143**
Add:		
Financial expense, net	541	1 852
Interest income	(58)	(70)
Foreign exchange gain	(155)	(188)
Depreciation expense	3 983	3 471
Pork division Adjusted EBITDA	**18 450**	**19 208**
Adjusted EBITDA Margin	*31.8%*	*40.1%*

APPENDIX II:
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2011 AND 2010

	Three months ended 31 March 2011 US$000	**Three months ended 31 March 2010 US$000 (Restated**)**
Sales	308 176	264 951
Cost of sales	(243 620)	(191 408)
Gross profit	**64 556**	**73 543**
Selling, general and administrative expenses	(43 236)	(35 743)
Other operating expense, net	28	(88)
Operating income	**21 348**	**37 712**
Other income, net	436	512
Financial expense, net	(3 155)	(4 920)
Income before income tax	**18 629**	**33 304**
Income tax expense	(205)	(797)
Net income	**18 424**	**32 507**
Less: Net income attributable to non-controlling interests	(66)	(645)
Net income attributable to Cherkizovo Group	**18 358**	**31 862**

Weighted average number of shares outstanding	43 028 022	43 028 022
Net income attributable to Cherkizovo Group per share – basic and diluted:	0.43	0.74

APPENDIX III:

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2011 AND CONDENSED CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2010

	31 March 2011 US$000	31 December 2010 US$000
ASSETS		
Current assets :		
Cash and cash equivalents	55 430	68 164
Trade receivables, net of allowance for doubtful accounts	79 866	81 300
Advances paid, net of allowance for doubtful accounts	34 824	42 087
Inventory	201 292	183 170
Short-term deposits in banks	36 231	33 796
Deferred tax assets	5 363	5 003
Other receivables, net of allowance for doubtful accounts	25 895	12 594
Other current assets	42 698	41 513
Total current assets	**481 599**	**467 627**
Non-current assets:		
Property, plant and equipment, net	1 027 777	934 904
Goodwill	15 124	14 108
Other intangible assets, net	45 192	41 821
Deferred tax assets	3 501	3 266
Notes receivable, net	1 561	1 427
Other non-current receivables	18 904	8 296
Total non-current assets	**1 112 059**	**1 003 822**
Total assets	**1 593 658**	**1 471 449**

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS OF 31 MARCH 2011 AND CONDENSED CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2010
(CONTINUED)

	31 March 2011 US$000	31 December 2010 US$000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	74 368	73 251
Short-term debt and current portion of capital leases	203 461	182 467
Tax related liabilities	9 869	10 132
Payroll related liability	17 634	14 159
Advances received	2 743	6 121
Payables for non-current assets	14 972	10 450
Interest payable	4 604	3 131
Other payables	3 961	6 656
Total current liabilities	**331 612**	**306 367**
Non-current liabilities:		
Long-term debt and capital leases	494 084	465 889
Deferred tax liabilities	27 069	25 728
Tax related liabilities	2 922	2 726
Payables to shareholders	585	563
Other liabilities	5	25
Total non-current liabilities	**524 665**	**494 931**
Equity:		
Share capital	15	15
Additional paid-in capital	272 682	272 682
Treasury shares	(496)	(496)
Other accumulated comprehensive loss	(29 535)	(76 062)
Retained earnings	460 805	442 447
Total shareholders' equity	**703 471**	**638 586**
Non-controlling interests	33 910	31 565
Total equity	**737 381**	**670 151**
Total liabilities and equity	**1 593 658**	**1 471 449**

APPENDIX IV:

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2011 AND 2010

	Three months ended 31 March 2011 US$000	Three months ended 31 March 2010 US$000 (Restated**)
Cash flows from (used in) operating activities:		
Net income	18 424	32 507
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortisation	13 550	11 780
Bad debt expense	673	8
Foreign exchange loss/gain	476	(304)
Deferred tax benefit	(499)	(1 373)
Share-based compensation expense	-	728
Other adjustments, net	(60)	30
Changes in operating assets and liabilities		
Increase in inventories	(1 580)	(3 178)
Decrease in trade receivables	7 798	4 219
Decrease in advances paid	9 722	2 978
(Increase) decrease in non-current value added tax receivable	(10)	328
Increase in other current assets	(7 815)	(2 830)
Decrease in trade accounts payable	(4 220)	(11 833)
Decrease in taxes payable	(2 329)	(2 082)
Decrease in other current payables	(1 853)	(2 118)
Cash flows from operating activities	**32 277**	**28 860**

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2011 AND 2010 (CONTINUED)

	Three months ended 31 March 2011 US$000	Three months ended 31 March 2010 US$000 (Restated)
Cash flows from (used in) investing activities:		
Purchases of long-lived assets	(42 139)	(24 383)
Proceeds from sale of property, plant and equipment	148	139
Acquisitions of subsidiaries, net of cash acquired	(9 713)	(561)
Issuance of long-term loans	(1)	(214)
Repayment on long-term loans issued		182
Issuance of short-term loans	(171)	(1 195)
Repayments on short-term loans issued	592	1 384
Total net cash used in investing activities	**(51 284)**	**(24 648)**
Cash flows from (used in) financing activities:		
Proceeds from long-term loans	29 491	14 315
Repayment of long-term loans	(22 116)	(13 536)
Proceeds from long-term loans from related parties	1	665
Repayment of long-term loans from related parties	(780)	(70)
Proceeds from short-term loans	13 836	19 031
Repayment of short-term loans	(18 534)	(26 771)
Acquisitions of entities under common control and non-contolling interests	(16)	(1 288)
Total net cash from (used in) financing activities	**1 882**	**(7 654)**
Total cash used in operating, investing and financing activities	**(17 125)**	**(3 442)**
Impact of exchange rate difference on cash and cash equivalents	4 391	1 135
Net decrease in cash and cash equivalents:	**(12 734)**	**(2 307)**
Cash and cash at the beginning of the period	68 164	39 834
Cash and cash equivalents at the end of the period	**55 430**	**37 527**
Supplemental Information:		
Income taxes paid	1 625	1 980
Interest paid	17 093	18 071
Subsidies received	9 056	4 785
Property, plant and equipment acquired under finance leases	36	-

Notes:

***Adjusted EBITDA**

Adjusted EBITDA represents income before income tax and non-controlling interests adjusted for interest, depreciation and amortization and certain other items.

We present Adjusted EBITDA because we consider it an important supplemental measure of our operating performance. In particular, we believe Adjusted EBITDA provides useful information to securities analysts, investors and other interested parties because it is used in the "debt to EBITDA" debt incurrence financial measurement as well as in a number of others relating to both indebtedness and operating performance.

Adjusted EBITDA is not a measure of financial performance under US GAAP, and it should not be considered as an alternative to net profit as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Our calculation of Adjusted EBITDA may be different from the calculation used by other companies and therefore comparability may be limited.

** During the third and fourth quarters of 2010 the Group completed the acquisition of entities previously owned by the Group's majority shareholder. Since these acquisitions are transactions between entities under common control, they have been accounted for in a manner similar to a pooling of interest with assets and liabilities transferred at historical cost. Cherkizovo's historical financial information has also been restated to include the acquired entities for all periods presented