119180, Russia, Moscow,
Yakimanskaya emb.,
4, bldg. 1
Tel.: +7 495 510-26-95
Fax: +7 495 510-26-97
e-mail: info@belugagroup.ru

April 6, 2018, Moscow, Russia **PRESS RELEASE**

BELUGA GROUP announces its financial results for the full year 2017: sales grew by 6% and amounted to 61,003 million roubles, net revenue showed a 4% increase and amounted to 37,303 million roubles, EBITDA increased by 13% and amounted to 3,625 million roubles

BELUGA GROUP (MOEX:BELU), one of the leading spirits producers in Russia, today announces consolidated financial results for the full year 2017 prepared in accordance with International Financial Reporting Standards (IFRS).

Key financial figures for the full year 2017, and major corporate events:

	2017
Shipments in volume terms	+2%
Net revenue	+4%
Alcohol segment revenue	+4%
Operating income	+15%
EBITDA	+13%
Net profit	+138%

- Synergy Group has become BELUGA GROUP;
- Beluga brand - absolute leader in the super premium segment in Russia[1];
- Exports of Beluga brand increased by 24%;
- Belenkaya brand - No. 1 vodka in Russia[2];
- Myagkov brand is one of the leading brands in sub premium segment;
- Export operations increased by 28%, import operations by 51%;

[1] In volume terms. According to IWSR data 2016.

[2] In value terms. LLC Beluga Market calculations are based in part on retail trade audit data of Nielsen Russia for the Vodka Category for the period of December 2016-November 2017 in the Russian Federation as of 07.02.2018. (Copyright © 2018 AC Nielsen LLC).

- BELUGA GROUP and Bacardi began the production of whiskey William Lawson's Super Spiced at the Moscow-based Group's distillery Georgievsky.

Commenting on the financial results, CEO of BELUGA GROUP Alexander Mechetin said: "Last year, we strengthened our market positions, building up our leadership through business diversification and organic growth. Special attention was paid to operational efficiency and the introduction of innovative technologies in all areas of activity. Alongside with favorable market conditions, this allowed BELUGA GROUP to increase sales in value terms by 6%, operating profit by 15%, and net profit by 138%. A number of external factors also had a positive impact on our indicators: the ongoing legalization of the market, a balanced state excise policy, stabilization of the work of the USAIS in the retail system. Consumers' purchasing power is under restoration and this also positively influences the market.

In 2017, BELUGA GROUP created a serious foundation for further improvement of profitability indicators due to the measures aimed at increasing business performance, namely: reducing financial costs, optimizing production and expanding the logistics platform.

Active development was continued by Beluga - the flagship super premium brand of the BELUGA GROUP - its export shipments grew by 24% and almost amounted to half of its sales. The brand has demonstrated a significant growth on the markets of Israel (+74%), Poland (+71%), Bulgaria (+26%), Germany (+24%). Moreover the brand's sales rose up to 22% through Duty Free channel, which is one of important in export business. Those indicators are testifying to great international potential of BELUGA GROUP's flagship brand.

In 2017, the Company also developed exclusive distribution of products from partner companies. According to the results of the year, the Company's import showed a 51% growth (962 thousand deciliters), the wine direction increased by 86% (522 thousand deciliters).

In conclusion, I note that today BELUGA GROUP is taking the leading positions in the market, possessing a diversified portfolio consisting of leading brands, great and unique distribution platform, while being the No. 1 among independent importers of premium spirits. These successes would have been unachievable without our friendly, professional team. I have no doubt - in 2018 we will continue the effective and successful development".

FINANCIAL OVERVIEW

Financial performance and operations results

The table below shows the Company's consolidated financial performance for 2017 compared to the figures for 2016.

(In million roubles, except for those figures stating otherwise)

	2017	2016	Change
Sales, thousands dcl	11,819	11,622	+2%
Sales, excise included	61,003	57,377	+6%
Net revenue	37,303	35,903	+4%
COGS	23,628	21,385	+10%
Gross Profit	13,675	14,518	-6%
Gross Profit Margin, %	36.7%	40.4%	-3.7 pp
General and Administrative Expenses	2,951	2,478	+19%
Commercial expenses	7,719	9,346	-17%
EBITDA	3,625	3,218	+13%
EBITDA margin, %	9.7%	9.0%	+0.7 pp
Operating income	2,848	2,486	+15%
Operating income margin, %	7.6%	6.9%	+0.7 pp
Net Financial Expenses	1,931	2,039	-5%
Net profit	655	275	+138%
Net profit margin, %	1.8%	0.8%	+1 pp
Net profit per share, RUR	34,60	13.79	+151%

The growth of the Company's sales by 6%, the growth of net revenue by 4% were provided due to a number of factors:

- significant organic growth in the brandy category;

- two-digit growth in export and import operations, mainly due to premium products in the shipments structure.

It should be noted that as a result of the implementation in 2017 of the amended Trade Law, which limited the amount of remuneration to the retail chains, the Company provided to the chains a price reduction, while correspondingly reducing trade-marketing commercial expenses. This caused a disproportionately small increase in revenue and a 6% decrease in gross profit, while the effect of this change on operating profit was neutral.

General and administrative expenses increased by 19% to 2,951 million rubles, mainly due to the indexation of the wage, an increase in the cost of rent and training of employees.

Selling expenses decreased by 17% to 7,719 million rubles. The decrease in selling expenses is stipulated by the above-mentioned influence of the new Trade Law.

Consolidated EBITDA for the year 2017 grew by 13% and amounted to 3,625 million rubles, operating income increased by 15% to 2,848 million rubles. This happened mainly due to the organic growth, the growth of premium import distribution and pro-active pricing policy.

Decrease in the cost of financing led to an even more significant growth in the net profit: + 138% to the result of the previous year, up to 655 million rubles.

Report by segments

The table below illustrates the changes in the segmental revenue and gross profit by segments for the full year 2017 as compared with the similar previous period in 2016. The data presented below do not include inter-segmental revenue.

(In million roubles)

	Alcohol segment			Food segment		
	2017	Increase	2016	2017	Increase	2016
Revenue	30,393	+4%	29,294	6,779	+3%	6,609
Gross Profit	12,064	-7%	13,033	1,545	+4%	1,485
Gross Profit Margin, %	39.7%	-4.8 pp	44.5%	22.8%	+0.3 pp	22.5%

Alcohol segment

The dynamics of the alcohol segment indices are similar to the overall results of the Group - the Company demonstrates growth in revenue due to the shipments growth and increase of premium exports and imports. Gross Profit Margin decreased due to the influence of the Trade Law.

Food segment

The food segment showed a positive trend, primarily due to the positive results in the meat and milk business.

Capital Structure

The table below illustrates changes in the capital structure as of December 31, 2017, as compared to the previous period.

(In million roubles, except for those figures stating otherwise)

	31 December 2017	31 December 2016	Change
Total Debt	11,012	9,053	+21.6%
Long-term debt	10,112	6,123	+65.1%
Short-term debt	900	2,930	-69.3%
Share of long-term debt in total debt, %	92%	68%	+24 pp
Share of unsecured liabilities in total debt, %	95%	52%	+43 pp
Cash and cash equivalents	819	1,010	-18.9%
Net debt	10,193	8,043	+26.7%
Total capital and reserves	19,448	19,453	+0%
Total Capital	30,404	26,421	+15%
Net Debt / EBITDA	2.81	2.50	+12.4%

In order to support active development of distribution, including the products of partner companies, the Company additionally invested in the working capital (in the first place in inventories), having resulted in a 21.6% increase in debt. At the same time, the average interest rate on loan portfolio significantly decreased (from 12.5% in 2016 to 9.4% in 2017), which reduced financial expenses by 5%.

It should be also noted a significant improvement in the structure of the Company's financial debt: the share of unsecured liabilities increased up to 95% (52% in 2016), and the share of long-term financing increased up to 92% (68% in 2016).

# # #

For further information please contact:

Prokhor Malyutin
Director,
Public Relations

BELUGA GROUP

Tel.: +7 495 510 26 95
Fax: +7 495 510 26 97
e-mail: malyutin@belugagroup.ru

Sergey Kuptsov		Tel.: +7 495 510 26 95
Director,	BELUGA GROUP	Fax: +7 495 510 26 97
Corporate Finance Department		e-mail: ir@belugagroup.ru

ABOUT BELUGA GROUP:

BELUGA GROUP is the leading producer of alcohol beverages in Russia and independent leading Russian importer of strong spirits. The GROUP possesses 6 factories, its own distributional platform, ensuring the largest possible market coverage, and diversified portfolio of strategic brands, addressing market demands across the full spectrum of price points, from the low-middle to the super premium price segments. The GROUP holds a 16% share of the Russian market.

Brand portfolio of the GROUP includes super premium vodka BELUGA, premium vodka Veda, sub-premium vodka Myagkov, vodka in the middle price segment Belenkaya, vodka in the lower middle segment Tsar, and brandy Bastion, Old Guard, Le Lion and Zolotoy Rezerv (Gold Reserve). BELUGA GROUP is the exclusive distributor of one of the global premium spirits producer William Grant&Sons, representing in Russia brands such scotches as Glenfiddich, Grant's, Clan McGregor, The Balvenie, Hendrick's gin and Irish whisky Tullamore Dew. The Company distributes the products of French Camus cognac house, offering in Russia the Elegance series (VS, VSOP, XO, EXTRA); exclusive cognacs Borderies XO, Traditional Vintages; Berneroy Calvados, Boncourt XO and Chatelle Napoleon brandies. Also the BELUGA GROUP import brand portfolio includes rum Ron Barcelo, brandy Torres, tequila Milagro, a line of balms Latvijas Balzams and wine portfolio from iconic producers from France, Italy, Spain, Germany, the USA, South Africa and other countries.

The extended brand portfolio, strong production base and own distribution system provide the Group with significant competitive advantages and opportunities for significant organic growth.

Cautionary note concerning forward looking statements

Matters discussed in this press release may constitute forward-looking statements. Forward-looking statements are the statements other than ones related to the historical facts. The words "believe", "expect", "anticipate", "intend", "estimate", "will", "may", "continue", "should" and similar expressions identify the forward-looking statements. Forward-looking statements include statements regarding: objectives, goals, strategies, outlook and growth prospects; future plans, events or performance and potential for future growth; liquidity, capital resources and capital expenditures; economic outlook and industry trends; developments of our markets; the impact of regulatory initiatives; and the strength of our competitors.

The forward-looking statements in this press release are based upon various assumptions and estimates based on management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions and estimates were reasonable when made, they are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and are beyond our control. Such risks, uncertainties, contingencies and other important factors could cause the actual results of BELUGA GROUP PJSC or the industry to differ materially from those results expressed or implied in this *press release by such forward-looking statements. Such risks, uncertainties, contingencies and other important factors include, among others: political and social developments; general economic, market and business conditions; trends in the markets in which we operate or plan to operate; our business and growth strategies; planned acquisitions or divestitures; our expansion into other geographic regions or market segments; the effects of legislation, regulation, bureaucracy or taxation on our business; and our anticipated future revenues, capital expenditures and financial resources. Accordingly, such forward-looking statements cannot be relied on, and neither BELUGA GROUP PJSC, nor any other person can assure you that projected results will be achieved in the future.*

The information, opinions and forward-looking statements contained in this presentation speak only as at the date of this presentation, and are subject to change without notice. Neither BELUGA GROUP PJSC nor any other person undertakes, nor do they have any obligation, to provide updates or to revise any forward-looking statements except as may be required by applicable law and regulation.

(All amounts in million roubles, unless expressly stated otherwise)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2017	2016
Revenue	37 303	35 903
Cost of sales	(23 628)	(21 385)
Gross profit	**13 675**	**14 518**
General and administrative expenses	(2 951)	(2 478)
Distribution expenses	(7 719)	(9 346)
Other income/(expense)	(157)	(208)
Operating profit	**2 848**	**2 486**
Share of income in associates	9	6
Net finance costs	(1 931)	(2 039)
Profit before tax	**926**	**453**
Income tax	(271)	(178)
Net income and total comprehensive income for the period	**655**	**275**
Attributable to		
Equity holders of the Company	588	237
Non-controlling interest in subsidiaries	67	38
Basic and diluted earnings per share	**34.60**	**13.79**
(RUB per share)		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2017	31 December 2016
ASSETS		
Non-current assets		
Property, plant and equipment	6 501	6 579
Goodwill	230	230
Investment in associates	1 095	706
Intangible assets	8 612	8 653
Other long-term assets	409	115
Deferred tax assets	1 014	610
Total non-current assets	**17 861**	**16 893**
Current assets		
Inventories	9 745	8 789
Biological assets	240	274
Trade and other receivables	11 806	10 252
Prepayments	470	509
Income tax prepayment	42	25
Assets held for sale	12	241
Cash and cash equivalents	819	1 010
Total current assets	**23 134**	**21 100**
TOTAL ASSETS	**40 995**	**37 993**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity and reserves		
Share capital	2 495	2 495
Own shares repurchased from shareholders	(862)	(770)
Share premium	4 957	5 532
Retained earnings	12 093	11 505
Total equity attributable to shareholders of PAO Beluga Group	**18 683**	**18 762**
Non-controlling interest	765	691
Total equity and reserves	**19 448**	**19 453**
Non-current liabilities		
Loans and bonds	10 112	6 123
Deferred tax liabilities	844	845
Total non-current liabilities	**10 956**	**6 968**
Current liabilities		
Loans and bonds	900	2 930
Trade and other payables	9 355	8 423
Income tax payable	336	219
Total current liabilities	**10 591**	**11 572**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**40 995**	**37 993**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Own shares	Share premium	Retained earnings	Total shareholders' equity	Non–controlling interest	Total
Balance at 31 December 2015	**2 495**	**(773)**	**5 582**	**11 268**	**18 572**	**689**	**19 261**
Other changes in non–controlling interest	–	–	–	–	–	(30)	(30)
Business combinations	–	–	–	–	–	(6)	(6)
Share based benefits	–	33	99	–	132	–	132
Repurchase of own shares	–	(30)	(149)	–	(179)	–	(179)
Total changes, not recorded into net profit	**–**	**3**	**(50)**	**–**	**(47)**	**(36)**	**(83)**
Total comprehensive income for the period	–	–	–	237	237	38	275
Balance at 31 December 2016	**2 495**	**(770)**	**5 532**	**11 505**	**18 762**	**691**	**19 453**
Other changes in non-controlling interest	–	–	–	–	–	15	15
Dividends accrued to non-controlling interest	–	–	–	–	–	(8)	(8)
Share based benefits	–	53	193	–	246	–	246
Repurchase of own shares	–	(145)	(768)	–	(913)		(913)
Total changes, not recorded into net profit	**–**	**(92)**	**(575)**	**–**	**(667)**	**7**	**(660)**
Total comprehensive income for the period	–	–	–	588	588	67	655
Balance at 31 December 2017	**2 495**	**(862)**	**4 957**	**12 093**	**18 683**	**765**	**19 448**

CONSOLIDATED CASH FLOW STATEMENT

	2017	2016
Cash flows from operating activities		
Profit before income tax and finance costs	2 848	2 486
Adjustments:		
Depreciation and amortisation	768	726
(Gain)/loss on disposal of property, plant and equipment	(265)	8
Share based benefits	246	132
Goodwill impairment	–	5
Loss on change in fair value of biological assets	34	15
Other non-cash transactions	185	23
Changes in working capital:		
(Increase)/decrease in inventories and biological assets	(1 035)	(1 643)
(Increase)/decrease in accounts receivable	(1 743)	775
Increase/(decrease) in accounts payable	918	(363)
Cash flows from operating activities	**1 956**	**2 164**
Interest paid	(1 849)	(2 004)
Income tax paid	(578)	(63)
Net cash flow from operating activities	**(471)**	**97**
Cash flows from investing activities		
Acquisition of subsidiaries and associates	(380)	16
Acquisition of property, plant and equipment and intangible assets	(918)	(579)
Disposal of property, plant and equipment and intangible assets	569	79
Net cash flow from investing activities	**(729)**	**(484)**
Cash flows from financing activities		
Repurchase of own shares	(913)	(179)
Loans received and bonds issued	40 885	37 532
Loans and bonds repaid	(38 963)	(37 117)
Net cash flow from financing activities	**1 009**	**236**
Net increase/(decrease) in cash and cash equivalents	**(191)**	**(151)**
Cash and cash equivalents at beginning of the year	1 010	1 161
Cash and cash equivalents at end of the year	**819**	**1 010**

EBITDA CALCULATION (UNAUDITED)*

	2017	2016
Profit for the period	655	275
Income tax	271	178
Net finance costs	1 931	2 039
Depreciation and amortisation	768	726
EBITDA	**3 625**	**3 218**

**- EBITDA represents net income before interest, income taxes and depreciation and amortization, adjusted for interest income, and other financial expenses. EBITDA margin is EBITDA expressed as a percentage of sales.*

The Company presents EBITDA because it considers it an important supplemental measure of the operating performance.

EBITDA has limitations as an analytical tool, and it should not be considered in isolation, or as substitute for analysis of our operating results as reported under IFRS. Moreover, other companies may calculate EBITDA differently or may use it for different purposes than BELUGA GROUP, Co. does, limiting its usefulness as a comparative measure.

EBITDA also should not be considered as an alternative to cash flow from operating activities or as a measure of our liquidity.