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

BELUGA GROUP PAO

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

MOSCOW 2018

CONTENTS

Crowe Russaudit LLC

Member of Crowe Global
Dmitrovskiy Business Center
Office VIII
5a Novodmitrovskaya St., bld. 8
Moscow, 127015, Russia
Tel.: +7 (495) 783-88-00
Fax: +7 (495) 783-88-94
Email: info@crowerussaudit.ru
www.crowerussaudit.ru

REPORT ON REVIEW OF CONSOLIDATED INTERIM CONDENCED FINANCIAL STATEMENTS

To the Shareholders and Board of Directors of Beluga Group PAO

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of "Beluga Group" PAO (Public joint-stock company Beluga Group) (the "Company") and its subsidiaries hereinafter referred to as the "Group") as at 30 June 2018, and the related consolidated interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information (the "consolidated interim condensed financial statements"). Management is responsible for the preparation and fair presentation of these consolidated interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these consolidated interim condensed 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 consolidated interim condensed 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 consolidated interim condensed financial statements as at 30 June 2018 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.*

Emphasis of Matter

We draw attention to Notes 6, 8, 22 of the accompanying consolidated interim condensed financial statements, which disclose the fact that the Group has assigned provisional values to intangible assets, property, plant and equipment and goodwill acquired in the business combination. Our opinion is not modified in respect of this matter.

The engagement partner on the review resulting in this report

E.V. Gushchina

Power of Attorney No. 88-17/17-8, dated 01.11.2017

Общество с ограниченной ответственностью «Кроу Русаудит» ОГРН 1037700117949 Crowe Russaudit * МОСКВА *

29 August 2018

INFORMATION ABOUT THE AUDITED ENTITY

Name: “Beluga Group” PAO (Public joint-stock company Beluga Group).

Address: 40A, Proletarskaya str., Zvenigorod, Russia, 143180.

Basic state registration number 1047796969450.

INFORMATION ABOUT THE INDEPENDENT AUDITOR

Name: “Crowe Russaudit”, LLC.

Address: Office VIII, Bl. 8, 5a, Novodmitrivskaya str., Moscow 127015.

Telephone: (495) 783-88-00.

Fax: (495) 783-88-94.

Basic state registration number: 1037700117949.

Self-regulated auditing organization: Self-regulatory organization of auditors Association “Sodruzhestvo”.

Number in the register of auditors and auditing organizations: 11606048583.

An independent member of Crowe Global.

(All amounts in Russian Ruble million, unless stated otherwise)

CONSOLIDATED INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2018	**2017**
Revenue	23	**18 782**	15 735
Cost of sales	15	(10 766)	(9 657)
Gross profit		**8 016**	**6 078**
General and administrative expenses	16	(1 562)	(1 291)
Distribution expenses	17	(4 967)	(3 435)
Other income/expenses		(75)	(131)
Operating profit		**1 412**	**1 221**
Share of income in associates	21	-	4
Net finance costs	18	(952)	(924)
Profit before tax		**460**	**301**
Income tax	19	(50)	(72)
Net income and total comprehensive income for the period		**410**	**229**
Attributable to:			
Equity holders of the Company		372	200
Non-controlling interest		38	29
Basic and diluted earnings per share (RUB per share)	20	**24.06**	**11.49**

Notes to the Consolidated Interim Condensed Financial Statements on pages 9 through 21 shall be part and parcel of these Consolidated Interim Condensed Financial Statements

Mechetin A.A., Chairman of Management Board ______________________

29 August 2018

(All amounts in Russian Ruble million, unless stated otherwise)

CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	6	7 410	6 501
Goodwill		2 957	230
Investment in associates	21	-	1 095
Intangible assets	8	9 972	8 612
Other long-term assets	7	588	409
Deferred tax assets		1 588	1 014
Total non-current assets		**22 515**	**17 861**
Current assets			
Inventories	9	12 445	9 745
Biological assets		241	240
Trade and other receivables	10	8 238	11 806
Prepayments		612	470
Income tax prepayment		186	42
Assets held for sale		12	12
Cash and cash equivalents	11	680	819
Total current assets		**22 414**	**23 134**
TOTAL ASSETS		**44 929**	**40 995**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	12	1 940	2 495
Own shares repurchased from shareholders	12	(426)	(862)
Share premium	12	4 369	4 957
Retained earnings		12 465	12 093
Total equity attributable to shareholders of PAO Beluga Group		**18 348**	**18 683**
Non-controlling interest in subsidiaries		781	765
Total equity and reserves		**19 129**	**19 448**
Long-term liabilities			
Loans and bonds	13	13 365	10 112
Deferred tax liabilities		1 068	844
Total long-term liabilities		**14 433**	**10 956**
Current liabilities			
Loans and bonds	13	697	900
Trade and other payables	14	10 436	9 355
Income tax payable		234	336
Total current liabilities		**11 367**	**10 591**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**44 929**	**40 995**

Notes to the Consolidated Interim Condensed Financial Statements on pages 9 through 21 shall be part and parcel of these Consolidated Interim Condensed Financial Statements

Mechetin A.A., Chairman of Management Board ______________________

29 August 2018

(All amounts in Russian Ruble million, unless stated otherwise)

CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share capital	Own shares	Share premium	Retained earnings	Total shareholders' equity	Non–controlling interest	Total
Balance at 1 January 2017	**2 495**	**(770)**	**5 532**	**11 505**	**18 762**	**691**	**19 453**
Other changes in non–controlling interest	–	–	–	–	–	4	4
Dividends accrued to non-controlling interest in subsidiaries	–	–	–	–	–	(5)	(5)
Repurchase of own shares	–	(24)	(117)	–	(141)	–	(141)
Total transactions with shareholders	**–**	**(24)**	**(117)**	**–**	**(141)**	**(1)**	**(142)**
Total comprehensive income for the period	–	–	–	200	200	29	229
Balance at 30 June 2017	**2 495**	**(794)**	**5 415**	**11 705**	**18 821**	**719**	**19 540**

	Share capital	Own shares	Share premium	Retained earnings	Total shareholders ' equity	Non–controlling interest	Total
Balance at 1 January 2018	**2 495**	**(862)**	**4 957**	**12 093**	**18 683**	**765**	**19 448**
Other changes in non-controlling interest	–	–	–	–	–	(18)	(18)
Dividends accrued to non-controlling interest in subsidiaries	–	–	–	–	–	(4)	(4)
Cancellation of own shares	(555)	555	–	–	–	–	–
Repurchase and sale of own shares	–	(119)	(588)	–	(707)	–	(707)
Total transactions with shareholders	**(555)**	**436**	**(588)**	**–**	(707)	**(22)**	**(729)**
Net income for the period	–	–	–	372	372	38	410
Balance at 31 December 2018	**1 940**	**(426)**	**4 369**	**12 465**	**18 348**	**781**	**19 129**

Notes to the Consolidated Interim Condensed Financial Statements on pages 9 through 21 shall be part and parcel of these Consolidated Interim Condensed Financial Statements

Mechetin A.A., Chairman of Management Board ____________________

29 August 2018

(All amounts in Russian Ruble million, unless stated otherwise)

CONSOLIDATED INTERIM CONDENSED CASH FLOW STATEMENT

	Note	Six months ended 30 June	
		2018	**2017**
Cash flows from operating activities			
Operating profit		1 412	1 221
Adjustments:			
Depreciation and amortisation		507	379
(Gain) on disposal of property, plant and equipment		8	(10)
(Gain) on change in fair value of biological assets		-	(1)
Other non-cash transactions		5	39
Changes in working capital:			
(Increase) in inventories and biological assets		(1 773)	(678)
Decrease in accounts receivable and prepayments		665	1 227
(Decrease) in accounts payable		(1 184)	(2 068)
Cash flows from operating activities		**(360)**	**109**
Interest paid		(873)	(940)
Income tax paid		(449)	(187)
Net cash flow from operating activities		**(1 682)**	**(1 018)**
Cash flows from investing activities			
Investment in associates and subsidiaries	22, 21	289	(380)
Acquisition of property, plant and equipment and intangible assets		(971)	(411)
Disposal of property, plant and equipment and intangible assets		14	277
Net cash flow from investing activities		**(668)**	**(514)**
Cash flows from financing activities			
Repurchase of own shares	12	(553)	(141)
Loans received and bonds issued		19 191	20 654
Loans and bonds repaid		(16 427)	(19 408)
Net cash flow from financing activities		**2 211**	**1 105**
Net decrease in cash and cash equivalents		**(139)**	**(427)**
Cash and cash equivalents at beginning of the year	11	819	1 010
Cash and cash equivalents at end of the period	11	**680**	**583**

Notes to the Consolidated Interim Condensed Financial Statements on pages 9 through 21 shall be part and parcel of these Consolidated Interim Condensed Financial Statements

Mechetin A.A., Chairman of Management Board ____________________

29 August 2018

(All amounts in Russian Ruble million, unless stated otherwise)

1. REPORTING ENTITY

“Beluga Group” PAO (hereinafter referred to as the “Company”) is domiciled in Russia as a Public Joint-Stock Company under the laws of the Russian Federation. The address of the Company’s office is 4, Yakimanskaya quay, bldg. 1, Moscow, Russia, 119180, legal address: 40A, Proletarskaya str., Zvenigorod, Russia, 143180.

The consolidated interim condensed financial statements comprise the Company and its subsidiaries (together referred to as the “Group”).

The Group primarily is involved in the production of distilled alcohol and food products and operation of wholesale and retail business thereof. The Group's production of distilled alcohol and food products are located wholly in the Russian Federation.

Information about the Group’s main subsidiaries is provided below:

	30 June 2018		31 December 2017	
	Group's voting power, %	**Group's effective ownership, %**	**Group's voting power, %**	**Group's effective ownership, %**
Distilled spirit production plants				
Arkhangelsk distillery	74%	74%	74%	74%
Habarovskiy Distillery AO	73%	73%	73%	71%
Mariinsk Distillery	99%	99%	99%	99%
Bastion JSC	98%	98%	98%	98%
Ussuriysky Balsam OAO	89%	89%	89%	89%
Georgievsky LLC	100%	100%	100%	100%
Distribution				
Beluga Market Arkhangelsk	100%	100%	100%	100%
Beluga Market Vostok	100%	95%	100%	95%
Synergy Import	100%	100%	100%	100%
Beluga Market Khabarovsk	100%	95%	100%	95%
Beluga Market Vladivostok	100%	97%	100%	97%
Beluga Market Perm	100%	100%	100%	100%
Beluga Market	100%	100%	100%	100%
Beluga Market West	100%	100%	100%	100%
Beluga Boutique	100%	100%	100%	100%
Beluga Vodka International Limited	100%	100%	100%	100%
Retail				
Winelab	100%	100%	0%	0%
Winelab-West, LLC	100%	100%	0%	0%
Food production plants				
DAKGOMZ	99%	99%	97%	97%
Mikhailovskaya Poultry Plant AO	96%	96%	96%	96%
Ussuriysky Dairy Plant AO	92%	92%	92%	92%
Nahodkinsky meat-processing plant OAO	95%	92%	95%	92%
PPZ Tsarevschinsky-2 AO	100%	96%	100%	96%
Rodimaya Storonka, distribution	100%	100%	100%	100%
Management companies				
JSC PentAgro	100%	100%	100%	100%
Beluga Brands	100%	100%	100%	100%
Synergy capital	100%	100%	100%	100%
Beluga Group East	100%	100%	100%	100%

All companies listed in the table above are registered in Russian Federation except Beluga Vodka International Limited registered in the Republic of Cyprus.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated interim condensed financial statements of the Group for the six months ended 30 June 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting and Federal Law of the Russian Federation dd. 27 July 2010 No. 208 “About consolidated statements”.

The consolidated interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2017.

The accounting policies and significant judgments and estimates applied therein are consistent with those of the Group's consolidated financial statements for the year ended 31 December 2017.

3. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

A number of new standards and interpretation became effective for the periods beginning on or after 1 January 2018:

IFRS 9, Financial Instruments

The standard requires the financial assets to be classified in the following measurement categories: those to be measured subsequently at amortised cost, those to be measured at fair value through profit or loss, and those to be measured at fair value through other comprehensive income. The initial application of the standard did not result in any reclassifications of the Group's financial instruments or any material changes in their measurement, therefore, the opening retained earnings were not adjusted. The standard also introduces expected credit losses impairment model, which means that anticipated as opposed to incurred credit losses will be recognised resulting in earlier recognition of impairment. The Group used an exemption in IFRS 9 allowing not to restate prior periods presented as a result of adoption of the new measurement requirements, but rather recognise any differences in the retained earnings as at 1 January 2018. The impact of the initial recognition of the model on the Group's consolidated financial statements was not material.

IFRS 15, Revenue from Contracts with Customers

The standard outlines the principles an entity must apply to measure and recognise revenue and the related cash flows. As the majority of the Group's revenue is derived from arrangements in which the transfer of control coincides with the fulfilment of the performance obligations, the changes in respect of the timing and amount of revenue recognised do not have a material impact on the Group's consolidated interim condensed financial statements.

4. SEASONALITY

The sales of distilled spirits are a subject to seasonal fluctuations. In general approximately 40% of annual sales fall for the first half of the year and around 60% of sales – to second half of the year. The highest peak in sales of distilled spirits falls the fourth quarter (in particular for November – December) of the year and the lowest peak in sales falls for first quarter.

Seasonal factor in sales of milk, meat and poultry products is insignificant.

5. FAIR VALUE

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

The different levels of fair value hierarchy have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Biological assets (poultry) are measured at fair value (Level 2 of the fair value measurement hierarchy) less estimated point-of-sale costs. A gain or loss arising from change in fair value less point-of-sale costs of a biological asset is recognised in the Statement of Profit or Loss in the year in which it arises. As of 30 June 2018 the Group fair value of poultry exceeded its carrying value calculated under Russian standards of accounting by ₽84 mln (as of 31 December 2017 – by ₽84 mln).

Bonds are measured at amortised cost (Level 2 of the fair value measurement hierarchy) less amortised issue costs. Carrying value of bonds amounted to ₽6,009 mln as of 30 June 2018 and to ₽6,074 mln as of 31 December 2017 and approximate their fair values.

(All amounts in Russian Ruble million, unless stated otherwise)

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost

The carrying amounts of trade receivables approximate their fair values (Note 10). Their fair values are within level 2 of the fair value hierarchy.

Liabilities carried at amortised cost

The fair value is based on quoted market prices, if available. The estimated fair values of fixed interest rate instruments with a stated maturity, for which quoted market prices were not available, were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Carrying value of loans and issued bonds at 30 June 2018 and 30 June 2017 approximate their fair values.

6. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machines and equipment	Vehicles	Furniture and office equipment	Assets under construction	Total
Cost						
1 January 2017	**6 356**	**3 127**	**244**	**441**	**422**	**10 590**
Additions	28	140	24	24	44	260
Transfers	156	18	–	–	(174)	–
Disposals	(240)	(63)	(10)	(27)	–	(340)
30 June 2017	**6 300**	**3 222**	**258**	**438**	**292**	**10 510**
Depreciation						
1 January 2017	**1 483**	**2 037**	**162**	**329**	–	**4 011**
Charge for the period	93	149	12	24	–	278
Disposals	(105)	(49)	(11)	(15)	–	(180)
30 June 2017	**1 471**	**2 137**	**163**	**338**	**–**	**4 109**
Carrying amount						
1 January 2017	**4 873**	**1 090**	**82**	**112**	**422**	**6 579**
30 June 2017	**4 829**	**1 085**	**95**	**100**	**292**	**6 401**

	Land and buildings	Machines and equipment	Vehicles	Furniture and office equipment	Assets under constructio n	Total
Cost						
1 January 2018	**6 094**	**3 429**	**274**	**465**	**451**	**10 713**
Additions within acquired companies	200	433	2	165	22	822
Additions	128	258	9	105	134	634
Transfers	8	19	–	2	(29)	–
Disposals	(42)	(26)	(3)	(2)	–	(73)
30 June 2018	**6 388**	**4 113**	**282**	**735**	**578**	**12 096**

(All amounts in Russian Ruble million, unless stated otherwise)

	Land and buildings	**Machines and equipment**	**Vehicles**	**Furniture and office equipment**	**Assets under constructio n**	**Total**
Depreciation						
1 January 2018	**1 402**	**2 270**	**175**	**365**	**–**	**4 212**
Additions within acquired companies	23	61	1	69	–	154
Charge for the period	89	201	15	48	–	353
Disposals	(1)	(23)	(2)	(7)	–	(33)
30 June 2018	**1 513**	**2 509**	**189**	**475**	**–**	**4 686**
Carrying amount						
1 January 2018	**4 692**	**1 159**	**99**	**100**	**451**	**6 501**
30 June 2018	**4 875**	**1 604**	**93**	**260**	**578**	**7 410**

Information on the companies acquired with property plant and equipment is disclosed in the Note 22. The Group assigned provisional values of acquired property, plant and equipment. The final fair values will be determined under independent appraisal within 12 months period from the acquisition date.

Carrying value of property, plant and equipment pledged as a security for bank loans is disclosed in Note 13.

Cost of property, plant and equipment with zero carrying value at 30 June 2018 amounted to ₽1,882 mln (31 December 2017 – ₽1,676 mln).

7. OTHER LONG-TERM ASSETS

Other long-term assets include prepayments given for acquisition of property, plant and equipment in amount of ₽378mln, long-term security payment under lease of property in amount ₽10mln and other long-term accounts receivable in amount of RUB 200 mln (as of 31 December 2017 - ₽335mln, ₽74mln and ₽0mln).

8. INTANGIBLE ASSETS

	Software, patents, licenses and others	**Brands**	**Total**
Cost			
1 January 2017	**1 316**	**8 068**	**9 384**
Additions	13	56	69
Disposals	(10)	(10)	(20)
30 June 2017	**1 319**	**8 114**	**9 433**
Amortisation and impairment			
1 January 2017	**667**	**64**	**731**
Charge for the year	100	–	100
Disposals	(12)	(10)	(22)
30 June 2017	**755**	**54**	**809**
Net book value			
1 January 2017	**649**	**8 004**	**8 653**
30 June 2017	**564**	**8 060**	**8 624**

(All amounts in Russian Ruble million, unless stated otherwise)

	Software, patents, licenses and others	Brands	Total
Cost			
1 January 2018	**1 345**	**8 176**	**9 521**
Additions within acquired companies	312	1 118	1 430
Additions	69	8	77
Disposals	(50)	–	(50)
30 June 2018	**1 676**	**9 302**	**10 978**
Amortisation and impairment			
1 January 2018	**848**	**61**	**909**
Additions within acquired companies	1	–	1
Charge for the year	81	65	146
Disposals	(50)	–	(50)
30 June 2018	**880**	**126**	**1 006**
Net book value			
1 January 2018	**497**	**8 115**	**8 612**
30 June 2018	**796**	**9 176**	**9 972**

Information on the companies acquired with property plant and equipment is disclosed in the Note 2222. The Group assigned provisional values of acquired intangible assets. The final fair values will be determined under independent appraisal within 12 months period from the acquisition date.

Principal vodka brands are: Beluga, Myagkov, Belenkaya, Russian Ice, Tsar (Gosudarev Zakaz), Arkhangelskaya, Belaya sova, Georgievskaya. Principal brandy brands are Bastion, Zolotoy Rezerv, Staraya Gvardia, Kamenniy Lev. Principal bitter brands are Doctor August and Captain's.

Acquired brands are stated at fair value at the acquisition date. Most of brands are regarded as having indefinite useful lives and therefore tested at least annually for impairment. Brands having finite useful life are amortised on the same basis as other intangible assets. Internally generated brands are not capitalised within the Statement of Financial Position in accordance with the Group stated accounting policies.

9. INVENTORIES

	30 June 2018	31 December 2017
Finished product and goods	9 150	6 978
Raw materials	2 874	2 431
Work-in-progress	421	336
Total inventories	**12 445**	**9 745**

10. TRADE AND OTHER RECEIVABLES

	30 June 2018	31 December 2017
Trade accounts receivable	6 463	9 981
Provision for impairment of debts	(346)	(170)
Total trade accounts receivable	**6 117**	**9 811**
Other accounts receivable, including VAT and other tax prepayments	2 192	2 067
Provision for impairment of debts	(71)	(72)
Total other accounts receivable	**2 121**	**1 995**
Total account receivable	**8 238**	**11 806**

(All amounts in Russian Ruble million, unless stated otherwise)

11. CASH AND CASH EQUIVALENTS

	30 June 2018	31 December 2017
Cash in banks, nominated in RUB	487	543
Cash in banks, nominated in USD	136	238
Cash in banks, nominated in EUR	17	27
Cash in transit	4	2
Cash on hand	36	9
Total cash and cash equivalents	**680**	**819**

12. SHARE CAPITAL AND SHARE PREMIUM

Share capital

Share capital is the authorised capital of the parent company.

As of 31 December 2017 the Company issued 24 954 thousand ordinary shares of ₽100 each at par. The Company's common shares are admitted to trading on the Moscow Exchange (MOEX) under the ticker symbol BELU (previously – "SYNG").

In the six months ended 30 June 2018 the Company cancelled 5 554 thousand shares and the number of issued shares as of June 30, 2018 amounted 19 400 thousand shares.

Own shares

Own shares are recognized in the statement of financial position at nominal value ₽100 per share. The excess of the value of shares over the nominal value is recognized in the share premium.

As of 31 December 2017 quantity of own shares repurchased from shareholders amounted to 8,622 thousand shares. During the first half of the year 2018 the Group repurchased 1,193 thousand shares at amount of ₽707 mln. Repurchased shares were recognised in the statement of changes in equity as a change in own shares in amount of ₽119 mln and change in share premium in amount of ₽588 mln.

Shares in amount of 5 554 thousanв were cancelled and quantity of own shares as of 30 June 2018 amounted to 4,261 thousand shares.

Share premium

Share premium is recognised at IPO and SPOs. Share premium changes as a result of sale or purchase of own shares in amount of excess of transaction price over nominal value of shares.

13. LOANS AND BONDS

	30 June 2018	31 December 2017
Unsecured long-term bank loans	7 239	3 979
Bonds	5 956	6 021
Secured long-term bank loans	170	112
Total long-term loans and bonds	**13 365**	**10 112**
Unsecured bank loans	240	458
Bonds	53	53
Secured bank loans	404	389
Total short-term loans and bonds	**697**	**900**
Total loans and bonds	**14 062**	**11 012**

As of the end of the reporting period the corporate weighted average annual interest rate on bank loans and bonds was 9.05% (as of 31 December 2017 – 9.44%).

(All amounts in Russian Ruble million, unless stated otherwise)

The maturity of loans and bonds is as follows:

	30 June 2018	31 December 2017
On demand or within one year	697	900
Between the first and second year	5 918	205
Between the second and fifth year	7 447	9 907
Total loans and bonds	**14 062**	**11 012**

As of 30 June 2018 three bond issues were placed:

- BO-04 issued in June 2015 at amount of ₽2,000 mln with 14.5% coupon rate, maturity date – 28 May 2020. In December 2016 the Group repaid 50% of the bond issue. Coupon rate for outstanding ₽1,000 mln bonds was set in June 2017 at 9.75%.
- BO-05 issued in May 2016 at amount of ₽2,000 mln with 12.9% coupon rate. The bond issue was repaid in May 2018 (25% of the amount) and will be repaid May 2019 (25% of the amount) and April 2020 (50% of the amount). Nominal value of outstanding bonds as of 30 June 2018 is ₽158 mln.
- BO-P01 issued in June 2017 at amount of ₽5,000 with 9,5% coupon rate. The bond issue will be repaid in June 2020 (25% of the amount), June 2021 (25% of the amount) and June 2022 (50% of the amount).

At 30 June 2018, bank loans were secured by:

– Plant, property and equipment with a carrying value of ₽499 mln (at 31 December 2017 – ₽706 mln);

Under the terms of the loan agreements, the Group is required to comply with a number of covenants and restrictions, including the maintenance of certain financial ratios and financial indebtedness and crossdefault provisions. The Group was in compliance with covenants at 30 June 2018 and 31 December 2017.

The Company has been assigned a Long-term Issuer Default Rating (IDR) of “B+” by Fitch ratings agency.

Unutilised credit facilities as at 30 June 2018 amounted to ₽8,912 mln (at 31 December 2017 – ₽11,090 mln).

14. TRADE AND OTHER PAYABLES

	30 June 2018	31 December 2017
Excises, VAT and other taxes payable	3 212	3 807
Trade payables	6 104	4 682
Other payables	1 050	765
Advances received	70	101
Total trade and other payables	**10 436**	**9 355**

15. COST OF SALES

	Six months ended 30 June	
	2018	2017
Materials, supplies and goods	9 552	8 558
Wages and salaries	579	581
Depreciation and amortisation	221	212
Fuel and power	206	127
Repairs and maintenance	86	78
Rent	12	12
Other costs	110	89
Total cost of sales	**10 766**	**9 657**

(All amounts in Russian Ruble million, unless stated otherwise)

16. GENERAL AND ADMINISTRATION EXPENSES

	Six months ended 30 June	
	2018	**2017**
Wages and salaries	919	787
Bank services, information and consulting services, insurance, security	268	156
Rent	152	117
Sundry taxes	66	75
Depreciation and amortisation	30	41
Personnel training	20	23
Repairs and maintenance	21	19
Fuel and power	21	19
Other expenses	65	54
Total general and administrative expenses	**1 562**	**1 291**

17. DISTRIBUTION EXPENSES

	Six months ended 30 June	
	2018	**2017**
Advertising, promotion, transportation	1 864	1 535
Wages and salaries	2 078	1 352
Rent	352	151
Depreciation and amortisation	256	126
Materials and packaging	106	61
Repairs and maintenance	75	55
Fuel and power	69	41
Other expenses	167	114
Total distribution expenses	**4 967**	**3 435**

18. NET FINANCE COSTS

	Six months ended 30 June	
	2018	**2017**
Net interest on bank overdrafts and loans	766	649
Costs of arrangement of borrowings, including cost of bank guarantees	149	259
Net currency exchange differences loss	37	16
Total net finance costs	**952**	**924**

19. INCOME TAX

	Six months ended 30 June	
	2018	**2017**
Current income tax, charge	(173)	(185)
Prior periods adjustments	(53)	(29)
Total current income tax	**(226)**	**(214)**
Deferred income tax	176	142
Total income tax	**(50)**	**(72)**

Income tax rates applicable during the six months ended 30 June 2018 were as follows: Russian Federation – 20%, Permsky Krai of Russian Federation – 20% (In the six months ended 30 June 2017 – 19.5%), Cyprus – 12.5%.

Companies engaged in the production of poultry are liable to profit tax at 0% rate.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rates applicable to profits of the consolidated entities as follows:

	Six months ended 30 June	
	2018	**2017**
Profit before tax	460	301
Tax calculated at 20%	**(92)**	**(60)**
Effect of local tax rates different to 20%	61	58
Previous reporting period tax revised	(9)	(29)
Effect of expenses not deductible for tax purposes	(10)	(41)
Total income tax	**(50)**	**(72)**

20. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2018	**2017**
Profit attributable to equity holders	372	200
Average weighted number of ordinary shares in issue (thousands)	15 462	17 406
Basic earnings per share, RUB	**24.06**	**11.49**

All shares are ordinary shares and there are no dilutive potential ordinary shares. Thus, the Group does not provide diluted earnings per share calculation.

	Six months ended 30 June	
	2018	**2017**
Shares issued at 1 January	**24 954**	**24 954**
Effect of own shares held	(9 492)	(7 548)
Average weighted number of outstanding shares (thousands)	**15 462**	**17 406**

21. INVESTMENTS IN ASSOCIATES

As of 31 December 2017 the Group owned 49% in Winelab AO. The company owns and operates retail chain of specialized alcohol shops. Investments were accounted by equity method. In January 2018 the Group acquired a control in Winelab AO, see Note 22.

22. BUSINESS COMBINATIONS

In January 2018 the Group increased its ownership in Winelab from 49% to 100%. Winelab owns and operates retail chain of specialized alcohol shops. List of significant subsidiaries of Winelab is disclosed in the Note 1 in "Retail" section.

From the date of acquisition to 30 June 2018 Winelab AO and its subsidiaries contributed revenue in amount of ₽4,246 mln. Amount of net income contributed from the date of acquisition depends on amount of fair value of certain components of the business combination which were under valuation as of the reporting date.

(All amounts in Russian Ruble million, unless stated otherwise)

Applicable fair value of the assets and liabilities as of the acquisition date were as follows:

	Provisional fair value
Property, plant and equipment	668
Intangible assets	1 429
Net deferred tax assets	173
Inventories	952
Cash and cash equivalents	289
Accounts receivable / (payable), net	(4 867)
Net assets acquired	**(1 355)**
Purchase consideration for controlling share, settled in cash, and equity interest owned by the Group before control transfer, at carrying value	1 372
Goodwill	**2 727**
Purchase consideration settled in cash in the six months ended 30 June 2018	Nil
Cash balances of Winelab and its subsidiaries as of the date of the business combination	289
Cash inflow on acquisition for the six months ended 30 June 2018	**289**

The Group assigned provisional values to net assets acquired, in estimating provisional values of intangible assets, property, plant and equipment and equity interest owned by the Group before control transfer estimates of the independent appraisal are used. The Group will finalise the purchase allocation within 12 months period from the acquisition date which is not finalised at the date of approval of these consolidated financial statements.

23. SEGMENT REPORTING

The Group operates in three principal business segments, namely: Alcohol, Retail and Food production. The fourth segment is named “Management companies” and does not carry operating activities.

Management has determined the operating segments based on the management reports, which are primarily derived from statutory records and regularly reconciled to IFRS financial statements. The management reports are reviewed by the chief operating decision-maker that are used to make strategic decision. The chief operating decision-maker, who is responsible for the allocating resources and assessing performance of the operating segments, has been identified as the Chief Financial Officer of the Group. The following criteria have been used for determining the operating segments and assigning the Group’s subsidiaries to particular segment:

- Business activities of the companies;
- Nature of production processes;
- Manufactured and sold products;
- Specific characteristic of buyers/customers.

Sales between segments are mainly carried out at the arm’s length. The revenue from external parties reported to management is measured in a manner consistent with that in Statement of Profit or Loss.

Management assesses the performance of operating segments based on certain measures. This includes the financial information on the Groups operating reportable segments presented in accordance with Russian Accounting Standards (RAS).

Financial results of the Group by operating segments for the six months ended 30 June 2018:

	Alcohol products	**Retail**	**Food products**	**Managing companies**	**Intersegment**	**Consolidated**
Sales, gross	28 017	5 007	3 551	125	(2 604)	34 096
VAT	(3 788)	(761)	(327)	(8)	-	(4 884)
Excise duties	(10 430)	-	-	-	-	(10 430)
Revenue	**13 799**	**4 246**	**3 224**	**117**	**(2 604)**	**18 782**

(All amounts in Russian Ruble million, unless stated otherwise)

	Alcohol products	Retail	Food products	Managing companies	Intersegment	Consolidated
Gross profit	6 233	937	844	62	(60)	8 016
Depreciation and amortisation	(346)	(63)	(81)	(17)	-	(507)
CAPEX	589	343	32	7	-	971

Financial results of the Group by operating segments for the six months ended 30 June 2017:

	Alcohol products	Retail	Food products	Management	Intersegment	Consolidated
Sales, gross	26 160	–	3 657	157	(117)	29 857
VAT	(3 560)	–	(343)	(13)	–	(3 916)
Excise duties	(10 206)	–	–	–	–	(10 206)
Revenue	**12 394**	**–**	**3 314**	**144**	**(117)**	**15 735**
Gross profit	5 319	–	765	68	(74)	6 078
Depreciation and amortisation	(274)	–	(88)	(17)	-	(379)
CAPEX	353	–	48	10		411

Total IFRS assets by segments:

	Alcohol products	Retail	Food products	Management	Intersegment	Consolidated
30 June 2018	33 126	6 809	3 339	1 655	–	44 929
31 December 2017	35 408	–	3 368	2 219	–	40 995

24. RELATED PARTY TRANSACTIONS

The ultimate controlling shareholder of the Group is Mechetin A.A.

Remuneration paid to key management personnel for the six months ended 30 June 2018 was ₽148 mln (for the six months ended 30 June 2017 – ₽133 mln).

The remuneration of directors and key executives is determined by labour contracts. Since the number of key management personnel, or their related parties, holds positions in other entities that results in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities held transactions with the Group in the reporting period.

The aggregate value of transactions and outstanding balances relating to related parties over which they have control or significant influence were as follows:

Sales of goods and services:

	Six months ended 30 June	
	2018	**2017**
Sales of goods	31	1 707
Sales of services	–	76
Purchases of goods and services		131

Receivables and payables arising from sales and purchases of goods and services:

	30 June 2018	31 December 2017
Trade and other receivables from related parties	656	3 762
Trade and other payables to related parties	39	104

25. CONTINGENCIES AND COMMITMENTS

Legal proceeding

During the reporting period the Group was involved in a number of legal disputes (both as plaintiff and defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been recorded or disclosed in these consolidated interim condensed financial statements.

Contractual commitments

As at 30 June 2018 the Group had no significant contractual commitments for the purchase of components for construction of Property, Plant and Equipment.

Leasing agreement

As at 30 June 2018 the Group had no significant contractual commitments for long-term non-cancellable lease.

Insurance policies

Part of the Group's production facilities are adequately covered by insurance. The Group has not adequately insured business interruption, third party liability for damage to property and environment resulting from accidents involving the Group's property or connected with its operations. Until the Group ensures adequate insurance coverage there is a risk that losses incurred or property damage inflicted by the Group may have a significant effect on the Group's financial position and operations.

Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group companies may be challenged by the state authorities.

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The Group includes companies incorporated outside of Russia. Tax liabilities of the Group are determined on the assumptions that these companies are not subject to Russian profits tax because they do not have a permanent establishment in Russia. Russian tax laws do not provide detailed rules on taxation of foreign companies. It is possible that with the evolution of the interpretation of these rules and the changes in the approach of the Russian tax authorities, the non-taxable status of some or all of the foreign companies of the Group in Russia may be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the Group.

Russian tax legislation does not provide definitive guidance in certain areas. From time to time, the Group adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices; the impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the Group.

Operating environment

The Group's operations are primarily located in the Russian Federation. Its economy displays characteristics of an emerging market and is particularly sensitive to oil and gas prices. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation.

The recent political and economic turmoil witnessed in the region have had and may continue to have a negative impact on the Russian economy.

Management believes it is taking all necessary measures to support the sustainability of development of the Group's business in the current business and economic environment.

26. EVENTS AFTER THE BALANCE SHEET DATE

After the reporting date the Group entered into a business combination with Villa Romanov LLC Group which owns and operates still and sparkling wine production plant and owns land plots with fruit-bearing vineyards. As of the date of approval of these consolidated financial statements, the transaction was not closed and the Group had limitation in information disclosure. The financial parameters of the transaction will be disclosed in the annual financial statements.

Group management is not aware of any significant events after the balance sheet date that would require recognition in the financial statements or disclosure in the notes.