



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

BELUGA GROUP PAO
**CONSOLIDATED INTERIM CONDENSED
FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
30 JUNE 2020**

MOSCOW 2020

CONTENTS

Report on review of consolidated interim condensed financial statements _____	3
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income ____	5
Consolidated Interim Condensed Statement of Financial Position _____	6
Consolidated Interim Condensed Statement of Changes in Equity _____	7
Consolidated Interim Condensed Cash Flow Statement _____	8
1. Reporting entity _____	9
2. Basis of preparation and accounting policies _____	10
3. Leases _____	10
4. Seasonality _____	11
5. Fair value of financial instruments _____	11
6. Property, plant and equipment _____	12
7. Other long-term assets _____	12
8. Intangible assets _____	13
9. Inventories _____	14
10. Trade and other receivables _____	14
11. Cash and cash equivalents _____	14
12. Equity and reserves _____	14
13. Loans and bonds _____	15
14. Trade and other payables _____	15
15. Cost of sales _____	16
16. General and administration expenses _____	16
17. Distribution expenses _____	16
18. Net finance costs _____	16
19. Income tax _____	17
20. Earnings per share _____	17
21. Segment reporting _____	18
22. Business combinations _____	18
23. Related party transactions _____	19
24. Contingencies and commitments _____	19
25. Events after the reporting period _____	20

REPORT ON REVIEW OF CONSOLIDATED INTERIM CONDENSED 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 2020, 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 the related explanatory notes (the “consolidated interim condensed financial statements”). Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with 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 accompanying consolidated interim condensed financial statements is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

The engagement partner on the review resulting in this report



26 August 2020

D.V. Dogdanov
Power of Attorney No. 16-17/20-8
dated 09.01.2020

Information about the audited entity

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

Basic state registration number 1047796969450.

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

Information about the independent auditor

Name: Crowe CRS Russaudit, LLC.

Principal state registration number: 1037700117949.

Address: Office 8, Bl 8, 5a, Novodmitrovskaya st., Moscow 127015 Russia.

Telephone: (495) 783-88-00.

Fax: (495) 783-88-94.

Member of Self-regulatory organization of auditors Association “Sodruzhestvo”.

PNRE 11606048583.

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

	Note	Six months ended 30 June	
		2020	2019
Revenue		37 819	31 405
Excise duties		(11 536)	(9 955)
Net revenue	21	26 283	21 450
Cost of sales	15	(17 097)	(13 056)
Gross profit		9 186	8 394
General and administrative expenses	16	(1 553)	(1 605)
Distribution expenses	17	(5 241)	(4 851)
Other income/(expense)		(225)	(204)
Operating profit		2 167	1 734
Net finance costs	18	(1 601)	(1 128)
Profit before tax		566	606
Income tax	19	(106)	(154)
Net income and total comprehensive income for the period		460	452
Attributable to:			
Equity holders of the Company		450	405
Non-controlling interest		10	47
Basic and diluted earnings per share	20	35.76	29.41
(RUB per share)			

Notes to the consolidated interim condensed financial statements on pages 9 to 20 are an integral part of these consolidated interim condensed financial statements

Mechetin A.A., Chairman of Management Board



26 August 2020

CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	6	13 382	13 885
Goodwill		3 511	3 511
Intangible assets	8	10 025	10 017
Other long-term assets	7	398	260
Deferred tax assets		1 807	1 786
Total non-current assets		29 123	29 459
Current assets			
Inventories	9	18 911	16 181
Biological assets		158	159
Trade and other receivables	10	6 980	9 813
Prepayments		1 123	605
Income tax prepayment		255	126
Cash and cash equivalents	11	3 017	1 085
Total current assets		30 444	27 969
TOTAL ASSETS		59 567	57 428
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	12	1 580	1 940
Treasury shares	12	(338)	(669)
Share premium	12	3 019	3 339
Retained earnings		14 271	14 222
Total equity attributable to shareholders of PAO Beluga Group		18 532	18 832
Non-controlling interest		966	1 201
Total equity and reserves		19 498	20 033
Long-term liabilities			
Loans and bonds	13	17 314	12 628
Long-term lease liabilities	3	2 000	2 326
Long-term accounts payable		-	580
Deferred tax liabilities		1 237	1 077
Total long-term liabilities		20 551	16 611
Current liabilities			
Loans and bonds	13	2 389	2 388
Lease liabilities	3	1 363	1 232
Trade and other payables	14	15 436	16 800
Income tax payable		330	364
Total current liabilities		19 518	20 784
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		59 567	57 428

Notes to the consolidated interim condensed financial statements on pages 9 to 20 are an integral part of these consolidated interim condensed financial statements

Mechetin A.A., Chairman of Management Board

26 August 2020

CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders of PAO Beluga Group					Non- controlling interest	Total equity and reserves
	Share capital	Treasury shares	Share premium	Retained earnings	Total share- holders' equity		
31 December 2018	1 940	(545)	3 760	13 012	18 167	1 136	19 303
Adoption of IFRS 16	-	-	-	(143)	(143)	-	(143)
1 January 2019	1 940	(545)	3 760	12 869	18 024	1 136	19 160
Other changes in non-controlling interest	-	-	-	-	-	(45)	(45)
Repurchase of treasury shares	-	(73)	(291)	-	(364)	-	(364)
Total transactions with shareholders	-	(73)	(291)	-	(507)	(45)	(552)
Net income for the period	-	-	-	405	405	47	452
30 June 2019	1 940	(618)	3 469	13 274	18 065	1 138	19 203

	Equity attributable to shareholders of PAO Beluga Group					Non- controlling interest	Total equity and reserves
	Share capital	Treasury shares	Share premium	Retained earnings	Total share- holders' equity		
1 January 2020	1 940	(669)	3 339	14 222	18 832	1 201	20 033
Acquisition of non-controlling interest	-	-	-	-	-	(245)	(245)
Dividends	-	-	-	(401)	(401)	-	(401)
Cancellation of treasury shares	(360)	360	-	-	-	-	-
Repurchase of treasury shares	-	(29)	(320)	-	(349)	-	(349)
Total transactions with shareholders	(360)	331	(320)	(401)	(750)	(245)	(995)
Net income for the period	-	-	-	450	450	10	460
30 June 2020	1 580	(338)	3 019	14 271	18 532	966	19 498

*Notes to the consolidated interim condensed financial statements on pages 9 to 20
are an integral part of these consolidated interim condensed financial statements*

Mechetin A.A., Chairman of Management Board



26 August 2020

CONSOLIDATED INTERIM CONDENSED CASH FLOW STATEMENT

	Note	Six months ended 30 June	
		2020	2019
Cash flows from operating activities			
Operating profit		2 167	1 734
Adjustments:			
Depreciation and amortisation	15, 16, 17	1 158	969
Loss/(Gain) on disposal of property, plant and equipment		5	(18)
Other non-cash transactions		148	50
Changes in working capital:			
(Increase) in inventories and biological assets		(2 754)	(1 906)
Decrease in accounts receivable and prepayments		2 132	498
(Decrease) in accounts payable		(2 377)	(1 426)
Cash flows from operating activities		479	(99)
Interest and arrangements of borrowing paid		(1 124)	(1 060)
Income tax paid		(148)	(305)
Net cash flow from operating activities		(793)	(1 464)
Cash flows from investing activities			
Acquisition of subsidiaries and non-controlling interest	22	(361)	(275)
Acquisition of property, plant and equipment and intangible assets		(459)	(877)
Disposal of property, plant and equipment and intangible assets		2	7
Net cash flow from investing activities		(818)	(1 145)
Cash flows from financing activities			
Repurchase of own shares		(349)	(364)
Dividends	12	(81)	-
Payments of lease liabilities		(684)	(504)
Loans received and bonds issued		22 925	22 270
Loans and bonds repaid		(18 268)	(19 064)
Net cash flow from financing activities		3 543	2 338
Net increase/(decrease) in cash and cash equivalents		1 932	(271)
Cash and cash equivalents at beginning of the year	11	1 085	1 083
Cash and cash equivalents at end of the period	11	3 017	812

Notes to the consolidated interim condensed financial statements on pages 9 to 20 are an integral part of these consolidated interim condensed financial statements

Mechetin A.A., Chairman of Management Board

26 August 2020

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 in the Russian Federation.

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

	30 June 2020		31 December 2019	
	Group's voting power, %	Group's effective ownership, %	Group's voting power, %	Group's effective ownership, %
Alcohol production and distribution				
Arkhangelsk Distillery	74%	74%	74%	74%
Habarovskiy Distillery	96%	96%	73%	73%
Mariinsk Distillery	100%	100%	100%	100%
Bastion	99%	99%	99%	99%
Ussuriysky Balsam	89%	89%	89%	89%
Georgievsky	100%	100%	100%	100%
Golubitskoe Estate	81%	81%	81%	81%
Beluga Brands	100%	100%	100%	100%
Beluga Market Arkhangelsk	100%	100%	100%	100%
Beluga Market Vostok	100%	95%	100%	95%
Beluga Market Far East	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 Vodka International Limited	100%	100%	100%	100%
Retail				
Winelab	100%	100%	100%	100%
Winelab-West	100%	100%	100%	100%
Erofey	100%	100%	100%	100%
Orient	100%	100%	100%	100%
Winelab Vladivostok	100%	100%	100%	100%
Food production plants and distribution				
DAKGOMZ	99%	99%	99%	99%
Mikhailovskaya Poultry Plant	96%	96%	96%	96%
Ussuriysky Dairy Plant	95%	95%	95%	95%
Nahodkinsky meat-processing plant	96%	96%	96%	96%
Rodstor Group	100%	100%	100%	100%

All companies listed in the table above are registered in Russian Federation except for Beluga Vodka International Limited that is 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 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The consolidated interim condensed financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2019.

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 2019.

3. LEASES

The right-of-use assets mainly comprise premises and buildings lease contracts.

Movements in the carrying amount of right-of-use assets and lease liabilities for the six months ended 30 June 2020:

	Right-of-use assets	Lease liabilities
As of 1 January 2020	3 301	3 558
Depreciation charge for the period	(551)	-
Additions	344	344
Interest expense	-	165
Lease payment	-	(684)
Disposals	(22)	(23)
As of 30 June 2020	3 072	3 360

Lease liabilities comprise current and non-current:

	30 June 2020	31 December 2019
Long-term	2 000	2 326
Short-term	1 363	1 232
Total lease liability	3 363	3 558

Movements in the carrying amount of right-of-use assets and lease liabilities for the six months ended 30 June 2019:

	Right-of-use assets	Lease liabilities
As of 1 January 2019	2 830	3 008
Depreciation charge for the period	(411)	-
Additions	830	830
Interest expense	-	131
Lease payment	-	(504)
As of 30 June 2019	3 249	3 465

Lease liabilities comprise current and non-current:

	30 June 2019	1 January 2019
Long-term	2 382	2 136
Short-term	1 083	872
Total lease liability	3 465	3 008

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 OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price. The quoted market price used to value financial assets is the current bid price; the quoted market price for financial liabilities is the current asking price

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Bonds are measured at amortised cost (Level 2 of the fair value measurement hierarchy) less amortised issue costs. Carrying value of bonds as of 30 June 2020 and 30 December 2019 approximates their fair values.

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. Their fair values are within level 3 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 2020 and 31 December 2019 approximate their fair values.

6. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings, vineyards	Right-of-use assets	Production and Retail equipment	Vehicles, office equipment	Assets under construction	Total
Cost						
1 January 2020	7 777	4 258	6 381	1 199	923	20 538
Additions	87	344	221	113	(93)	672
Transfers	(191)	-	191	-	-	-
Disposals	(1)	(22)	(91)	(105)	-	(219)
30 June 2020	7 672	4 580	6 702	1 207	830	20 991
Depreciation						
1 January 2020	1 698	957	3 248	750	-	6 653
Charge for the period	82	551	399	78	-	1 110
Disposals	(1)	-	(57)	(96)	-	(154)
30 June 2020	1 779	1 508	3 590	732	-	7 609
Carrying amount						
1 January 2020	6 079	3 301	3 133	449	923	13 885
30 June 2020	5 893	3 072	3 112	475	830	13 382
Cost						
31 December 2018	8 241	-	5 404	1 087	899	15 631
Adoption of IFRS 16	-	2 830	-	-	-	2 830
1 January 2019	8 241	2 830	5 404	1 087	899	18 461
Additions	21	830	764	62	181	1 858
Transfers	35	-	30	2	(67)	-
Disposals	(124)	-	(112)	(52)	-	(288)
30 June 2019	8 173	3 660	6 086	1 099	1 013	20 031
Depreciation						
1 January 2019	1 582	-	2 767	689	-	5 038
Charge for the period	146	411	311	73	-	941
Disposals	(48)	-	(59)	(43)	-	(150)
30 June 2019	1 680	411	3 019	719	-	5 829
Carrying amount						
1 January 2019	6 659	2 830	2 637	398	899	13 423
30 June 2019	6 493	3 249	3 067	380	1 013	14 202

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 2020 amounted to ₺2,432mln (31 December 2019 – ₺2,326 mln).

7. OTHER LONG-TERM ASSETS

Other long-term assets include prepayments for acquisition of property, plant and equipment in the amount of ₺198mln, other long-term accounts receivable in the amount of ₺200mln (as of 31 December 2019 – ₺60mln and ₺200mln respectively).

8. INTANGIBLE ASSETS

	Software, patents, licenses and others	Brands	Total
Cost			
1 January 2020	1 383	9 647	11 030
Additions	84	5	89
Disposals	(1)	–	(1)
30 June 2020	1 466	9 652	11 118
Amortisation and impairment			
1 January 2020	952	61	1 013
Charge for the period	81	–	81
Disposals	(1)	–	(1)
30 June 2020	1 032	61	1 093
Net book value			
1 January 2020	431	9 586	10 017
30 June 2020	434	9 591	10 025
2019			
	Software, patents, licenses and others	Brands	Total
Cost			
1 January 2019	1 329	9 648	10 977
Additions	15	10	25
Disposals	(18)	–	(18)
30 June 2019	1 326	9 658	10 984
Amortisation and impairment			
1 January 2019	819	61	880
Charge for the period	73	–	73
Disposals	(17)	–	(17)
30 June 2019	875	61	936
Net book value			
1 January 2019	510	9 587	10 097
30 June 2019	451	9 597	10 048

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, Captain's and Beluga Hunting.

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

9. INVENTORIES

	30 June 2020	31 December 2019
Finished product and goods	14 447	12 400
Raw materials	3 924	3 408
Work-in-progress	540	373
Total inventories	18 911	16 181

10. TRADE AND OTHER RECEIVABLES

	30 June 2020	31 December 2019
Trade accounts receivable	4 067	7 376
Provision for impairment of trade accounts receivable	(46)	(46)
Other accounts receivable, including VAT and other tax prepayments	2 959	2 483
Total trade and other account receivable	6 980	9 813

11. CASH AND CASH EQUIVALENTS

	30 June 2020	31 December 2019
Cash in banks, nominated in RUB	1 383	332
Cash in banks, nominated in USD	1 354	329
Cash in banks, nominated in EUR	152	82
Cash in transit	102	300
Cash on hand	26	42
Total cash and cash equivalents	3 017	1 085

12. EQUITY AND RESERVES**Share capital**

Share capital is the authorised capital of the parent company.

The Company's ordinary shares are admitted to trading on the Moscow Exchange (MOEX) under the ticker symbol BELU.

As of 31 December 2019 total quantity of issued shares of "Beluga Group" PAO amounted to 19,400 thousand ordinary shares of ₱100 each at par.

In the reporting period 3,600 thousand shares were cancelled and as of 30 June 2020 total quantity of issued shares of "Beluga Group" PAO amounted to 15,800 thousand ordinary

Treasury shares

Own shares are recognized in the consolidated interim condensed statement of financial position at nominal value ₱100 per share. The excess of the value of shares over the nominal value is recognised in the consolidated interim condensed statement of financial position in the share premium.

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.

Dividends

In the reporting period, the Company has declared dividends in the amount of ₱401mln (net, less dividends attributable to treasury shares held by the Group). Cash payments were made in June 2020 in the amount of ₱81mln and in July 2020 in the amount of ₱320mln.

13. LOANS AND BONDS

	<u>30 June 2020</u>	<u>31 December 2019</u>
Bonds	11 473	10 395
Unsecured long-term bank loans	4 841	1 351
Secured long-term bank loans	1 000	882
Total long-term loans and bonds	<u>17 314</u>	<u>12 628</u>
Unsecured bank loans	1 153	1 910
Bonds	802	477
Secured bank loans	434	1
Total short-term loans and bonds	<u>2 389</u>	<u>2 388</u>
Total loans and bonds	<u>19 703</u>	<u>15 016</u>

As of the end of the reporting period the weighted average annual interest rate on bank loans and bonds was 8.50% (as of 31 December 2019 – 8.98%).

The maturity of loans and bonds is as follows:

	<u>30 June 2020</u>	<u>31 December 2019</u>
On demand or within one year	2 389	2 388
Between the first and second year	6 255	2 470
Between the second and fifth year	11 059	10 158
Total loans and bonds	<u>19 703</u>	<u>15 016</u>

At 30 June 2020, bank loans were secured by:

- Property, plant and equipment with a carrying value of ₹205 mln (at 31 December 2019 – ₹217 mln);
- Shares of subsidiary at the amount of ₹337 mln (at 31 December 2019 – ₹272 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 complied with covenants at 30 June 2020 and 31 December 2019.

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 2020 amounted to ₹16,181 mln (at 31 December 2019 – ₹17,246 mln).

14. TRADE AND OTHER PAYABLES

	<u>30 June 2020</u>	<u>31 December 2019</u>
Trade payables	9 556	9 975
Excises, VAT and other taxes payable	3 508	4 983
Other payables	2 304	1 762
Advances received	68	80
Total trade and other payables	<u>15 436</u>	<u>16 800</u>

15. COST OF SALES

	Six months ended 30 June	
	2020	2019
Materials, supplies and goods	15 915	11 754
Wages and salaries	591	631
Depreciation and amortisation	247	255
Fuel and power	174	199
Other costs	170	217
Total cost of sales	17 097	13 056

16. GENERAL AND ADMINISTRATION EXPENSES

	Six months ended 30 June	
	2020	2019
Wages and salaries	1 045	1 068
Bank services, information and consulting services, insurance, security	254	179
Depreciation and amortisation	54	125
Sundry taxes	55	70
Rent	29	29
Other expenses	116	134
Total general and administrative expenses	1 553	1 605

17. DISTRIBUTION EXPENSES

	Six months ended 30 June	
	2020	2019
Wages and salaries	2 687	2 350
Advertising, promotion, transportation	1 065	1 206
Depreciation and amortisation	857	588
Materials and packaging	166	147
Rent	91	132
Other expenses	375	428
Total distribution expenses	5 241	4 851

18. NET FINANCE COSTS

	Six months ended 30 June	
	2020	2019
Net interest on bank loans and bonds	1 072	947
Interest expense on lease liabilities	165	131
Costs of arrangement of borrowings, including cost of bank guarantees	43	83
Net currency exchange differences	321	(33)
Total net finance costs	1 601	1 128

19. INCOME TAX

	Six months ended 30 June	
	2020	2019
Current income tax, charge	(83)	(147)
Prior periods adjustments	114	(38)
Total current income tax	31	(185)
Deferred income tax	(137)	31
Total income tax	(106)	(154)

Income tax rates applicable during the six months ended 30 June 2020 were as follows: the Russian Federation – 20%, Cyprus – 12.5%.

Companies engaged in the production of poultry and grapes 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	
	2020	2019
Profit before tax	566	606
Tax calculated at 20%	(113)	(121)
Effect of local tax rates different to 20%	(13)	43
Previous reporting period tax revised	25	(38)
Effect of expenses not deductible for tax purposes	(5)	(38)
Total income tax	(106)	(154)

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	
	2020	2019
Profit attributable to equity holders	450	405
Weighted average number of ordinary shares in issue (thousands)	12 584	13 772
Basic earnings per share, RUB	35.76	29.41

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	
	2020	2019
Shares issued at 1 January, thousands	19 400	19 400
Shares cancellation	(3 600)	-
Effect of own shares held	(3 216)	(5 628)
Weighted average number of outstanding shares, thousands	12 584	13 772

21. SEGMENT REPORTING

The Group operates in three principal business segments, namely: Alcohol, Retail and Food production. Financial results of the Group by operational segments for the 6 months ended 30 June 2020:

	Alcohol	Retail	Food	Intersegment	Consolidated
Sales, including VAT and excise	34 310	13 695	3 272	(6 097)	45 180
Net revenue	16 928	11 411	2 962	(5 018)	26 283
Operating results	1 811	643	(62)	-	2 392
Depreciation and impairment	529	560	69	-	1 158
EBITDA by segments	2 340	1 203	7	-	3 550
Other income/(expense)					(225)
Consolidated EBITDA					3 325

Financial results of the Group by operational segments for the 6 months ended 30 June 2019:

	Alcohol	Retail	Food	Intersegment	Consolidated
Sales, including VAT and excise	30 434	8 935	3 291	(5 617)	37 043
Net revenue	15 390	7 444	3 059	(4 443)	21 450
Operating results	1 816	69	53	-	1 938
Depreciation and impairment	500	408	61	-	969
EBITDA by segments	2 316	477	114	-	2 907
Other income/(expense)					(204)
Consolidated EBITDA					2 703

The presentation of Net revenue of the Retail segment has been changed in these consolidated interim condensed financial statements, therefore the change was made to the comparative amount of Net revenue of the segment for the six months ended 30 June 2019 (net revenue increased from RUB 6,478 million to RUB 7,444 million).

Total assets and payments to acquire property, plant and equipment and intangible assets by segments:

	Alcohol	Retail	Food	Intersegment	Consolidated
CAPEX 1 half 2020	309	106	44	-	459
CAPEX 1 half 2019	445	319	113	-	877
Total assets:					
as of 30 June 2020	46 194	10 499	2 874	-	59 567
as of 31 December 2019	43 453	11 027	2 948	-	57 428
as of 30 June 2019	38 626	11 773	2 988	-	53 387

22. BUSINESS COMBINATIONS

During the six months ended 30 June 2020, the Group was not involved in business combinations, but made payments in amount of ₴137mln for acquired in 2018 Golubitskoe Estate (for the six months ended 30 June 2019 – ₴275mln) and payment for acquisition of non-controlling interest in Habarovskiy Distillery in amount of ₴224 mln.

23. 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 2020 was P141 mln (for the six months ended 30 June 2019 – P148 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	
	2020	2019
Sales of goods	38	41
Sales of services	45	-
Total sales of goods and services	83	41

Receivables and payables:

	30 June 2020	31 December 2019
Trade and other receivables from related parties	1 133	1 096
Trade and other payables to related parties	32	6

24. 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 2020, the Group had no significant contractual commitments for the purchase or construction of property, plant and equipment.

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.

COVID-19. Management is monitoring the situation caused by Covid-19 (coronavirus) and takes necessary measures to ensure business continuity. The Group has not experienced business interruptions or supply chain disruptions due to the virus. The Group makes appropriate efforts to ensure the safety of its employees and customers. The Group incurred expenses related to personal protective equipment for personnel responsible for maintaining business processes, as well as funds in the form of assistance in the purchase of necessary equipment and support of health systems in Arkhangelsk, Primorye, Moscow and the Moscow region. The Group follows official guidelines and continues to focus on managing operations in a rapidly changing environment.

25. EVENTS AFTER THE REPORTING PERIOD

Group management is not aware of any significant events after the reporting period that would require recognition in the consolidated interim condensed financial statements or disclosure in the notes.