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BELUGA GROUP PAO

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

MOSCOW 2019

CONTENTS

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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 2019, 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 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.*

We draw attention to Note 22.2 to the consolidated interim condensed financial statements, which describes that in August 2018 the Group has acquired 80% interest in Villa Romanov LLC (renamed to Golubitskoe Estate LLC) and controlling interest in two supplementary companies. The Group assigned provisional values to net assets acquired as of 30 June 2019. Our conclusion is not modified in respect of this matter.

The engagement partner on the review resulting in this report

D.V. Dogdanov

Power of Attorney No. 26-17/19-8 dated 09.01.2019

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

29 August 2019

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: Dmitrovskiy Business Center, Office VIII, 5a Novodmitrovskaya St., bld. 8, Moscow, 127015, Russia.

Telephone: (495) 783-88-00.

Fax: (495) 783-88-94.

Principal state registration number: 1037700117949.

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

Principal Number of Registration Entry: 11606048583.

(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	
		2019	**2018**
Revenue	23	21 450	18 782
Cost of sales	16	(13 056)	(10 766)
Gross profit		**8 394**	**8 016**
General and administrative expenses	17	(1 605)	(1 562)
Distribution expenses	18	(4 851)	(4 967)
Other income/expenses		(204)	(75)
Operating profit		**1 734**	**1 412**
Net finance costs	19	(1 128)	(952)
Profit before tax		**606**	**460**
Income tax	20	(154)	(50)
Net income and total comprehensive income for the period		**452**	**410**
Attributable to:			
Equity holders of the Company		405	372
Non-controlling interest		47	38
Basic and diluted earnings per share (RUB per share)	21	**29.41**	**24.06**

Notes to the consolidated interim condensed financial statements on pages 9 to 21 are an integral part of these consolidated interim condensed financial statements

Mechetin A.A., Chairman of Management Board ____________________

29 August 2019

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

CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	6	14 202	10 593
Goodwill		3 095	3 095
Intangible assets	8	10 048	10 097
Other long-term assets	7	465	530
Deferred tax assets		1 647	1 399
Total non-current assets		**29 457**	**25 714**
Current assets			
Inventories	9	14 594	12 721
Biological assets		171	165
Trade and other receivables	10	7 296	8 059
Prepayments		952	595
Income tax prepayment		105	133
Cash and cash equivalents	11	812	1 083
Total current assets		**23 930**	**22 756**
TOTAL ASSETS		**53 387**	**48 470**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	12	1 940	1 940
Own shares repurchased from shareholders	12	(618)	(545)
Share premium	12	3 469	3 760
Retained earnings		13 274	13 012
Total equity attributable to shareholders of PAO Beluga Group		**18 065**	**18 167**
Non-controlling interest in subsidiaries		1 302	1 300
Total equity and reserves		**19 367**	**19 467**
Long-term liabilities			
Loans and bonds	13	11 485	12 419
Long-term accounts payable	14	3 239	1 083
Deferred tax liabilities		916	734
Total long-term liabilities		**15 640**	**14 236**
Current liabilities			
Loans and bonds	13	4 599	467
Trade and other payables	15	13 581	13 944
Income tax payable		200	356
Total current liabilities		**18 380**	**14 767**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**53 387**	**48 470**

Notes to the consolidated interim condensed financial statements on pages 9 to 21 are an integral part of these consolidated interim condensed financial statements

Mechetin A.A., Chairman of Management Board ____________________

29 August 2019

(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 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	–	(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 30 June 2018	**1 940**	**(426)**	**4 369**	**12 465**	**18 348**	**781**	**19 129**

	Share capital	**Own shares**	**Share premium**	**Retained earnings**	**Total shareholders ' equity**	**Non–controlling interest**	**Total**
Balance at 31 December 2018	**1 940**	**(545)**	**3 760**	**13 012**	**18 167**	**1 300**	**19 467**
Adoption of IFRS 16 (Note 3)	–	–	–	(143)	(143)	–	(143)
Balance at 1 January 2019	**1 940**	**(545)**	**3 760**	**12 869**	**18 024**	**1 300**	**19 324**
Other changes in non-controlling interest	–	–	–	–	–	(45)	(45)
Repurchase and sale of own shares	–	(73)	(291)	–	(364)	–	(364)
Total transactions with shareholders	**–**	**(73)**	**(291)**	–	**(507)**	**(45)**	**(552)**
Net income for the period	–	–	–	405	405	47	452
Balance at 30 June 2019	**1 940**	**(618)**	**3 469**	**13 274**	**18 065**	**1 302**	**19 367**

Notes to the consolidated interim condensed financial statements on pages 9 to 21 are an integral part of these consolidated interim condensed financial statements

Mechetin A.A., Chairman of Management Board ____________________

29 August 2019

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

CONSOLIDATED INTERIM CONDENSED CASH FLOW STATEMENT

	Note	Six months ended 30 June	
		2019	**2018**
Cash flows from operating activities			
Operating profit		1 734	1 412
Adjustments:			
Depreciation and amortisation		969	507
(Gain) on disposal of property, plant and equipment		(18)	8
Other non-cash transactions		50	5
Changes in working capital:			
(Increase) in inventories and biological assets		(1 906)	(1 773)
Decrease in accounts receivable and prepayments		498	665
(Decrease) in accounts payable		(1 426)	(1 184)
Cash flows from operating activities		**(99)**	**(360)**
Interest paid		(1 060)	(873)
Income tax paid		(305)	(449)
Net cash flow from operating activities		**(1 464)**	**(1 682)**
Cash flows from investing activities			
Investment in associates and subsidiaries		(275)	289
Acquisition of property, plant and equipment and intangible assets		(877)	(971)
Disposal of property, plant and equipment and intangible assets		7	14
Net cash flow from investing activities		**(1 145)**	**(668)**
Cash flows from financing activities			
Repurchase of own shares	12	(364)	(553)
Loans received and bonds issued		22 270	19 191
Loans and bonds repaid		(19 568)	(16 427)
Net cash flow from financing activities		**2 338**	**2 211**
Net decrease in cash and cash equivalents		**(271)**	**(139)**
Cash and cash equivalents at beginning of the year	11	1 083	819
Cash and cash equivalents at end of the period	11	**812**	**680**

Notes to the consolidated interim condensed financial statements on pages 9 to 21 are an integral part of these consolidated interim condensed financial statements

Mechetin A.A., Chairman of Management Board ____________________

29 August 2019

(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 2019		31 December 2018	
	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 JSC	73%	73%	73%	73%
Mariinsk Distillery	100%	100%	100%	100%
Bastion JSC	99%	99%	99%	99%
Ussuriysky Balsam OJSC	89%	89%	89%	89%
Georgievsky LLC	100%	100%	100%	100%
Golubitskoe Estate LLC	80%	80%	80%	80%
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%
LLC "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, LLC	100%	100%	100%	100%
Erofey LLC	100%	100%	100%	100%
Orient CJSC	100%	100%	100%	100%
Ussuriysky Balsam Trade Network LLC	100%	100%	100%	100%
Food production plants and distribution				
DAKGOMZ	99%	99%	99%	99%
Mikhailovskaya Poultry Plant JSC	96%	96%	96%	96%
Ussuriysky Dairy Plant JSC	95%	95%	95%	95%
Nahodkinsky meat-processing plant OJSC	96%	96%	96%	96%
Rodimaya Storonka	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.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated interim condensed financial statements of the Group for the six months ended 30 June 2019 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 2018.

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 2018, with the changes introduced by adoption of IFRS 16 "Leases" on 1 January 2019.

3. ADOPTION OF IFRS 16 "LEASES"

Effective 1 January 2019, the Group adopted IFRS 16 "Leases" using the modified retrospective approach allowing not to restate the comparative information and recognise the cumulative effect of the initial application in the opening retained earnings.

As at 1 January 2019, the Group recognised right-of-use assets in the amount of ₽2,830 mln and lease liabilities in the amount of ₽3,008 mln. Effect to the retained earnings was adjusted for deferred tax and amounted to ₽143 mln. The effect is presented in the consolidated interim condensed statement of changes in equity.

At transition date, right-of-use assets were measured at carrying value as if the new standard had been applied since the commencement date, but discounted using the incremental borrowing rate at the date of initial application. Lease liability was measured at the present value of the remaining fixed lease payments in accordance with the lease contracts. Lease payments were discounted using a weighted average incremental borrowing rate of 9%.

The Group decided to apply practical expedient and not apply IFRS 16 «Leases» to contracts for which the lease term ends within 12 months of the date of initial application.

The table below shows the effect of adoption of IFRS 16 on the consolidated interim condensed financial statements at the date of application:

	31 December 2018	Adjustment due to adoption of IFRS 16	1 January 2019
ASSETS			
Property, plant and equipment	10 593	2 830	13 423
Deferred tax assets	1 399	35	1 434
SHAREHOLDERS' EQUITY AND LIABILITIES			
Retained earnings	13 012	(143)	12 869
Long-term accounts payable	1 083	1 925	3 008
Trade and other payables	13 944	1 083	15 027

Changes in the accounting policies.

The Group assesses whether the contract is a lease based on the fact that it conveys the right to control the use of an underlying asset for a period of time in exchange for consideration.

Right-of-use assets.

The Group recognises a right-of-use asset and a corresponding lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost comprising the lease liability, lease payments made at or before the commencement date, any initial direct costs and other lease related costs

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

The right-of-use asset is depreciated on a straight-line basis from the commencement date to the earlier of: the end of the useful life of the underlying asset or the end of the lease term. The lease term may include periods covered by an option to extend (or terminate) the lease, whenever the lease is reasonably certain to be extended (or not terminated). Management assesses extension and termination options of the leases on a regular basis.

Right-of-use assets are presented within “Property, plant and equipment” in the consolidated statement of financial position.

Short-term lease (with a lease term of 12 months or less) as well as lease of low-value assets isrecognised as an expense in the consolidated statement of profit or loss over the period of the lease.

Lease liabilities.

The lease liability is initially measured at the present value of the fixed lease payments that are not paid at the commencement date. Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group’s incremental borrowing rate is used.

The lease liability is subsequently measured at amortised cost using the effective interest method and remeasured in case of changes in the lease term, lease modification or revised lease payments. The amount of remeasurement is recognised as an adjustment to the carrying value of the right-of-use asset.

Current portion of lease liabilities is included in “Trade and other payables” and non-current portion is included in “Long-term accounts payable” of the consolidated statement of financial position.

The right-of-use assets mainly comprised 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 2019 were as follows:

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

Lease liabilities comprise current and non-current portions as follows:

	30 June 2019	**31 December 2018**
Short-term	1 083	872
Long-term	2 382	2 136
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

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 2019 and 30 December 2018 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 (Note 10). 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 2019 and 31 December 2018 approximate their fair values.

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

6. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Right-of-use assets	Machines and equipment	Vehicles, office equipment	Assets under construction	Total
Cost						
1 January 2018	**6 094**	**-**	**3 429**	**739**	**451**	**10 713**
Additions within acquired companies	200	-	433	167	22	822
Additions	128	-	258	114	134	634
Transfers	8	-	19	2	(29)	-
Disposals	(42)	-	(26)	(5)	–	(73)
30 June 2018	**6 388**	**-**	**4 113**	**1 017**	**578**	**12 096**
Depreciation						
1 January 2018	**1 402**	**-**	**2 270**	**540**	**-**	**4 212**
Additions within acquired companies	23	-	61	70	-	154
Charge for the period	89	-	201	63	-	353
Disposals	(1)	-	(23)	(9)	-	(33)
30 June 2018	**1 513**	**-**	**2 509**	**664**	**-**	**4 686**
Carrying amount						
1 January 2018	**4 692**	**-**	**1 159**	**199**	**451**	**6 501**
30 June 2018	**4 875**	**-**	**1 604**	**353**	**578**	**7 410**

	Land and buildings	Right-of-use assets (Note 3)	Machines and equipment	Vehicles, office equipment	Assets under construction	Total
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 2018	**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 2019 amounted to ₽2,161 mln (31 December 2018 – ₽2,061 mln).

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

7. OTHER LONG-TERM ASSETS

Other long-term assets include prepayments for acquisition of property, plant and equipment in the amount of ₽265mln, other long-term accounts receivable in the amount of RUB 200 mln (as of 31 December 2018 – ₽287mln and₽243mln respectively).

8. INTANGIBLE ASSETS

	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 period	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**

	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 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 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.

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

9. INVENTORIES

	30 June 2019	31 December 2018
Finished product and goods	11 065	9 093
Raw materials	3 097	3 203
Work-in-progress	432	425
Total inventories	**14 594**	**12 721**

10. TRADE AND OTHER RECEIVABLES

	30 June 2019	31 December 2018
Trade accounts receivable	4 802	6 564
Provision for impairment of trade accounts receivable	(46)	(46)
Other accounts receivable, including VAT and other tax prepayments	2 540	1 541
Total trade and other account receivable	**7 296**	**8 059**

11. CASH AND CASH EQUIVALENTS

	30 June 2019	31 December 2018
Cash in banks, nominated in RUB	531	315
Cash in banks, nominated in USD	139	370
Cash in banks, nominated in EUR	82	15
Cash in transit	19	338
Cash on hand	41	45
Total cash and cash equivalents	**812**	**1 083**

12. SHARE CAPITAL AND SHARE PREMIUM

Share capital

Share capital is the authorised capital of the parent company.

As of 31 December 2018 and 30 June 2019, total quantity of issued shares of ”Beluga Group” PAO amounted to 19 400 thousand ordinary shares of ₽100 each at par. The Company’s ordinary shares are admitted to trading on the Moscow Exchange (MOEX) under the ticker symbol BELU.

Own 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.

As of 31 December 2018, the quantity of own shares repurchased from shareholders amounted to 5,446 thousand shares. During the first half of the year 2019, the Group repurchased 734 thousand shares at the amount of ₽364 mln. Repurchased shares were recognised in the consolidated interim condensed statement of changes in equity as a change in own shares in the amount of ₽73 mln and change in share premium in the amount of ₽291 mln.

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.

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

13. LOANS AND BONDS

	30 June 2019	31 December 2018
Unsecured long-term bank loans	6 753	6 335
Bonds	3 688	5 997
Secured long-term bank loans	1 044	87
Total long-term loans and bonds	**11 485**	**12 419**
Unsecured bank loans	2 108	30
Bonds	2 328	53
Secured bank loans	163	384
Total short-term loans and bonds	**4 599**	**467**
Total loans and bonds	**16 084**	**12 886**

As of the end of the reporting period the weighted average annual interest rate on bank loans and bonds was 8.96% (as of 31 December 2018 – 9.03%).

The maturity of loans and bonds is as follows:

	30 June 2019	31 December 2018
On demand or within one year	4 599	467
Between the first and second year	7 621	6 006
Between the second and fifth year	3 864	6 413
Total loans and bonds	**16 084**	**12 886**

At 30 June 2019, bank loans were secured by:

- Property, plant and equipment with a carrying value of ₽230 mln (at 31 December 2018 – ₽251 mln);
- Shares of subsidiary at the amount of ₽221 mln (at 31 December 2018 – ₽412 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 complyed with covenants at 30 June 2019 and 31 December 2018.

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 2019 amounted to ₽11,744 mln (at 31 December 2018 – ₽12,454 mln).

14. LONG-TERM ACCOUNTS PAYABLE

Long-term accounts payable as of 30 June 2019 comprise long-term part of lease liabilities in the amount of ₽2,382 mln (Note 3) and liability for the acquired shares in the subsidiaries in the amount of ₽857 mln. (as of 31 December 2018 – ₽1,083 mln).

15. TRADE AND OTHER PAYABLES

	30 June 2019	31 December 2018
Excises, VAT and other taxes payable	3 594	4 347
Trade payables	7 368	7 525
Other payables	2 555	2 009
Advances received	64	63
Total trade and other payables	**13 581**	**13 944**

Other payables as of 30 June 2019 include short-term part of lease liabilities (Note 3).

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

16. COST OF SALES

	Six months ended 30 June	
	2019	**2018**
Materials, supplies and goods	11 754	9 552
Wages and salaries	631	579
Depreciation and amortisation	255	221
Fuel and power	199	206
Repairs and maintenance	81	86
Rent	11	12
Other costs	125	110
Total cost of sales	**13 056**	**10 766**

17. GENERAL AND ADMINISTRATION EXPENSES

	Six months ended 30 June	
	2019	**2018**
Wages and salaries	1 068	919
Bank services, information and consulting services, insurance, security	179	268
Depreciation and amortisation	125	152
Sundry taxes	70	66
Repairs and maintenance	35	30
Rent	29	20
Fuel and power	26	21
Personnel training	8	21
Other expenses	65	65
Total general and administrative expenses	**1 605**	**1 562**

18. DISTRIBUTION EXPENSES

	Six months ended 30 June	
	2019	**2018**
Wages and salaries	2 350	2 078
Advertising, promotion, transportation	1 206	1 864
Depreciation and amortisation	588	256
Materials and packaging	147	106
Rent	132	352
Repairs and maintenance	95	75
Fuel and power	95	69
Other expenses	238	167
Total distribution expenses	**4 851**	**4 967**

19. NET FINANCE COSTS

	Six months ended 30 June	
	2019	**2018**
Net interest expense	1 078	766
Costs of arrangement of borrowings, including cost of bank guarantees	83	149
Net currency exchange differences loss	(33)	37
Total net finance costs	**1 128**	**952**

20. INCOME TAX

	Six months ended 30 June	
	2019	**2018**
Current income tax, charge	(147)	(173)
Prior periods adjustments	(38)	(53)
Total current income tax	**(185)**	**(226)**
Deferred income tax	31	176
Total income tax	**(154)**	**(50)**

Income tax rates applicable during the six months ended 30 June 2019 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, grape producing companies are liable to unified agricultural tax.

The table below shows a reconciliation of the theoretical amount calculated at the applicable tax rate and the amount of actual income tax expence:

	Six months ended 30 June	
	2019	**2018**
Profit before tax	606	460
Tax calculated at 20%	**(121)**	**(92)**
Effect of local tax rates different to 20%	43	61
Previous reporting period tax revised	(38)	(9)
Effect of expenses not deductible for tax purposes	(38)	(10)
Total income tax	**(154)**	**(50)**

21. 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	
	2019	**2018**
Profit attributable to equity holders	405	372
Weighted average number of ordinary shares in issue (thousands)	13 772	15 462
Basic earnings per share, RUB	**29.41**	**24.06**

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	
	2019	**2018**
Shares issued at 1 January	**19 400**	**24 954**
Effect of own shares held	(5 628)	(9 492)
Weighted average number of outstanding shares (thousands)	**13 772**	**15 462**

22. BUSINESS COMBINATIONS

During the six months ended 30 June 2019, the Group was not involved in business combinations.

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

22.1. Acquisition of Winelab

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

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

	Fair value
Property, plant and equipment	748
Intangible assets	1 747
Net deferred tax assets	105
Inventories	1 220
Cash and cash equivalents	289
Accounts receivable / (payable), net	(4 316)
Net assets acquired	**(207)**
Fair value of the previously held equity interest	2 124
Purchase consideration	630
Goodwill	**2 961**
Purchase consideration settled in cash in the reporting period	-
Cash balances of Winelab and its subsidiaries as of the date of the business combination	289
Cash inflow on acquisition	**289**

22.2. Acquisition of Golubitskoe Estate

In August 2018, the Group acquired 80% interest in Villa Romanov LLC (renamed to Golubitskoe Estate LLC) and controlling interest in two supplementary companies. The companies operate in wine production, wine and table grapes growing.

The Group assigned provisional values to net assets acquired as of 31 December 2018 and 30 June 2019. Final values would be provided in the consolidated financial statements for the year ending 31 December 2019.

23. 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 2019:

	Alcohol	Retail	Food	Intersegment	Consolidated
Sales, including excise and VAT	30 434	8 935	3 291	(5 617)	37 043
Segment revenue	15 390	6 478	3 059	(3 477)	21 450
Operating results by segments	**1 816**	**69**	**53**	**-**	**1 938**
Other expenses					(204)
Operating profit					**1 734**
Depreciation and impairment	(500)	(408)	(61)	-	(969)
EBITDA by segments	**2 316**	**477**	**114**	**-**	**2 907**
Other expenses					(204)
Consolidated EBITDA					**2 703**
CAPEX for the period	445	319	113	-	877
Total assets at the end of the period	38 626	11 773	2 988	-	53 387
Total assets as of 31 December 2018	36 598	8 987	2 885	-	48 470

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

Financial results of the Group by operational segments for the 6 months ended 30 June 2018:

	Alcohol	**Retail**	**Food**	**Intersegment**	**Consolidated**
Sales, including excise and VAT	28 142	5 007	3 551	(2 604)	34 096
Segment revenue	13 916	4 246	3 224	(2 604)	18 782
Operating results by segments	**1 520**	**(149)**	**116**	**-**	**1 487**
Other expenses					(75)
Operating profit					**1 412**
Depreciation and impairment	(363)	(63)	(81)	-	(507)
EBITDA by segments	**1 883**	**(86)**	**197**		**1 994**
Other expenses					(75)
Consolidated EBITDA					**1 919**
CAPEX for the period	596	343	32		971
Total assets as of 30 June 2018	34 781	6 809	3 339	-	44 929

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 2019 was ₽148 mln (for the six months ended 30 June 2018 – ₽148 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	
	2019	**2018**
Sales of goods	31	31

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

	30 June 2019	**31 December 2018**
Trade and other receivables from related parties	476	384
Trade and other payables to related parties	35	24

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 2019, the Group had no significant contractual commitments for the purchase of components for 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.

26. EVENTS AFTER THE REPORTING PERIOD

In July 2019, the Group issued bonds BO-P02 at Moscow Stock Exchange.

Quantity of bonds: 5 000 000. Nominal value of each bond: ₽1 000. Schedule of repayment: 25% in July 2022, 25% in July 2023 and 50% in July 2024.

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.