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PRESS RELEASE

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BELUGA GROUP announces the financial results for the first half of 2018: net profit increased by 79%, amounting to 410 million rubles, EBITDA increased by 20%, amounting to 1, 919 million rubles.

BELUGA GROUP (MOEX: BELU), the leading alcohol company in Russia, announces consolidated financial results for the first half of 2018 prepared in accordance with the International Financial Reporting Standards (IFRS).

Financial highlights and main corporate events

	1H2018
Sales in volume terms	**+3%**
Net Revenue	**+19%**
Alcohol Segment Revenue	**+11%**
EBITDA	**+20%**
Net profit	**+79%**

Exclusive import distribution continues to develop positively, as the sales in volume terms increases both organically and through new contracts. Within the reporting period, the group has signed contracts for exclusive distribution in Russia with some world-famous wine brands, such as: Piccini, Masi Agricola, and Gerard Bertrand.

The company continues its development in international markets. Exports shows positive trend, especially dew to the sales of the Beluga vodka, which keeps demonstrating strong performance in the super premium segment worldwide. The product performs good in the markets of Italy, Germany, Israel, Bulgaria and Poland. India shows a dynamic increase again.

The collaboration with Bacardi in terms of contractual bottling, on the capacities of the plant “Georgievsky. Quality traditions” of the William Lawson’s и William Lawson’s Super Spiced whisky continues. The volume of contractual production has nearly tripled itself, compared with the same period of the last year.

As Alexander Mechetin, the CEO of BELUGA GROUP, comments on the company’s financial performance: "In the first half of 2018, the group continued to steadily strengthen the leadership on the market, with its main financial indicators showing positive dynamics: the net profit has grown by 79%, the operating profit – by 16%, and the EBITDA – by 20%.

A number of factors has contributed to positive dynamic changes: the external ones, such as stable market conditions due to absence of excise duty hikes in the current year, and the internal ones, such as, first of all, the diversification of the company's operations.

Within the first half of the year, the group has increased sales in volume terms by 3%, considering the import growth – by 27%, and considering the export growth – by 17%.

I would also like to share with you the news about acquiring the high-end winery "Villa Romanov". It is one of the most advanced wineries of the country, having their own vineyards, and located on one of the best terroirs of Russia, in the Temryuk region of the Krasnodarsky Krai. This acquisition is fully in line with our strategy of diversification. The Russian wine market currently exceeds the vodka and alcoholic beverages markets, developing dynamically. Our range of products is naturally complimented by our own wine brands.

The above factors, as well as our pro-active approach to innovative brand marketing, including launching new brands and categories, expanding and updating the existing product ranges, have contributed to the increase of the key financial indicators."

FINANCIAL OVERVIEW

Financial Performance and Operations Results

The table below shows the Company's consolidated financial results for 1H Y2018 comparing to 1H Y2017:

(In mln. RUR, except for the figures indicated in other units of measurement)

	1h2018	**1h2017**	**Change**
Sales, thousands dL	5,662	5,524	+3%
Sales, excise included	29,212	25,941	+13%
Net Revenue	**18,782**	**15,735**	**+19%**
COGS	10,766	9,657	+11%
Gross profit	8,016	6,078	+32%
Gross profit margin, %	*42,7%*	*38,6%*	*+4,1*
General and administrative expenses	1,562	1,291	+21%
Distribution expenses	4 967	3 435	+45%
EBITDA	**1 919**	**1 604**	**+20%**
EBITDA margin, %	*10,2%*	*10,2%*	*-0,0*
Operating income	1,412	1,221	+16%
Operational income margin, %	*7,5%*	*7,8%*	*-0,3*
Net financial expenses	952	924	+3%
Net profit	**410**	**229**	**+79%**
Net profit margin, %	*2,2%*	*1,5%*	*+0,7*
Net profit per share, RUR	24,06	11,49	+109%

The revenue has increased by 19% as a result of increasing of sales in volume terms by 3%, as well as consolidation of 100% of the network "VinLab".

The EBITDA has increased by 20% as a result of increasing sales in volume terms of own products and import-export operations.

Segment reporting

The table below illustrates changes in the distribution of revenue and gross profit by segments in 1H2018 as compared to 1H2017. The data presented below is net of intersegment revenues. The accounting documents contain also the new segment “Retail” for the first half of 2018.

mln. RUR	**Alcohol**	**Retail**	**Food**
Revenue 1 h of 2018	13,799	4,246	3,224
Revenue 1 h of 2017	12,394	-	3,314
Change	*+11%*	-	*-3%*
Gross profit 1 h of 2018	6,233	937	844
Gross profit 1 h of 2017	5,319	-	765
Change	*+17%*	-	*+10%*
Gross profit margin 1 h of 2018	45,2%	22,1%	26,2%
Gross profit margin 1 h of 2017	42,9%	-	23,1%
Change	*+2,3*	-	*+3,1*

Alcohol segment

The dynamics of the segment indicators reflect the performance of the group as a whole.

Food segment

The results of the segment remain stable.

The capital structure

The following table illustrates the changes in the capital structure for June 30, 2018, compared with the prior period.

(In mln. RUR, except for the figures indicated in other units of measurement)

	30 June 2018	**31 December 2017**	**Change**
Total debt	14,062	11,012	+28%
Long-term debt	13,365	10,112	+32%
Short-term debt	697	900	-23%
Share of long-term debt in total debt, %	*95%*	*92%*	*+3*
Share of unsecured liabilities in total debt, %	*96%*	*95%*	*+1*
Cash and cash equivalents	680	819	-17%
Total Equity and Reserves	19,129	19,448	-2%
Total long-term capital	33,562	30,404	+10%
Net debt/EBITDA	*3,4*	*2,8*	*+0,6*
Net debt/Equity and Reserves	*0,7*	*0,5*	*+0,2*

The structure of the loan portfolio has improved in whole, following the positive trends of 2017: the weighted average interest rate as of June 30, 2018 showed 9.1%, compared to 9.4% of December 31, 2017 and 9.8% as of June 30, 2017, the share of unsecured liabilities amounts to 96%, and the share of long-term debt is 95%.

ABOUT BELUGA GROUP

BELUGA GROUP is the largest alcohol company in Russia. It is the leading company in terms of production of alcohol beverages and vodka on the Russian market, as well as one of the largest spirits importers in the country.

The group runs 6 distilleries and manages its own distribution platform. Its portfolio features all the main spirits categories at every price point. The key brands of its own production are the super premium vodka Beluga, the vodka brands Belenkaya, Arkhangelskaya, Belaya Sova (Snow Owl), Mednaya Loshadka (Copper Horse), Myagkov; the premium champagne VOGUE and the brandy brands Zolotoy Rezerv (Gold Rezerv) and Bastion.

Having acquired the vineyard "Villa Romanov" in Taman in 2018, the company got a new direction – producing premium quality wines of own grapes.

BELUGA GROUP is the exclusive distributor of William Grant & Sons and imports the Scottish whisky brands Glenfiddich, Grant's, Monkey Shoulder, Clan McGregor and The Balvenie, the gin brand Hendrick's and the Irish whiskey brand Tullamore D.E.W. to Russia. The company also distributes the products produced by the French cognac family of Camus, selling the Elegance product line (VS, VSOP, XO, EXTRA); the exclusive cognac brands Borderies XO, Ile de Ré and Traditional Vintages; the calvados Berneroy and the brandy brands Boncourt XO and Chatelle Napoleon in Russia. Apart from that, the BELUGA GROUP imported brand portfolio includes the rum Ron Barcelo, the brandy Torres, the tequila Milagro and the balsam line Latvijas Balzams. The company is also the exclusive Russian representative of recognised wine manufacturers from France, Italy, Spain, Germany, the USA, South Africa and other countries, among which there are Masi Agricola, Gerard Bertrand, Faustino, Cono Sur, Calvet, Piccini, Barefoot and Domaines Barons de Rothschild.

BELUGA GROUP has been successfully importing their production to the foreign markets. The company makes the top three exporters of Russian vodka, being the leader of exporting this product in super-premium segment in Russia.

Warning about statements based on the forecast data

The information in the following press-release can contain some forecast claims. The forecast claims shall be any claims except for those based on the historical facts. The words "believe," "expect," "foresee," "intend", "evaluate", "will", "can," "should," "should be", and similar expressions indicate forecast claims. Forecast claims include statements regarding: goals, objectives, strategies, future events or growth prospects; further plans, events, results and potential for further growth; liquidity, capital resources and expenditures; economic forecasts and industry trends; directions of development of our markets; the impact of changes in legislation; and the advantages of our competitors.

The forecast claims that may be contained in this press release are based on various assumptions and estimates, which, in turn, are base on the management's examination of historical business trends, and of the data contained in our records and other data received from third parties. Although we believe that such assumptions were reasonable at the time of their use, nevertheless, by their nature they consist of significant known and unknown risks, as well as of uncertainties, conventions and other important factors that are difficult or impossible to predict and that we can't control. Such risks, uncertainties, conventions and other important factors can lead to the fact that the actual results of the BELUGA GROUP or industry will differ substantially from the results that are explicitly contained in the forecast claims or are assumed in them. These risks, uncertainties, conventions and other important factors include, among other things: political and social changes; general economic, market and business conditions; trends in the markets in which we work or plan to work; our business and growth strategy; planned acquisitions or diversification; our expansion towards other geographic markets or other market segments; influence of legislation, regulation, relations with the state or taxation on our business; as well as our expected future revenues, capital investments and financial resources. So, such forecast claims can not be viewed as reliable, and neither the BELUGA GROUP nor any other person can warrant you that the predicted results will be achieved in the future.

Information, opinions and forward-looking statements are relevant only for the date of this press release and may be further amended without notice. Neither BELUGA GROUP nor any other company shall undertake or be required to update and revise any forecast claims, except as required by applicable law.

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

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

	Six months ended	
	30 June 2018	**30 June 2017**
Revenue	**18,782**	15,735
Cost of sales	(10,766)	(9,657)
Gross profit	**8,016**	**6,078**
General and administrative expenses	(1,562)	(1,291)
Distribution expenses	(4,967)	(3,435)
Other income/expenses	(75)	(131)
Operating profit	**1,412**	**1,221**
Share of income in associates	-	4
Net finance costs	(952)	(924)
Profit before tax	**460**	**301**
Income tax	(50)	(72)
Net income and total comprehensive income for the period	**410**	**229**
Attributable to:		
Equity shareholders of the Company	372	200
Non-controlling interest	38	29
Basic and diluted earnings per share (RUR per share)	**24,06**	**11,49**

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

CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

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

(All amounts in Russian RUR 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 of own stock	(555)	555	–	–	–	–	–
Repurchase 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**

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

CONSOLIDATED INTERIM CONDENSED CASH FLOW STATEMENT

	Six months ended	
	30 June 2018	30 June 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	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	(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	819	1,010
Cash and cash equivalents at end of the period	**680**	**583**

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

EBITDA CALCULATION (UNAUDITED)*

	For the six months, finishing at	
	30 June 2018	**30 June 2017**
Profit for the period	410	229
Income tax	50	72
Net finance costs	952	924
Depreciation and amortisation	507	379
EBITDA	**1 919**	**1 604**

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

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

EBITDA has limitations as an analytical tool, and it should not be considered in isolation, or as substitute for analysis of our operating results as reported under IFRS. Moreover, other companies can calculate this index in a different way, which limits its capabilities as a comparison tool.

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