Roust Corporation

Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2017

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Independent Auditors’ Report on Review of Interim Condensed Consolidated Financial Information

To the Shareholders and Board of Directors of Roust Corporation

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of Roust Corporation (the “Company”) and its subsidiaries (the “Group”) as at 31 March 2017, and the related consolidated interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three - month period then ended, and notes to the consolidated interim condensed financial statements (the “consolidated interim condensed financial statements”). Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of consolidated interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial statements as at 31 March 2017 and for the three - month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Emphasis of Matter

We draw attention to Note 2, which explains that these consolidated interim condensed financial statements have been prepared as part of the Group’s adoption of International Financial Reporting Standards, that these consolidated interim condensed financial statements may require adjustment before constituting the corresponding figures in the consolidated interim condensed financial statements prepared in accordance with International Financial Reporting Standards as of 31 March 2018 and for the three - month period then ended, and that these consolidated interim condensed financial statements, except for the statement of financial position as of 1 January 2017, do not themselves include corresponding figures for the prior period Our conclusion is not qualified in respect of this matter.

Kim A.A.

Director

JSC “KPMG”

Moscow, Russia

7 July 2017

Interim Condensed Consolidated Statement of Financial Position as of 31 March 2017

	Note	31 March 2017	1 January 2017
ASSETS			
Non-Current Assets			
Property, plant and equipment	9	137,039	81,349
Intangible assets	10	1,691,013	559,555
Deferred tax assets		367	264
Other non-current assets		601	14,665
Total Non-Current Assets		**1,829,020**	**655,833**
Current Assets			
Inventories		101,535	84,684
Current tax assets		22,583	18,898
Trade and other receivables		195,815	270,207
Prepayments		17,694	76,595
Current financial assets		-	161,752
Other current assets		2,138	2,903
Cash and cash equivalents		4,487	6,689
Total Current Assets		**344,253**	**621,729**
Total Assets		**2,173,273**	**1,277,562**
EQUITY / (DEFICIT) AND LIABILITIES			
Equity / (Deficit)			
Share capital	11	250	-
Additional paid-in capital		1,039,517	25,045
Retained earnings/ (Accumulated loss)		(239,029)	(369,537)
Other reserves		35,412	36,718
Total Equity / (Deficit) attributable to the Company Stockholders		**836,149**	**(307,774)**
Non-controlling interests		(301)	(301)
Total Stockholders' Equity / (Deficit)		**835,848**	**(308,075)**
Non-Current Liabilities			
Non-current obligations under Senior Secured Notes due 2022		384,883	-
Non-current bank loans and other borrowings	13	6,639	2,397
Other liabilities		17,734	15,310
Deferred tax liabilities		207,044	33,036
Total Non-current Liabilities		**616,298**	**50,743**
Current Liabilities			
Loans and overdraft facilities	13	217,681	225,392
Other borrowings	13	124,962	140,389
Interest accrued under Senior Secured Notes due 2022		9,625	-
Current obligations under Senior Secured Notes due 2018		-	464,590
Current obligations under Junior Convertible Notes due 2018		-	279,186
Interest accrued under Notes due 2018		-	39,805
Trade and other payables		112,372	169,426
Current tax liabilities		133,032	161,231
Other current liabilities		123,455	54,875
Total Current Liabilities		**721,127**	**1,534,894**
Total Equity / (Deficit) and Liabilities		**2,173,273**	**1,277,562**

The interim condensed consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 9 to 32.

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the three months ended 31 March 2017

	Note	three-month period ended 31 March 2017
Revenue	16	129,461
Cost of sales		(82,315)
Gross profit		**47,147**
Distribution expenses		(11,429)
Administrative expenses		(31,135)
Other expenses		(75)
Operating profit		**4,508**
Finance income		14,295
Finance costs		(30,974)
Gain from debt restructuring		112,878
Other non-operating income / (expense), net	18	29,052
Profit before income taxes		**129,759**
Income tax benefit / (expense)		749
Profit for the period		**130,508**
Profit attributable to the Company		**130,508**
Other comprehensive income / (loss)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Foreign currency translation differences for foreign operations		35,164
Reserve for revaluation of investments		(36,718)
Other comprehensive income, net of income tax		**(1,554)**
Total comprehensice income, net of income tax		**128,954**
Comprehensive income attributable to the Company		**128,954**

The interim condensed consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 9 to 32.

Interim Condensed Consolidated Statement of Changes in Equity for the three months ended 31 March 2017

	Share capital		Additional paid-in capital	Retained earnings / (Accumulated losses)	Foreign currency translation reserve	Reserve for revaluation of investments	Other capital reserves	Total Equity / (Deficit) attributable to the Company Stockholders	Non-controlling interest	Total Stockholders Equity / (Deficit)
	No. of Shares	Amount								
Balance at 1 January 2017	*10,000*	**-**	**25,045**	**(369,537)**	**-**	**36,718**	**-**	**(307,774)**	**(301)**	**(308,075)**
Profit for the period				130,508				**130,508**		**130,508**
Other comprehensive income					35,163	(36,718)		**(1,555)**		**(1,555)**
Total comprehensive income for the period	*-*	**-**	**-**	**130,508**	**35,163**	**(36,718)**	**-**	**128,953**	**-**	**128,953**
Transaction with owners recorded directly in equity										
Common stock cancellation	*(10,000)*							**-**		**-**
Common stock issued in connection with reorganization	*24,999,970*	250	1,076,235					**1,076,485**		**1,076,485**
Other contribution by and distribution to the owners			(61,763)				249	**(61,514)**		**(61,514)**
Total transactions with owners	*24,989,970*	**250**	**1,014,472**	**-**	**-**	**-**	**249**	**1,014,971**	**-**	**1,014,971**
Balance at 31 March 2017	*24,999,970*	**250**	**1,039,517**	**(239,029)**	**35,163**	**-**	**249**	**836,149**	**(301)**	**835,848**

The interim condensed consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 9 to 32.

Interim Condensed Consolidated Statement of Cash Flows for the three months ended 31 March 2017

	three-month period ended March 31, 2017
Cash flows from operating activities	
Profit before tax for the period	129,759
Adjustments for:	
Depreciation and amortisation	5,406
Unrealized foreign exchange (gains) / losses	(56,369)
Interest expense, net of interest income	29,509
Amortization of debt issue costs	559
Share based payments	249
Other non cash items	(61,075)
Cash from operating activities before changes in working capital, provisions and reorganization items	**48,039**
Gain from debt restructuring	(112,857)
Cash from operating activities before changes in working capital and provisions	**(64,818)**
Change in inventories	(3,487)
Change in trade receivables	40,344
Change in prepayments, other receivables and other current assets	64,488
Change in trade payables	(48,389)
Change in other accrued liabilities and payables	(41,646)
Cash flows from operations before income taxes and interest paid	**(53,508)**
Income tax paid	(1,060)
Interest paid	(12,364)
Interest repaid	527
Net cash used in operating activities	**(66,405)**
Cash flows from investing activities	
Proceeds from sale of property, plant and equipment	1,053
Acquisition of property, plant and equipment	(1,992)
Acquisition of intangible assets	(9,002)
Loans repaid	2,194
Cash acquired in business combinations	1,178
Net cash from/(used in) investing activities	**(6,569)**
Cash flows from financing activities	
Proceeds from issue of share capital - share placement	55,000
Proceeds from bank loans, overdraft facility and other borrowings	118,102
Repayment of bank loans, overdraft facility and other borrowings	(77,995)
Cash paid to Senior bondholders	(20,000)
Payment of finance lease liabilities	(401)
Debt issuance costs	(4,355)
Net cash from financing activities	**70,351**
Net decrease in cash and cash equivalents	**(2,623)**
Cash and cash equivalents at 1 January	6,689
Effect of exchange rate fluctuations on cash and cash equivalents	421
Cash and cash equivalents at 31 March	4,487

The interim condensed consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 9 to 32.

These interim condensed consolidated financial statements were approved by Monzer Elabrashy, Chief Executive Officer and Goran Ljubicic, Chief Financial Officer on 7 July 2017 and were signed by:

ROUST CORPORATION

By: /S/ MONZER ELABRASHY
Monzer Elabrashy
Chief Executive Officer

Date: 7 July 2017

ROUST CORPORATION

By: /S/ GORAN LJUBICIC
Goran Ljubicic
Chief Financial Officer

Date: 7 July 2017

Notes to the Interim Condensed Consolidated Financial Statements

1. Background

Organization and Description of Business

Roust Corporation (previously Central European Distribution Corporation, collectively with its subsidiaries referred to as "ROUST" or "the Company") is one of the world's largest vodka producers, maintaining leading positions in all its key markets: Poland, Russia and Hungary. The brand portfolio includes well-known brands such as Żubrówka, Soplica, Bols and Absolwent in Poland; Green Mark and Parliament in Russia; and Royal Vodka in Hungary. Each of these brands is a leader in its segment in those markets.

ROUST has six operational manufacturing facilities located in Poland and Russia. In addition, there are sales offices in Hungary and Ukraine and distribution agreements in a number of key international markets, including the CIS, the Baltic States, Germany, France, the United States and the United Kingdom, for Green Mark, Talka, Zhuravli, Parliament and Żubrówka. In 2016, international sales (excluding Poland domestic and Russia domestic) represented approximately 20.6% of our sales by value. ROUST's business also involves importing of a wide variety of spirits and wines on an exclusive basis.

In 2016 the Company produced and distributed over 26.3 million nine-liter cases of alcoholic beverages. ROUST has a total work force of approximately 3,460 employees.

The ultimate beneficial owner of the Company is Mr. Roustam Tariko.

Basic information about the Company

ROUST was incorporated on 2 February 2017 as a New York corporation (previously the Company incorporated as a Delaware corporation incorporated on 4 September 1997).

The Company's common stock is not listed on any exchange.

The Company's registered office is 232 Madison Ave, Suite 1600 New York New York County, New York.

2. Basis of preparation

Statement of compliance

These interim condensed consolidated financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting" as part of the Company's adoption of International Financial Reporting Standards ("IFRS"). Therefore, these interim condensed consolidated financial statements, except for the statement of financial position as of 1 January 2017 do not include corresponding figures for the prior period. As required by IFRS these condensed consolidated financial statements have been prepared on the basis of IFRS expected to be applicable in 2018. However, IFRS are subject to ongoing review or possible amendment by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) and are therefore still subject to change. Therefore there is a possibility that these condensed consolidated financial statements may require adjustment before constituting the corresponding figures in the consolidated interim financial statements as at 31 March 2018 and for the three-month period then ended

These interim condensed consolidated financial statements have been prepared on a historical costs basis, except for certain assets and liabilities measured at fair value.

In accordance with IAS 34, these interim condensed consolidated financial statements for the first quarter 2017 and as of March 31, 2017 do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

Use of estimates and judgments

Preparing the interim financial statements requires management to make judgements, estimates assumptions that affect the application of accounted policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 10 – impairment test for intangible assets;
- Note 14 – recognition of provisions.

Going concern

These interim condensed consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern, realizing assets and paying liabilities in the normal course of business.

As of 31 March 2017, the Company has a Stockholder's Equity of $814.6 million. Significant improvement in the equity value results from the successful reorganization finalized in February 2017.

In order to ensure the necessary capital to achieve the maximum potential of our business, as a result of discussions with holders of Notes Due 2018, the Company filed voluntary petitions under the United States Code on December 30, 2016. On 17 February 2017 the Company's Plan, previously confirmed by the court, was declared effective. The transaction strengthened the Company's capitalization and considerably deleveraged its balance sheet. The transaction resulted in the reduction of the Company's existing debt as at the Effective Date by $518.2 million, plus funding of $55.0 million in new equity capital and the contribution of strategic assets, including RSV and Russian Standard Vodka brand to the Company by RTL.

The Company's new capital structure provides immediately greater value to all stakeholders by positioning the Company for accelerated revenue and profit growth within the global alcohol market, thereby strengthening the Company's position as the number 2 vodka company by volume worldwide, and the number 1 alcohol company in Central/Eastern Europe and Russia by volume. The successful completion of the transaction, the reduction in the Company's indebtedness and the liquidity provided by the new equity capital, enables the Company to more effectively execute its business strategy, take advantage of growth opportunities worldwide, to ensure that it is well positioned for a future IPO.

Our global business trend is improving and we see stronger growth potential in 2017 compared with previous years.

In particular we believe that our cash flow in the next 12 months can be improved as a result of:

- Expected decrease of cost of financing resulting from reducing notes payable balance (as a result of reorganization) and potential for replacement of certain existing loans with the new loans at lower interest rates;
- Significant operating growth of the new ROUST (after balance sheet enhancement transaction) which is already confirmed by good results of the first months of 2017 (in the first quarter of 2017 EBITDA was $6.6 million higher than in the corresponding period of 2016)
- Additional growth in Russia - according to Nielsen, the Russian vodka market started to grow. Our sales volume grew by 41% (without ready-to-drink) in the first quarter of 2017 compared with the relevant period of the prior year, including growth across the whole portfolio. The Company expects even better results for the next 12 months. We also see opportunities for further optimization of our operating expenses in Russia, which will further support growth of overall results;
- Potential reduction of outflows connected with planned capital expenditures, in particular through replacement of cash expenditures with leasing;
- Marketing cost reduction as a result of strict monitoring and targeting of marketing investment, which allows at the same time to maintain the relevant marketing support for key brands and markets to support further growth.

To continue our accelerated growth we needed to invest more in working capital in order to realize the full growth potential of our business. In particular our business requires strong liquidity to increase sales (e.g. to fund suppliers and tax payments) and roll-over or replace short term working capital facilities and factoring lines.

The Company's ability to meet its obligations depends on the management's plan being achieved. There can be no absolute assurance that the Company will be successful, while the failure to generate revenue and margin growth or roll over existing bank debts may adversely affect the Company's ability to achieve its intended business objectives. After carefully considering the above factors, management has concluded that the going concern basis of the presentation of the financial statements is appropriate.

3. Significant accounting policies

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2017. Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Inter-company balances and transactions, and any unrealised income and expenses arising from inter-company transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Business combinations, including acquisitions from entities under common control

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Company.

The Company measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then a bargain purchase gain is recognised immediately in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. For more details on goodwill impairment refer to section *"Impairment"* of point 3 *"Significant accounting policies"*.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

For each business combination, the Company elects whether to measure the non-controlling interest in the acquire at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Revenue

Revenues of the Company include sales of its own produced spirit brands, imported wine and spirit brands as well as other third party alcoholic products purchased locally. The sale of each of these revenues streams are all processed and accounted for in the same manner. Revenue is recognised when the Company satisfies the performance obligations resulting from the contract with customer. This generally means that revenue is recognized when title to the products are transferred to our customers. Revenue is measured at the amount to which the Company is entitled in exchange for the transfer of goods, taking into account contractually defined terms of payment and excluding sales related taxes. For more details refer to Note 16.

Finance income and costs

The Company's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;

- impairment losses recognised on financial assets (other than trade receivables).

Interest income or expense is recognised using the effective interest method.

Foreign currency

Foreign currency transactions

The Company's consolidated financial statements are presented in US dollars, which is also the parent company's functional currency. For each entity, the Company determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency (U.S. dollars) at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the presentation currency at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such item form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

Deferred tax

A deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred

tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost method and first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment, except for land are measured at cost less accumulated depreciation and any accumulated impairment losses, if any

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditures are capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of significant items of property, plant and equipment are as follows:

Type	Depreciation life in years
Transportation equipment including capital leases	1-18
Production equipment	2-26
Computers and IT equipment	2-17
Other equipment	1-26
Freehold land	Not depreciated
Freehold buildings	5-50

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. For more details refer to paragraph *"Business combinations, including acquisitions from entities under common control"* and paragraph *"Impairment"* of point 3 "Significant accounting policies".

Intangible assets other than goodwill

Intangible assets other than goodwill consist of trademarks acquired separately and distribution rights acquired in a business combinations.

Trademarks are intangible assets with indefinite useful lives, which are not amortized, but instead are subject to impairment testing at least annually.

Distribution rights are initially recognized at their fair values at business combination. Following initial recognition distribution rights are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Other intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses, if any.

The estimated useful lives of significant items of intangible assets are as follows:

Type	Depreciation life in years
Software	1-10
Trademarks (depreciated)	2-15
Other intangible	2-15

Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The capitalised expenditures include the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditures are recognised in the profit or loss as incurred.

Subsequent to initial recognition, capitalised development expenditures are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditures

Subsequent expenditures are capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognised in the profit or loss as incurred.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and initial measurement

The Company initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instruments.

A financial asset or financial liability is measured initially at fair value plus, in the case of financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

Financial assets

Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, at fair value through other comprehensive income (FVOCI) or FVTPL.

A financial asset shall be measured at amortized cost if both of the following conditions are met, and it is not measured at fair value through profit or loss (FVTPL):

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met, and it is not measured at fair value through profit or loss (FVTPL):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in equity instrument that is not held for trading, the Company may make an irrevocable election to present on other comprehensive income subsequent changes in the fair value.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial assets that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if going so eliminated or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and sell financial assets.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company’s stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risks and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flow such that it would not meet this condition. In marking the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company’s claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Company holds a portfolio of long term fixed rate loans for which the Company has the option to propose to revised the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Company has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Financial liabilities

Financial liabilities are classified to respective categories at initial recognition. All financial liabilities are recognized initially at fair value and net of directly attributable transaction costs. The Company’s financial liabilities include trade and other payables, loans and borrowings, including bank overdrafts, notes issued and financial guarantee contracts.

Subsequent measurement of financial liabilities depends on their classification.

Loans and borrowings and notes issued

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. The Company made use of the choice permitted by IFRS 4 and decided to continue with the policies applied under previous GAAP and to treat financial liabilities of this type as insurance contracts. As a result financial guarantee contracts are not recognized when the guarantee is issued. Subsequently, the potential liability is determined in accordance with IAS 37. At each reporting date the Company evaluates probability that the Company will be required to settle the related obligation. The Company recognizes the liability when it is more likely than not that the Company will be required to reimburse the holder of the guarantee for a loss. Where it is not probable that a present obligation exists, the Company discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

Derecognition of financial liabilities

A financial liability is derecognised when it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in additional paid-in capital.

Share based payments

Employees (including senior executives) of the Company are eligible to receive remuneration in the form of share-based payments under Roust Management Incentive Plan ("MIP"), whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 12. That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee.

Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor will enter bankruptcy;
- adverse changes in the payment status of borrowers in the Company;
- economic conditions that correlate with defaults; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

Financial assets measured at amortised cost

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL: debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Non-financial assets

The carrying amounts of the Company's non-financial assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year in December.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Leases

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease based on the substance of the arrangement. This will be the case if the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

At inception or upon reassessment of an arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

Leased assets

Assets held by the Company under leases that transfer to the Company substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Company's statement of financial position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's CEO to make decisions about resources to be allocated to the segment and assess its performance.

Segment results that are reported to the Company's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

4. Balance Sheet enhancement transaction

Confirmation of the Plan and Emergence

As mentioned above, on December 30, 2016 (the "Petition Date") Roust Corporation and its two wholly owned subsidiaries, CEDC Corporation International Inc. (formerly CEDC Finance Corporation International Inc.) and CEDC Finance Corporation LLC filed voluntary petitions under the United States Code in order to effectuate the Debtors' prepackaged Plan of Reorganization (the "Plan"). The Plan was confirmed by the court on January 6, 2017. The Plan became effective when all material conditions to it were satisfied and Roust and its two subsidiaries emerged from reorganization on February 17, 2017 (the "Effective Date").

Plan Effects

As a result of the Plan:

- holders of Senior Secured Notes due 2018 received (i) the New Senior Secured Notes in an aggregate principal amount of $385 million on the terms and conditions described in the Offering Memorandum dated December 1, 2016, (ii) $20 million in cash, (iii) 13.71% of the shares of the New Common Stock issued on the Effective Date in the form of series B New Common Stock;
- holders of the Junior Secured Convertible Notes due 2018 received 24.93% of the shares of the New Common Stock issued and outstanding on the Effective Date in the form of series C New Common Stock;

- all Notes Due 2018 were automatically cancelled and the obligations of the Debtors thereunder were discharged; the all Existing Roust Interests were automatically cancelled and the obligations of the Debtors thereunder were discharged;
- Roust Trading Ltd. and each of its direct and indirect non-Roust affiliates and subsidiaries ("RTL") and Roustam Tariko (collectively, the "Russian Standard Parties") contributed certain strategic assets, namely RSV and related intellectual property, to ROUST in exchange for the series A New Common Stock. Certain outstanding debt to Russian Standard Parties was converted into equity of ROUST that was issued in the form of series A New Common Stock;
- As a result of Share Placement as referred to in the Plan the Company received $55.0 million in cash.

The New Common Stock referred to in the Plan was issued by Roust Corporation incorporated on February 2, 2017 as a New York corporation (previously a Delaware corporation incorporated on September 4, 1997).

In addition, the Company implemented the Roust Corporation Management Incentive Plan which is described in details in Note 12.

Impact on Equity

The following table presents the impact of the Plan on stockholders' equity:

	February 17, 2017
Senior Secured Notes due 2018 cancelled	464,590
Junior Convertible Secured Notes due 2018	279,186
Interest accrued under Existing Notes untill February 17, 2017 - cancelled	49,491
Notes Due 2022 issued	(385,000)
Total change in the Notes value	**408,267**
Total cash from share placement	55,000
Cash paid to hoders of Seniors Notes	(20,000)
Net assets contribiuted in exchange for shares	709,906
Impact of debt cancelled before reorganization cost	**1,153,173**
Equity issuance cost (charged directly to equity)	(5,848)
Reorganization costs (non-operating costs)	(19,726)
Total impact on Shareholders' Equity	**1,127,599**
of which impact on	
Share capital	250
APIC	1,014,472
Retained earnings	149,595
Other comprehensive income	(36,718)
Total impact on Shareholders' Equity	**1,127,599**

5. Operating segments

We manage our business on the basis of the following segments: Poland domestic, Russia domestic, International (comprising export activities of Poland-based and Russia-based entities and other activities of an international nature) and Corporate, which comprises other non-production and non-trading activities.

Management assesses the results of the segments based on operating income adjusted for depreciation and impairment charges ("EBITDA") based on US GAAP.

Selected financial data splits based upon these segmentations are shown below for the relevant periods:

Net Sales	three-month period ended 31 March 2017
Segment	
Poland domestic	67,715
Russia domestic	43,432
International	20,339
Total Revenue US GAAP	**131,486**
IFRS adjustements	(2,025)
Total Revenue IFRS	**129,461**

EBITDA	three-month period ended 31 March 2017
Segment	
Poland	10,741
Russia	(2,670)
International	1,729
Corporate Overhead	(1,914)
Total EBITDA	**7,886**
IFRS adjustements	2,027
Total EBITDA IFRS	**9,913**

EBITDA to Operating Income reconciliation	three-month period ended 31 March 2017
Operating income (US GAAP)	4,092
Depreciation and amortization	3,794
Total EBITDA	**7,886**
IFRS adjustements	2,027
Total EBITDA IFRS	**9,913**

6. Seasonality of operations

Our business is subject to seasonality. There is a lower demand for vodka during the first three fiscal quarters of the year. Historically, sales in the fourth quarter have been significantly higher than in the other quarters of the year due to higher demand for vodka during the holiday season at year end. Our results in any particular quarter might therefore not be a reliable basis to formulate expectations of our performance over a full fiscal year and may not be comparable with the results in other fiscal quarters. However, management has concluded that this is not "highly seasonal" in accordance with IAS 34.

7. Acquisitions of subsidiaries

Acquisition of Roust International

On 1 February 2017 the Company acquired Roust International, the London Branch of Roust Trading (Cyprus) Limited for $4.3 million. The acquisition was a non-cash transaction and as a result certain accounts receivable and accounts payable between the parties involved were set-off.

By acquiring Roust International the Company obtained control of the design studio assets (intangible and tangible) and processes such as designs, drawings, operation manuals, techniques (the know-how), etc. related or used in connection with conducting the business of this type.

In accordance with IFRS the fair values can be allocated to individual assets and liabilities provisionally. The Company provisionally assigned consideration to goodwill. The Company is in process of gathering information about assets acquired and liabilities assumed. The Company has one year from the acquisition to make the final allocation.

Acquisition of RSV USA and RSV Canada

On 13 February 2017 ROUST obtained control of RSV USA and RSV Canada by acquiring 100% of the shares and voting interests in the entities from related parties controlled by RTL. After analysing the fair value of the businesses and the Company's strategic objectives, a purchase price for RSV USA and RSV Canada was agreed at $19.0 million and $3.5 million, respectively. The acquisition of RSV USA was a non-cash transaction and as a result certain accounts receivable and accounts payable between the parties involved were set-off. RSV USA and RSV Canada are distributors of Russian Standard Vodka on American markets. The acquisition of RSV USA and RSV Canada was the final step for ROUST in distributing its premium brand globally. The transactions follow the success of Roust Inc., which distributes Russian Standard Vodka in Russia and RDL – international Russian Standard Vodka distributor. The transactions support the Company's objective to become a leading global alcohol business.

The acquisitions of RSV Canada and RSV USA have been accounted for using the acquisition method. From the date of acquisition to 31 March 2017 RSV USA contributed revenue of $1.7 million and gross profit of $0.4 million. From the date of acquisition to 31 March 2017 RSV Canada contributed revenue of $0.3 million and gross profit of $0.03 million.

The following summarizes the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

Identifiable assets acquired and liabilities assumed

Acquisition of RSV USA

The following table presents breakdown of net assets acquired:

	Fair value recognized on acquisition as of 13 February 2017
Intangible assets	17,609
Total Current Assets (Inventories, Accounts Receivalbes and other)	54,508
Bank overdrafts, loans and borrowings	381
Trade and other payables	46,879
Other current liabilities	5,857
Net identifible assets, liabilities and contingent liabilities	**19,000**
Consideration	**19,000**
Goodwill	**0**

Acquisition of RSV Canada

The following table presents breakdown of net assets acquired and resulting goodwill:

	Fair value recognized on acquisition as of 13 February 2017
Property, plant and equipment	60
Total Current Assets (Inventories, Accounts Receivalbes and other)	10,848
Bank overdrafts, loans and borrowings	266
Trade and other payables	9,808
Other current liabilities	207
Total Current Liabilities	**10,281**
Net identifible assets, liabilities and contingent liabilities	**627**
Consideration	**3,500**
Goodwill	**2,873**

The goodwill is attributable mainly to customer relationships, that are not separately recognized. The goodwill recognised is not expected to be deductible for income tax purposes.

In accordance with IFRS the fair values can be allocated to individual assets and liabilities provisionally. The Company has one year from the acquisition to make the final allocation.

Acquisition of Russian Standard Vodka

On 17 February 2017 ROUST obtained control of Russian Standard Vodka ("RSV"). 90.986% of the shares of RSV were contributed into ROUST by RTL as a result of implementation of the Plan. ROUST issued series A New Common Stock to RTL parties as a consideration for RSV. The transaction has been accounted for using the acquisition method. Given this was a transaction under common control, the fair value of purchase consideration was deemed to equal the fair value of RSV. From 17 February 2017 (the date of acquisition) to 31 March 2017 RSV contributed revenue of $6.0 million and gross profit of $2.6 million. As a result of this acquisition, as of 31 March 2017, ROUST owns 100% in RSV.

The following summarizes the recognised amounts of assets acquired and liabilities assumed at the date of contribution of RSV into ROUST.

Identifiable assets obtained and liabilities assumed

The following table presents breakdown of net assets acquired and resulting goodwill:

	Fair value recognized on acquisition as of 17 February 2017
Property, plant and equipment	49,823
Intangible assets	1,026,411
Total Non-Current Assets	**1,076,234**
Inventories	5,809
Current tax assets	1,253
Trade and other receivables	31,794
Prepayments	2,078
Cash and cash equivalents	63
Total Current Assets	**40,997**
Non-current bank loans and other borrowings	19,924
Deferred tax liabilities	173,553
Total Non-Current Liabilities	**193,477**
Bank overdrafts, loans and borrowings	60,227
Trade and other payables	91,228
Current income tax liabilities	4,440
Other current liabilities	2,217
Total Current Liabilities	**158,112**
Net identifible assets, liabilities and contingent liabilities	**765,642**
Consideration	**765,642**
Goodwill	**0**

The Company is in process of gathering information about assets acquired and liabilities assumed. The Company has one year from the acquisition to make the final allocation.

8. Income tax expense

The Company operates in several tax jurisdictions primarily: the United States of America, Poland, Hungary, Russia and Ukraine. All subsidiaries file their own corporate tax returns as well as account for their own deferred tax assets and liabilities. The respective statutory tax rates are as follows:

Satutory tax rates	
USA	35%
Russia	20%
Poland	19%
Ukraine	18%
Hungary	9%

The Company does not file a tax return in the United States of America based upon its consolidated income, but does file a return in the United States based on its income taxable in the United States of America.

The Company recognises income tax expense based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Company's consolidated effective rate in respect of continuing operations for the three months ended 31 March 2017 was 0.6%.

9. Property, plant and equipment

Acquisitions and disposals

During the three months ended 31 March 2017, the Company acquired property, plant and equipment with a cost, excluding capitalised borrowing costs, of $52.4 million, including property, plant and equipment acquired through a business combination (see Note 7) of $49.8 million.

During the three months ended 31 March 2017, the Company disposed of assets of net book value of $0.2 million.

10. Intangible assets

Impairment

At the date of transition to IFRS the Company tested for impairment all goodwill and intangible assets with indefinite useful lives recognized in the opening IFRS statement of financial position.

The Company used the results of impairment tests performed as at 31 December 2016 for 2016 US GAAP consolidated financial statements, because there was no change in assumptions.

Impairment test for Trademarks with indefinite useful lives

The Company calculated the fair value of trademarks (Level 3) using a discounted cash flow approach based on the following assumptions:

- Risk free rates for Poland, Russia and Hungary used for calculation of discount rate were based on the risk free rate for local 10-year treasury bonds and specific country risks for Poland, Russia and Hungary, respectively. A discounting factor was further adjusted by 3.7% to reflect a company size premium and an additional 1% was added to reflect additional risks related to trademarks as separate assets. Poland's discount rate was further increased by 1.5% to reflect company's specific risks. As a result of our assumptions and calculations, discount rates were determined in range of 11.53% and 16.78%.
- The Company estimated the growth rates in projecting cash flows for each of trademarks separately, based on five year plan related to each trademark.
- The Company estimated the terminal value growth rates of 2.1% for Polish trademarks, 5.0% for Russian trademarks and 3.0% in relation to Hungarian trademark.

Based upon the above analysis performed, the Company has determined that the fair market value of certain Russian trademarks is below their carrying value. As a result, the Company recorded an impairment charge of $2.0 million on the following trademarks: Zhuravli and Parliament.

As of 1 January 2017 the Company also tested for impairment indefinite useful life distribution rights to RSV products, which were identified and measured at fair value at the acquisition date of RDL. In order to support the value of the intangible assets as of the transition, the Company calculated the fair value of distribution rights using a discounted cash flow approach based on the following assumptions:

- Risk free rate for RDL unit used for calculation of discount rate was based on the risk free rate for local 10-year treasury bonds. A discounting factor was further adjusted by 1.7% to reflect a company size premium. As a result of our assumptions and calculations, discount rate of 8.63% has been determined.
- The Company estimated the growth rates in projecting cash flows for distribution rights based on five year plan.
- The Company estimated the terminal value growth rate of 1.1%.

Based upon the analysis performed, the Company has determined that the fair market value of distribution rights is above their carrying values. As a result no impairment charge was recognized at transition.

Impairment test on goodwill

The Company tested the fair value of the following reporting units: Poland Domestic Business Unit, Russia Domestic Business Unit, and Hungary Business Unit. In order to support its value, the Company calculated the fair value of the reporting units (Level 3) using a discounted cash flow approach based on the following assumptions:

- Risk free rates for Poland, Russia and Hungary used for calculation of discount rate were based on the risk free rate for local 10-year treasury bonds and specific country risks for Poland, Russia and Hungary, respectively. A discounting factor was further adjusted by 3.7% to reflect a company size premium. Poland's discount rate was further increased by 2% to reflect company's specific risks. As a result of our assumptions and calculations, discount rates were determined in range of 10.53% to 16.78%.
- The Company estimated the growth rates in projecting cash flows for each of reporting group separately, based on a detailed five year plan related to each reporting unit.
- The Company estimated the terminal value growth rates of 2.1% for Polish reporting unit, 5.0% for Russian reporting unit, and 3.0% for its Hungarian reporting unit.

Based on the goodwill impairment test as of 1 January 2017 it was determined that the carrying value of all CGUs does not exceed their fair value. As a result no impairment charge was recognized at transition to IFRS.

Goodwill

The following table presents reconciliation of the carrying amount of goodwill as of 31 March 2017:

Goodwill	
Balance as of 1 January 2017	**238,813**
Acquisition through business combination	7,122
Effect of translation	17,257
Balance as of 31 March 2017	**263,192**

11. Capital and reserves

Issuances of ordinary shares

The Company had 90,000 $0.01 par value shares of common stock authorized of which 10,000 shares were issued and outstanding as of 1 January 2017. Additionally as of 1 January 2017 the Company had authorized 10,000 preferred shares none of which had been issued or outstanding.

As of the Effective Date all Existing Roust Interests were automatically cancelled and the Company issued:

- 15,340,721 A series New Common Stock;
- 3,427,857 B series New Common Stock;
- 6,231,392 C series New Common Stock.

All of the above shares are outstanding as of 31 March 2017. Total authorized shares of the Company amount to 74,999,910 $0.01 par value as of 31 March 2017. As of 31 March 2017 the Company has no authorized preferred shares.

12. Share based payments

The Company has not had any stock incentive plan until the Plan become effective on the Effective Date. On that date the Company implemented a management incentive plan (the "MIP") for nominated members of management in the amount of up to 1,908,323 Shares. If ROUST completes an initial public offering or the holders of the series B New Common Stock and holders of series C New Common Stock issued on the Effective Date sell at least 90% of the aggregate number of shares of New Common Stock held by series B New Common Stock and series C New Common Stock issued on the Effective Date ("Exit Event") on or prior to June 30, 2019, the Management MIP awards will vest in connection with such Exit Event.

Currently two Directors received 24,862 Restricted Stock Units ("RSU") under the MIP that will vest after 3 years of continued service.

Separately, Mr. Roustam Tariko is the beneficiary of a management incentive plan that includes the following: (i) 2.0% of the equity in Roust on a fully diluted basis (in the form of series A New Common Stock) (the "Initial Earn Out Equity") exercisable upon the occurrence of an Exit Event at a valuation of $899.4 million (the "Initial Earn Out Equity Threshold") and (ii) 1.0% of additional equity in Roust (in the form of series A New Common Stock) on a fully diluted basis for each $250 million of equity value created above the Initial Earn Out Equity Threshold on the Effective Date, up to a maximum of 3.0% of incremental equity on a fully diluted basis (the "Additional Earn Out Equity", and collectively with the Initial Earn Out Equity, the "RT Earn Out Equity"). The triggering of an Additional Earn Out Equity award shall be based on a 30-day volume weighted average price of the Roust stock post-Exit Event. Roustam Tariko will be entitled to receive Additional Earn Out Equity until July 31, 2019. The RT Earn Out Equity shall expire if an Exit Event has not occurred by June 30, 2019. The Management MIP and the RT Earn Out Equity, are collectively referred to as the MIP

The fair value of options granted during the three months ended 31 March 2017 was estimated on the date of grant using the following assumptions:

	Initial Earn Out Equity	Additional Earn Out Equity	Management MIP
No. of options granted	538,132	807,197	24,862
Risk-Free Interest Rate	4%	4%	4%
Expected Life of Option (years)	2.375	2.375	3
Volatility	24%	24%	24%
Dividend Yield	0%	0%	0%
Call Option Value	7.26	2.44	9.11

The weighted average fair value of the options granted during the three month period was $3.50.

For the three months ended 31 March 2017, the Company has recognized $0.2 million of share-based payment expense in the statement of profit or loss.

13. Loans and borrowings

As of 1 January 2017 and 31 March 2017 the Company was a party to the following loans and borrowings:

Lender	Type of the facility	Facility currency	Date of drawing	Maturity date	31 March 2017	1 January 2017
External debt						
Banks 1 and 2	credit line	USD	9/2016 -3/2017	10/2017 - 11/2018	26,396	24,967
Banks 3 to 9	credit line	RUB	3/2013 - 3/2017	4/2017 - 3/2020	99,053	62,005
Prepaid interest presented as assets					-	2
Recourse factoring (borrowing type)					25,686	37,410
Bank Loans and Overdrafts Facilities					***151,135***	**124,384**
- Current					***148,710***	***122,042***
- Non-Current					***2,424***	***2,342***
Other 3rd party borrowings					74,762	75,061
Amounts repayable to the factor					27,023	28,482
Recourse sales type factoring					24,715	36,901
Other Borrowings					**126,500**	**140,444**
- Current					***124,961***	***140,389***
- Non-Current					***1,539***	***55***

Lender	Type of the facility	Facility currency	Date of drawing	Maturity date	31 March	1 January 2017
Related Party debt						
Related Party debt						
Related Party	credit lines	RUB	11/16/2012-3/29/2017	2/9/2017-3/13/2020	71,647	36,462
Related Party	credit lines	USD	9/29/2015-12/8/2016	3/16/2017-12/23/2017	-	66,888
Bank Loans and Borrowings from Related Parties					**71,647**	**103,350**
- Current					***68,971***	***103,350***
- Non-Current					***2,676***	**-**
Total loans and borrowings - external debt					**277,635**	**264,828**
Total loans and borrowings from Related Parties					**71,647**	**103,350**
Total loans and borrowings					**349,282**	**368,178**

Loans and borrowings are presented in the consolidated statement of financial position as: Non-current bank loans and other borrowings, Loans and overdraft facilities, Other borrowings.

The Company concluded recourse and non-recourse factoring agreements. Non-recourse factoring agreements are not recognized on the balance sheet.

In case of recourse factoring, if the Company's original debtors will not pay the amounts due under the factoring agreement, the factors have the right to require payments from the Company. The Company was a party of the following recourse factoring agreements:

- recourse factoring accounted for as a secured borrowing (borrowing type) – the receivables are not derecognized and the related liability to the factor is recognized;
- recourse factoring accounted for as a sales type – the related liability is estimated as 90% of the factored receivables.

14. Provisions

Current provisions

The table below presents details of our current provisions:

	31 March 2017	1 January 2017
Accrued marketing related services	17,644	18,184
Accrued employee benefits	13,023	9,089
Accrued cost to satisfy the claims	1,033	692
Accrued legal and professional services	13,324	2,772
Accrued retro-bonus expenses	8,285	9,815
Other	14,876	11,720
Total	**68,185**	**52,272**

As of 31 March 2017 legal and professional services accruals increased by $10.5 million compared to 1 January 2017 due to legal consulting related to balance sheet enhancement transaction completed in February 2017. As of 31 March 2017 retro-bonus accruals decreased in amount of $1.5 million compared to 1 January 2017 mainly due to new legislation in Russian Federation restricting value of marketing expenses (in relation to revenue).

Non-current Provisions

Non-current provisions amount to $2.9 million as of 31 March 2017. The amount includes $2.1 million of non-current accruals in Roust Russia (tax related).

15. Fair value of financial instruments

As of the reporting date, the fair value of financial assets and liabilities does not differ materially from their carrying value.

The Company issues financial guarantee contracts that are recognized according to IFRS 4 (refer to Note 3 "Significant accounting policies" for details. As of 31 March 2017 the Management evaluated that it is less probable than probable that the Company will be required to settle any obligation on financial guarantee contracts and no liability was recognized.

The Company does not have instruments measured at fair value.

The Company does not have Level 3 instruments.

16. Revenues

The following table presents breakdown of revenue including discounts, allowances, trade marketing and excise taxes.

	three-month period ended 31 March 2017
Gross Sales Revenue	363,686
Discounts & Allowances	(30,533)
Trade Marketing expense, net of income from brand owners	(14,503)
Excise	(189,189)
Revenue	**129,461**

17. Other non - operating income and expense

Other non-operating income mainly include $36.7 million of reserve for revaluation of investments relating to pre-acquisition interest in RSV, reclassified from equity to net income upon RSV acquisition.

18. Related party transactions

Control relationships

The ultimate parent company of the Company is Roust Trading Limited. The ultimate controlling beneficiary of the Company is Mr. Roustam Tariko.

Transactions with key management personnel

The following table presents cost of key management personnel compensation included in Administrative expenses for the three-month period ended 31 March 2017:

Key management personnel compensation	three-month period ended 31 March 2017
Directors	930
Management	783

In addition the Company accrued for a bonus for Management (including former CEO) of $1.9 million, that is included in Other current liabilities as at 31 March 2017.

Other related party transactions

In the ordinary course of business, the Company is involved in transactions with entities controlled by Mr. Tariko that result in the recognition of revenues, expenses, assets and liabilities by the Company.

The following table summarizes our transactions with the Related Parties as included in these interim condensed consolidated financial statements. The table includes transactions with RSV Canada and RSV USA that were related parties until acquisition on 13 February 2017. The table includes also transactions with RSV that was a related party until acquisition on 17 February 2017.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS	three-month period ended 31 March 2017
Net sales	3,947
Cost of goods sold	(2,012)
Purchases of goods	6,820
Selling, general and administrative expenses	(2,923)
Interest expense	(3,425)
Interest Income	1,583
Other Income	278
Other Expense	(32)
Factoring costs	(1,726)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31 March 2017	1 January 2017
Assets		
Accounts receivable	8,017	35,289
Prepaid expenses	3,651	70,551
Prepayments to RSB and its subsidiaries	2,314	-
Other current receivables	13,829	12,368
Other financial receivables	-	6,217
Other current receivables	-	99,988
Intangible assets, net	11,035	2,839
Long-term investments	-	29
Other non-current assets	-	7,064
Liabilities		
Current Liabilities	2,946	9,699
Other accounts payable	4,522	6,749
Other accrued liabilities	353	875
Bank loans and borrowings from RSB and its subsidiaries*	71,647	103,351

** Loans from Russian Standard Bank and Bank Forward.*

Accounts receivable and accounts payable arise from the historical sale, purchases of goods and transactions related to marketing activities made primarily with F.lli Gancia & C. SpA and Roust Trading, Ltd. in the ordinary course of business. The intangible assets as of 31 March 2017 relate to Gancia agency rights resulting from the contract settled in 2017. Selling, general and administrative expenses apply mainly to staff costs from Roust Trading (Cyprus) Ltd., costs of renting office premises from LLC "Union Trust Stroy" and Roust Trading (Cyprus) Ltd. and cost of warehouse rent from LLC "Union Trust Stroy".

As of 1January 2017 other current receivable include loan receivables from Related Parties in principal amount equal to $88.6 million. As of 31 March 2017 there were no loans granted to Related Parties, as they were settled as at the Effective Date, i.e. on 17 February 2017.

As of 1 January 2017 the Company had bank borrowings from Related Parties in the amount of $103.4 million, which represented 28.1% of our bank loans portfolio. For details please see Note 13 "Loans and Borrowings".

19. Events subsequent to the reporting date

Subsequent events were evaluated through 7 July, 2017 which is the date these interim condensed consolidated financial statements were issued.

Changes in external financing

Since 31 March, 2017, up to the date of this report ROUST received $26.5 million, repaid $37.1 million of external debt and repaid additionally $0.8 million of factoring facilities from third parties.

Changes in Related Party financing

Since 31 March, 2017, up to date of this report the Company received $23.1 million of borrowings from related parties and repaid $16.0 million of borrowings.

20. Explanation of transition to IFRS

The Company made following adjustments to the interim financial statements at transition from US GAAP to IFRS.

A. Business Combinations

The Company elected to apply IFRS 3 retrospectively to all business combinations that occurred on or after 30 June 2014 i.e. in respect of Roust Inc. and RDL. The Company has not applied IFRS 3 to business combinations that occurred before 30 June 2014. As a result previous GAAP carrying amounts of assets (including indefinite life trademarks and goodwill) and liabilities that were revalued to their fair values at fresh start (as applied under US GAAP) are considered deemed costs at the date of transition.

Under previous GAAP, the Company recognized $298.3 million charge to stockholders' equity (including $258.0 impact on additional paid-in capital and $40.3 million impact on retained earnings) in connection with the acquisitions of Roust Inc. and RDL, which were accounted for as the "pooling of interest method", which was reversed for IFRS purposes.

In addition, goodwill relating to business combinations that occurred prior to 1 January 2017 was tested for impairment. No impairment existed at the date of transition.

In addition the Company recalculated business combinations that occurred in the first quarter 2017, which were accounted for as the "pooling of interest method" under previous GAAP and were reversed for IFRS purposes.

The impact arising from the change is summarized as follows:

Consolidated statement of financial position	1 January 2017	31 March 2017
Property, Plant and Equipment	1,105	3,943
Goodwill	73,523	87,081
Intangible assets, net	144,458	1,203,485
Deferred tax asset	(2,852)	(5,672)
Deferred tax liability	6,398	177,437
Additional paid-in capital	257,997	1,039,418
Adjustment to retained earnings / (Accumulated loss)	(48,610)	5,558

B. Deemed cost

All items of property, plant and equipment were revalued to their fair values and goodwill was recognized at fresh start (as applied under US GAAP). The Company elected to regard those values as deemed cost of items of property, plant and equipment and goodwill as an "event driven" fair value under IFRS 1. This value used as deemed cost at the date of that valuation of property, plant and equipment was depreciated up to the date of transition to IFRS.

C. Cumulative translation differences

In accordance with IFRS 1, the Company has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition.

The impact arising from the change is summarized as follows:

Consolidated statement of financial position	1 January 2017
Foreign currency translation reserve	57,336
Adjustment to retained earnings / (Accumulated loss)	(57,336)

D. Transfer of financial assets

Under US GAAP $72.6 million transactions were considered sales of the receivables to the third party and the receivables were derecognized upon cash receipt from the factor. Under IFRSs, due to the Company retaining substantially all the credit risk relating to the receivables, the derecognition criteria in IFRS 9 are not met and the receivables are not derecognized.

The impact arising from the change is summarized as follows:

Consolidated statement of financial position	1 January 2017	31 March 2017
Trade and other receivables	41,001	27,461
Other borrowings	36,901	24,715
Adjustment to retained earnings / (Accumulated loss)	4,100	2,433
Accumulated other comprehensive income / (loss)	-	313

E. Impact on deferred taxes

The above changes decreased deferred tax assets in Roust Inc. and increased deferred tax liabilities in RSV as follows based on a tax rate of 20% percent:

Consolidated statement of financial position	1 January 2017	31 March 2017
Deferred tax assets	(2,852)	(5,673)
Deferred tax liabilities	6,398	176,883

F. Adjustments to the Statement of Profit and Loss

Adjustments to the Statement of Profit and loss comprise mainly of recalculation of results of the Company that reverse elimination of intercompany transactions that was made under previous GAAP for the period from 1 January 2017 until the date of acquisition.

In addition there is a higher depreciation charge than under previous GAAP resulting from assets recognized on acquisitions.

The cumulative effect of these adjustments to the Statement of Profit or loss for the period was $74.1 million.