OAO Baltika Breweries

Consolidated Interim Financial Statements for the three months ended 31 March 2009

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	Note	Three months ended 31 March 2009 '000 RUR	2008 '000 RUR
Revenue		17,743,119	16,845,090
Cost of sales		(8,980,400)	(9,274,527)
Gross profit		8,762,719	7,570,563
Distribution expenses		(4,149,045)	(4,164,162)
Administrative expenses	8	(575,409)	(586,148)
Other income	9	13,276	73,625
Financial income	11	504,223	521,604
Financial expenses	11	(1,308,981)	(508,183)
Share of profit of equity accounted investees (net of income tax)		3,517	10,750
Profit before income tax		3,250,300	2,918,049
Income tax expense	12	(722,420)	(785,480)
Profit for the period		2,527,880	2,132,569
Other comprehensive income		833,520	5,807
Total comprehensive income for the period		3,361,400	2,138,376
Earnings per share			
Basic and diluted earnings per share	22	16.66 RUR	14.06 RUR

These consolidated interim financial statements were approved by Management on 4 May 2009 and were signed on its behalf by:

Anton Artemiev
President

Ekaterina Azimina
Vice-President of finance and economy

The consolidated interim statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 8 to 46.

	Note	31 March 2009 '000 RUR	31 December 2008 '000 RUR
ASSETS			
Non-current assets			
Property, plant and equipment	13	43,192,261	43,356,748
Intangible assets	14	14,395,666	13,791,191
Investments in equity accounted investees	15	368,276	340,038
Other investments	16	9,796	9,796
Total non-current assets		57,965,999	57,497,773
Current assets			
Inventories	18	7,683,447	7,683,466
Income tax receivable		185,099	583,952
Trade and other receivables	19	6,653,527	7,511,041
Cash and cash equivalents	20	4,547,848	1,691,594
Total current assets		19,069,921	17,470,053
Total assets		77,035,920	74,967,826
EQUITY AND LIABILITIES			
Equity	21		
Preference shares		84,978	84,978
Ordinary shares		736,129	736,129
Share capital		821,107	821,107
Additional paid-in capital		4,171,716	4,171,716
Foreign currency translation reserve		1,267,107	433,587
Retained earnings		51,378,721	48,850,841
Total equity		57,638,651	54,277,251
Non-current liabilities			
Loans and borrowings	23	204,105	176,304
Deferred tax liabilities	17	1,540,074	1,453,654
Total non-current liabilities		1,744,179	1,629,958
Current liabilities			
Loans and borrowings	23	5,435,167	7,562,837
Trade and other payables	24	11,785,038	11,101,272
Income tax payable		432,885	396,508
Total current liabilities		17,653,090	19,060,617
Total liabilities		19,397,269	20,690,575
Total equity and liabilities		77,035,920	74,967,826

The consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 8 to 46.

	Three months ended 31 March	
	2009	**2008**
	'000 RUR	**'000 RUR**
OPERATING ACTIVITIES		
Profit for the period	2,527,880	2,132,569
Adjustments for:		
Depreciation	995,167	1,248,009
Amortisation	36,429	36,565
Gain on disposal of property, plant and equipment and intangible assets	(13,276)	(73,625)
Share of profit of equity accounted investees	(3,517)	(10,750)
Interest expense	95,201	169,681
Interest income	(16,244)	(75,012)
Income tax expense	722,420	785,480
Operating profit before changes in working capital and provisions	4,344,060	4,212,917
Decrease/(increase) in inventories	126,071	(1,050,991)
Increase in trade and other receivables	1,256,367	(1,579,117)
Increase in trade and other payables	552,526	2,641,858
Cash flows from operations before income taxes and interest paid	6,279,024	4,224,667
Income taxes paid	(206,285)	(542,689)
Interest paid	(36,212)	(71,953)
Cash flows from operating activities	6,036,527	3,610,025
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment and intangible assets	14,700	168,095
Interest received	16,244	75,012
Acquisition of property, plant and equipment, intangible assets	(1,071,969)	(2,456,052)
Acquisition of bank promissory notes	-	(2,018,991)
Proceeds from bank promissory notes	-	448,958
Cash flows utilised by investing activities	(1,041,025)	(3,782,978)

The consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 8 to 46.

	Three months ended 31 March	
	2009	**2008**
	’000 RUR	**’000 RUR**
FINANCING ACTIVITIES		
Proceeds from borrowings	61,978	4,789,300
Repayment of borrowings	(2,161,847)	(4,435,784)
Dividends paid	(39,379)	(102,747)
Redemption of shares	-	(1,520,105)
Cash flows utilised by financing activities	(2,139,248)	(1,269,336)
Net (decrease) /increase in cash and cash equivalents	2,856,254	(1,442,289)
Cash and cash equivalents at beginning of period	1,691,594	2,708,501
Cash and cash equivalents at end of the period (note 20)	4,547,848	1,266,212

The consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 8 to 46.

’000 RUR	**Preference shares**	**Ordinary shares**	**Additional paid-in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**
Balance at 1 January 2008	85,442	736,164	4,239,807	18,234	41,869,720	46,949,367
Total comprehensive income for the period	-	-	-	5,807	2,132,569	2,138,376
Redemption of shares	(464)	(35)	(68,091)	-	-	(68,590)
Balance at 31 March 2008	84,978	736,129	4,171,716	24,041	44,002,289	49,019,153
Total comprehensive income for the period	-	-	-	409,546	13,378,692	13,788,238
Dividends to shareholders	-	-	-	-	(8,530,140)	(8,530,140)
Balance at 31 December 2008	84,978	736,129	4,171,716	433,587	48,850,841	54,277,251
Total comprehensive income for the period	-	-	-	833,520	2,527,880	3,361,400
Balance at 31 March 2009	84,978	736,129	4,171,716	1,267,107	51,378,721	57,638,651

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 8 to 46.

1 Background

(a) Russian business environment

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The consolidated interim financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(b) Organisation and operations

OAO Baltika Breweries (the "Company") is an open joint stock company as defined by the Civil Code of the Russian Federation and was registered on 21 July 1992, and, through a controlling interest in ten companies and ten branches (together referred to as the "Group"), produces and distributes beer and mineral water.

The Company's registered office is situated at 6 Verkhny pereulok, 3, St. Petersburg, 194292, Russia.

As at 31 March 2009 Baltic Beverages Holding AB owned and controlled 93.5% of the Company's ordinary shares and 31.9% of the Company's preference shares. The remainder of the ordinary and preference shares are widely held.

As at 31 March 2009 the Group consisted of twelve production plants: Baltika-Saint-Petersburg, Baltika-Tula, Baltika-Rostov, Baltika-Samara, Baltika-Khabarovsk, Baltika-Vena, Baltika-Chelyabinsk, Baltika-Pikra, Baltika-Yaroslavl, Baltika-Voronezh, Baltika-Novosibirsk and Baltika-Baku and ten subsidiaries: OOO Universalopttorg, OOO Terminal Podolsk, OOO Baltika-Ukraine, OsOO Baltika, Baltika S.R.L., Baltika-Almaty LLP, OOO Baltika-Bel, Baltika Deutschland GmbH, Baltika Baku LLC and Baku Pivo JSC. The Group's subsidiary, OOO Baltika-Moscow, was liquidated in December 2008.

Most of the Group's customers are located in Russia. The Group's raw materials are readily available and the Group is not dependent on a single supplier or only a few suppliers.

Related party transactions are detailed in note 28.

2 Basis of preparation

(a) Statement of compliance

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial reporting.

(b) Basis of measurement

The consolidated interim financial statements are prepared on the historical cost basis except that property, plant and equipment was revalued to determine deemed cost as part of the adoption of IFRSs; and the carrying amounts of assets, liabilities and equity items in existence at 31 December 2002 include adjustments for the effects of hyperinflation, which were calculated using conversion factors derived from the Russian Federation Consumer Price Index published by the Russian Statistics Agency, *GosKomStat*. Russia ceased to be hyperinflationary for IFRS purposes as at 1 January 2003.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble (“RUR”), which is the Company’s functional currency, the functional currency of the majority of the Company’s subsidiaries and the currency in which these consolidated interim financial statements are presented because it reflects the economic substance of the underling events and circumstances of the Group.

In previous years the Group’s consolidated financial statements were presented in EURO. Management believes that it is more appropriate to use the Rouble as the Group’s presentation currency in the current environment.

(d) Use of judgements, estimates and assumptions

Management has made a number of judgements, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated interim financial statements in conformity with IFRSs. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments made by management in preparing these consolidated interim financial statements are described in note 14 - Intangible assets.

3 Significant accounting policies

The significant accounting policies applied in the preparation of the consolidated interim financial statements are described in notes 3(a) to 3(q). These accounting policies have been consistently applied.

According to changes of accounting polices the Company made reclassification of comparative figures for the three months of 2008: 74,606 thousand of administrative expenses and 153,389 thousand of distribution expenses were reclassified to cost of sales. Management believes that such presentation is more appropriate.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated interim 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 Group.

(ii) Associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated interim financial statements include the Group's share of the income and expenses of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated interim financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group'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.

(b) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities 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. Foreign currency differences arising in translation are recognised in the income statement, except for differences arising on the translation of available-for-sale equity instruments.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to RUR at the exchange rate at the reporting date. The income and expenses of foreign operations are translated to RUR at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in foreign currency translation reserve in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to the income statement.

Foreign exchange gains and losses arising from a monetary item received from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for financial income and expenses is discussed in note 3(n).

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

The Group’s investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer note 3(i)(i)), and foreign exchange gains and losses on available-for-sale monetary items (refer note 3(b)), are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

Repurchase transactions

The Group purchases financial instruments under agreements to resell identical financial instruments at a future date at a fixed price. Financial instruments purchased subject to

commitments to resell them at a future date are not recognized. The amounts paid are accounted for as held-to-maturity bank loans and included in investments in the balance sheet. The difference between the sale and repurchase prices is recognized as interest over the period of the agreement.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Investments in equity securities that are not quoted on a stock exchange and where fair value cannot be estimated on a reasonable basis are stated at cost less impairment losses.

(d) Share capital

Ordinary shares

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

Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Repurchase of share capital

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

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less impairment losses and, except for land, accumulated depreciation. The cost of property, plant and equipment at 1 January 2004, the date of transition to IFRSs, was determined by reference to its fair value at that date.

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 its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are recognized in profit or loss as incurred.

When 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.

Gains and losses on disposal of an item of property, plant and equipment are recognised net within "other income" in the income statement.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings 20 to 40 years
- Machinery and equipment 3 to 20 years
- Kegs 10 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. Estimates in respect of useful lives of certain items of buildings, machinery and equipment were revised in 2008.

(f) Intangible assets

(i) Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries and associates.

Acquisitions on or after 1 January 2004

For acquisitions on or after 1 January 2004, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in the income statement.

Acquisitions of minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) Other intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Expenditure on internally generated goodwill and brands is recognised in the income statement as incurred.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives of other intangible assets for the current and comparative periods vary between 1 to 10 years.

(g) Leased assets

Leases in terms of which the Group assumes 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 Group's balance sheet.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average 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 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.

(i) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than 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, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit 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. For the purpose of impairment testing, assets 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 groups of assets (the "cash-generating unit"). The goodwill acquired in a business acquisition, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) 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.

(j) Employee benefits

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Russia's

State pension fund, are recognised in the income statement when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(k) Provisions

A provision is recognised if, as a result of past event, the Group 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.

(l) Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, excise taxes, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Transfer of risks and rewards vary depending on the individual terms of the contract of sale. For certain sales, transfer occurs when the goods are delivered to the customer’s warehouse; for other sales, transfer occurs when the goods are dispatched from the Group’s premises.

(m) Other expenses

(i) Lease payments

Payments made under operating leases are recognised in the income statement 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.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

(ii) Social expenditure

To the extent that the Group’s contributions to social programs benefit the community at large and are not restricted to the Group’s employees, they are recognised in the income statement as incurred.

(n) Financial income and expenses

Financial income comprises interest income on funds invested (including available-for-sale investments) dividend income, gains on the disposal of available-for-sale financial assets and foreign currency gains. Interest income is recognised as it accrues in the income statement, using the effective interest method. Dividend income is recognised in the income statement on the date that the Group's right to receive payment is established.

Financial expenses comprise interest expense on borrowings, unwinding of the discount on provisions, losses on the disposal of available-for-sale investments, foreign currency losses and impairment losses recognized on financial assets. All borrowing costs are recognised in the income statement using the effective interest method.

Foreign currency gains and losses are reported on a gross basis.

(o) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. 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. 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.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. 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.

(p) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(q) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 March 2009, and have not been applied in preparing these consolidated interim financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

- IFRIC 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group's 2009 consolidated financial statements. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.
- Revised IFRS 3 *Business Combinations* (2008) and amended IAS 27 (2008) *Consolidated and Separate Financial Statements*, which come into effect on 1 July 2009 (i.e. become mandatory for the Group's 2010 consolidated financial statements). The revisions address, among others, accounting for step acquisitions, require acquisition-related costs to be recognised as expenses and remove exception for changes in contingent consideration to be accounted by adjusting goodwill. The revisions also address how non-controlling interests in subsidiaries should be measured upon acquisition and require to recognise the effects of transactions with non-controlling interest directly in equity. The Group has not yet analysed the likely impact of the new Standards on its financial position or performance.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values when possible. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

When no quoted market prices are available, the fair value of property, plant and equipment is primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation, and obsolescence.

(b) Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(c) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(d) Investments in equity and debt securities

The fair value of held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(e) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(f) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5 Segment reporting

The Group produces and distributes mainly beer, the revenues, results and assets attributable to this activity comprise substantially all of the Group's revenues, results and assets. Therefore no separate information in respect of business segments is presented. The Group's production operations are mainly based in Russia and, accordingly, no geographical segment information is presented.

6 Financial risk management

(a) Overview

The Group has exposures to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated interim financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established an Audit Committee which is responsible for developing and monitoring the Group's risk management policies. The Audit Committee reports regularly to the Board of Directors on its activities.

The Group's risk management systems are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management system and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group’s customer base, including the default risk of the industry in which customers operate, has less of an influence on credit risk. Substantially all of Group's customers are located in the Russian Federation. Approximately 18.4% (three months ended 31 March 2008: 15.0%) of the Group's revenue is attributable to sales transactions with a single customer.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group’s review includes background checks on new customers. Purchase limits are established for each customer. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

About 75% of the Group's customers have been transacting with the Group for more than 2 years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale or retail customers, geographic location, maturity, and existence of any previous financial difficulties. The Group requires collateral in respect of financial assets. Credit evaluations are performed on all customers, other than related parties, requiring credit over a certain amount.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

(ii) Investments

The Group limits its exposure to credit risk by only investing in liquid securities in accordance with Group's deposit policy and only with counterparties that are included in the top 50 rated banks of Russian Federation according to the size of total assets. In order to determine the amounts to be deposited with each bank the Group studies the financial statements of bank and bank credit ratings. The status of the banks is reconsidered each 6 months.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 13 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as instability of financial system and the impact of monopolists and changes in statutory regulations. In addition the Group maintains the following lines of credit:

- USD 125,030 thousand multicurrency unsecured credit facility. Interest would be payable for EURO/USD/RUR at the rate LIBOR/EURIBOR/Cost of funds for lender+0.75%;
- USD 27,090 thousand multicurrency unsecured credit facility. Interest would be payable for EURO/USD/RUR at the rate from LIBOR/EURIBOR/Mosprime+0.375%;
- USD 158,990 thousand multicurrency unsecured credit/overdraft facility. Interest would be determined when the tranche is drawn down.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) Currency risk

The Group is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies in which these transactions are primarily denominated are USD and EURO.

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be subject to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable to the Group over the expected period until maturity.

(iii) Other market risk

Material investments are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors.

The Group does not enter into commodity contracts other than to meet the Group’s expected usage and sale requirements; such contracts are not settled net.

(e) Capital management

The Board’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the level of dividends to ordinary shareholders.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

From time to time, the Group repurchases its own shares in the market; the timing of these purchases depends on market prices. All buy and sell decisions are made on a specific transaction basis by the Management of the Group.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

7 Acquisition and disposals of subsidiaries

(a) Acquisition of subsidiaries

On 15 August 2008 the Group acquired all of the shares of Baku Castel, LLC and 91.03% of the shares of Baku Pivo, JSC for RUR 2,308,507 thousand which was settled in cash. In acquiring the shares, transaction costs of RUR 18,869 thousand were incurred. Baku Castel produces and distributes beer. Baku Pivo was acquired for the purpose of obtaining the right of long term lease of land plot on which Baku Castel plant is located.

The impact of acquiring the subsidiaries was to increase profit for the year ended 31 December 2008 by RUR 1,998 thousand.

If the acquisition had occurred on 1 January 2008, Group revenue for 2008 would have been RUR 93,242,777 thousand and the consolidated profit for the year would have been RUR 15,668,646 thousand. In determining these figures it has been assumed that the fair value adjustments at 1 January 2008 would have been the same as the fair value adjustments that arose on the date of acquisition.

The acquisition of the subsidiaries had the following effect on the Group's assets and liabilities at the dates of the acquisitions:

	Recognised fair values on acquisition **'000 RUR**
Non-current assets	
Property, plant and equipment	410,920
Intangible assets	45,060
Deferred tax assets	15,970
Current assets	
Inventories	102,323

	Recognised fair values on acquisition
Trade and other receivables	159,065
Cash and cash equivalents	144,820
Current liabilities	
Income tax payable	(1,272)
Trade and other payables	(188,125)
Net identifiable assets, liabilities and contingent liabilities	688,761
Goodwill on acquisition	1,638,615
Consideration paid	2,327,376
Cash acquired	(144,820)
Net cash outflow	**2,182,556**

The above data on net assets of the acquired subsidiary is based on the best available management estimates and assumptions. The values are, therefore, provisional and subject to change within twelve months from the date of acquisition.

It has not been practicable to determine the carrying amounts of the subsidiary's assets, liabilities and contingent liabilities on an IFRS basis immediately prior to the date of acquisition because the subsidiary's financial statements were prepared in accordance with local accounting principles, which are significantly different from IFRSs.

The goodwill recognized on the acquisition is attributable mainly to the growth of sales in Azerbaijan and near-by regions and the synergies to be achieved from integrating the companies into the Group's existing business (see note 14).

(b) Disposal of subsidiaries

In December 2008 the Company liquidated its 100% subsidiary OOO Baltika-Moscow. The contribution of the subsidiary to the profit for the period and the effect of liquidation of the subsidiary on the Group's assets and liabilities at the date of disposal were insignificant.

8 Administrative expenses

	Three months ended 31 March	
	2009	2008
	'000 RUR	'000 RUR
Wages and salaries	234,480	178,349
Depreciation and amortisation	102,583	100,824
Information technology and communications	41,448	40,277
Other payroll expenses	40,670	36,371
Payroll taxes	33,063	31,645
Facilities	20,326	25,993
Charity	10,875	14,659
Other administrative expenses	91,964	158,030
	575,409	586,148

9 Other income

	Three months ended 31 March	
	2009	2008
	'000 RUR	'000 RUR
Gain on disposal of property, plant and equipment and intangible assets	13,276	73,625
	13,276	73,625

10 Personnel costs

	Three months ended 31 March	
	2009	2008
	'000 RUR	'000 RUR
Wages and salaries	1,479,347	1,401,886
Contributions to state pension fund	257,872	308,610
Other payroll taxes	87,907	13,357
Other payroll expenses	167,025	107,358
	1,992,151	1,831,211

11 Financial income and expenses

	Three months ended 31 March	
	2009	2008
	’000 RUR	’000 RUR
Financial income		
Interest income	16,244	75,012
Foreign exchange gain	487,979	446,592
	504,223	521,604
Financial expenses		
Interest expense	95,201	169,681
Foreign exchange loss	1,213,780	338,502
	1,308,981	508,183

12 Income tax expense

	Three months ended 31 March	
	2009	2008
	’000 RUR	’000 RUR
Current tax expense		
Current period	641,516	850,866
Deferred tax expense		
Origination and reversal of temporary differences	80,904	(65,386)
	722,420	785,480

The Group’s applicable tax rate is the corporate income tax rate of 20% for Russian companies (2008: 24%).

Reconciliation of effective tax rate:

	Three months ended 31 March			
	2009		2008	
	'000 RUR	%	'000 RUR	%
Profit before income tax	3,250,300	100	2,918,049	100
Income tax at applicable tax rate	650,060	20.0	700,332	24.0
Non-deductible expenses	109,090	3.4	148,923	5.1
Effects of local concessions granted to branches	(42,010)	(1.3)	(35,998)	(1.2)
Effects of concessions granted in respect of the local portion of the statutory tax rate	(22,320)	(0.7)	(22,715)	(0.8)
Other	27,600	0.8	(5,062)	(0.2)
	722,420	22.2	785,480	26.9

13 Property, plant and equipment

'000 RUR	Land and buildings	Machinery and equipment	Kegs	Construction in progress	Total
Cost/Deemed cost					
At 1 January 2008	9,961,904	36,231,977	1,567,399	6,544,660	54,305,940
Additions	14	656,310	13	1,868,110	2,524,447
Disposals		(253,764)	(1,377)	-	(255,141)
Transfers	(5,384)	1,678,138	302,561	(1,987,564)	(12,249)
Effect of movements in exchange rate		(366)	-	(141)	(507)
At 31 March 2008	9,956,534	38,312,295	1,868,596	6,425,065	56,562,490
Additions	811,414	4,373,499	416,864	125,070	5,726,847
Acquisitions through business combinations	109,263	297,886	670	3,101	410,920
Disposals	(7,974)	(54,989)	(6,039)	-	(69,002)
Transfers	868,343	784,663	-	(1,658,457)	(5,451)
Effect of movements in exchange rate	18,494	56,690	113	1,249	76,546
At 31 December 2008	11,756,074	43,770,044	2,280,204	4,896,028	62,702,350
Additions	104,809	224,676	-	449,973	779,458
Disposals	-	(34,142)	(7,743)	-	(41,885)
Transfers	1,141,351	(211,470)	(16,306)	(916,079)	(2,504)
Effect of movements in exchange rate	38,919	112,573	239	42,130	193,861

At 31 March 2009	13,041,153	43,861,681	2,256,394	4,472,052	63,631,280
Depreciation and impairment losses					
At 1 January 2008	(1,001,969)	(13,327,579)	(610,011)	-	(14,939,559)
Depreciation charge	(72,772)	(1,122,563)	(52,674)	-	(1,248,009)
Disposals	-	159,888	786	-	160,674
Transfers	446	(446)	-	-	-
Effect of movements in exchange rate	-	167	-	-	167
At 31 March 2008	(1,074,295)	(14,290,533)	(661,899)	-	(16,026,727)
Depreciation charge	(249,685)	(2,978,545)	(139,222)	-	(3,367,452)
Disposals	1,977	44,901	5,774	-	52,652
Transfers	(8,793)	8,793	-	-	-
Effect of movements in exchange rate	-	(4,075)	-	-	(4,075)
At 31 December 2008	(1,330,796)	(17,219,459)	(795,347)	-	(19,345,602)
Depreciation charge	(105,860)	(970,276)	(45,083)	-	(1,121,219)
Disposals	-	32,724	7,736	-	40,460
Transfers	(309,379)	326,242	(16,863)	-	-
Effect of movements in exchange rate	(786)	(11,872)	-	-	(12,658)
At 31 March 2009	(1,746,821)	(17,842,641)	(849,557)	-	(20,439,019)
Net book value					
At 1 January 2008	8,959,935	22,904,398	957,388	6,544,660	39,366,381
At 31 March 2008	8,882,239	24,021,762	1,206,697	6,425,065	40,535,763
At 31 December 2008	10,425,278	26,550,585	1,484,857	4,896,028	43,356,748
At 31 March 2009	11,294,332	26,019,040	1,406,837	4,472,052	43,192,261

During the three months 2009 depreciation expense of RUR 641,785 thousand has been included in cost of goods sold (three months 2008: RUR 767,270 thousand), RUR 405,739 thousand in distribution expenses (three months 2008: RUR 411,118 thousand) and RUR 73,695 thousand in administrative expense (three months 2008: RUR 69,621 thousand).

Estimates in respect of useful lives of certain items of buildings, machinery and equipment were revised in 2008. The change in estimated of useful lives of certain items of buildings, machinery and equipment resulted in a decrease in depreciation expense, recognised in cost of sales, during the three months 2009 of 238,086 thousand, during year ended 31 December 2008 of RUR 653,716 thousand.

14 Intangible assets

’000 RUR	Goodwill	Trademarks	Software, brands and licences	Total
Cost				
At 1 January 2008	11,598,819	-	400,087	11,998,906
Additions	-	-	32,524	32,524
Transfers	-	-	12,249	12,249
At 31 March 2008	11,598,819	-	444,860	12,043,679
Additions	-	-	215,963	215,963
Acquisitions through business combinations	1,638,615	45,004	56	1,683,675
Transfers	-	-	5,451	5,451
Effect of movements in exchange rate	277,246	7,608	13	284,867
At 31 December 2008	13,514,680	52,612	666,343	14,233,635
Additions	-	-	39,310	39,310
Transfers	-	-	2,504	2,504
Effect of movements in exchange rate	583,641	16,027	30	599,698
At 31 March 2009	14,098,321	68,639	708,187	14,875,147
Amortisation				
At 1 January 2008	-	-	(261,942)	(261,942)
Amortisation charge	-	-	(36,565)	(36,565)
At 31 March 2008	-	-	(298,507)	(298,507)
Amortisation charge	-	(1,252)	(142,619)	(143,871)
Effect of movements in exchange rate	-	(63)	(3)	(66)
At 31 December 2008	-	(1,315)	(441,129)	(442,444)
Amortisation charge	-	(1,514)	(34,915)	(36,429)
Effect of movements in exchange rate	-	(603)	(5)	(608)
At 31 March 2009	-	(3,432)	(476,049)	(479,481)
Net book value				
At 1 January 2008	11,598,819	-	138,145	11,736,964
At 31 March 2008	11,598,819	-	146,353	11,745,172
At 31 December 2008	13,514,680	51,297	225,214	13,791,191
At 31 March 2009	14,098,321	65,207	232,138	14,395,666

During the three months 2009 amortisation expense of RUR 5,985 thousand has been included in cost of goods sold (three months 2008: RUR 1,498 thousand), RUR 1,555 thousand in distribution expenses (three months 2008: RUR 3,863 thousand) and RUR 28,889 thousand in administrative expense three months 2008: RUR 31,204 thousand).

(a) Impairment testing of goodwill

For the purposes of impairment testing, goodwill is considered at the Group level and has not been allocated to individual plants. This represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of the Group's plants represents value in use as determined by discounting the future cash flows generated from their continuing use.

The following key assumptions were used in determining the recoverable amounts of the Group's plants as at 31 December 2008:

- Cash flows were projected based on actual operating results and the five-year business plan.
- Total production at the plants was projected at about 45,688 thousand hectolitres units in the first year of the business plan. The anticipated annual production growth included in the cash flow projections was between 1% and 3% for the years 2009 to 2013. Management plans to achieve production volume of 51,000 thousand hectolitres by the fifth year of the business plan.
- Cash flows for a further five years were extrapolated assuming no further growth in production, and revenue and expenses increasing by 3% for revenue and 5% for expenses.
- A discount rate of 19.2% was applied in determining the recoverable amount of the plants. The discount rate was estimated based on an industry average weighted average cost of capital, which was based on an average industry debt to total capital ratio of 20% at a market interest rate of 13.83%.
- A terminal value was derived at the end of the ten year period.

The values assigned to the key assumptions represent management's assessment of future trends in the beer production industry and are based on both external sources and internal sources.

Although no impairment loss was recognised in respect of goodwill the determination of recoverable amount is sensitive to the rate at which the plant achieves its planned growth in production.

If actual production were to be below estimated production by 20% in 2009 and subsequent years, the value in use would approximate the carrying amount of the plants.

15 Equity accounted investees

The Group has the following investments in equity accounted investees:

	Country	**Ownership/Voting**
Malterie Soufflet Saint Petersburg ("Soufflet")	Russia	30%

This company produces malt. The Group's share of post-acquisition total recognised gains and losses in associates as of 31 March 2009 was RUR 307,347 thousand (31 December 2008: RUR 279,108 thousand).

16 Other investments

	31 March 2009	**31 December 2008**
	'000 RUR	**'000 RUR**
Non-current		
Available-for-sale investments:		
Stated at cost	9,796	9,796

Available-for-sale investments stated at cost comprise unquoted equity securities in the brewery and banking industries. There is no active market for these investments and there have not been any recent transactions that provide evidence of fair value. However, management believes it unlikely that the fair value at the end of the reporting period would differ significantly from their carrying amount.

Investments held-to-maturity represent bank promissory notes and deposits purchased from a range of Russian based banks. The maturity period on acquisition of these promissory notes is more than 90 days, and they are measured at amortised cost which approximates their fair value.

The Group's exposure to credit and market risks related to other investments are disclosed in note 25.

17 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

'000 RUR	Assets		Liabilities		Net	
	31 March 2009	31 December 2008	31 March 2009	31 December 2008	31 March 2009	31 December 2008
Property, plant and equipment	-	-	(2,182,073)	(2,074,779)	(2,182,073)	(2,074,779)
Intangible assets	13,648	10,789	(14,331)	(11,285)	(683)	(496)
Investments	-	-	(24,217)	(21,676)	(24,217)	(21,676)
Inventories	-	57,601	(84,910)	-	(84,910)	57,601
Trade and other receivables	308,908	262,324	-	-	308,908	262,324
Trade and other payables	442,901	323,372	-	-	442,901	323,372
Net tax assets/(liabilities)	765,457	654,086	(2,305,531)	(2,107,740)	(1,540,074)	(1,453,654)

During the three months ended 31 March 2009 RUR 80,904 thousand (31 March 2008: RUR 65,386 thousand) of the movement in the net deferred tax liability was recognized in the income statement and RUR 5,516 thousand ((31 March 2008: Nil), relating to foreign exchange differences, was recognized directly in equity.

18 Inventories

	31 March 2009	31 December 2008
	'000 RUR	'000 RUR
Raw materials and consumables	5,707,740	6,117,333
Work in progress	589,124	553,718
Finished goods and goods for resale	1,386,583	1,012,415
	7,683,447	7,683,466
Write-down of inventories in the current period	2,867	253,860

19 Trade and other receivables

	31 March 2009 '000 RUR	31 December 2008 '000 RUR
Accounts receivable – trade	4,625,783	4,409,860
VAT receivable	176,200	321,637
Advances to suppliers	1,472,073	2,074,737
Other receivables	504,776	816,705
	6,778,832	7,622,939
Accumulated impairment losses on receivables	(125,305)	(111,898)
	6,653,527	7,511,041

The Group's exposure to credit risk and currency risk related to trade and other receivables is disclosed in note 25.

20 Cash and cash equivalents

	31 March 2009 '000 RUR	31 December 2008 '000 RUR
Bank balances	2,671,246	1,553,939
Bank deposits and bank promissory notes	1,876,602	137,655
Cash and cash equivalents in the balance sheet and in the statement of cash flows	4,547,848	1,691,594

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 25.

21 Equity

(a) Share capital and additional paid-in capital

Number of shares unless otherwise stated	**Ordinary shares**	**Ordinary shares**	**Preference shares**	**Preference shares**
	31 March 2009	**31 December 2008**	**31 March 2009**	**31 December 2008**
Authorised shares				
Par value	RUR 1	RUR 1	RUR 1	RUR 1
On issue at beginning of the period	151,714,594	151,721,708	12,326,570	12,394,003
Redemption	-	(7,114)	-	(67,433)
On issue at end of the period, fully paid	151,714,594	151,714,594	12,326,570	12,326,570

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Preference shares have no right of conversion or redemption, but are entitled to an annual dividend equal to the nominal value of the shares multiplied by the interest rate of the Savings Bank of the Russian Federation, plus 10%. If the dividend is not paid, preference shares carry the right to vote until the following Annual Shareholders' Meeting. However, the dividend is not cumulative. The preference shares also carry the right to vote in respect of issues that influence the interests of preference shareholders, including reorganisation and liquidation.

In the event of liquidation, preference shareholders first receive any declared unpaid dividends and the par value of the preference shares ("liquidation value"). Thereafter all shareholders, ordinary and preference, participate equally in the distribution of the remaining assets.

(b) Dividends

In accordance with Russian legislation, distributable reserves are limited to the balance of accumulated retained earnings as recorded in the Company's statutory financial statements, prepared in accordance with Russian Accounting Principles. As at 31 March 2009 the Company had retained earnings, including profit for the current period of RUR 27,958,149 thousand (31 December 2008: RUR 25,321,399 thousand).

The following table details the dividends declared by the Company for the periods ended 31 March 2009 and 31 December 2008:

	RUR per share	**'000 RUR**
31 December 2008		
Preference shares		
Dividends for 2007	52	640,981
Ordinary shares		
Dividends for 2007	52	7,889,159
31 March 2009		
Preference shares		
Dividends for 2008	-	-
Ordinary shares		
Dividends for 2008	-	-

On 13 February 2009, the Board of Directors recommended dividends of RUR 13,959,903 thousand, which were approved by shareholders' meeting as at 2 April 2009.

22 Earnings per share

The calculation of earnings per share is based upon the profit for the period attributable to ordinary shares and the weighted average number of ordinary shares outstanding during the period, calculated as shown below. The Company has no potentially dilutive securities.

Weighted average number of ordinary shares

Number of shares unless otherwise stated	**2009**	**2008**
Issued shares at 1 January	151,714,769	151,721,708
Effect of redemption of shares	-	(7,114)
Weighed average number of shares for the for the three months ended 31 March	151,714,769	151,714,594

Profit attributable to ordinary shareholders

	Three months ended 31 March	
	2009	2008
	'000 RUR	'000 RUR
Profit for the period attributable to shareholders of the Company	2,527,880	2,132,569
Preference dividends recognised during the period	-	-
Profit attributable to ordinary shares	2,527,880	2,132,569

23 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to liquidity risk and market risk refer note 25.

	31 March 2009	31 December 2008
	'000 RUR	'000 RUR
Non-current		
Secured bank loans	204,105	176,304
	204,105	176,304
Current		
Unsecured bank loans	3,727,279	4,116,537
Unsecured loan from Carlsberg Breweries A/S	1,127,964	1,097,628
Unsecured loans from other companies	-	1,852,639
Current portion of secured bank loans	579,924	496,033
	5,435,167	7,562,837

Terms and conditions of outstanding loans were as follows:

				31 March 2009		31 December 2008	
'000 RUR	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Secured bank loan	USD	LIBOR +0.75%	2008-2010	784,029	784,029	672,337	672,337
Unsecured bank loan	USD	LIBOR +0.65%	2008-2009	26,458	26,458	22,714	22,714
Unsecured bank loan	USD	LIBOR +0.375%	2008-2009	2,079,171	2,079,171	1,777,439	1,777,439
Unsecured bank loan	EURO	EURIBOR +0.375%	2008-2009	1,559,672	1,559,672	2,316,384	2,316,384
Unsecured loan from Carlsberg Breweries A/S	RUR	11.33%	2009	1,127,964	1,127,964	1,097,628	1,097,628
Unsecured loans	EURO	EURIBOR	2009				

from other companies		+0.75%		-	-	1,852,639	1,852,639
Unsecured bank loan	manat	16%	2009	61,978	61,978	-	-
				5,639,272	5,639,272	7,739,141	7,739,141

Bank loans are fully secured by the guarantee of the Company's parent company, Baltic Beverages Holding AB.

24 Trade and other payables

	31 March 2009	31 December 2008
Trade and other payables	**'000 RUR**	**'000 RUR**
Accounts payable - trade	4,887,437	5,645,034
Taxes payable	3,467,132	3,326,583
Accrued salaries, wages and benefits	1,325,511	1,359,334
Dividends payable	95,124	134,503
Payables to equity accounted investees	102,523	106,718
Other payables and provisions	1,907,311	529,100
	11,785,038	11,101,272

The Group's exposure to liquidity risk and market risk related to trade and other payables is disclosed in note 25.

25 Financial instruments

(a) Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	31 March 2009	31 December 2008
	'000 RUR	**'000 RUR**
Trade and other receivables	6,653,527	5,436,304
Available-for-sale financial assets	9,796	9,796
Cash and cash equivalents	4,547,848	1,691,594
	11,211,171	7,137,694

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Carrying amount	
	31 March 2009	31 December 2008
	’000 RUR	’000 RUR
Wholesale customers	4,625,783	4,387,111
Retail customers	-	22,749
	4,625,783	4,409,860
Accumulated impairment losses on receivables	(125,305)	(111,898)
	4,500,477	4,297,962

The Group's most significant customer, a domestic wholesaler, accounts for RUR 1,216,144 thousand of the trade receivables carrying amount as at 31 March 2008 (31 December 2008: RUR 858,434 thousand).

Impairment losses

The ageing of trade receivables at the reporting date was:

	Gross	Impairment	Gross	Impairment
	31 March 2009	31 March 2009	31 December 2008	31 December 2008
	’000 RUR	’000 RUR	’000 RUR	’000 RUR
Current	4,405,889	-	4,203,372	-
Past due 0 – 180 days	114,726	20,136	114,726	20,136
Past due more than 180 days	105,169	105,169	91,762	91,762
	4,625,783	125,305	4,409,860	111,898

The movement in the allowance for impairment in respect of trade receivables during the period was as follows:

	31 March 2009	31 December 2008
	’000 RUR	’000 RUR
Balance 1 January	111,898	106,128
Impairment loss recognised/(reversed)	19,805	49,453
Impairment loss utilised	(6,398)	(43,683)
Balance at the end of the period	125,305	111,898

Based on historic default rates the Group believes that no general impairment allowance is necessary in respect of trade receivables not past due and past due by up to 180 days. 91% of the balance, which includes the amount owed by the Group's most significant customer (see above), relates to customers that have a good track record with the Group. The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the financial asset directly. Of the total impairment loss as at 31 March 2009 of

RUR 125,305 thousand, RUR 73,269 thousand relates to claims from the Group's most significant customer. The remaining impairment losses in the amount of RUR 52,036 thousand as at 31 March 2009 represent collective impairments on the Group's trade receivables (31 December 2008: RUR 38,629 thousand).

At 31 March 2009 and 31 December 2008 there was no allowance for impairment of held-to-maturity investments.

(b) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 March 2009 **'000 RUR**	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Secured bank loans	784,029	799,232	298,153	293,964	207,115	-	-
Unsecured bank loans	3,727,279	3,748,686	3,684,173	64,513	-	-	-
Unsecured loan from Carlsberg Breweries A/S	1,127,964	1,194,029	61,683	1,132,346	-	-	-
Trade and other payables	11,785,038	11,785,038	11,785,038	-	-	-	-
	17,424,310	17,526,985	15,829,047	1,490,823	207,115	-	-

31 December 2008 **'000 RUR**	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Secured bank loans	672,337	690,334	257,541	253,889	178,904	-	-
Unsecured bank loans	4,116,537	4,174,388	4,174,388	-	-	-	-
Unsecured loan from Carlsberg Breweries A/S	1,097,628	1,194,029	61,683	1,132,346	-	-	
Unsecured loans from other companies	1,852,639	1,857,370	1,857,370	-	-	-	
Trade and other payables	11,101,272	11,101,272	11,101,272	-	-	-	-
	18,840,413	19,017,393	17,452,254	1,386,235	178,904	-	-

(c) Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	31 March 2009		31 December 2008	
	EURO	**USD**	**EURO**	**USD**
Current assets				
Cash and cash equivalents	42,194	2,178,119	267,362	429,560
Trade receivables	10,284	5,453	6,696	2,705
Current liabilities				
Secured bank loans	-	(579,924)	-	(496,033)
Unsecured bank loans	(1,559,673)	(2,105,629)	(2,316,384)	(1,800,153)
Unsecured loans from other companies	-	-	(1,852,639)	-
Trade payables	(596,126)	(509,525)	(676,238)	(93,556)
Non-current liabilities				
Secured bank loans	-	(204,105)	-	(176,304)
Gross balance sheet exposure	(2,103,321)	(1,215,611)	(4,571,203)	(2,133,781)
Net Group exposure from commitments and anticipated transactions	(287,227)	(11,340)	(248,355)	(2,262)
Net exposure	(2,390,548)	(1,226,951)	(4,819,558)	(2,136,043)

The following exchange rates applied during the period and as at the end of the period:

RUR 1 equals	**Average rate for the three months ended 31 March**		**Reporting date spot rate**	
	2009	**2008**	**31 March 2009**	**31 December 2008**
USD	0.0295	0.0413	0.0294	0.0340
EURO	0.0225	0.0275	0.0223	0.0241

Sensitivity analysis

A 20% strengthening of the RUR against the EURO at 31 March 2009 would have increased profit and equity by RUR 478,110 thousand (31 December 2008: RUR 963,911 thousand). A 20% strengthening of the RUR against USD at 31 March 2009 would have increased profit and equity by RUR 245,390 thousand (31 December 2008: RUR 427,209 thousand). A 20% weakening of the

RUR against EURO and USD would have had the equal, but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables, in particular interest rates, remain constant.

(d) Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

’000 RUR	Carrying amount	
Fixed rate instruments	**31 March 2009**	**31 December 2008**
Financial assets	1,876,602	137,655
Financial liabilities	(4,828,786)	(7,044,090)
	(2,952,184)	(6,906,435)
Variable rate instruments		
Financial liabilities	(810,486)	(695,051)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit and loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit or loss and equity	
31 March 2009	**100 bp**	**100 bp**
’000 RUR	**Increase**	**Decrease**
Variable rate instruments	(8,105)	8,105
Cash flow sensitivity	(8,105)	8,105
31 December 2008		
’000 RUR		
Variable rate instruments	(6,951)	6,951
Cash flow sensitivity	(6,951)	6,951

(e) Fair values

The basis for determining fair value is disclosed in note 4. The fair value of unquoted equity instruments is discussed in note 16. In other cases management believes that the fair value of the Group’s financial assets and liabilities approximates their carrying amounts.

26 Commitments

As at 31 March 2009 the Group had the following commitments relating to property, plant and equipment (31 December 2008: RUR 879.574 thousand):

Project	**31 March 2009 '000 RUR**
Baltika-St. Petersburg plant	980,285
Baltika-Baku plant	194,196
Baltika-Yaroslavl plant	133,113
Baltika-Rostov plant	108,261
Baltika-Novosibirsk plant	79,310
Baltika-Chelyabinsk plant	44,633
Baltika-Samara plant	30,100
Baltika-Pikra plant	19,651
Baltika-Tula plant	15,190
Baltika-Voronezh plant	11,060
Baltika-Khabarovsk plant	7,993
Total	1,623,792

27 Contingencies

Taxation contingencies in the Russian Federation

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax period remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax period may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for all tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated interim financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

28 Related party transactions

(a) Control relationships

The Company's parent company is Baltic Beverages Holding AB (refer note 1(b)). The Company's parent company does not produce financial statements that are available for public use. The party with ultimate control over the Company is Carlsberg Breweries A/S.

(b) Management remuneration

Key management personnel received RUR 208,879 thousand as salaries and bonuses during the period ended 31 March 2009 (RUR 120,822 thousand during the three months ended 31 March 2008), which is included in personnel costs. Defined contribution pension expense for key management personnel amounted to RUR 2,078 thousand (the three months ended 31 March 2008: RUR 1,489 thousand).

(c) Transactions with other related parties

The Group's other related party transactions are disclosed below. Transactions with Scottish & Newcastle Plc and its operations which were transferred to Heineken N.V. as a result of acquisition of Scottish & Newcastle Plc by Sunrise Acquisitions Limited are disclosed for the period from the beginning of the 2008 year to the date of acquisition.

	Three months ended 31 March	
	2009	**2008**
	'000 RUR	**'000 RUR**
Sale of goods:		
Carlsberg Breweries A/S	-	365
Scottish & Newcastle Plc	-	2,274
Fellow subsidiaries	6,963	3,799
Royalties received:		
Scottish & Newcastle Plc	-	147
Fellow subsidiaries	11,222	9,149
Services provided:		
Associate	6,870	21,499
	25,055	37,233

	Three months ended 31 March	
	2009	2008
	'000 RUR	'000 RUR
Purchase of inventory:		
Associate	242,409	285,279
Carlsberg Breweries A/S	1,099	4,344
Scottish & Newcastle Plc	-	285
Fellow subsidiaries	3,894	-
Services received:		
Carlsberg Breweries A/S	7,932	3,092
Scottish & Newcastle Plc	-	371
Royalties paid:		
Carlsberg Breweries A/S	103,975	130,118
Scottish & Newcastle Plc	-	15,096
Fellow subsidiaries	3,717	3,369
Finance expenses:		
Carlsberg Breweries A/S	39,872	-
Other:		
Carlsberg Breweries A/S	50,610	5,318
Parent company	-	16,107
	453,508	463,379

Sales to and purchases from related parties are made on terms that prevail in arm's length transactions. For the period ended 31 March 2009, the Group recognized no impairment of receivables owed by related parties (the three months ended 31 March 2008: Nil).

Trade and other receivables due from related parties at the end of the period were as follows:

	31 March 2009	31 December 2008
	'000 RUR	'000 RUR
Receivables:		
Carlsberg Breweries A/S	-	49,277
Associate	5,083	27,195
Fellow subsidiaries	17,746	26,955
	22,829	103,427

Trade and other payables due to related parties at the end of the period were as follows:

	31 March 2009 '000 RUR	31 December 2008 '000 RUR
Trade payables:		
Carlsberg Breweries A/S	27,194	23,617
Associate	102,523	106,718
Fellow subsidiaries	5,051	1,908
Royalties payable:		
Carlsberg Breweries A/S	360,495	252,061
Fellow subsidiaries	1,510	1,525
Financial liabilities		
Carlsberg Breweries A/S	1,127,964	1,097,628
Fellow subsidiaries	-	1,852,639
Other liabilities		
Carlsberg Breweries A/S	71,292	20,681
Parent company	79,679	73,472
	1,775,708	3,430,249

All outstanding balances with related parties are to be settled in cash within two months of the balance sheet date, except for financial liabilities to Carlsberg Breweries A/S and fellow subsidiaries which are to be settled as disclosed in note 25 (b). None of the balances are secured.

During the period ended 31 March 2009 the Group's purchases of malt from Soufflet, an associate of the Group, amounted to RUR 242,409 thousand (excluding VAT) or 30.7% of the total value of malt purchases and own production and 14,955 tons or 21.4% of the total volume of malt purchases and own production. During the period ended 31 March 2008 the Group's malt purchases from Soufflet amounted to RUR 285,279 thousand (excluding VAT) or 16.2% of the total value of malt purchases and own production and 17,155 tons or 15.7% of the total volume of malt purchases and own production.

The liability to Soufflet for malt purchases amounted to RUR 102,523 thousand and RUR 106,718 thousand as at 31 March 2009 and 31 December 2008, respectively.

During the three months ended 31 March 2009 and 2008 the Group provided various services to Soufflet and received various services from Soufflet for insignificant amounts.

29 Subsidiaries

Name	Nature of business	Country of incorpora-tion	Ownership/ voting	Ownership/ voting
			31 March 2009	31 December 2008
OOO Baltika-Ukraine	Distribution of Baltika beer	Ukraine	100%	100%
Baltika S.R.L.	Distribution of Baltika beer	Moldova	100%	100%
Baltika-Almaty LLP	Distribution of Baltika beer	Kazakhstan	100%	100%
OsOO Baltika	Distribution of Baltika beer	Kirgizia	100%	100%
OOO Baltika-Bel	Distribution of Baltika beer	Belorussia	100%	100%
OOO Terminal Podolsk	Warehouse	Russia	100%	100%
OOO Universalopttorg	Warehouse	Russia	100%	100%
Baltika Deutschland GmbH	Distribution of Baltika beer	Germany	100%	100%
Baltika Baku LLC	Beer Production	Azerbaijan	100%	100%
Baku Pivo JSC	Beer Production	Azerbaijan	91%	91%

30 Events subsequent to the balance sheet date

On 2 April 2009, the Shareholder's meeting has approved dividends for 2008 in amount of RUR 13,959,903 thousand. Dividend payments will be made between 1 July and 31 December 2009.