OAO Baltika Brewery Group

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2000

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REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors of OAO Baltika Brewery

We have audited the accompanying consolidated balance sheet of OAO Baltika Brewery and its subsidiaries (the "Group") as of 31 December 2000 and the related statements of income and cash flows for the year then ended. The consolidated financial statements, as set out on pages 1 to 18, are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing as issued by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2000, and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards as issued by the International Accounting Standards Committee.

Without qualifying our opinion, we draw attention to the fact that the Russian Federation has been experiencing political and economic change which has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks, which do not typically exist in other markets.

Saint Petersburg, Russian Federation

31 March 2001

(expressed in thousands of US dollars)

Consolidated balance sheet

		31 December 2000	31 December 1999
ASSETS			
Current Assets			
Cash in bank	3	4,897	5,819
Short-term investments	4	-	-
Trade accounts receivable, net	5	4,044	4,376
Trade accounts receivable from related parties		-	-
Financial receivables	6	418	2,677
Prepayments and other receivables	7	20,457	5,938
Inventory	8	45,995	25,307
		75,811	**44,117**
Non-current assets			
Long-term investments	4	4,149	138
Intangible assets		454	312
Property, plant and equipment, net	9	219,521	196,167
Assets under construction	10	58,620	8,953
		282,744	**205,570**
Total assets		**358,555**	**249,687**
LIABILITIES			
Current Liabilities			
Loans payable to EBRD-short-term portion	11	**Ошибка!**	**Ошибка!**
Short-term loans payable	12	**Ошибка!**	**Ошибка!**
Trade accounts payable	13	21,740	14,802
Other accounts payable	14	17,212	11,474
Provisions for liabilities	15	-	1
		52,940	**30,899**
Non-Current Liabilities			
Loans payable to EBRD-long-term portion	11	**Ошибка!**	**Ошибка!**
Total liabilities		**72,940**	**30,899**
Net assets		**285.615**	**218.788**
SHAREHOLDERS' EQUITY			
Share capital	16	26,493	26,493
Restricted reserves			
Revaluation reserve	17	1,063	1,063
Other restricted reserves	17	2,128	1,489
Total Restricted reserves		**3,191**	**2,552**
Unrestricted reserves			
Distributable Retained earnings	17	154,529	91,472
Non-distributable Retained earnings	17	72,151	93,387
Total unrestricted reserves		**226,680**	**184,859**
Total shareholders' equity		**256,364**	**213,904**
MINORITY INTEREST	18	**29.251**	**4.884**
Total shareholders' equity and minority interests		**285.615**	**218.788**

Approved on behalf of the Board of Directors of OAO Baltika Brewery

T. K. Bolloyev
General Director

S. A. Alexeyev
Chief accountant

Notes 1-28 form an integral part of these financial statements

(expressed in thousands of US dollars)

Consolidated profit and loss account

		Year ended 31 December 2000	Year ended 31 December 1999
Net Revenues	21	333,406	199,979
Operating costs	22	(216,748)	(122,394)
Gross income		**116,658**	**77,585**
General and administrative expenses	23	(7,778)	(5,672)
Operating income		**108,880**	**71,913**
Other income and expenses			
Other income, other expenses	24	(1,828)	3,736
Financial income	25	1,387	310
Financial expenses	26	(2,481)	(4,928)
Foreign currency translation adjustment, net		256	(13,836)
Income before taxation and minority interests		**106,214**	**57,195**
Income tax	19	(22,955)	(8,297)
Income before minority interests		**83,259**	**48,898**
Minority interests		(3,949)	(746)
Net income		**79,310**	**48,152**

Notes 1-28 form an integral part of these financial statements

(expressed in thousands of US dollars)

Consolidated statement of cash flows

	Year ended 31 December 2000	Year ended 31 December 1999
Cash flow from operating activities		
Income before tax and minority interests	106,214	57,195
Depreciation	18,126	14,827
Loss/(Gain) on disposal of property, plant and equipment	2,749	1,607
Decrease/(Increase) in accounts receivable	4,490	(2,679)
Decrease/(Increase) in inventory	(14,833)	(6,631)
Decrease/(Increase) in other receivables	(10,243)	(3,836)
Decrease/(Increase) in financial receivables	-	652
Increase/(Decrease) in accounts payable	(29,332)	(5,433)
Increase/(Decrease) in other liabilities	1,924	4,278
Increase/(Decrease) in provisions for liabilities	(221)	(2)
Income tax paid	(22,252)	(4,479)
Cash flow from operating activities	**56,622**	**55,499**
Cash flow from investment activities		
Acquisition of subsidiary (Tula)	(19,991)	-
Net inflow from acquisition of subsidiary (Tula)	21,584	-
Purchase of property, plant, equipment and intangibles	(70,724)	(38,437)
Purchase of shares and participation	(4,011)	-
Net change in short and long term investments	-	616
Net change in loans made to other companies	2,259	-
Proceeds from the sale of property, plant and equipment	312	10
Cash flow from investing activities	**(70,571)**	**(37,811)**
Cash flow from financing activities		
BBH repayment	-	(17,320)
Loans from EBRD	20,198	-
Other loans	9,168	(7,182)
Currency translation adjustment	(133)	10,536
Dividends paid by subsidiaries to minority	(71)	-
Dividends paid	(16,135)	(1,495)
Outflow from financing activities	**13,027**	**(15,461)**
Net change in cash in bank	**(922)**	**2,227**
Cash in bank as at 31 December 1999	5,819	3,592
Cash in bank as at 31 December 2000	4,897	5,819

Notes 1-28 form an integral part of these financial statements

1 NATURE OF THE GROUP

1.1 Organisation

OAO Baltika Brewery (the "Company") is an open joint-stock company incorporated under Russian legislation and was registered on 21 July 1992. The Company produces beer and mineral water. Other services it renders include the transport and distribution of Company products.

As at year-end the subsidiaries of the Company are OAO Tulskoe Pivo (Tula), OAO Baltika-Don (Baltika-Don), OOO Baltika-Moscow (Baltika-Moscow) and their principal activities are similar to those of the Company.

1.2 Effects of the Russian Business Environment on Activities in Russia

The Russian Federation has been experiencing political and economic change which has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks, which do not typically exist in other markets.

The accompanying 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. The impact of such differences on the operations and financial position of the Group may be significant.

2 BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Comparative Financial Statements

The Company prepared consolidated financial statements for the year ended 31 December 2000 including the results of operations and the assets and liabilities of its subsidiaries. The Company has comparative figures for the same period in 1999.

Basis for the Preparation

The consolidated financial statements of the Group and its subsidiaries are prepared in accordance with International Accounting Standards under the historical cost convention. The Group maintains accounting records and prepares its statutory financial statements in Russian roubles (RUR) in accordance with the Regulations on Accounting and Reporting in the Russian Federation. The accompanying financial statements are prepared in US dollars because this currency is deemed to be the most appropriate to present the position and the operations of the Group. However, the Russian rouble is not a convertible currency outside the Russian Federation and, accordingly, any conversion of Russian rouble amounts to US dollars should not be construed as a representation that Russian rouble amounts have been, could be, or will be in the future, convertible into US dollars at the exchange rate shown, or at any other exchange rate.

Currency Translation

Monetary assets and liabilities denominated in currencies other than US dollars as at the balance sheet date are converted into US dollars at the official Central Bank of Russia exchange rate as at 31 December 2000. Non-monetary items were converted at historical exchange rates. The Russian rouble to US dollar exchange rate as at 31 December 2000 was 28.16 (31 December 1999 – 27). The profit and loss account has been translated using the average first quarter rate (28.47845), the average second quarter rate (28.3808), the average third quarter rate (27.79349) and the average fourth quarter rate (27.88538). These rates approximate those effective on the settlement dates. Exchange gains and losses arising are either recognised in the profit and loss account, or as part of equity, as appropriate.

Basis for Consolidation

Subsidiary companies are those companies in which the Company directly or indirectly holds more than 50% of the voting rights and is able to exercise control. Subsidiary companies are fully consolidated as at the date the Company gains control.

Acquisition

On 5 November 1999, an extraordinary general shareholders' meeting of Tula took a decision to carry out an additional issue of 1,665,876 ordinary registered shares, which equalled the Tula ordinary registered shares as at that time, and to sell them under a restricted subscription to the Company. In August 2000, these securities were fully paid by the Company in cash at a price of 12 dollars per share (in RUR equivalent), being a total subscription price of 554,888 thousand RUR (19,991 thousand USD). Tula was included in the consolidation as from 31 July 2000, the date considered most appropriate for consolidation by management. The share issue was officially registered on 5 October 2000.

Tula manufactures and distributes beer. The acquisition was accounted for using the purchase method of consolidation. In the five months to 31 December 2000 the subsidiary contributed net profit of 1,563 thousand USD to the consolidated net profit for the year.

The acquisition had the following effect on the Group's assets and liabilities, at purchase date.

In thousands of USD

Property, plant and equipment	50,028
Inventories	5,855
Trade receivables	4,142
Other receivables	4,772
Cash and cash equivalents	1,593
Share subscription proceeds	19,991
Other payables	(22,233)
Trade payables	(15,401)
Net assets on acquisition	48,748
Minority interest on acquisition (50%)	(24,374)
Net assets acquired	24,374
Price paid	(19,991)
Negative goodwill on acquisition	(4,383)
Share subscription proceeds	19,991
Cash and cash equivalents	1,593
Net cash inflow	21,584

Minority interest on acquisition includes a 34% holding by BBH, the ultimate holding company of the Company.

As at 31 December 2000, the subsidiary companies which are both included in the consolidation and registered in Russia, consist of the following:

Name	Nature of Business	Ownership
OOO Baltika-Moscow	Distribution of Baltika beer	100.00%
OAO Baltika-Don	Production and distribution of beer	83.00%
OAO Tulskoe Pivo	Production and distribution of beer	50.00%

Associated companies are those companies over which the Company can exercise significant influence, but which it cannot control. Associated companies are accounted for by the equity method. As at 31 December 2000, the only associated company is a company founded in conjunction with the Soufflet group. This company produces malt.

Other long-term and short-term investments are stated at cost; provisions are recorded when their fair market values or net realisable values are less than the valuations recorded in the accounting books.

Revenues

Revenues are presented net of VAT and excise. Services are rendered to customers on credit terms or following a prepayment from the customer. Revenue is recognised when goods are shipped or services are provided.

Accounts receivable

The Company records a provision for doubtful accounts receivable based on a review of the particular account, in addition to considering the overall delinquency in customer payments. The Company fully provides for debtors balances over 180 days old.

Inventory

Valuation of raw materials is recorded at full purchase cost; work in progress and finished goods are recorded at direct production cost plus production overheads. Should the net realisable value be less than the cost, a reduction in the valuation is effected.

Property, Plant and Equipment

All buildings, plant and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Cost includes all costs directly attributable to bringing the assets into working condition for their intended use.

For practical operational purposes the hard currency fixed asset register is maintained in SEK, (the Company being a subsidiary of BBH a Swedish company). These financial statements disclose a translation difference which relates to movement of SEK against USD.

Property, plant and equipment is depreciated on a straight-line basis over the expected useful lives of the related assets as follows:

(expressed in thousands of US dollars)

	Useful lives
Buildings	50-100 years
Construction	25-50 years
Machinery and equipment	8.3-10 years
Trucks	7.1 years
Other	8.3-10 years

Repair and Maintenance Costs

Repair and maintenance costs which prolong the useful economic life of property, plant and equipment are capitalised.

Assets Under Construction

Assets under construction are recorded in the balance sheet according to the cost of work completed to date. These balances are not depreciated until the construction is completed and the asset is put into use.

Deferred Taxation

The Company adopted IAS 12 (revised) "Accounting for Taxes on Income". In accordance with IAS 12 (revised) "Accounting for Taxes on Income", deferred taxation resulting from temporary differences in the recognition of assets and liabilities for income tax and financial reporting purposes is recorded using the liability method to the extent that there is a reasonable probability that such taxes will be payable or recoverable in the foreseeable future. Valuation allowances are made against deferred income tax assets that are not expected to be realised.

Pensions

The Company and its subsidiaries make contributions to the Pension Fund of the Russian Federation as required by Russian law. The contributions amount to 28% of gross salaries and are expensed as incurred. The Company has not recorded any commitments payable to management or employees on retirement.

Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred or capitalised to the extent that they relate to fixed assets acquisitions.

Minority interests

Minority interests are treated as the allocation of equity and stated at historical value both in the Balance sheet and Profit and Loss account.

Distributable and non-distributable retained earnings

Distributable retained earnings represent the closing rouble retained earnings (including adjustments made for compliance with IAS) translated at the period end-rate. The closing retained earnings include the net income earned in the reporting period.

(expressed in thousands of US dollars)

Non-distributable retained earnings represent the difference between the historical value of retained earnings and distributable retained earnings.

3 CASH IN BANK

	31 December 2000	31 December 1999
Russian rouble bank accounts	4,518	5,649
Foreign currency bank accounts	159	164
Petty cash	220	6
	4,897	**5,819**

There were no legal restrictions on the use of cash and bank balances as of 31 December 2000.

As the Government cancelled Inkombank's and Russian Universal Bank licences, the Inkombank balances of the Group were recorded in the prepayments and other receivables line and have been fully provided for as at 31 December 2000.

4 LONG-TERM INVESTMENTS

Long-term investments consist of the following items:

	31 December 2000	31 December 1999
Shares in Menatep bank	44	47
Associated Company-Soufflet	4,085	91
Redeemed Tula shares held for resale	20	-
	4,149	**138**

Shares in Soufflet were included in the consolidated financial statements using the equity method.

5 TRADE ACCOUNTS RECEIVABLE

	31 December 2000	31 December 1999
Trade accounts receivable	4,825	4,740
Provision for bad and doubtful receivables	(781)	(364)
	4,044	**4,376**

6 FINANCIAL RECEIVABLES

	31 December 2000	31 December 1999
Financial receivables from Soufflet	418	2,677
	418	**2,677**

(expressed in thousands of US dollars)

7 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2000	31 December 1999
Receivables from Inkombank	9	9
Provision for receivables from Inkombank	(9)	(9)
Receivables from Russian Universal Bank	8	-
Provision for receivables from Russian Universal Bank	(8)	-
Prepaid expenses	105	14
Advances to suppliers, paid in roubles	4,230	1,052
Advances to suppliers, paid in foreign currency	18	27
Profit tax receivable	2,055	4,220
VAT receivable	10,524	597
Receivable from returnable containers (1999 - in trade receivables)	2,183	-
Trade receivables from group companies	-	28
Other receivable	1,342	-
	20,457	**5,938**

8 INVENTORY

	31 December 2000	31 December 1999
Raw materials	10,611	6,565
WIP	3,350	1,953
Finished goods	5,059	1,495
Other	26,975	15,294
	45,995	**25,307**

9 PROPERTY, PLANT AND EQUIPMENT

In 2000, the Group continued its investment program which started in 1999. As a result, Baltika-Don's capacity has increased by 1.5 times (from 10 to 15 mln. decilitres) and Tula capacity by 2 times (from 10 to 20 mln. decilitres). Moreover, the Company has started new investment programs which will increase by spring 2001, the capacities of the following breweries: Company (up to 90 mln. decilitres), Baltika-Don (up to 20 mln. decilitres) and Tula (up to 30 mln. decilitres).

The main projects are the following:

- Construction of a bottling line in Baltika-Don (4.6 million US dollars);
- Construction of bottling lines in Tula (10.3 million US dollars);
- Construction of new cylinder-conical tanks in Tula (12.0 million US dollars);
- Construction of new cylinder-conical tanks in Company (7.0 million US dollars);
- Construction of new cylinder-conical tanks in Baltika-Don (6.9 million US dollars);
- Modernisation of a brewing line in Tula (3.4 million US dollars);
- Modernisation of the beer filtration systems in Company (2.1 million US dollars);
- Construction of bottling lines in Company (1.4 million US dollars);
- Construction of PET-making equipment in Company (2.2 million US dollars);
- Purchase of fork-loaders for stores in Company (1.1 million US dollars).

(expressed in thousands of US dollars)

In 2000, the Group invested 25.1 million dollars in the reconstruction of Company, 23.7 million dollars in the reconstruction of Baltika-Don and 23.5 million dollars in the reconstruction of Tula-in total 74.9 million dollars.

The investment program for 2000 was financed using internal financing of an estimated amount of 55 million dollars and external funds (long-term loan from the EBRD) of an amount of 20 million dollars. External financing by EBRD is secured by a pledge of equipment and machinery amounting to 66,765 thousand dollars as at the date of pledge provision in 1999.

Property, plant and equipment movement schedule for 2000 is as follows:

	Machinery and equipment	Plant	Total 31 December 2000	Total 31 December 1999
Cost				
Cost as at start of year	172,889	55,435	228,324	146,505
Additions	33,891	5,162	39,053	95,043
Acquisition of new subsidiary- Tula	21,762	16,423	38,185	-
Disposals	(5,239)	(314)	(5,553)	(3,502)
Translation difference	(21,479)	(7,168)	(28,647)	(9,722)
Cost as at end of year	**201,824**	**69,538**	**271,362**	**228,324**
Accumulated Depreciation				
Accumulated depreciation as at start of year	(26,494)	(5,663)	(32,157)	(20,669)
Depreciation charge	(16,824)	(1,234)	(18,058)	(14,754)
Acquisition of new subsidiary- Tula	(5,562)	(3,308)	(8,870)	-
Disposals	2,553	58	2,611	1,885
Translation difference	3,800	833	4,633	1,381
Accumulated depreciation as at end of year	**(42,527)**	**(9,314)**	**(51,841)**	**(32,157)**
Net Book Value as at end of year	**159,297**	**60,224**	**219,521**	**196,167**

10 ASSETS UNDER CONSTRUCTION

	31 December 2000	31 December 1999
Assets under construction	31,459	7,984
Intangible assets acquisition	156	90
Fixed assets not put into operation	27,005	879
	58,620	**8,953**

(expressed in thousands of US dollars)

11 LONG-TERM LOANS PAYABLE

Lender	Repayment Date	Currency	Principal	Interest Due	31 December 2000	31 December 1999

12

13

14 SHORT-TERM LOANS PAYABLE

As at year end, the following bank loans are payable within one year:

Lender	Repayment date	Currency	Principal	Interest Due	31 December 2000	31 December 1999

The Citibank loan was unsecured and was repaid in January, 2000.

Baltika-Don received a loan from Credit Lyonnais, the year-end balance consisting of a principal amount of 167,000 thousand RUR (5,930 thousand USD) and accrued interest of 1,770 thousand RUR (63 thousand USD) at an average interest rate of 17%. The loan is secured by a guarantee from the Company.

Tula received two loans: one from Credit Lyonnais, the year end balance consisting of a principal amount of 111,000 thousand RUR (3,942 thousand USD) and accrued interest of 1,127 thousand RUR (40 thousand USD); the second from ABN-Amro Bank, the year end balance consisting of a principal amount of 106,000 thousand RUR (3,764 thousand USD) and accrued interest of 1,430 thousand RUR (51 thousand USD), both at an average interest rate of 12,6%. These loans are secured by guarantees from the Company.

(expressed in thousands of US dollars)

15 TRADE ACCOUNTS PAYABLE

	31 December 2000	31 December 1999
Payable for capital investments, foreign currency	8,371	6,171
Payable to suppliers, foreign currency	4,768	3,720
Other payables, foreign currency	572	853
Payable for capital investments, RUR	389	570
Payable to suppliers, RUR	3,222	2,076
Payable for packaging	2,247	842
Other	2,171	570
	21,740	**14,802**

16 OTHER ACCOUNTS PAYABLE

	31 December 2000	31 December 1999
Salary and social charges	5,826	3,386
Advances received	2,814	969
Taxes payable	1,286	146
Excise payable	3,873	2,432
Dividends payable	532	135
Other	1,780	2,740
Financial liabilities to BBH Group Companies	1,101	1,666
	17,212	**11,474**

17 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities

As Russian commercial legislation, and tax legislation in particular, contain provisions which can be interpreted in more than one way, and due to the tax authorities' practice, as developed in a generally unstable environment, of arbitrarily judging business activities and arbitrarily classifying enterprises' activities where the regulatory basis for such a decision is insufficient, management's judgement of the Group's business activities may not coincide with the tax authorities' interpretation of these same activities.

Management is not currently aware that any situations exist which may be challenged by the tax authorities which have not already been reflected in the financial statements. However, if a particular treatment was to be challenged by the tax authorities, significant penalties may be imposed on the Group. Although the actual amount of tax due on a transaction may be minimal, penalties can be charged at 20% of the value of the outstanding tax amount and also include interest accrued thereon at 1/300 of Central Bank of Russia interest rate per day.

The Group is affected by political, legislative, fiscal and regulatory developments in Russia and also to physical risks of various kinds. The nature and frequency of the developments and risks, which are not covered by insurance, as well as their effect on the future operation and earnings are not predictable. The occurrence of significant losses and impairments associated with facilities could have a material effect on the Company's operations and no provisions for self-insurance to cover such items are incorporated into these financial statements.

(expressed in thousands of US dollars)

	31 December 2000	31 December 1999
Litigation provision	-	1
	-	**1**

Capital commitments

As at 31 December 2000, the Company has the following major capital commitments:

Description of the asset	Amount
Company	
New bottling line	967
Beer recovery equipment	753
Bottling line and bottle-washing machine	775
Purchase of fork-loaders	750
Baltika-Don	
New bottling line	295
Purchase of fork-loaders	172
Construction of new cylinder-conical tanks	187
Tula	
New bottling line	287
Construction of new cylinder-conical tanks	349

Proposed acquisitions

Due to expansion activity, the Company is in process of selecting breweries for proposed acquisitions. Negotiations commenced in 2000 with a number of breweries located in Russia and CIS countries and are continuing into 2001.

18 SHARE CAPITAL

Share capital is denominated in roubles. On 26 December 1992, the date of the Company's first issue of shares, share capital consisted of 1,243,880 authorised and issued shares with a nominal value of 50 RUR.

The second issue was registered on 18 April 1995. The nominal value of shares was increased from 50 RUR to 30,000 RUR.

The third issue was registered on 17 May 1995. An additional 293,000 common shares were issued at the nominal value of 30,000 RUR.

The fourth issue was registered on 26 December 1995. The nominal value of shares was increased from 30,000 RUR to 80,000 RUR. As at 1 January 1998, due to the re-denomination of the rouble, the nominal value of Company shares became 80 RUR.

Share capital was fully paid up by December 1995. On 15 April 1997, the Company shares on issue were decreased by repurchasing 22,970 common and 6,750 preference shares.

The shareholders meeting of the Company held on 28 March 2001 approved a decision to carry out a split of the nominal value of preference and ordinary shares from 80 roubles per share to 1 rouble per share and thus increase the number of shares on issue.

For IAS purposes, share capital has been translated into US dollars in the accompanying balance sheet at the exchange rate effective as at the date of registration. Share capital consists of the following types of shares:

(expressed in thousands of US dollars)

Type of Share	Number of shares	Nominal value Per share	Share capital	31 December 2000	31 December 1999
		`	Thousands of RUR	Thousands of USD	Thousands of USD
Ordinary	1,338,590	80	107,087	23,530	23,530
Preference	168,570	80	13,486	2,963	2,963
	1,507,160		**120,573**	**26,493**	**26,493**

Preference shares earn dividends calculated on the basis of the nominal value multiplied by the interest rate of the Savings Bank of the Russian Federation, plus 10%. In accordance with the Company Charter, preference shares grant shareholders the following additional rights: if the Company is liquidated, the nominal value of preference shares will be returned to shareholders in priority over ordinary shareholders. Shareholders are entitled to sell their shares to the Company at their nominal value adjusted for inflation.

19 RESERVES

	Revaluation Reserve	Other restricted reserves	Distributable retained earnings (incl. 2000 net income)	Non-distributable retained earnings
Balance as at 31 December 1999	1,063	1,489	91,472	93,387
2000 net income			79,310	
Final dividend –1999			(8,130)	
Interim dividend –2000			(8,402)	
Reclassfication		695	(695)	
Translation adjustment		(56)	974	(21,236)
Balance as at 31 December 2000	**1,063**	**2,128**	**154,529**	**72,151**

Dividends can be proposed and paid from Russian statutory Distributable Retained Earnings only.

The Shareholder’s meeting held on 28 March 2001 approved annual dividends for 2000. Interim dividends in amount of 8,402 thousand USD were declared 7 July 2000 and reflected in financial statements. Final portion of 2000 dividends, declared 28 March 2001 amounting to 5,527 thousand USD will be reflected in financial statements for 2001.

(expressed in thousands of US dollars)

20 MINORITY INTEREST

The minority interest changed as follows:

	31 December 2000	31 December 1999
Minority interest as at 1 January 2000	4,884	4,138
Minority interest on purchase of Tula	24,374	-
Dividends paid to minority by Baltika-Don	(71)	-
Effect of currency changes in minority equity	(3,885)	-
Share of annual profit	3,949	746
	29,251	**4,884**

21 INCOME TAX

The current charge for income tax was determined on the basis of the Russian statutory taxable income. The current income tax rate applicable to the majority of income is 30%.

The reconciliation between estimated profit tax at statutory rates and tax expense in the consolidated profit and loss account is as follows:

	31 December 2000	31 December 1999
Profit before taxation and minority interest	**106,214**	**57,195**
Estimated profit tax at statutory rates	31,864	17,159
Add/deduct the tax effect of:		
Adjustments between IAS and statutory profit at statutory rate	6,017	1,839
Non-deductible expenses	2,245	1,242
Tax relief (mainly arising from property, plant and equipment acquisition)	(5,688)	(6,838)
Loss on disposal of property, plant and equipment	396	52
Effects of concessions granted in respect of the local portion of the statutory tax rate	(11,879)	(5,157)
Tax expense in the consolidated profit and loss account	**22,955**	**8,297**

22 RELATED PARTY TRANSACTIONS

Associates

The Company has one associate, Soufflet. During the year the Company contributed fixed assets and cash as share capital contributions in the amount of 77,607 thousand RUR (3,250 thousand USD) resulting in an increase of the Company's interest in Soufflet's share capital to 87,654 thousand RUR. The Company's proportional interest in Soufflet's share capital is still 30%. Investments in Soufflet are accounted for under the equity method, which led to an increase (1999-decrease) in the investment value.

(expressed in thousands of US dollars)

Shareholders

The Company has operations with its shareholder BBH (Baltic Beverages Holding) and other BBH Group companies.

Baltika's liabilities to BBH Group consist of the following:

	31 December 2000	31 December 1999
Liability for property, plant and equipment purchased from BBH	354	398
Liability for BBH services	383	431
Interest due to BBH on liabilities for property, plant and equipment and services	356	399
Dividends payable to BBH	8	-
BBH payment to EBRD on behalf of the Company	-	438
Total liability to BBH Group	**1,101**	**1,666**

23 NET REVENUES

Almost all sales and services were performed in the Russian Federation. Export sales began in April 1999 and generated 3,308 thousand US dollars during the year ended 31 December 2000 (1999 - 99 thousand USD). Export sales were made to Finland, Estonia, Latvia, Germany, Great Britain, USA, Greece, Mongolia, Israel and other countries.

	31 December 2000	31 December 1999
Beer	322,070	191,680
Mineral water	1,000	300
Transport services	5,334	2,000
Other	5,002	5,999
Total group sales	**333,406**	**199,979**

(expressed in thousands of US dollars)

24 OPERATING COSTS

	31 December 2000	31 December 1999
Raw materials	(112,779)	(66,452)
Low value items	(1,363)	(694)
Wages and salaries	(16,894)	(8,069)
Pension and social security costs	(5,895)	(2,931)
Depreciation	(18,126)	(14,827)
Repairs and maintenance	(16,065)	(6,535)
Rent	(2,214)	(331)
Taxes	(10,544)	(7,046)
Power and heat	(3,690)	(2,693)
Compensation to employees	(1,585)	(668)
Transport expenses	(12,005)	(5,454)
Advertising and marketing expenses	(6,604)	(3,349)
Revaluation of returnable containers	(2,187)	(863)
Other	(6,797)	(2,482)
	(216,748)	**(122,394)**

25 GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2000	31 December 1999
Wages and salaries	(3,884)	(2,051)
Pension and social security costs	(1,353)	(757)
Heat, power and light	(134)	(133)
Legal and professional	(540)	(176)
Communications	(522)	(298)
Charity	(840)	(222)
Other	(505)	(2,035)
	(7,778)	**(5,672)**

26 OTHER INCOME, OTHER EXPENSES

	31 December 2000	31 December 1999
Gain on tax disbursements	-	5,680
Gain/(Loss) on disposal of fixed assets	(2,749)	(1,607)
Income/loss from investments in associates	1,018	(290)
Penalties to the State budget and non-budgetary funds	(97)	(47)
	(1,828)	**3,736**

(expressed in thousands of US dollars)

27 FINANCIAL INCOME

	31 December 2000	31 December 1999
Interest income (local banks)	1,076	277
Other interest income	311	33
	1,387	**310**

28 FINANCIAL EXPENSES

	31 December 2000	31 December 1999
Provision for short and long-term investments	-	(710)
Interest expenses (local banks)	(960)	(2,325)
EBRD services expense	(228)	-
Interest expense (EBRD)	(692)	-
Interest expense (BBH group)	-	(1,460)
Bank services	(601)	(433)
	(2,481)	**(4,928)**

29 DEFERRED TAXES

The differences between reporting under International Accounting Standards and reporting under statutory tax laws give rise to differences between financial and taxable profits. To the extent that these differences are temporary in nature, their expected future taxation effects are recorded as deferred income taxes. The deferred tax asset arising from such differences has not been recognised in these financial statements due to the lack of certainty of recoverability. It will be realisable if there are no changes in the law or regulations which will adversely affect the Group's ability to realise the asset in future periods.

The significant deterioration of the rouble against the US dollar during the financial crisis in 1998 resulted in a severe decrease in the US dollar equivalent of the rouble-based tax written-down value of fixed assets. Such deterioration may also have resulted in a reduction in the ultimate realisable values of such assets which are recorded in these financial statements at their hard-currency written-down values. Such a reduction in ultimate realisable values can only be assessed by revaluation or by disposal in the normal course of business activities.

Therefore the difference existing between the property, plant and equipment valuation for IAS and statutory purposes which gives rise to a deferred tax liability, has not been recorded in these financial statements. In the short term, the Group does not intend to dispose of a significant part of property, plant or equipment and the Group does not expect to be liquidated. As a result, no deferred tax liability caused by this significant currency movement has been recognised in the financial statements.