OAO BALTIKA BREWERIES AND SUBSIDIARIES

Consolidated Interim Financial Statements

for the nine months ended 30 September 2007

Contents

		Nine months ended 30 September	
		2007	**2006**
	Note	**’000 EURO**	**’000 EURO**
Revenue		1,762,748	1,337,951
Cost of sales		(835,577)	(613,551)
Gross profit		927,171	724,400
Distribution expenses		(414,612)	(324,690)
Administrative expenses	6	(62,520)	(50,323)
Other operating expenses, net	7	178	(422)
Financial income	9	16,749	24,648
Financial expenses	9	(8,947)	(13,065)
Share of profit of associates		470	(73)
Profit before tax		458,489	360,475
Income tax expense	10	(123,687)	(99,832)
Profit for the period		334,802	260,643
Attributable to:			
Shareholders of the Company		334,802	254,136
Minority interest		-	6,507
		334,802	260,643

Earnings per share			
Basic and diluted earnings per share	21	1.98 EURO	1.87 EURO

These consolidated interim financial statements were approved by management on 02 November 2007 and were signed on its behalf by:

Anton Artemiev	Ekaterina Azimina
President	*Vice-President of finance and economy*

The consolidated interim income statement is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 40.

	Note	30 September 2007 '000 EURO	31 December 2006 '000 EURO
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,083,422	1,004,171
Intangible assets	12	330,377	337,148
Investments in associates	13	7,470	7,669
Other investments	14	277	283
Total non-current assets		1,421,546	1,349,271
Current assets			
Inventories	17	204,109	153,403
Other investments	14	162,847	196,283
Income tax receivable		2,588	10,618
Trade and other receivables	18	172,262	117,028
Cash and cash equivalents	19	44,588	46,396
Total current assets		586,394	523,728
Total assets		2,007,940	1,872,999
EQUITY AND LIABILITIES			
Equity	20		
Preference shares		2,535	2,535
Ordinary shares		21,374	21,374
Share capital		23,909	23,909
Additional paid-in capital		487,375	487,375
Treasury shares		-	(3,034)
Foreign currency translation reserve		34,566	65,829
Retained earnings		1,106,628	969,133
Total equity		1,652,478	1,543,212
Non-current liabilities			
Loans and borrowings	22	23,175	31,900
Deferred tax liabilities	16	40,812	48,162
Total non-current liabilities		63,987	80,062
Current liabilities			
Loans and borrowings	22	42,815	67,679
Trade and other payables	23	248,660	181,850
Income tax payable		-	196
Total current liabilities		291,475	249,725
Total liabilities		355,462	329,787
Total equity and liabilities		2,007,940	1,872,999

The consolidated interim balance sheet is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 40.

	Nine months ended 30 September	
	2007	2006
	’000 EURO	’000 EURO
OPERATING ACTIVITIES		
Profit for the period	334,802	260,643
Adjustments for:		
Depreciation	92,299	96,003
Amortisation	1,258	2,067
(Gain)/Loss on disposal of property, plant and equipment	(136)	493
Share of profit of equity accounted investees	(470)	73
Interest expense	4,167	8,256
Interest income	(10,756)	(12,149)
Income tax expense	123,687	99,832
Operating profit before changes in working capital and provisions	544,851	455,218
Increase in inventories	(54,380)	(16,173)
(Increase)/decrease in trade and other receivables	(50,342)	(26,103)
Increase in trade and other payables	68,497	79,034
Decrease in provisions	-	(1,909)
Cash flows from operations before income taxes and interest paid	508,626	490,067
Income taxes paid	(122,491)	(78,667)
Interest paid	(3,064)	(6,847)
Cash flows from operating activities	383,071	404,553
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	556	778
Interest received	10,756	12,149
Dividends received	621	681
Loans made to banks	336	166
Acquisition of property, plant and equipment and intangible assets	(206,881)	(134,396)
Acquisition of bank promissory notes	29,973	(110,874)
Acquisition of minority interest	-	(5,015)
Net decrease/(increase) in loans made to third parties	-	(175)
Cash flows utilised by investing activities	(164,639)	(236,686)

The consolidated interim statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 40.

	Nine months ended 30 September	
	2007	2006 (Restated)
	’000 EURO	’000 EURO
FINANCING ACTIVITIES		
Proceeds from the issue of new shares	-	5,186
Proceeds from sale of treasury shares	3,616	1,777
Acquisition of treasury shares	-	(4,066)
Proceeds from borrowings	220,990	54,280
Repayment of borrowings	(253,259)	(94,818)
Payment of finance lease liabilities	-	(3,912)
Dividends paid	(190,750)	(135,115)
Cash flows utilised by financing activities	(219,403)	(176,668)
Net increase/(decrease) in cash and cash equivalents	(971)	(8,801)
Cash and cash equivalents at beginning of year	46,396	44,746
Effect of exchange rate fluctuations on cash and cash equivalents	(837)	(38)
Cash and cash equivalents at end of the period (note 19)	44,588	35,907

The consolidated interim statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 40.

’000 EURO	Attributable to shareholders of the Company							Minority interest	Total equity
	Preference Shares	Ordinary Shares	Additional paid-in capital	Treasury shares	Foreign currency translation reserve	Retained earnings	Total		
Balance at 1 January 2006	2,536	20,081	365,944	(1,409)	94,683	757,419	1,239,254	34,851	1,274,105
Profit for the period	-	-	-	-	-	254,136	254,136	6,507	260,643
Foreign currency translation differences	-	-	-	-	6,607	-	6,607	-	6,607
Total recognised income and expenses							260,743	6,507	267,250
Dividends to shareholders	-	-	-	-	-	(119,158)	(119,158)	(2,911)	(122,069)
Treasury shares acquired	-	-	-	(4,080)	-	-	(4,080)	-	(4,080)
Treasury shares sold	-	-	-	1,777	-	-	1,777	-	1,777
Acquisition of minority interest	-	-	-	-	-	-	-	(19,785)	(19,785)
Ordinary shares issued	-	1,226	55,694	-	-	-	56,920	-	56,920
Redemption of shares	(1)	(1)	-	-	-	-	(2)	-	(2)
Balance at 30 September 2006	2,535	21,306	421,638	(3,712)	101,290	892,397	1,435,454	18,662	1,454,116
Profit for the period	-	-	-	-	-	76,736	76,736	1,070	77,806
Foreign currency translation differences	-	-	-	-	(35,461)	-	(35,461)	-	(35,461)
Total recognised income and expenses							41,275	1,070	42,345
Treasury shares acquired	-	-	-	(261)	-	-	(261)	-	(261)
Treasury shares sold	-	-	-	939	-	-	939	-	939
Acquisition of minority interest	-	-	-	-	-	-	-	(19,732)	(19,732)
Ordinary shares issued	-	68	65,737	-	-	-	65,805	-	65,805
Balance at 31 December 2006	2,535	21,374	487,375	(3,034)	65,829	969,133	1,543,212	-	1,543,212

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 40.

’000 EURO	**Preference Shares**	**Ordinary Shares**	**Additional paid-in capital**	**Treasury shares**	**Foreign currency translation reserve**	**Retained earnings**	**Total equity**
Balance at 1 January 2007	2,535	21,374	487,375	(3,034)	65,829	969,133	1,543,212
Profit for the period	-	-	-	-	-	334,802	334,802
Foreign currency translation differences	-	-	-	-	(31,263)	-	(31,263)
Total recognised income and expenses							303,539
Dividends to shareholders	-	-	-	-	-	(197,897)	(197,897)
Treasury shares sold	-	-	-	3,034	-	590	3,624
Balance at 30 September 2007	2,535	21,374	487,375	-	34,566	1,106,628	1,652,478

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 40.

1 Background

(a) 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 eight 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 30 September 2007 Baltic Beverages Holding AB owned and controlled 90.63% of the Company’s ordinary shares and 25.65% of the Company’s preference shares. The remainder of the ordinary and preference shares are widely held.

As at 30 September 2007 the Group consisted of ten production plants: Baltika-Saint-Petersburg, Baltika-Tula, Baltika-Rostov, Baltika-Samara, Baltika-Khabarovsk, Baltika-Vena, Baltika-Chelyabinsk, Baltika-Pikra, Baltika-Yaroslavl and Baltika-Voronezh and nine subsidiaries: OOO Baltika-Moscow, OOO Universalopttorg, OOO Terminal Podolsk, OOO Baltika-Ukraine, OsOO Baltika, Baltika S.R.L., Baltika-Almaty LLP, OOO Baltika-Bel and Baltika Deutschland GmbH. The Group started construction of new plant in Novosibirsk, which is expected to be fully operational in the beginning of 2008. OOO Leasing-Optimum was sold in August 2007.

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 27.

(b) Group structure

The consolidated interim financial statements of the Group for the nine months ended 30 September 2007 comprise the Company and its subsidiaries and the Group’s interest in associates. The list of subsidiaries is detailed in note 28. During 2006 the Company, OAO Pikra, OAO Vena, OAO Yarpivo and OAO Zolotoy Ural were under the common control of Baltic Beverages Holding AB.

At the extraordinary shareholders’ meeting on 7 March 2006, shareholders of the Company voted in favour of the proposed merger of the Company with brewing companies OAO Pikra, OAO Vena (into which OAO Zolotoy Ural had earlier been merged) and OAO Yarpivo.

Shareholders in OAO Pikra, OAO Vena and OAO Yarpivo (including Baltic Beverages Holding AB) were offered the option of exchanging their shares in OAO Pikra, OAO Vena and OAO Yarpivo for newly issued ordinary shares of the Company or selling their shares to the Company, if they wished to do so. The Company’s ordinary shareholders had the opportunity of either selling their shares back to the Company or retaining their shareholding.

The first share exchange between the Company, Baltic Beverages Holding AB and minority shareholders took place on 3 July 2006. This exchange resulted in the Company becoming the new majority shareholder of OAO Pikra, OAO Vena and OAO Yarpivo with 91.90% of the shares in OAO Pikra, 92.76% in OAO Vena and 87.19% in OAO Yarpivo.

The second share exchange between the Company, Baltic Beverages Holding AB and minority shareholders took place on 28 December 2006. Following this exchange, OAO Pikra, OAO Vena and OAO Yarpivo were fully merged into the Company and became branches of the Company as at 28 December 2006.

In accordance with the Group's accounting policy, the acquisitions have been accounted for as if they had occurred on 1 January 2005 (refer note 3(a)(ii)). Comparatives have, accordingly, been restated.

Shares in OAO Pikra, OAO Vena and OAO Yarpivo purchased after 1 January 2005 by Baltic Beverages Holding AB and transferred to the Company during share exchanges in July and December 2006 were recognized as shareholders' contributions.

(c) 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. The consolidated 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.

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated Interim financial statements are prepared on the historical cost basis except that derivative financial instruments and financial investments classified as available-for-sale are stated at fair value; 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 and the functional currency of the majority of the Company's subsidiaries, because it reflects the economic substance of the underling events and circumstances of the Group.

These consolidated interim financial statements are presented in euro (“EURO”) since management believes that this currency is more useful for the users of the consolidated interim financial statements. All financial information presented in EURO has been rounded to the nearest thousand.

The RUR is not a readily convertible currency outside the Russian Federation and, accordingly, any conversion of RUR to EURO should not be construed as a representation that the RUR amounts have been, could be, or will be in the future, convertible into EURO at the exchange rate disclosed, or at any other exchange rate.

(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.

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 the following notes:

- Note 12 – Intangible assets
- Note 26 – Contingencies

3 Significant accounting policies

The following significant accounting policies have been applied in the preparation of the consolidated interim financial statements. These accounting policies have been consistently applied.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company 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 presently 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.

(ii) Acquisitions of entities under common control

Business combinations arising from transfers of interest in entities that are under the control of the shareholder that controls the Company are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group’s controlling shareholder’s consolidated interim financial statements. The components of equity of the acquired entities are added to the same components within the Group equity, except that any share capital of the acquired entities is recognised as part of additional paid-in capital. Any cash paid for the acquisition is recognised directly in equity.

(iii) Associates

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 the 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.

(iv) Transactions eliminated on consolidation

Intra-group balances, 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

Transactions in foreign currencies are translated to RUR at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to RUR at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to RUR at the exchange rate at the date the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments.

The assets and liabilities of Group enterprises are translated to EURO at exchange rates at the reporting date. Income and expenses are translated to EURO at rates approximating exchange rates at the dates of the transactions. Foreign currency differences are recognised directly in equity in the foreign currency translation reserve.

(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.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group’s contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date (i.e. the date that the Group commits itself to purchase or sell the asset). Financial liabilities are derecognised if the Group’s obligations specified in the contract expire or are discharged or cancelled.

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 profit or loss.

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 by other means are stated at cost less impairment losses.

(ii) Derivative financial instruments

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in profit or loss.

(d) Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

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, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, except for land, are measured at cost less accumulated depreciation and impairment losses. 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 ("deemed cost").

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.

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.

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

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

- Buildings 25 to 40 years
- Machinery and equipment 5 to 10 years
- Kegs 10 years.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(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. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

(iii) Amortisation

Amortisation is recognised in profit or loss 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 are 2-10 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 and 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 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 current 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 profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

(ii) Reversal of impairment

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 profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(iii) 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. 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.

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.

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 recognized.

(j) Employee benefits

Obligations for contributions to Russia's State pension fund are recognised as an expense in profit and loss when they are due.

(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.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(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.

(m) Other expenses

(i) Lease payments

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(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, dividend income, gains on the disposal of available-for-sale financial assets and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised 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 profit or loss using the effective interest method.

(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 to equity, in which case it is recognised in equity.

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

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 goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. 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.

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.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognized.

(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

The following new Standards, amendments to Standards and Interpretations are not yet effective as at 30 September 2007 and have not been applied in preparing these consolidated interim financial statements. The Group plans to adopt these pronouncements when they become effective.

- IFRS 8 Operating Segments, which is effective for annual periods beginning on or after 1 January 2009. The Standard introduces the "management approach" to segment reporting.
- IAS 23 Borrowing Costs, which is effective for annual periods beginning on or after 1 January 2009. The new Standard eliminates the option of immediately expensing borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.
- IFRIC 11 IFRS 2 - Group and Treasury Share Transactions, which is effective for annual periods beginning on or after 1 March 2007. The Interpretation addresses the classification of the share-based payment as equity-settled or cash-settled in the financial statements of the entity receiving the services.
- IFRIC 12 Service Concession Arrangements, which is effective for annual periods beginning on or after 1 January 2008. The Interpretation addresses how service concession operators should account for the obligations they undertake and rights they receive in service concession arrangements.

4 Acquisition of minority interests

On 3 July 2006 the Company acquired for shares OAO Pikra, OAO Vena (into which OAO Zolotoy Ural had earlier been merged) and OAO Yarpivo from an entity under common control. The acquisition has been accounted for as if it had taken place on 1 January 2005 (refer note 1(b)).

During 2006 Baltic Beverages Holding AB acquired minority interests in OAO Pikra, OAO Vena and OAO Yarpivo which resulted in additional goodwill of EURO 10,549 thousand in 2006, recognized for the purposes of these consolidated financial statements. As a result of the acquisition of minority interests in OAO Pikra, OAO Vena and OAO Yarpivo during share exchanges in July and December 2006 the Group recognized additional goodwill of EURO 68,697 thousand (refer note 1(b)).

5 Disposals of subsidiaries

During 9 months ended 30 September 2007 the Company disposed of OOO Leasing-Optimum to a third party. The net loss on disposal of EURO thousand was recognised in income statement. The effect of disposal of the subsidiary on the Company's assets and liabilities at the date of disposal was insignificant.

6 Administrative expenses

	Nine months ended 30 September	
	2007	**2006**
	’000 EURO	**’000 EURO**
Wages and salaries	19,427	15,568
Depreciation	7,795	7,171
Facilities	4,214	2,806
Information technology and communications	3,469	2,545
Payroll taxes	2,868	2,695
Other payroll expenses	2,768	2,197
Charity	1,360	1,398
Other administrative expenses	20,619	15,943
	62,520	50,323

7 Other operating expenses, net

	Nine months ended 30 September	
	2007	**2006**
	'000 EURO	**'000 EURO**
Gain/(Loss) on disposal of property, plant and equipment	136	(493)
Other income	43	71
	178	(422)

8 Personnel costs

	Nine months ended 30 September	
	2007	**2006**
	'000 EURO	**'000 EURO**
Wages and salaries	105,978	92,926
Payroll taxes	21,828	20,113
Other payroll expenses	7,777	7,937
	135,583	120,976

The average number of employees during the nine months ended 30 September 2007 was 11,439 (nine months ended 30 September 2006: 10,737).

9 Financial income and expenses

	Nine months ended 30 September	
	2007	**2006**
	'000 EURO	**'000 EURO**
Financial income		
Interest income	10,756	12,149
Foreign exchange gain	5,993	12,499
	16,749	24,648
Financial expenses		
Interest expense	4,167	8,256
Foreign exchange loss	4,780	4,809
	8,947	13,065

10 Income tax expense

	Nine months ended 30 September	
	2007	**2006**
	'000 EURO	**'000 EURO**
Current tax expense		
Current year	130,256	93,683
Deferred tax expense		
Origination and reversal of temporary differences	(6,569)	6,149
	123,687	99,832

The Group's applicable tax rate is the corporate income tax rate of 24% (2006: 24%).

Reconciliation of effective tax rate:

	Nine months ended 30 September			
	2007		**2006**	
	'000 EURO	**%**	**'000 EURO**	**%**
Profit before tax	458,489		360,475	
Income tax at applicable tax rate	110,037	24.0	86,514	24.0
Non-deductible expenses	17,606	3.8	13,160	3.65
Tax reserve			3,113	0.9
Effects of local concessions granted to branches	(3,557)	(0.8)	(3,191)	(0.9)
Effects of concessions granted in respect of the local portion of the statutory tax rate	(3,132)	(0.7)	(8,482)	(2.35)
Other	2,732	0.6	8,718	2.4
	123,687	26.9	99,832	27.7

11 Property, plant and equipment

'000 EURO	Land and buildings	Machinery and equipment	Kegs	Construction in progress	Total
Cost/deemed cost					
At 1 January 2006	261,751	732,330	38,548	99,367	1,131,996
Additions	5,364	93,839	3,919	98,443	201,565
Disposals	(299)	(5,104)	(585)	(654)	(6,642)
Transfers	22,915	23,783	2,506	(49,204)	-
Foreign currency translation difference	(4,328)	(12,761)	(675)	(2,280)	(20,044)
At 31 December 2006	285,403	832,087	43,713	145,672	1,306,875
Additions	2,032	125,867	4	64,307	192,210
Disposals	-	(1,269)	(321)	(117)	(1,707)
Transfers	(2,303)	25,453	1,855	(25,255)	(250)
Foreign currency translation difference	(5,237)	(17,620)	(828)	(3,289)	(26,974)
At 30 September 2007	279,895	964,518	44,423	181,318	1,470,154
Depreciation and impairment losses					
At 1 January 2006	(15,151)	(166,497)	(5,918)	-	(187,566)
Depreciation charge	(8,512)	(110,046)	(6,980)	-	(125,538)
Disposals	93	5,030	517	-	5,640
Transfers	480	(480)	-		-
Foreign currency translation difference	356	4,207	197	-	4,760
At 31 December 2006	(22,734)	(267,786)	(12,184)	-	(302,704)
Depreciation charge	(6,066)	(82,869)	(3,364)	-	(92,299)
Disposals	-	1,051	234	-	1,285
Transfers	2,404	(1,814)	(590)		-
Foreign currency translation difference	475	6,228	283	-	6,986
At 30 September 2007	(25,921)	(345,190)	(15,621)	-	(386,732)

Net book value					
At 1 January 2006	246,600	565,833	32,630	99,367	944,430
At 31 December 2006	262,669	564,301	31,529	145,672	1,004,171
At 30 September 2007	253,974	619,328	28,802	181,318	1,083,422

Depreciation expenses for the period are included in cost of sales and in distribution and administrative expenses.

12 Intangible assets

’000 EURO	**Goodwill**	**Software and licences**	**Total Intangible assets**
Cost			
At 1 January 2006	260,213	5,531	265,744
Additions	79,246	2,944	82,190
Disposals	-	-	-
Foreign currency translation difference	(5,165)	(131)	(5,296)
At 31 December 2006	334,294	8,344	342,638
Additions	-	421	421
Disposals	-	(5)	(5)
Transfers	-	250	250
Foreign currency translation difference	(6,140)	(163)	(6,303)
At 30 September 2007	328,154	8,847	337,001
Amortisation			
At 1 January 2006	-	(2,461)	(2,461)
Amortisation charge	-	(3,116)	(3,116)
Disposals s		-	-
Foreign currency translation difference	-	87	87
At 31 December 2006	-	(5,490)	(5,490)
Amortisation charge	-	(1,258)	(1,258)
Disposals	-	4	4
Foreign currency translation difference	-	120	120
At 30 September 2007	-	(6,624)	(6,624)
Net book value			
At 1 January 2006	260,213	3,070	263,283
At 31 December 2006	334,294	2,854	337,148
At 30 September 2007	328,154	2,223	330,377

The amortisation charge for the period is included in cost of sales and in distribution and administrative expenses.

(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 the 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 amount of the Group's plants:

- Cash flows were projected based on actual operating results and the five-year business plan.
- Total production at the plants for 2006 was approximately 37,160,000 hectoliters. The anticipated annual production growth included in the cash flow projections was from 5% to 13% for the years 2007 to 2011.
- Cash flows for a further five years were extrapolated assuming no further growth in production, and revenue and expenses increasing in line with inflation.
- A discount rate of 12.5% was applied in determining the recoverable amount of the Group's 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 16% at a market interest rate of 8.75%.

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 and internal sources.

Although no impairment loss was recognised in respect of goodwill, the determination of the recoverable amount is sensitive to the rate at which the Group achieves its planned growth in production. If actual production were to be below estimated production by 24% in 2007 and subsequent years, the value in use would approximate the carrying amount of the plants.

The Group performed its annual impairment testing of goodwill as at 31 December 2006.

13 Investments in associates

The Group has the following investments in associates:

	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 30 September 2007 was EURO 5,746 thousand (31 December 2006: EURO 5,913 thousand).

14 Other investments

	30 September 2007 '000 EURO	31 December 2006 '000 EURO
Non-current		
Available-for-sale investments:		
Stated at cost	277	283
Current		
Investments held-to-maturity:		
Promissory notes	148,625	181,459
Loans to banks	14,222	14,824
	162,847	196,283

Available-for-sale investments stated at cost comprise unquoted equity securities in the brewery and banking industries. There is no 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 period would differ significantly from their carrying amount.

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

Originated loans and receivables represent purchases of financial instruments under agreements to resell them at future dates with one of the Russian banks (refer note 15).

15 Repurchase agreements

The Group purchases financial instruments under agreements to resell them at future dates. The seller commits to repurchase the same or similar instruments at an agreed future date. Repurchase agreements are commonly used as a tool for short-term financing. As at 30 September 2007 financial instruments purchased subject to agreements to resell them were as follows:

	Carrying amount of receivables '000 EURO	Fair value of assets held as collateral '000 EURO	Repurchase dates	Repurchase price '000 EURO
Loans to banks	14,222	17,107	10 December 2007	14,490

Total interest income earned in connection with repurchase agreements for the nine months ended 30 September 2007 was EURO 705 thousand (30 September 2006: EURO 784 thousand).

16 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

'000 EURO	Assets		Liabilities		Net	
	30 September 2007	31 December 2006	30 September 2007	31 December 2006	30 September 2007	31 December 2006
Property, plant and equipment	-	-	(56, 100)	(55,517)	(56,100)	(55,517)
Intangible assets	94	117	-	-	94	117
Investments	-	-	(420)	(433)	(420)	(433)
Inventories	-	-	(893)	(1,083)	(893)	(1,083)
Trade and other receivables	9,175	4,258	-	-	9,175	4,258
Trade and other payables	7,332	4,574	-	(78)	7,332	4,496
Net tax assets/(liabilities)	16,601	8,949	(57,413)	(57,111)	(40,812)	(48,162)

During the nine months ended 30 September 2007 EURO 6,569 thousand (2006: EURO 9,535 thousand) of the movement in the net deferred tax liability was recognized in the income statement and EURO 781 thousand (2006: EURO 750 thousand), relating to foreign exchange differences, was recognized directly in equity.

17 Inventories

	30 September 2007 '000 EURO	31 December 2006 '000 EURO
Raw materials and consumables	151,870	112,921
Work in progress	15,170	10,038
Finished goods and goods for resale	37,068	30,444
	202,310	153,403
Write-down of inventories in the current year	-	474

18 Trade and other receivables

	30 September 2007 '000 EURO	31 December 2006 '000 EURO
Accounts receivable - trade	107,544	59,778
VAT receivable	9,090	9,379
Advances to suppliers	38,123	32,769
Other receivables	20,447	18,671
	175,204	120,597
Accumulated impairment losses on receivables	(2,942)	(3,569)
	172,262	117,028

19 Cash and cash equivalents

	30 September 2007 '000 EURO	31 December 2006 '000 EURO
Bank balances	33,749	35,534
Bank deposits and bank promissory notes	10,839	10,862
Cash and cash equivalents in the balance sheet and in the statement of cash flows	44,588	46,396

20 Equity

(a) Share capital and additional paid-in capital

Number of shares unless otherwise stated	**Ordinary shares**	**Ordinary shares**	**Preference shares**	**Preference shares**
	30 September 2007	**31 December 2006**	**30 September 2007**	**31 December 2006**
Authorised shares				
Par value	RUR 1	RUR 1	RUR 1	RUR 1
On issue at beginning of the year	161,543,144	117,158,530	13,540,115	13,545,150
Redemption	-	(7,095)	-	(5,035)
Issued for share exchanges in subsidiaries	-	44,201,849	-	
Issued for cash	-	189,860	-	-
On issue at end of the period, fully paid	161,543,144	161,543,144	13,540,115	13,540,115

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.

The extraordinary general meeting of shareholders of Baltika Breweries held on October 15, 2007 (Minutes of the Meeting No. 24) made the resolution on reduction of the Company's charter capital by buying back up to 9 894 230 common registered shares having par value of 1 RUR each and up to 1 225 114 preference type "A" registered shares having par value of 1 RUR. As a result of shares buyback the Company's charter capital may decrease up to 163 963 915 RUR.

(b) Treasury shares

At the balance sheet date the Company held no own ordinary and preference shares (31 December 2006: 85,020 ordinary and 31,875 preference shares).

(c) 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 30 September 2007 the Company had retained earnings, including profit for the current period of EURO 875,030 thousand (31 December 2006: EURO 710,861 thousand).

The following table details the dividends declared by the Company for the periods ended 30 September 2007 and 31 December 2006:

	RUR per share	EURO per share equivalent	'000 EURO
31 December 2006			
Preference shares			
Dividends for 2005	24.33	0.71	9,553
Ordinary shares			
Dividends for 2005	24.33	0.71	82,629
30 September 2007			
Preference shares			
Dividends for 2006	39.5	1.13	15,312
Ordinary shares			
Dividends for 2006	39.5	1.13	182,585

The Shareholders' meeting held on 15 May 2007 approved dividends amounting to EURO 197,897 thousand.

During the year ended 31 December 2006 the following dividends were declared by OAO Vena, OAO Yarpivo and OAO Pikra to Baltic Beverage Holding AB and minority shareholders (refer note 3(a)(ii)): OAO Vena - EURO 16,723 thousand, OAO Yarpivo – EURO 13,164 thousand.

21 Earnings per share

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

Weighted average number of ordinary shares

Number of shares unless otherwise stated	**2007**	**2006**
Issued shares at 1 January	161,543,144	117,158,530
Effect of own shares held	(56,680)	(73,888)
Effect of shares issued		14,004,046
Weighed average number of shares for the nine months ended 30 September	161,486,464	131,088,688

Profit attributable to ordinary shareholders

	Nine months ended 30 September	
	2007	**2006**
	’000 EURO	**’000 EURO**
Net profit for the period attributable to shareholders of the Company	334,802	254,136
Preference dividends recognised during the period	(15,312)	(9,553)
Net profit attributable to ordinary shares	319,490	244,583

22 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 interest rate and foreign currency risk, refer note 24.

	30 September 2007 ’000 EURO	**31 December 2006 ’000 EURO**
Non-current		
Unsecured bank facility	1,091	1,760
Secured bank loans	22,084	30,140
	23,175	31,900
Current		
Unsecured bank facility	1,125	25,686
Current portion of secured bank loans	12,510	12,895
Bonds issued	29,180	29,098
	42,815	67,679

Bank loans are secured by the guarantee of the Company’s parent company, Baltic Beverages Holding AB, for the full amount.

23 Trade and other payables

Trade and other payables	**30 September 2007 ’000 EURO**	**31 December 2006 ’000 EURO**
Accounts payable - trade	156,939	120,830
Taxes payable	45,186	23,472
Accrued salaries, wages and benefits	23,782	23,313
Dividends payable	9,846	2,060
Payables to associates	2,032	1,978
Other payables and accrued expenses	10,875	10,197
	248,660	181,850

24 Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Group’s business.

(a) Credit risk

The Group requires collateral in respect of financial assets in excess of a certain amount. Credit evaluations are performed on all customers, other than related parties, requiring credit over a certain amount.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(b) 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 favourable to the Group over the expected period until maturity.

The following table shows the period in which interest-bearing financial assets and liabilities reprice.

30 September 2007	**Average interest rate**				
'000 EURO	**Contractual**	**Effective**	**0-6 mths**	**6-12 mths**	**Total**
Assets					
Loans to banks					
RUR	8.31%	8.31%	14,222	-	14,222
Held to maturity investments					
RUR	7.56%	7.56%	119,298	-	119,298
USD	6.92%	6.92%	29,327	-	29,327
Cash and cash equivalents					
RUR	4.93%	4.93%	38,233		38,233
USD	5.00%	5.00%	4,525		4,525
EUR	4.50%	4.50%	1,830	-	1,830
Liabilities					
Secured bank loans					
USD	LIBOR+0.75%	6.16%	(34,594)	-	(34,594)
Unsecured bank loans:					
USD	LIBOR+0.65%	6.09%	(2,216)	-	(2,216)
Unsecured bond issues:					
RUR*	8.75%	8.75%	(29,180)	-	(29,180)
			141,445	-	141,445

* Fixed rate debt does not reprice until contractual maturity.

31 December 2006	**Average interest rate**				
’000 EURO	**Contractual**	**Effective**	**0-6 mths**	**6-12 mths**	**Total**
Assets					
Loans to banks					
RUR	8.14%	8.14%	14,824	-	14,824
Held to maturity investments					
RUR	6.99%	6.99%	148,048	-	148,048
USD	4.79%	4.79%	27,255	-	27,255
EURO	5.4%	5.4%	6,156	-	6,156
Cash and cash equivalents					
RUR	5.73%	5.73%	10,862	-	10,862
Liabilities					
Secured bank loans					
USD	LIBOR+0.75%	6.12%	(43,035)	-	(43,035)
Unsecured bank loans:					
USD	LIBOR+1%	6.37%	(9,807)	-	(9,807)
USD	LIBOR+0.65%	6.27%	(2,933)	-	(2,933)
RUR	7.11%	7.11%	(14,706)	-	(14,706)
Unsecured bond issues:					
RUR*	8.75%	8.75%	(276)	(28,822)	(29,098)
			136,388	(28,822)	107,566

* Fixed rate debt does not reprice until contractual maturity.

(c) Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than RUR. The currencies giving rise to this risk are primarily USD and EURO. Management does not fully hedge the Group’s exposure to foreign currency risk. Monetary items denominated in a foreign currency are economically hedged using foreign currency forward contracts.

The Group does not use hedge accounting for its foreign currency forward contracts. All gains and losses arising in connection with foreign currency contracts are recognised in the income statement.

As at 30 September 2007 there were no outstanding forward contracts (31 December 2006: for the purchase of EURO for RUR 125,919 thousand and for the purchase of EURO for USD amounted to USD 4,807 thousand).

(d) Fair values

The fair value of investments is discussed in note 14. In other cases management believes that the fair value of the Group’s financial assets and liabilities approximates their carrying amounts.

In assessing fair values, management used the following methods and assumptions:

Quoted securities. Quoted market prices at the balance sheet date without any deduction for transaction costs.

Loans and borrowings. Expected future principal and interest cash flows were discounted at rates between 6 and 9 %, these rates were not materially different from the contractual interest rates.

Trade and other receivables and payables. For receivables and payables with a maturity of less than nine months, fair value is not materially different from the carrying amount because the effect of the time value of money is not material.

25 Commitments

As at 30 September 2007 the Group had the following capital commitments (31 December 2006: EURO 73,800 thousand):

Project	**2007 ’000 EURO**
Baltika-Novosibirsk plant	21,800
St. Petersburg plant	5,000
Baltika-Samara plant	3,300
Baltika-Tula plant	1,000
Baltika-Yaroslavl plant	1,100
Baltika-Pikra plant	1,400
Baltika-Rostov plant	400
Baltika-Khabarovsk plant	400
Total	34,400

26 Contingencies

Taxation contingencies

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 year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year 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.

In particular, the Group is currently involved in several litigations related to the right to apply a property tax concession and profits tax concessions granted by the local legislation of St. Petersburg and several litigations on VAT. Provision has been made in these consolidated interim financial statements in relation to the property tax and VAT disputes as management believe that it is probable that an outflow of funds will be required to settle these obligations. No provision has been made in relation to the profits tax concessions disputes as management believe that there is a remote likelihood that an outflow of funds will be required to settle these obligations.

27 Related party transactions

(a) Control relationships

The Company’s parent company is Baltic Beverages Holding AB (refer note 1(a)). Baltic Beverages Holding AB is owned by Pripps Ringnes AB (50%) and Oy Hartwall AB (50%). The ultimate parent company of Pripps Ringnes AB is Carlsberg Breweries A/S. The ultimate parent company of Oy Hartwall AB is Scottish & Newcastle plc.

No publicly available financial statements are produced for the Company’s parent company.

(b) Management remuneration

Key management personnel received EURO 8,625 thousand as salaries and bonuses during the nine months ended 30 September 2007 (EURO 6,210 thousand during the nine months ended 30 September 2006), which is included in personnel costs.

(c) Transactions with other related parties

The Group’s other related party transactions are disclosed below.

	Nine months ended 30 September	
	2007	**2006**
	’000 EURO	**’000 EURO**
Sale of goods:		
Fellow subsidiaries	2,171	5,711
Royalties received:		
Fellow subsidiaries	882	427
Services provided:		
Associate	1,478	985
	4,531	7,123

	Nine months ended 30 September	
	2007	**2006**
	’000 EURO	**’000 EURO**
Purchase of raw materials:		
Associate	16,276	11,537
Services received:		
Fellow subsidiaries	96	204
Royalties paid:		
Fellow subsidiaries	7,896	2,054
Interest on borrowings:		
Parent company	-	2,081
	24,268	15,876

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

	30 September 2007	**31 December 2006**
	’000 EURO	**’000 EURO**
Receivables:		
Fellow subsidiaries	482	1,399

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

	30 September 2007	**31 December 2006**
	’000 EURO	**’000 EURO**
Trade payables:		
Fellow subsidiaries	398	853
Associate	2,032	1,978
Royalties payable:		
Fellow subsidiaries	7,377	563
Financial liabilities		
Fellow subsidiaries	1,706	84
	11,513	3,478

All outstanding balances with related parties are to be settled in cash within two months of the balance sheet date. None of the balances are secured.

During the nine months ended 30 September 2007 the Group purchased malt from Soufflet, an associate of the Group, amounting to EURO 16,276 thousand (excluding VAT) or 10% of the total value of malt purchases and 58,059 tons or 11% of the total volume of malt purchases. During the nine months ended 30 September 2006 the Group's malt purchases from Soufflet amounted to EURO 11,537 thousand (excluding VAT) or 11% of the total value of malt purchases and 48,946 tons or 11% of the total volume of malt purchases.

The liability to Soufflet for malt purchases amounted to EURO 2,032 thousand and EURO 1,978 thousand as at 30 September 2007 and 31 December 2006, respectively.

During the nine months ended 30 September 2007 and 30 September 2006 the Group provided various services to Soufflet and received various services from Soufflet for insignificant amounts.

28 Subsidiaries

Name	Nature of business	Country of incorporation	Ownership/ voting	Ownership/ voting
			30 September 2007	31 December 2006
OOO Baltika-Moscow	Distribution of Baltika beer	Russia	100%	100%
OOO Leasing-Optimum	Leasing	Russia	-	100%
OOO Batika-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%