OAO Baltika Breweries and subsidiaries

Consolidated Interim Financial Statements for the three months ended 31 March 2008

Contents

	Note	Three months ended 31 March 2008 '000 EURO	2007 '000 EURO
Revenue		463,135	408,649
Cost of sales		(248,768)	(209,838)
Gross profit		214,367	198,811
Distribution expenses		(118,762)	(95,706)
Administrative expenses	7	(17,324)	(20,999)
Other income/(expenses), net	8	1,268	24
Financial income	10	14,338	6,446
Financial expenses	10	(13,990)	(3,126)
Share of profit of associates		295	157
Profit before income tax		80,192	85,607
Income tax expense	11	(21,525)	(28,207)
Profit for the period		58,667	57,400
Attributable to:			
Shareholders of the Company		58,667	57,400
Minority interest		-	-
		58,667	57,400

	Note	2008	2007
Earnings per share			
Basic and diluted earnings per share	22	0.39 EURO	0.36 EURO

These consolidated interim financial statements were approved by management on 05 May 2008 and were signed on its behalf by:

Anton Artemiev
President

Ekaterina Azimina
Vice-President of finance and economy

The consolidated 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 46.

	Note	31 March 2008 '000 EURO	31 December 2007 '000 EURO
ASSETS			
Non-current assets			
Property, plant and equipment	12	1,093,563	1,095,543
Intangible assets	13	316,858	326,633
Investments in associates	14	7,754	7,458
Other investments	15	264	273
Total non-current assets		1,418,439	1,429,907
Current assets			
Inventories	17	238,709	216,997
Other investments	15	105,373	65,006
Income tax receivable		4,784	198
Trade and other receivables	18	173,120	139,576
Cash and cash equivalents	19	34,160	75,376
Total current assets		556,146	497,153
Total assets		1,974,585	1,927,060
EQUITY AND LIABILITIES			
Equity	21		
Preference shares		2,308	2,320
Ordinary shares		20,075	20,076
Share capital		22,383	22,396
Additional paid-in capital		102,976	104,880
Treasury shares		-	-
Foreign currency translation reserve		(31,512)	9,387
Retained earnings		1,228,579	1,169,912
Total equity		1,322,426	1,306,575
Non-current liabilities			
Loans and borrowings	23	14,991	16,142
Deferred tax liabilities	16	39,095	42,148
Total non-current liabilities		54,086	58,290
Current liabilities			
Loans and borrowings	23	311,567	310,887
Trade and other payables	24	271,918	249,573
Income tax payable		14,588	1,735
Total current liabilities		598,073	562,195
Total liabilities		652,159	620,485
Total equity and liabilities		1,974,585	1,927,060

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 46.

	Three months ended 31 March	
	2008	**2007**
	’000 EURO	**’000 EURO**
OPERATING ACTIVITIES		
Profit for the period	58,667	57,400
Adjustments for:		
Depreciation	34,377	30,148
Amortisation	1,006	365
(Gain)/loss on disposal of property, plant and equipment	(2,025)	5
Share of profit of equity accounted investees	(295)	(157)
Interest expense	4,675	1,478
Interest income	(2,065)	(4,369)
Income tax expense	21,525	28,207
Operating profit before changes in working capital and provisions	115,865	113,077
(Increase) in inventories	(28,920)	(25,947)
(Increase) in trade and other receivables	(43,453)	(6,561)
Increase in trade and other payables	72,776	26,664
Cash flows from operations before income taxes and interest paid	116,268	107,233
Income taxes paid	(14,933)	(24,492)
Interest paid	(1,980)	(234)
Cash flows from operating activities	99,355	82,507
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	4,625	54
Interest received	2,065	4,369
Loans made to banks	-	(291)
Acquisition of property, plant and equipment and intangible assets	(67,583)	(69,350)
Acquisition of bank promissory notes	(55,554)	(95,468)
Proceeds from bank promissory notes	12,351	71,632
Cash flows utilised by investing activities	(104,096)	(89,054)

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 46.

	Three months ended 31 March	
	2008	**2007**
	’000 EURO	**’000 EURO**
FINANCING ACTIVITIES		
Proceeds from sale of treasury shares	-	754
Proceeds from borrowings	131,787	124,213
Repayment of borrowings	(122,059)	(148,118)
Dividends paid	(2,827)	(442)
Redemption of shares	(41,829)	-
Cash flows utilised by financing activities	(34,928)	(23,593)
Net decrease in cash and cash equivalents	(39,669)	(30,140)
Cash and cash equivalents at beginning of year	75,376	46,396
Effect of exchange rate fluctuations on cash and cash equivalents	(1,547)	196
Cash and cash equivalents at end of the period (note 20)	34,160	16,452

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 46.

’000 EURO	**Preference shares**	**Ordinary shares**	**Additional paid-in capital**	**Treasury shares**	**Foreign currency translation reserve**	**Retained earnings**	**Total**
Balance at 1 January 2007	2,535	21,374	487,375	(3,034)	65,829	969,133	1,543,212
Profit for the period	-	-	-	-	-	57,400	57,400
Foreign currency translation differences	-	-	-	-	144	-	144
Total recognised income and expenses							57,544
Treasury shares sold	-	-	-	754	-	-	754
Balance at 31 March 2007	2,535	21,374	487,375	(2,280)	65,973	1,026,533	1,601,510
Profit for the period	-	-	-	-		341,276	341,276
Foreign currency translation differences	-	-	-	-	(56,586)	-	(56,586)
Total recognised income and expenses							284,690
Dividends to shareholders	-	-	-	-		(197,897)	(197,897)
Redemption of shares	(215)	(1,298)	(383,086)	-		-	(384,599)
Treasury shares sold	-	-	591	2,280		-	2,871
Balance at 31 December 2007	2,320	20,076	104,880	-	9,387	1,169,912	1,306,575

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 46.

’000 EURO	**Preference Shares**	**Ordinary Shares**	**Additional paid-in capital**	**Treasury shares**	**Foreign currency translation reserve**	**Retained earnings**	**Total equity**
Balance at 1 January 2008	2,320	20,076	104,880	-	9,387	1,169,912	1,306,575
Profit for the period	-	-	-	-		58,667	58,667
Foreign currency translation differences	-	-	-	-	(40,899)	-	(40,899)
Total recognised income and expenses							17,768
Redemption of shares	(12)	(1)	(1,904)	-		-	(1,917)
Balance at 31 March 2008	2,308	20,075	102,976	-	(31,512)	1,228,579	1,322,426

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 46.

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 nine companies and ten branches (together referred to as the “Group”), produces and distributes beer and mineral water.

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

As at 31 March 2008 Baltic Beverages Holding AB owned and controlled 90.5% of the Company’s ordinary shares and 24.1% of the Company’s preference shares. The remainder of the ordinary and preference shares are widely held.

As at 31 March 2008 the Group consisted of eleven production plants: Baltika-Saint-Petersburg, Baltika-Tula, Baltika-Rostov, Baltika-Samara, Baltika-Khabarovsk, Baltika-Vena, Baltika-Chelyabinsk, Baltika-Pikra, Baltika-Yaroslavl, Baltika-Voronezh and Baltika-Novosibirsk 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.

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

Related party transactions are detailed in note 28.

(b) Group structure

The consolidated interim financial statements of the Group for the three months ended 31 March 2008 comprise the Company and its subsidiaries and the Group’s interest in associates. The list of subsidiaries is detailed in note 29.

(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 interim financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

2 Basis of preparation

(a) Statement of compliance

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(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, except where otherwise stated.

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.

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

In particular, information about significant areas of estimation uncertainty and critical judgments made by management in preparing these consolidated interim financial statements are described in the following notes:

- Note 13 – Intangible assets

- Note 27 – 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

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated interim financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

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 Group 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.

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 an associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period. 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.

For the purpose of preparing consolidated interim financial statements in EUROs, 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

Non-derivative financial instruments

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

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

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

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

Held-to-maturity investments

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

Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer note 3(i)), 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.

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

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

Preference share capital

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

Repurchase of share capital

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

(e) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less impairment losses and, except for land, accumulated depreciation. The cost of property, plant and equipment at 1 January 2004, the date of transition to IFRSs, was determined by reference to its fair value at that date ("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. Borrowing costs related to the acquisition or construction of qualifying assets are recognized in profit or loss as incurred.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

Subsequent costs

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

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 unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

- Buildings 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

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 profit or loss.

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.

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 profit or loss as an expense as incurred.

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 vary between 1 to 10 years.

(g) Leased assets

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

Other leases are operating leases and the leased assets are not recognised in the Group’s balance sheet.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Impairment

Financial assets

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

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

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

All impairment losses are recognised in 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.

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.

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 the, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business acquisition, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in 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.

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

(j) Employee benefits

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

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

(k) Provisions

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

(l) Revenue

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

(m) Other expenses

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.

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

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 profit or loss as incurred.

(n) Financial income and expenses

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

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 profit or loss 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 affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Earnings per share

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

(q) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 March 2008, and have not been applied in preparing these consolidated interim financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2009 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the affective date. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.
- IFRIC 12 Service Concession Arrangements provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, becomes mandatory for the Group's 2008 financial statements. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.
- IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 becomes mandatory for the Group's 2009 financial statements. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.

4 Determination of fair values

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

(a) Property, plant and equipment

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

(b) Intangible assets

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

(c) Inventories

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

(d) Investments in equity and debt securities

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

(e) Trade and other receivables

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

(f) Non-derivative financial liabilities

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

5 Financial risk management

(a) Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

(b) Credit risk

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

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry in which customers operate, has less of an influence on credit risk. Substantially all of Group's customers are located in the Russian Federation. Approximately 15% (the three months ended 31 March 2007: 20%) of the Group's revenue is attributable to sales transactions with a single customer.

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

More than 52% of the Group's customers have been transacting with the Group for more than 2 years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale or retail customers, geographic location, maturity, and existence of any previous financial difficulties. The Group requires collateral in respect of financial assets. Credit evaluations are performed on all customers, other than related parties, requiring credit over a certain amount.

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

(ii) Investments

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

(c) Liquidity risk

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

The Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 15-30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as instability of financial system and the impact of monopolists and changes in statutory regulations. In addition the Group maintains the following lines of credit:

- USD 59,379 thousand multicurrency unsecured credit/overdfaft facility. Interest would be payable for EURO and USD at the rate from LIBOR/EURIBOR+0.55% to LIBOR/EURIBOR+1% and for RUR at the best banks rate up to approximately 10%;
- RUR 917,890 thousand unsecured credit/overdfaft facility. Interest would be payable at the best banks rate up to approximately 10%;
- USD 3,143 thousand multicurrency unsecured credit/overdfaft facility. Interest would be payable at the prime rate up to approximately 10%.

(d) Market risk

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

(i) Currency risk

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

The Group uses forward exchange contracts to hedge its currency risk, most of which have contracts have a maturity of less than one year.

(ii) Interest rate risk

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

(iii) Other market risk

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

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

(e) Capital management

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

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

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

In 2007, the Group commenced a capital reduction programme, that will be completed at the beginning of 2008, as disclosed, in the note 22. There were no other changes in the Group’s approach to capital management during the year.

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

6 Disposals of subsidiaries

During the year ended 31 December 2007 the Company disposed of its 100% owned subsidiary OOO Leasing-Optimum to a third party. The net loss on disposal was EURO 20 thousand. The contribution of the subsidiary to the profit for the period and the effect of disposal of the subsidiary on the Group's assets and liabilities at the date of disposal were insignificant.

7 Administrative expenses

	Three months ended 31 March	
	2008	**2007**
	’000 EURO	**’000 EURO**
Wages and salaries	6,089	5,466
Depreciation and amortisation	2,776	3,356
Facilities	1,332	1,301
Payroll taxes	1,122	1,010
Information technology and communications	1,109	1,056
Other payroll expenses	1,006	630
Charity	403	165
Other administrative expenses	3,487	8,015
	17,324	20,999

8 Other income/ (expenses), net

	Three months ended 31 March	
	2008	**2007**
	’000 EURO	**’000 EURO**
Gain/(loss) on disposal of property, plant and equipment	2,025	(5)
Other expense	(757)	29
	1,268	24

9 Personnel costs

	Three months ended 31 March	
	2008	**2007**
	’000 EURO	**’000 EURO**
Wages and salaries	38,564	31,103
Contributions to state pension fund	8,492	6,614
Other payroll taxes	373	641
Other payroll expenses	2,960	2,253
	50,389	40,611

10 Financial income and expenses

	Three months ended 31 March	
	2008	**2007**
	’000 EURO	**’000 EURO**
Financial income		
Interest income	2,065	4,369
Foreign exchange gain	12,273	2,077
	14,338	6,446
Financial expenses		
Interest expense	4,675	1,478
Foreign exchange loss	9,315	1,648
	13,990	3,126

11 Income tax expense

	Three months ended 31 March	
	2008	**2007**
	’000 EURO	**’000 EURO**
Current tax expense		
Current year	23,317	35,352
Deferred tax expense		
Origination and reversal of temporary differences	(1,792)	(7,145)
	21,525	28,207

The Group’s applicable tax rate is the corporate income tax rate of 24% (2007: 24%).

Reconciliation of effective tax rate:

	Three months ended 31 March			
	2008		**2007**	
	’000 EURO	**%**	**’000 EURO**	**%**
Profit before income tax	80,192	100	85,607	100
Income tax at applicable tax rate	19,246	24.0	20,546	24.0
Non-deductible expenses	4,098	5.1	7,486	8.8
Effects of local concessions granted to branches	(991)	(1.2)	(856)	(1.0)
Effects of concessions granted in respect of the local portion of the statutory tax rate	(625)	(0.8)	-	-
Other	(203)	(0.3)	1,031	1.2
	21,525	26.8	28,207	33.0

12 Property, plant and equipment

'000 EURO	Land and buildings	Machinery and equipment	Kegs	Construction in progress	Total
Cost/deemed cost					
At 1 January 2007	285,403	832,087	43,713	145,672	1,306,875
Additions	211	8,833	-	57,661	66,705
Disposals	(4)	(57)	(127)	(2)	(190)
Transfers	(8,575)	7,549	1,026	-	-
Effect of movements in exchange rate	135	165	6	(293)	13
At 31 March 2007	277,170	848,577	44,618	203,038	1,373,403
Additions	3,547	174,855	6	13,759	192,167
Disposals	(39)	(2,363)	(270)	(114)	(2,786)
Transfers	6,574	21,353	817	(28,744)	-
Effect of movements in exchange rate	(10,000)	(34,126)	(1,551)	(5,805)	(51,482)
At 31 December 2007	277,252	1,008,296	43,620	182,134	1,511,302
Additions	-	18,060	-	51,405	69,465
Disposals	-	(6,983)	(38)	(4)	(7,025)
Transfers	(148)	46,177	8,326	(54,692)	(337)
Effect of movements in exchange rate	(8,481)	(31,990)	(1,497)	(5,509)	(47,477)
At 31 March 2008	268,623	1,033,560	50,411	173,334	1,525,928
Depreciation and impairment losses					
At 1 January 2007	(22,734)	(267,786)	(12,184)	-	(302,704)
Depreciation charge	(1,989)	(27,084)	(1,075)	-	(30,148)
Disposals	-	72	58	-	130
Transfers	2,433	(1,888)	(545)		-
Effect of movements in exchange rate	(10)	86	6	-	82
At 31 March 2007	(22,300)	(296,600)	(13,740)	-	(332,640)
Depreciation charge	(6,537)	(88,172)	(3,972)	-	(98,681)
Disposals	38	1,742	226	-	2,006
Transfers	(52)	92	(40)	-	-
Effect of movements in exchange rate	949	12,057	550	-	13,556
At 31 December 2007	(27,902)	(370,881)	(16,976)	-	(415,759)

Depreciation charge	(2,002)	(30,926)	(1,449)	-	(34,377)
Disposals	-	4,400	22	-	4,422
Transfers	12	(12)	-	-	-
Effect of movements in exchange rate	892	11,911	546	-	13,349
At 31 March 2008	(29,000)	(385,508)	(17,857)	-	(432,365)
Net book value					
At 1 January 2007	262,669	564,301	31,529	145,672	1,004,171
At 31 March 2007	254,870	551,977	30,878	203,038	1,040,763
At 31 December 2007	249,350	637,415	26,644	182,134	1,095,543
At 31 March 2008	239,623	648,052	32,554	173,334	1,093,563

During the three months 2008 depreciation expenses of EURO 19,842 thousand have been included in cost of goods sold (three months 2007: EURO 18,699 thousand), EURO 12,618 thousand in distribution expenses (three months 2007: EURO 8,378 thousand) and EURO 1,917 thousand in administrative expense (three months 2007: EURO 3,071 thousand).

13 Intangible assets

'000 EURO	**Goodwill**	**Software and licences**	**Total Intangible assets**
Cost			
At 1 January 2007	334,294	8,344	342,638
Additions	-	392	392
Disposals	-	-	-
Effect of movements in exchange rate	100	(3)	97
At 31 March 2007	334,394	8,733	343,127
Additions	-	2,771	2,771
Disposals	-	(4)	(4)
Effect of movements in exchange rate	(11,605)	(366)	(11,971)
At 31 December 2007	322,789	11,134	333,923
Additions	-	895	895
Disposals	-	-	-
Transfers	-	337	337
Effect of movements in exchange rate	(9,879)	(365)	(11,874)
At 31 March 2008	312,910	12,001	324,911

Amortisation			
At 1 January 2007	-	(5,490)	(5,490)
Amortisation charge	-	(365)	(365)
Disposals	-	-	-
Effect of movements in exchange rate	-	4	4
At 31 March 2007	-	(5,851)	(5,851)
Amortisation charge	-	(1,679)	(1,679)
Disposals	-	4	4
Effect of movements in exchange rate	-	236	236
At 31 December 2007	-	(7,290)	(7,290)
Amortisation charge	-	(1,006)	(1,006)
Disposals	-	-	-
Effect of movements in exchange rate	-	243	243
At 31 March 2008	-	(8,053)	(8,053)
Net book value			
At 1 January 2007	334,294	2,854	337,148
At 31 March 2007	334,394	2,882	337,276
At 31 December 2007	322,789	3,844	326,633
At 31 March 2008	312,910	3,948	316,858

During the three months 2008 amortisation expenses of EURO 41 thousand have been included in cost of goods sold (three months 2007: EURO 1 thousand), EURO 106 thousand in distribution expenses (three months 2007: EURO 79 thousand) and EURO 859 thousand in administrative expense (three months 2007: EURO 285 thousand).

(a) Impairment testing of goodwill

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

The recoverable amount of the Group’s plants represents 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 2007 was approximately 44,558,950 hectoliters. The anticipated annual production growth included in the cash flow projections was between 10% and 18% for the years 2008 to 2012.
- 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 14.03% 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 24% 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 25% in 2008 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 2007.

14 Investment in associates

The Group has the following investment 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 31 March 2008 was EURO 6,110 thousand (31 December 2007: EURO 5,762 thousand).

15 Other investments

	31 March 2008 '000 EURO	31 December 2007 '000 EURO
Non-current		
Available-for-sale investments:		
Stated at cost	264	273
Current		
Investments held-to-maturity:		
Promissory notes and deposits	105,373	65,006
Loans to banks	-	-
	105,373	65,006

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

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

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

16 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

’000 EURO	**Assets**		**Liabilities**		**Net**	
	31 March 2008	**31 December 2007**	**31 March 2008**	**31 December 2007**	**31 March 2008**	**31 December 2007**
Property, plant and equipment	-	-	(56,009)	(55,376)	(56,009)	(55,376)
Intangible assets	249	220	-	-	249	220
Investments	-	-	(457)	(423)	(457)	(423)
Inventories	1,246	-	-	(411)	1,246	(411)
Trade and other receivables	10,079	8,206	-	-	10,079	8,206
Trade and other payables	5,797	5,636	-	-	5,797	5,636
Net tax assets/(liabilities)	17,371	14,062	(56,466)	(56,210)	(39,095)	(42,148)

During the three months ended 31 March 2008 EURO 1,792 thousand (31 March 2007: EURO 7,145 thousand) of the movement in the net deferred tax liability was recognized in the income statement and EURO 1,261 thousand (31 March 2007: EURO 53 thousand), relating to foreign exchange differences, was recognized directly in equity.

17 Inventories

	31 March 2008	**31 December 2007**
	’000 EURO	**’000 EURO**
Raw materials and consumables	180,268	166,079
Work in progress	23,499	15,588
Finished goods and goods for resale	34,942	35,330
	238,709	216,997
Write-down of inventories in the current year	2,593	4,100

18 Trade and other receivables

	31 March 2008	**31 December 2007**
	’000 EURO	**’000 EURO**
Accounts receivable – trade	116,233	81,321
VAT receivable	6,525	8,029

Advances to suppliers	31,937	35,574
Other receivables	21,207	17,605
	175,902	142,529
Accumulated impairment losses on receivables	(2,782)	(2,953)
	173,120	139,576

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

19 Cash and cash equivalents

	31 March 2008 ’000 EURO	**31 December 2007 ’000 EURO**
Bank balances	18,690	18,731
Bank deposits and bank promissory notes	15,470	42,720
Loans to banks	-	13,925
Cash and cash equivalents in the balance sheet and in the statement of cash flows	34,160	75,376

Loans to banks represent financial instruments purchased from one of the Russian banks under agreement to resell them at future dates (refer note 20).

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

20 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. There were no outstanding instruments subject to agreements to resell them in the future.

Total interest income earned in connection with repurchase agreements for the three months ended 31 March 2008 was EURO 30 thousand (31 March 2007: EURO 291 thousand).

21 Equity

(a) Share capital and additional paid-in capital

Number of shares unless otherwise stated	**Ordinary shares**	**Ordinary shares**	**Preference shares**	**Preference shares**
	31 March 2008	**31 December 2007**	**31 March 2008**	**31 December 2007**
Authorised shares				
Par value	RUR 1	RUR 1	RUR 1	RUR 1
On issue at beginning of the year	151,721,708	161,543,144	12,394,003	13,540,115
Redemption	(7,114)	(9,821,436)	(67,433)	(1,146,112)
Issued for share exchanges in subsidiaries	-	-	-	-
Issued for cash	-	-	-	-
On issue at end of the period, fully paid	151,714,594	151,721,708	12,326,570	12,394,003

The extraordinary general meeting of shareholders of the Company held on 15 October 2007 approved a resolution to reduce the Company’s charter capital by buying up to 9,894,230 common registered shares having a par value of 1 RUR each and up to 1,225,114 preference type “A” registered shares having a par value of 1 RUR. The purchase was executed from 9 December 2007 to 9 January 2008. As at 31 December 2007, as a result of the purchase of 9,821,436 ordinary shares and 1,146,112 preference shares, the Company’s charter capital has reduced to 164,115,711 shares. In January 2008, the Group completed the share buy back programme and repurchased an additional 7,114 ordinary and 67,433 preference shares. Subsequent to this repurchase, the Company’s charter capital reduced to 164,041,164 shares.

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

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

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

(b) Dividends

In accordance with Russian legislation, distributable reserves are limited to the balance of accumulated retained earnings as recorded in the Company's statutory financial statements, prepared in accordance with Russian Accounting Principles. As at 31 March 2008 the Company had retained earnings, including profit for the current period of EURO 577,418 thousand (31 December 2007: EURO 510,101 thousand).

The following table details the dividends declared by the Company for the periods ended 31 March 2008 and 31 December 2007:

	RUR per share	EURO per share equivalent	'000 EURO
31 December 2007			
Preference shares			
Dividends for 2006	39.5	1.13	15,312
Ordinary shares			
Dividends for 2006	39.5	1.13	182,585
31 March 2008			
Preference shares			
Dividends for 2007	-	-	-
Ordinary shares			
Dividends for 2007	-	-	-

22 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 Company has no potentially dilutive securities.

Weighted average number of ordinary shares

Number of shares unless otherwise stated	**2008**	**2007**
Issued shares at 1 January	151,721,708	161,543,144
Effect of own shares held	-	(85,020)
Effect of redemption of shares	(7,114)	-
Weighed average number of shares for the three months ended 31 March	151,714,594	161,458,124

Profit attributable to ordinary shareholders

	Three months ended 31 March	
	2008	**2007**
	’000 EURO	**’000 EURO**
Profit for the period attributable to shareholders of the Company	58,667	57,400
Preference dividends recognised during the period	-	-
Net profit attributable to ordinary shares	58,667	57,400

23 Loans and borrowings

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

	31 March 2008 '000 EURO	31 December 2007 '000 EURO
Non-current		
Unsecured bank facility	490	528
Secured bank loans	14,501	15,614
	14,991	16,142
Current		
Unsecured bank facility	99,016	130,846
Current portion of secured bank loans	212,551	180,041
	311,567	310,887

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

24 Trade and other payables

Trade and other payables	31 March 2008 '000 EURO	31 December 2007 '000 EURO
Accounts payable - trade	159,238	133,461
Share buy back payable	-	40,395
Taxes payable	64,000	32,858
Accrued salaries, wages and benefits	38,143	30,444
Payables to associates	3,915	2,244
Dividends payable	3,004	5,958
Other payables and accrued expenses	3,618	4,213
	271,918	249,573

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

25 Financial instruments

(a) Credit risk

Exposure to credit risk

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

	Carrying amount	
	31 March 2008	31 December 2007
	'000 EURO	'000 EURO
Trade and other receivables	173,120	139,576
Available-for-sale financial assets	264	273
Held-to-maturity investments	105,373	65,006
Cash and cash equivalents	34,160	75,376
	312,917	280,231

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

	Carrying amount	
	31 March 2008	31 December 2007
	'000 EURO	'000 EURO
Wholesale customers	115,724	80,667
Retail customers	509	654
	116,233	81,321
Accumulated impairment losses on receivables	(2,782)	(2,953)
	113,451	78,368

The Group's most significant customer, a domestic wholesaler, accounts for EURO 22,665 thousand of the trade receivables carrying amount as at 31 March 2008 (31 December 2007: EURO 2,112 thousand).

Impairment losses

The ageing of trade receivables at the reporting date was:

	Gross	Impairment	Gross	Impairment
	31 March 2008	31 March 2008	31 December 2007	31 December 2007
	'000 EURO	'000 EURO	'000 EURO	'000 EURO
Current	112,706	-	74,979	-
Past due 0 – 180 days	745	-	3,389	-
More than 180 days	2,782	2,782	2,953	2,953
	116,233	2,782	81,321	2,953

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

	31 March 2008 ’000 EURO	31 December 2007 ’000 EURO
Balance 1 January	2,953	3,569
Impairment loss (reversed)/recognised	(171)	(239)
Impairment loss utilised	-	(377)
Balance at the end of the period	2,782	2,953

Based on historic default rates the Group believes that no impairment allowance is necessary in respect of trade receivables not past due and past due by up to 180 days. More than 70% of the balance, which includes the amount owed by the Group's most significant customer (see above), relates to customers that have a good track record with the Group. The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the financial asset directly. The entire amount EURO 2,782 thousand of impairment losses as at 31 March 2008 represents collective impairments on the Group's trade receivables (31 December 2007: EURO 2,953 thousand).

At 31 March 2008 and 31 December 2007 there was no allowance for impairment of held-to-maturity investments. The collateral held in relation to loans to banks is disclosed in note 21.

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) Liquidity risk

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

31 March 2008

’000 EURO	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Secured bank loans	227,052	230,514	209,322	5,912	11,365	3,915	-
Unsecured bank loans	99,506	100,969	99,948	517	504	-	-
Trade and other payables	271,918	271,918	271,918	-	-	-	-
	598,476	603,401	581,188	6,429	11,869	3,915	-

31 December 2007

’000 EURO	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Secured bank loans	195,655	201,507	178,688	6,366	12,238	4,215	-
Unsecured bank loans	131,374	133,574	132,475	557	542	-	-
Trade and other payables	249,573	249,573	249,573	-	-	-	-
	576,602	584,654	560,736	6,923	12,780	4,215	-

(c) Currency risk

Exposure to currency risk

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

	31 March 2008		31 December 2007	
	EURO	**USD**	**EURO**	**USD**
Current assets				
Cash and cash equivalents	418	2,674	338	37,549
Held-to-maturity investments	-	105,373	-	63,427
Trade receivables	316	254	123	47
Current liabilities				
Secured bank loans	(64,459)	(177,095)	(31,667)	(148,374)
Unsecured bank loans	(30,256)	(69,740)	(30,057)	(71,458)
Trade payables	(22,489)	(31,511)	(22,492)	(48,102)
Non-current liabilities				
Secured bank loans	-	(14,501)	-	(15,614)
Unsecured bank loans	-	(490)	-	(528)
Gross balance sheet exposure	(116,470)	(185,036)	(83,755)	(183,053)
Net Group exposure from commitments and anticipated transactions	(28,980)	-	(29,900)	-
Forward exchange contracts	-	-	-	-
Net exposure	(145,450)	(185,036)	(113,655)	(183,053)

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

EURO 1 equals	Average rate for the three months ended 31 March		Reporting date spot rate	
	2008	2007	31 March 2008	31 December 2007
USD	1.5003	1.3109	1.5763	1.4639
RUR	36.3503	34,4837	37.0676	35.9332

Sensitivity analysis

A 10% strengthening of the RUR against the EURO at 31 March 2008 would have increased profit by EURO 14,545 thousand (31 December 2007: EURO 11,366 thousand). A 10% strengthening of the RUR against USD at 31 March 2008 would have increased profit by EURO 18,504 thousand (31 December 2007: EURO 18,305 thousand). A 10% weakening of the RUR against EURO and USD would have had the equal, but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables, in particular interest rates, remain constant.

(d) Interest rate risk

Profile

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

’000 EURO	Carrying amount	
Fixed rate instruments	**31 March 2008**	**31 December 2007**
Financial assets	120,842	121,651
Financial liabilities	(299,460)	(298,256)
	(178,618)	(176,605)
Variable rate instruments		
Financial liabilities	(27,098)	(28,773)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

	Profit or loss	
31 March 2008	**100 bp**	**100bp**
’000 EURO	**Increase**	**Decrease**
Variable rate instruments	(271)	288
Cash flow sensitivity	(271)	288
31 December 2007		
’000 EURO		
Variable rate instruments	(288)	288
Cash flow sensitivity	(288)	288

(e) Fair values

The basis for determining fair value is disclosed in note 4. The fair value of unquoted equity instruments is discussed in note 15. In other cases management believes that the fair value of the Group’s financial assets and liabilities approximates their carrying amounts.

26 Commitments

As at 31 March 2008 the Group had the following commitments relating to the property, plant and equipment (31 December 2007: EURO 76,000 thousand):

Project	**31 March 2008 ’000 EURO**
Baltika-St. Petersburg plant	37,300
Baltika-Yaroslavl plant	14,800
Baltika-Rostov plant	8,700
Baltika-Novosibirsk plant	7,800
Baltika-Samara plant	3,900
Baltika-Tula plant	3,900
Baltika-Chelyabinsk plant	1,800
Baltika-Pikra plant	1,700
Baltika-Voronezh plant	1,600
Baltika-Khabarovsk plant	800
Total	82,300

27 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.

The Group is currently challenging in court a number of VAT and income tax assessments totalling EURO 518 thousand. Management has not provided any amount in respect of such obligations in these consolidated interim financial statements as it believes it is possible, but not probable that an outflow of economic benefits will be required to settle such obligations.

28 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. The changes in shareholders’ structure that happened after the balance sheet date are disclosed in note 30.

The Company’s parent company does not produce financial statement that are available for public use.

(b) Management remuneration

Key management personnel received EURO 3,325 thousand as salaries and bonuses during the three months ended 31 March 2008 (EURO 2,475 thousand during the three months ended 31 March 2007), which is included in personnel costs. Defined contribution pension expenses for key management personnel amounted to EURO 41 thousand and EURO 46 thousand respectively.

(c) Transactions with other related parties

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

	Three months ended 31 March	
	2008	**2007**
	'000 EURO	**'000 EURO**
Sale of goods:		
Fellow subsidiaries	178	1,248
Royalties received:		
Fellow subsidiaries	256	140
Services provided:		
Associate	591	451
	1,025	1,839

	Three months ended 31 March	
	2008	**2007**
	'000 EURO	**'000 EURO**
Purchase of inventory:		
Associate	7,850	7,324
Fellow subsidiaries	128	-
Services received:		
Fellow subsidiaries	851	59
Royalties paid:		
Fellow subsidiaries	4,089	1,086
	12,918	8,469

Sales to and purchases from related parties are made on terms that prevail in arm's length transactions. For the three months ended 31 March 2008, the Group recognized no impairment of receivables owed by related parties (ended 31 March 2007: Nil).

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

	31 March 2008 ’000 EURO	**31 December 2007 ’000 EURO**
Receivables:		
Fellow subsidiaries	411	286
	411	286

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

	31 March 2008 ’000 EURO	**31 December 2007 ’000 EURO**
Trade payables:		
Fellow subsidiaries	356	288
Associate	3,915	2,244
Royalties payable:		
Fellow subsidiaries	6,132	2,277
Financial liabilities		
Fellow subsidiaries	1,116	387
	11,519	5,196

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 three months ended 31 March 2008 the Group’s purchases of malt from Soufflet, an associate of the Group, amounted to EURO 7,850 thousand (excluding VAT) or 16.2% of the total value of malt purchases and own production and 17,155 tons or 15.7% of the total volume of malt purchases and own production. During the three months ended 31 March 2007 the Group's malt purchases from Soufflet amounted to EURO 7,324 thousand (excluding VAT) or 19.9% of the total value of malt purchases and own production and 22,300 tons or 20.4% of the total volume of malt purchases and own production.

The liability to Soufflet for malt purchases amounted to EURO 3,915 thousand and EURO 2,244 thousand as at 31 March 2008 and 31 December 2007, respectively.

During the three months ended 31 March 2008 and 31 March 2007 the Group provided various services to Soufflet and received various services from Soufflet for insignificant amounts.

29 Subsidiaries

Name	Nature of business	Country of incorpora-tion	Ownership/ voting 31 March 2008	Ownership/ voting 31 December 2007
OOO Baltika-Moscow	Distribution of Baltika beer	Russia	100%	100%
OOO Leasing-Optimum	Leasing	Russia	-	100%
OOO Baltika-Ukraine	Distribution of Baltika beer	Ukraine	100%	100%
Baltika S.R.L.	Distribution of Baltika beer	Moldova	100%	100%
Baltika-Almaty LLP	Distribution of Baltika beer	Kazakhstan	100%	100%
OsOO Baltika	Distribution of Baltika beer	Kirgizia	100%	100%
OOO Baltika-Bel	Distribution of Baltika beer	Belorussia	100%	100%
OOO Terminal Podolsk	Warehouse	Russia	100%	100%
OOO Universalopttorg	Warehouse	Russia	100%	100%
Baltika Deutschland GmbH	Distribution of Baltika beer	Germany	100%	100%

30 Events subsequent to the balance sheet date

On 25 January 2008 the Boards of Sunrise Acquisitions Limited (a company jointly owned by Carlsberg and Heineken), and Scottish & Newcastle plc (“S&N”) announced that they had reached agreement on the terms of a recommended acquisition of S&N. On 28 April 2008 the transaction became effective. According to the terms of the acquisition S&N’s share of Baltic Beverages Holding AB, as well as the French, Greek, Chinese and Vietnamese operations are to be transferred to Carlsberg.