OAO Baltika Breweries

Consolidated Financial Statements
for the year ended 31 December 2008

Contents

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Independent Auditors' Report

To Management

OAO Baltika Breweries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of OAO Baltika Breweries (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

ZAO KPMG, a company incorporated under the Laws of the Russian Federation and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2008, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO KPMG

19 February 2009

	Note	2008 '000 RUR	2007 '000 RUR
Revenue		92,482,283	78,891,758
Cost of sales		(46,668,505)	(37,810,458)
Gross profit		45,813,778	41,081,300
Distribution expenses		(20,765,881)	(19,609,227)
Administrative expenses	8	(2,913,352)	(2,653,445)
Other income	9	78,487	3,615
Financial income	11	1,619,812	974,647
Financial expenses	11	(3,678,392)	(660,978)
Share of profit of equity accounted investees (net of income tax)		47,370	16,030
Profit before income tax		20,201,822	19,151,942
Income tax expense	12	(4,690,561)	(5,191,329)
Profit for the year		15,511,261	13,960,613
Earnings per share			
Basic and diluted earnings per share	23	98.01 RUR	83.16 RUR

These consolidated financial statements were approved by Management on 19 February 2009 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 11 to 48.

	Note	2008 '000 RUR	2007 '000 RUR
ASSETS			
Non-current assets			
Property, plant and equipment	13	43,356,748	39,366,381
Intangible assets	14	13,791,191	11,736,964
Investments in equity accounted investees	15	340,038	267,990
Other investments	16	9,796	9,796
Total non-current assets		57,497,773	51,381,131
Current assets			
Inventories	18	7,683,466	7,797,390
Other investments	16	-	2,335,890
Income tax receivable		583,952	7,131
Trade and other receivables	19	7,511,041	5,015,410
Cash and cash equivalents	20	1,691,594	2,708,501
Total current assets		17,470,053	17,864,322
Total assets		74,967,826	69,245,453
EQUITY AND LIABILITIES			
Equity	22		
Preference shares		84,978	85,442
Ordinary shares		736,129	736,164
Share capital		821,107	821,606
Additional paid-in capital		4,171,716	4,239,807
Foreign currency translation reserve		433,587	18,234
Retained earnings		48,850,841	41,869,720
Total equity		54,277,251	46,949,367
Non-current liabilities			
Loans and borrowings	24	176,304	580,051
Deferred tax liabilities	17	1,453,654	1,514,548
Total non-current liabilities		1,629,958	2,094,599
Current liabilities			
Loans and borrowings	24	7,562,837	11,171,172
Trade and other payables	25	11,101,272	8,967,957
Income tax payable		396,508	62,358
Total current liabilities		19,060,617	20,201,487
Total liabilities		20,690,575	22,296,086
Total equity and liabilities		74,967,826	69,245,453

The consolidated balance sheet is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 48.

	2008 '000 RUR	2007 '000 RUR
OPERATING ACTIVITIES		
Profit for the year	15,511,261	13,960,613
Adjustments for:		
Depreciation	4,615,461	4,511,246
Amortisation	180,436	71,572
Gain on disposal of property, plant and equipment and intangible assets	(82,546)	(2,128)
Share of profit of equity accounted investees	(47,370)	(16,030)
Interest expense	573,336	251,871
Interest income	(253,209)	(506,192)
Income tax expense	4,690,561	5,191,329
Operating profit before changes in working capital and provisions	25,187,930	23,462,281
Decrease/(increase) in inventories	216,246	(2,474,825)
Increase in trade and other receivables	(2,321,940)	(972,854)
Increase in trade and other payables	3,720,693	1,231,145
Cash flows from operations before income taxes and interest paid	26,802,929	21,245,747
Income taxes paid	(4,978,598)	(4,930,991)
Interest paid	(528,448)	(223,819)
Cash flows from operating activities	21,295,883	16,090,937
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment and intangible assets	193,363	31,561
Interest received	279,006	606,327
Dividends received	18,564	21,599
Repayments of loans made to banks	-	1,500,006
Loans made to banks	-	(999,992)
Acquisition of property, plant and equipment, intangible assets	(8,744,468)	(9,344,040)
Acquisition of subsidiary, net of cash acquired	(2,182,556)	-
Acquisition of bank promissory notes	(3,232,271)	(1,684,163)
Proceeds from bank promissory notes	5,542,365	5,558,490
Cash flows utilised by investing activities	(8,125,997)	(4,310,212)

The consolidated 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 11 to 48.

	2008 '000 RUR	2007 '000 RUR
FINANCING ACTIVITIES		
Proceeds from sale of treasury shares	-	126,693
Proceeds from borrowings	29,798,605	21,588,134
Repayment of borrowings	(33,855,575)	(13,302,067)
Dividends paid	(8,609,718)	(6,769,833)
Redemption of shares	(1,520,105)	(12,324,936)
Cash flows utilised by financing activities	(14,186,793)	(10,682,009)
Net (decrease) /increase in cash and cash equivalents	(1,016,907)	1,098,716
Cash and cash equivalents at beginning of year	2,708,501	1,609,785
Cash and cash equivalents at end of the year (note 20)	1,691,594	2,708,501

The consolidated 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 11 to 48.

’000 RUR	**Preference shares**	**Ordinary shares**	**Additional paid-in capital**	**Treasury shares**	**Foreign currency translation reserve**	**Retained earnings**	**Total**
Balance at 1 January 2007	93,344	783,818	17,940,172	(105,267)	10,477	34,821,537	53,544,081
Profit for the year	-	-	-	-	-	13,960,613	13,960,613
Foreign currency translation differences	-	-	-	-	7,757	-	7,757
Total recognised income and expenses							13,968,370
Dividends to shareholders	-	-	-	-	-	(6,912,430)	(6,912,430)
Redemption of shares	(7,902)	(47,654)	(13,720,889)	-	-	-	(13,776,445)
Treasury shares sold	-	-	20,524	105,267	-	-	125,791
Balance at 31 December 2007	85,442	736,164	4,239,807	-	18,234	41,869,720	46,949,367

The consolidated 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 11 to 48.

’000 RUR	**Preference shares**	**Ordinary shares**	**Additional paid-in capital**	**Treasury shares**	**Foreign currency translation reserve**	**Retained earnings**	**Total**
Balance at 1 January 2008	85,442	736,164	4,239,807	-	18,234	41,869,720	46,949,367
Profit for the year	-	-	-	-	-	15,511,261	15,511,261
Foreign currency translation differences	-	-	-	-	415,353	-	415,353
Total recognised income and expenses							15,926,614
Dividends to shareholders	-	-	-	-	-	(8,530,140)	(8,530,140)
Redemption of shares	(464)	(35)	(68,091)	-	-	-	(68,590)
Balance at 31 December 2008	84,978	736,129	4,171,716	-	433,587	48,850,841	54,277,251

The consolidated 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 11 to 48.

1 Background

(a) Russian business environment

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

(b) Organisation and operations

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

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

As at 31 December 2008 Baltic Beverages Holding AB owned and controlled 93.5% of the Company's ordinary shares and 31.9% of the Company's preference shares. The remainder of the ordinary and preference shares are widely held.

As at 31 December 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, Baltika-Novosibirsk and Baltika-Baku and ten subsidiaries: OOO Universalopttorg, OOO Terminal Podolsk, OOO Baltika-Ukraine, OsOO Baltika, Baltika S.R.L., Baltika-Almaty LLP, OOO Baltika-Bel, Baltika Deutschland GmbH, Baku Castel LLC and Baku Pivo JSC. The Group's subsidiary, OOO Baltika-Moscow, was liquidated in December 2008.

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

Related party transactions are detailed in note 29.

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

(d) Use of judgements, estimates and assumptions

Management has made a number of judgements, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated 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 financial statements are described in note 14 - Intangible assets.

3 Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Associates (equity accounted investees)

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

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising in translation are recognised in the income statement, except for differences arising on the translation of available-for-sale equity instruments.

(ii) Foreign operations

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

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

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

(c) Financial instruments

(i) Non-derivative financial instruments

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

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

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

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Repurchase transactions

The Group purchases financial instruments under agreements to resell identical financial instruments at a future date at a fixed price. Financial instruments purchased subject to commitments to resell them at a future date are not recognized. The amounts paid are accounted for as held-to-maturity bank loans and included in investments in the balance sheet. The difference between the sale and repurchase prices is recognized as interest over the period of the agreement.

Other

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

(d) Share capital

Ordinary shares

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

Preference share capital

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

Repurchase of share capital

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

(e) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

(f) Intangible assets

(i) Goodwill

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

Acquisitions on or after 1 January 2004

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

Acquisitions of minority interests

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

Subsequent measurement

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

(ii) Other intangible assets

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

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives of other intangible assets for the current and comparative periods vary between 1 to 10 years.

(g) Leased assets

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

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

(h) Inventories

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

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

(i) Impairment

(i) Financial assets

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

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

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

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

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

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

(ii) Non-financial assets

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

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

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

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

(j) Employee benefits

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised in the income statement when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(k) Provisions

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

(l) Revenue

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

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

(m) Other expenses

(i) Lease payments

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

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

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

(ii) Social expenditure

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

(n) Financial income and expenses

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

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

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

(o) Income tax expense

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting 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 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 December 2008, and have not been applied in preparing these consolidated 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 1 *Presentation of Financial Statements (2007)* which becomes mandatory for the Group's 2009 consolidated financial statements is expected to have a significant impact on the presentation of the consolidated financial statements. The Standard introduces the concept of total comprehensive income and requires presentation of all owner changes in equity in the statement of changes in equity, separately from non-owner changes in equity. The new Standard will not have any impact on the Group's financial position or performance.
- 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 consolidated 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 effective date. 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, which becomes mandatory for the Group's 2009 consolidated financial statements. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.
- Revised IFRS 3 *Business Combinations* (2008) and amended IAS 27 (2008) *Consolidated and Separate Financial Statements*, which come into effect on 1 July 2009 (i.e. become mandatory for the Group's 2010 consolidated financial statements). The revisions address, among others, accounting for step acquisitions, require acquisition-related costs to be recognised as expenses and remove exception for changes in contingent consideration to be accounted by adjusting goodwill. The revisions also address how non-controlling interests in subsidiaries should be measured upon acquisition and require to recognise the effects of transactions with non-controlling interest directly in equity. The Group has not yet analysed the likely impact of the new Standards on its financial position or performance.
- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purpose, will come into effect not earlier than 1 January 2009. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Determination of fair values

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

(a) Property, plant and equipment

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

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

(b) Intangible assets

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

(c) Inventories

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

(d) Investments in equity and debt securities

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

(e) Trade and other receivables

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

(f) Non-derivative financial liabilities

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

5 Segment reporting

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

6 Financial risk management

(a) Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

(b) Credit risk

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

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group’s customer base, including the default risk of the industry in which customers operate, has less of an influence on credit risk. Substantially all of Group's customers are located in the Russian Federation. Approximately 14.5% (2007: 15.7%) of the Group's revenue is attributable to sales transactions with a single customer.

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

About 79% of the Group's customers have been transacting with the Group for more than 2 years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale or retail customers, geographic location, maturity, and existence of any previous financial difficulties. The Group requires collateral in respect of financial assets. Credit evaluations are performed on all customers, other than related parties, requiring credit over a certain amount.

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

(ii) Investments

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

(c) Liquidity risk

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

The Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 7 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 76,070 thousand multicurrency unsecured credit facility. Interest would be payable for EURO/USD/RUR at the rate LIBOR/EURIBOR/Cost of funds for lender+0.75%;
- USD 77,520 thousand multicurrency secured credit facility. Interest would be payable for EURO/USD/RUR at the rate from LIBOR/EURIBOR/Mosprime+1.50%;
- USD 126,830 thousand multicurrency unsecured credit/overdraft facility. Interest would be determined when the tranche is drawn down.

(d) Market risk

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

(i) Currency risk

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

The Group used forward exchange contracts to hedge its currency risk in 2007. During 2008 the Group did not use forward exchange contracts.

(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 was completed at the beginning of 2008, as disclosed, in 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.

7 Acquisition and disposals of subsidiaries

(a) Acquisition of subsidiaries

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

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

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

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

	Recognised fair values on acquisition '000 RUR
Non-current assets	
Property, plant and equipment	410,920
Intangible assets	45,060
Deferred tax assets	15,970
Current assets	
Inventories	102,323
Trade and other receivables	159,065
Cash and cash equivalents	144,820
Current liabilities	
Income tax payable	(1,272)
Trade and other payables	(188,125)
Net identifiable assets, liabilities and contingent liabilities	688,761
Goodwill on acquisition	1,638,615
Consideration paid	2,327,376
Cash acquired	(144,820)
Net cash outflow	**2,182,556**

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

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

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

(b) Disposal of subsidiaries

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 RUR 691 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.

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

8 Administrative expenses

	2008 '000 RUR	2007 '000 RUR
Wages and salaries	902,668	892,521
Depreciation and amortisation	455,320	395,424
Facilities	201,554	205,413
Information technology and communications	188,031	165,640
Other payroll expenses	171,521	130,769
Payroll taxes	143,772	130,128
Charity	50,547	65,600
Other administrative expenses	799,939	667,950
	2,913,352	2,653,445

9 Other income

	2008 '000 RUR	2007 '000 RUR
Gain on disposal of property, plant and equipment and intangible assets	82,546	2,128
Other (expense)/income	(4,059)	1,487
	78,487	3,615

10 Personnel costs

	2008 '000 RUR	2007 '000 RUR
Wages and salaries	5,956,992	5,022,237
Contributions to state pension fund	803,800	696,528
Other payroll taxes	288,156	270,242
Other payroll expenses	504,836	359,602
	7,553,784	6,348,609

11 Financial income and expenses

	2008 '000 RUR	2007 '000 RUR
Financial income		
Interest income	253,209	506,192
Foreign exchange gain	1,366,603	468,455
	1,619,812	974,647
Financial expenses		
Interest expense	573,336	251,871
Foreign exchange loss	3,105,056	409,107
	3,678,392	660,978

12 Income tax expense

	2008 '000 RUR	2007 '000 RUR
Current tax expense		
Current year	4,734,655	5,347,837
Deferred tax expense		
Origination and reversal of temporary differences	(44,094)	(156,508)
	4,690,561	5,191,329

The Group's applicable tax rate is the corporate income tax rate of 24% for Russian companies (2007: 24%). With effect from 1 January 2009, the income tax rate for Russian companies has been reduced to 20%. This rate has been used in the calculation of deferred tax assets and liabilities.

Reconciliation of effective tax rate:

	2008 '000 RUR	%	2007 '000 RUR	%
Profit before income tax	20,201,822	100	19,151,942	100
Income tax at applicable tax rate	4,848,437	24.0	4,596,466	24.0
Non-deductible expenses	557,832	2.8	786,359	4.1
Change in tax rate	(282,376)	(1.4)	-	-
Effects of local concessions granted to branches	(234,484)	(1.2)	(152,337)	(0.8)
Effects of concessions granted in respect of the local portion of the statutory tax rate	(106,496)	(0.5)	(122,073)	(0.6)
Other	(92,352)	(0.5)	82,914	0.4
	4,690,561	23.2	5,191,329	27.1

13 Property, plant and equipment

'000 RUR	Land and buildings	Machinery and equipment	Kegs	Construction in progress	Total
Cost/Deemed cost					
At 1 January 2007	9,901,882	28,871,143	1,516,644	5,054,304	45,343,973
Additions	131,591	6,432,294	194	2,509,707	9,073,786
Disposals	(1,509)	(84,732)	(13,904)	(4,057)	(104,202)
Transfers	(70,060)	1,012,099	64,549	(1,015,294)	(8,706)
Effect of movements in exchange rate	-	1,173	(84)	-	1,089
At 31 December 2007	9,961,904	36,231,977	1,567,399	6,544,660	54,305,940
Additions	811,428	5,029,809	416,877	1,993,180	8,251,294
Acquisitions through business combinations	109,263	297,886	670	3,101	410,920
Disposals	(7,974)	(308,753)	(7,416)	-	(324,143)
Transfers	862,959	2,462,801	302,561	(3,646,021)	(17,700)
Effect of movements in exchange rate	18,494	56,324	113	1,108	76,039
At 31 December 2008	11,756,074	43,770,044	2,280,204	4,896,028	62,702,350
Depreciation and impairment losses					
At 1 January 2007	(788,174)	(9,291,847)	(422,742)	-	(10,502,763)
Depreciation charge	(298,548)	(4,035,976)	(176,722)	-	(4,511,246)
Disposals	1,316	63,525	9,931	-	74,772
Transfers	83,437	(62,939)	(20,498)	-	-
Effect of movements in exchange rate	-	(342)	20	-	(322)
At 31 December 2007	(1,001,969)	(13,327,579)	(610,011)	-	(14,939,559)
Depreciation charge	(322,457)	(4,101,108)	(191,896)	-	(4,615,461)
Disposals	1,977	204,789	6,560	-	213,326
Transfers	(8,347)	8,347	-	-	-
Effect of movements in exchange rate	-	(3,908)	-	-	(3,908)
At 31 December 2008	(1,330,796)	(17,219,459)	(795,347)	-	(19,345,602)
Net book value					
At 1 January 2007	9,113,708	19,579,296	1,093,902	5,054,304	34,841,210
At 31 December 2007	8,959,935	22,904,398	957,388	6,544,660	39,366,381
At 31 December 2008	10,425,278	26,550,585	1,484,857	4,896,028	43,356,748

Depreciation expense of RUR 2,496,584 thousand has been included in cost of goods sold (2007: RUR 2,590,056 thousand), RUR 1,819,530 thousand in distribution expenses (2007: RUR 1,584,047 thousand) and RUR 299,347 thousand in administrative expense (2007: RUR 337,143 thousand).

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

14 Intangible assets

'000 RUR	**Goodwill**	**Trademarks**	**Software, brands and licences**	**Total**
Cost				
At 1 January 2007	11,598,819	-	289,518	11,888,337
Additions	-	-	101,998	101,998
Disposals	-	-	(131)	(131)
Transfers	-	-	8,706	8,706
Effect of movements in exchange rate	-	-	(4)	(4)
At 31 December 2007	11,598,819	-	400,087	11,998,906
Additions	-	-	248,487	248,487
Acquisitions through business combinations	1,638,615	45,004	56	1,683,675
Transfers	-	-	17,700	17,700
Effect of movements in exchange rate	277,246	7,608	13	284,867
At 31 December 2008	13,514,680	52,612	666,343	14,233,635
Amortisation				
At 1 January 2007	-	-	(190,470)	(190,470)
Amortisation charge	-	-	(71,572)	(71,572)
Disposals	-	-	128	128
Effect of movements in exchange rate	-	-	(28)	(28)
At 31 December 2007	-	-	(261,942)	(261,942)
Amortisation charge	-	(1,252)	(179,184)	(180,436)
Effect of movements in exchange rate	-	(63)	(3)	(66)
At 31 December 2008	-	(1,315)	(441,129)	(442,444)

'000 RUR	**Goodwill**	**Trademarks**	**Software, brands and licences**	**Total**
Net book value				
At 1 January 2007	11,598,819	-	99,048	11,697,867
At 31 December 2007	11,598,819	-	138,145	11,736,964
At 31 December 2008	13,514,680	51,297	225,214	13,791,191

Amortisation expense of RUR 7,246 thousand has been included in cost of goods sold (2007: RUR 1,666 thousand), RUR 17,217 thousand in distribution expenses (2007: RUR 11,625 thousand) and RUR 155,973 thousand in administrative expense (2007: RUR 58,281 thousand).

(a) Impairment testing of goodwill

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

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

The following key assumptions were used in determining the recoverable amounts of the Group's plants:

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

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

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

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

15 Equity accounted investees

The Group has the following investments in equity accounted investees:

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

This company produces malt. The Group's share of post-acquisition total recognised gains and losses in associates as of 31 December 2008 was RUR 279,108 thousand (31 December 2007: RUR 207,060 thousand).

16 Other investments

	2008 '000 RUR	2007 '000 RUR
Non-current		
Available-for-sale investments:		
Stated at cost	9,796	9,796
Current		
Investments held-to-maturity:		
Promissory notes and deposits	-	2,335,890

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 26.

17 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

'000 RUR	**Assets**		**Liabilities**		**Net**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Property, plant and equipment	-	-	(2,074,779)	(1,989,837)	(2,074,779)	(1,989,837)
Intangible assets	10,789	7,890	(11,285)	-	(496)	7,890
Investments	-	-	(21,676)	(15,192)	(21,676)	(15,192)
Inventories	57,601	-	-	(14,759)	57,601	(14,759)
Trade and other receivables	262,324	294,852	-	-	262,324	294,852
Trade and other payables	323,372	202,498	-	-	323,372	202,498
Net tax assets/(liabilities)	654,086	505,240	(2,107,740)	(2,019,788)	(1,453,654)	(1,514,548)

During the year ended 31 December 2008 RUR 44,094 thousand (2007: RUR 156,508 thousand) of the movement in the net deferred tax liability was recognized in the income statement, RUR 15,970 thousand were acquired through business combination (2007: Nil) and RUR 830 thousand (2007: Nil), relating to foreign exchange differences, was recognized directly in equity.

18 Inventories

	2008	**2007**
	'000 RUR	**'000 RUR**
Raw materials and consumables	6,117,333	5,967,723
Work in progress	553,718	560,136
Finished goods and goods for resale	1,012,415	1,269,531
	7,683,466	7,797,390
Write-down of inventories in the current year	253,860	147,335

19 Trade and other receivables

	2008 '000 RUR	2007 '000 RUR
Accounts receivable – trade	4,409,860	2,922,116
VAT receivable	321,637	288,496
Advances to suppliers	2,074,737	1,278,301
Other receivables	816,705	632,625
	7,622,939	5,121,538
Accumulated impairment losses on receivables	(111,898)	(106,128)
	7,511,041	5,015,410

The Group's exposure to credit risk and currency risk related to trade and other receivables is disclosed in note 26.

20 Cash and cash equivalents

	2008 '000 RUR	2007 '000 RUR
Bank balances	1,553,939	673,054
Bank deposits and bank promissory notes	137,655	1,535,077
Loans to banks	-	500,370
Cash and cash equivalents in the balance sheet and in the statement of cash flows	1,691,594	2,708,501

Loans to banks represent financial instruments purchased from one of the Russian banks under agreement to resell them at future dates (refer note 21).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 26.

21 Repurchase agreements

The Group purchased financial instruments under agreements to resell them at future dates. The seller committed to repurchase the same or similar instruments at an agreed future date. Repurchase agreements were commonly used as a tool for short-term financing. As at 31 December 2008 the Group had no financial instruments purchased under agreements to resell them in future (as at 31 December 2007: RUR 500,370 thousand).

Total interest income earned in connection with repurchase agreements for the year ended 31 December 2008 was RUR 1,107 thousand (2007: RUR 34,364 thousand).

22 Equity

(a) Share capital and additional paid-in capital

Number of shares unless otherwise stated	**Ordinary shares 2008**	**Ordinary shares 2007**	**Preference shares 2008**	**Preference shares 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)
On issue at end of the year, 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 2008, as a result of the purchase of ordinary shares and preference shares, 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 December 2008 the Company had retained earnings, including profit for the current year of approximately RUR 25,321,399 thousand (31 December 2007: RUR 18,592,377 thousand).

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

	RUR per share	'000 RUR
Year ended 31 December 2007		
Preference shares		
Dividends for 2006	39.5	534,834
Ordinary shares		
Dividends for 2006	39.5	6,377,596
Year ended 31 December 2008		
Preference shares		
Dividends for 2007	52	640,981
Ordinary shares		
Dividends for 2007	52	7,889,159

The Shareholders' meeting held on 29 April 2008 approved dividends amounting to RUR 8,530,140 thousand.

23 Earnings per share

The calculation of earnings per share is based upon the profit for the year attributable to ordinary shares and the weighted average number of ordinary shares outstanding during the year, 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	-	(38,803)
Effect of redemption of shares	(6,939)	(53,427)
Weighed average number of shares for the year ended 31 December	151,714,769	161,450,914

Profit attributable to ordinary shareholders

	2008 '000 RUR	2007 '000 RUR
Profit for the year attributable to shareholders of the Company	15,511,261	13,960,613
Preference dividends recognised during the year	(640,981)	(534,834)
Profit attributable to ordinary shares	14,870,280	13,425,779

24 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 26.

	2008 '000 RUR	2007 '000 RUR
Non-current		
Unsecured bank loans	-	18,975
Secured bank loans	176,304	561,076
	176,304	580,051
Current		
Unsecured bank loans	4,116,537	4,701,700
Unsecured loan from Carlsberg Breweries A/S	1,097,628	-
Unsecured loans from other companies	1,852,639	-
Current portion of secured bank loans	496,033	6,469,472
	7,562,837	11,171,172

Terms and conditions of outstanding loans were as follows:

				2008		2007	
'000 RUR	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured bank loan	USD	LIBOR +0.75%	2008-2010	672,337	672,337	976,978	976,978
Secured bank loan	USD	LIBOR +0.55%	2008	-	-	4,915,667	4,915,667
Secured bank loan	EURO	EURIBOR +0.55%	2008	-	-	1,137,903	1,137,903
Unsecured bank loan	USD	LIBOR +0.65%	2008-2009	22,714	22,714	56,935	56,935
Unsecured bank loan	RUR	7.30%	2008	-	-	534,982	534,982
Unsecured bank loan	RUR	8.65%	2008	-	-	518,938	518,938
Unsecured bank loan	USD	LIBOR +0.375%	2008-2009	1,777,439	1,777,439	2,529,761	2,529,761
Unsecured bank loan	EURO	EURIBOR +0.375%	2008-2009	2,316,384	2,316,384	1,080,059	1,080,059
Unsecured loan from Carlsberg Breweries A/S	RUR	11.33%	2009	1,097,628	1,097,628	-	-
Unsecured loans from other companies	EURO	EURIBOR +0.75%	2009	1,852,639	1,852,639	-	-
				7,739,141	7,739,141	11,751,223	11,751,223

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

25 Trade and other payables

	2008	2007
Trade and other payables	**'000 RUR**	**'000 RUR**
Accounts payable - trade	5,645,034	4,795,682
Share buy back payable	-	1,451,516
Taxes payable	3,326,583	1,180,692
Accrued salaries, wages and benefits	1,359,334	1,093,954
Dividends payable	134,503	214,081
Payables to equity accounted investees	106,718	80,631
Other payables and provisions	529,100	151,401
	11,101,272	8,967,957

The Group's exposure to liquidity risk and market risk related to trade and other payables is disclosed in note 26.

26 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	
	2008	**2007**
	'000 RUR	**'000 RUR**
Trade and other receivables	5,436,304	3,737,109
Available-for-sale financial assets	9,796	9,796
Held-to-maturity investments	-	2,335,890
Cash and cash equivalents	1,691,594	2,708,501
	7,137,694	8,791,296

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

	Carrying amount	
	2008	**2007**
	’000 RUR	**’000 RUR**
Wholesale customers	4,387,111	2,898,616
Retail customers	22,749	23,500
	4,409,860	2,922,116
Accumulated impairment losses on receivables	(111,898)	(106,128)
	4,297,962	2,815,988

The Group's most significant customer, a domestic wholesaler, accounts for RUR 858,434 thousand of the trade receivables carrying amount as at 31 December 2008 (2007: RUR 75,202 thousand).

Impairment losses

The ageing of trade receivables at the reporting date was:

	Gross 2008 ’000 RUR	**Impairment 2008 ’000 RUR**	**Gross 2007 ’000 RUR**	**Impairment 2007 ’000 RUR**
Current	4,203,372	-	2,694,210	-
Past due 0 – 180 days	114,726	20,136	121,778	-
Past due more than 180 days	91,762	91,762	106,128	106,128
	4,409,860	111,898	2,922,116	106,128

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

	2008	**2007**
	’000 RUR	**’000 RUR**
Balance 1 January	106,128	123,830
Impairment loss recognised/(reversed)	49,453	(4,500)
Impairment loss utilised	(43,683)	(13,202)
Balance at the end of the year	111,898	106,128

Based on historic default rates the Group believes that no general impairment allowance is necessary in respect of trade receivables not past due and past due by up to 180 days. 89% of the balance, which includes the amount owed by the Group's most significant customer (see above), relates to customers that have a good track record with the Group. The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the financial asset directly. Of the total impairment loss as at 31 December 2008 of RUR 111,898 thousand, RUR 73,269 thousand relates to claims from the Group’s most significant customer. The remaining impairment losses in the amount of RUR 38,629 thousand as at 31 December 2008 represent collective impairments on the Group's trade receivables (31 December 2007: RUR 106,128 thousand).

At 31 December 2008 and 31 December 2007 there was no allowance for impairment of held-to-maturity investments.

(b) Liquidity risk

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

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

31 December 2007 **'000 RUR**	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Secured bank loans	7,030,548	7,240,792	6,420,832	228,751	439,751	151,458	-
Unsecured bank loans	4,720,675	4,799,742	4,760,251	20,015	19,476	-	-
Trade and other payables	8,967,957	8,967,957	8,967,957	-	-	-	-
	20,719,180	21,008,491	20,149,040	248,766	459,227	151,458	-

(c) Currency risk

Exposure to currency risk

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

	31 December 2008		31 December 2007	
	EURO	**USD**	**EURO**	**USD**
Current assets				
Cash and cash equivalents	267,362	429,560	12,145	1,349,256
Held-to-maturity investments	-	-	-	2,279,135
Trade receivables	6,696	2,705	4,420	1,689
Current liabilities				
Secured bank loans	-	(496,033)	(1,137,903)	(5,331,569)
Unsecured bank loans	(2,316,384)	(1,800,153)	(1,080,059)	(2,567,721)
Unsecured loans from other companies	(1,852,639)		-	-
Trade payables	(676,238)	(93,556)	(808,210)	(1,728,459)
Non-current liabilities				
Secured bank loans	-	(176,304)	-	(561,076)
Unsecured bank loans	-	-	-	(18,975)
Gross balance sheet exposure	(4,571,203)	(2,133,781)	(3,009,607)	(6,577,720)
Net Group exposure from commitments and anticipated transactions	(248,355)	(2,262)	(1,074,403)	-
Net exposure	(4,819,558)	(2,136,043)	(4,084,010)	(6,577,720)

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

RUR 1 equals	**Average rate**		**Reporting date spot rate**	
	2008	**2007**	**2008**	**2007**
USD	0.0402	0.0391	0.0340	0.0407
EURO	0.0275	0.0286	0.0241	0.0278

Sensitivity analysis

A 20% strengthening of the RUR against the EURO at 31 December 2008 would have increased profit and equity by RUR 963,911 thousand (2007: RUR 816,802 thousand). A 20% strengthening of the RUR against USD at 31 December 2008 would have increased profit and equity by RUR 427,209 thousand (2007: RUR 1,315,544 thousand). A 20% weakening of the RUR against

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

(d) Interest rate risk

Profile

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

’000 RUR	**Carrying amount**	
Fixed rate instruments	**2008**	**2007**
Financial assets	137,655	4,371,337
Financial liabilities	(7,044,090)	(10,717,310)
	(6,906,435)	(6,345,973)
Variable rate instruments		
Financial liabilities	(695,051)	(1,033,913)

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss and equity	
31 December 2008	**100 bp**	**100 bp**
’000 RUR	**Increase**	**Decrease**
Variable rate instruments	(6,951)	6,951
Cash flow sensitivity	(6,951)	6,951
31 December 2007		
’000 RUR		
Variable rate instruments	(10,339)	10,339
Cash flow sensitivity	(10,339)	10,339

(e) Fair values

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

27 Commitments

As at 31 December 2008 the Group had the following commitments relating to property, plant and equipment (31 December 2007: RUR 2,730,923 thousand):

	2008
Project	**’000 RUR**
Baltika-St. Petersburg plant	408,690
Baltika-Yaroslavl plant	111,756
Baltika-Novosibirsk plant	100,145
Baltika-Samara plant	63,643
Baltika-Tula plant	59,051
Baltika-Pikra plant	41,610
Baltika-Rostov plant	35,546
Baltika-Voronezh plant	26,703
Baltika-Khabarovsk plant	20,685
Baltika-Chelyabinsk plant	11,745
Baltika-Baku plant	-
Total	879,574

28 Contingencies

Taxation contingencies in the Russian Federation

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax 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 financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

29 Related party transactions

(a) Control relationships

The Company's parent company is Baltic Beverages Holding AB (refer note 1(b)). The Company's parent company does not produce financial statements that are available for public use.

As at 31 December 2007 Baltic Beverages Holding AB was owned by Pripps Ringnes AB (50%) and Oy Hartwall AB (50%). The ultimate parent company of Pripps Ringnes AB was Carlsberg Breweries A/S. The ultimate parent company of Oy Hartwall AB was Scottish & Newcastle Plc.

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

(b) Management remuneration

Key management personnel received RUR 333,786 thousand as salaries and bonuses during the year ended 31 December 2008 (RUR 355,038 thousand during the year ended 31 December 2007), which is included in personnel costs. Defined contribution pension expense for key management personnel amounted to RUR 7,360 thousand (2007: RUR 6,329 thousand).

(c) Transactions with other related parties

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

	2008 '000 RUR	2007 '000 RUR
Sale of goods:		
Carlsberg Breweries A/S	-	1,690
Scottish & Newcastle Plc	2,531	10,960
Fellow subsidiaries	23,074	67,453
Royalties received:		
Scottish & Newcastle Plc	177	471
Fellow subsidiaries	68,017	38,666
Services provided:		
Associate	78,372	68,903
	172,171	188,143

	2008 '000 RUR	2007 '000 RUR
Purchase of inventory:		
Associate	962,130	688,468
Carlsberg Breweries A/S	2,245	12,599
Scottish & Newcastle Plc	288	4,772
Fellow subsidiaries	17,058	-
Services received:		
Associate	-	5,603
Carlsberg Breweries A/S	26,045	5,778
Scottish & Newcastle Plc	840	1,143
Fellow subsidiaries	276	-
Royalties paid:		
Carlsberg Breweries A/S	610,331	303,077
Scottish & Newcastle Plc	26,212	55,768
Fellow subsidiaries	18,285	9,449
Finance expenses:		
Carlsberg Breweries A/S	29,931	-
Parent company	10,372	-
Fellow subsidiaries	8,510	-
Other:		
Carlsberg Breweries A/S	20,681	-
Parent company	64,533	-
	1,797,737	1,086,657

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

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

	2008 '000 RUR	2007 '000 RUR
Receivables:		
Carlsberg Breweries A/S	49,277	-
Scottish & Newcastle Plc	-	1,896
Associate	27,195	-
Fellow subsidiaries	26,955	8,369
	103,427	10,265

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

	2008 '000 RUR	2007 '000 RUR
Trade payables:		
Carlsberg Breweries A/S	23,617	8,039
Scottish & Newcastle Plc	-	2,314
Associate	106,718	80,631
Fellow subsidiaries	1,908	-
Royalties payable:		
Carlsberg Breweries A/S	252,061	50,891
Scottish & Newcastle Plc	-	27,036
Fellow subsidiaries	1,525	3,909
Financial liabilities		
Carlsberg Breweries A/S	1,097,628	4,440
Scottish & Newcastle Plc	-	7,509
Fellow subsidiaries	1,852,639	1,945
Other liabilities		
Carlsberg Breweries A/S	20,681	-
Parent company	73,472	-
	3,430,249	186,714

All outstanding balances with related parties are to be settled in cash within two months of the balance sheet date, except for financial liabilities to Carlsberg Breweries A/S and fellow subsidiaries which are to be settled as disclosed in note 26 (b). None of the balances are secured.

During the year ended 31 December 2008 the Group's purchases of malt from Soufflet, an associate of the Group, amounted to RUR 962,130 thousand (excluding VAT) or 14.7% of the total value of malt purchases and own production and 58,266 tons or 14% of the total volume of malt purchases and own production. During the year ended 31 December 2007 the Group's malt purchases from Soufflet amounted to RUR 688,468 thousand (excluding VAT) or 8.9% of the total value of malt purchases and own production and 66,293 tons or 10.3% of the total volume of malt purchases and own production.

The liability to Soufflet for malt purchases amounted to RUR 106,718 thousand and RUR 80,631 thousand as at 31 December 2008 and 2007, respectively.

During the year ended 31 December 2008 and 2007 the Group provided various services to Soufflet and received various services from Soufflet for insignificant amounts.

30 Subsidiaries

Name	Nature of business	Country of incorpora-tion	Ownership/ voting 2008	Ownership/ voting 2007
OOO Baltika-Moscow	Distribution of Baltika beer	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%
Baku Castel LLC	Beer Production	Azerbaijan	100%	-
Baku Pivo JSC	Beer Production	Azerbaijan	91%	-

31 Events subsequent to the balance sheet date

On 13 February 2009, the Board of Directors recommended dividends of RUR 13,959,903 thousand, and the recommendation will be considered by the Company’s shareholders at the annual shareholders’ meeting. Dividend payments will be made between 1 July and 31 December 2009.