OAO Baltika Brewery Group

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 31 MARCH 2001

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Consolidated balance sheet

		31 March 2001	31 December 2000
ASSETS			
Current Assets			
Cash in bank	3	6,917	4,897
Short-term investments	4	-	-
Trade accounts receivable, net	5	3,338	4,044
Trade accounts receivable from related parties		-	-
Financial receivables	6	409	418
Prepayments and other receivables	7	19,356	20,457
Inventory	8	46,877	45,995
		76,897	**75,811**
Non-current assets			
Long-term investments	4	4,580	4,149
Intangible assets		596	454
Property, plant and equipment, net	9	271,074	219.521
Assets under construction	10	37,329	58,620
		313,579	**282,744**
Total assets		**390,476**	**358,555**
LIABILITIES			
Current Liabilities			
Loans payable to EBRD-short-term portion	11	732	198
Short-term loans payable	12	3,681	13,790
Trade accounts payable	13	21,672	21,740
Other accounts payable	14	25,422	17,212
Provisions for liabilities	15	-	-
		51,507	**52,940**
Non-Current Liabilities			
Loans payable to EBRD-long-term portion	11	20,000	20,000
Total liabilities		**71,507**	**72,940**
Net assets		**318.969**	**285.615**
SHAREHOLDERS' EQUITY			
Share capital	16	26,493	26,493
Restricted reserves			
Revaluation reserve	17	1,063	1,063
Other restricted reserves	17	2,128	2,128
Total Restricted reserves		**3,191**	**3,191**
Unrestricted reserves			
Distributable Retained earnings	17	169,126	154,529
Non-distributable Retained earnings	17	87,120	72,151
Total unrestricted reserves		**256,246**	**226,680**
Total shareholders' equity		**285,930**	**256,364**
MINORITY INTEREST	18	**33.039**	**29.251**
Total shareholders' equity and minority interests		**318.969**	**285.615**

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

T. K. Bolloyev
General Director

S. A. Alexeyev
Chief accountant

(expressed in thousands of US dollars)

Consolidated profit and loss account

		Three months ended 31 March 2001	Three months ended 31 March 2000
Net Revenues	21	87,062	61,824
Operating costs	22	(59,582)	(39,308)
Gross income		**27,480**	**22,516**
General and administrative expenses	23	(2,677)	(1,871)
Operating income		**24,803**	**20,645**
Other income and expenses			
Other income, other expenses	24	(224)	(228)
Financial income	25	42	330
Financial expenses	26	(835)	157
Foreign currency translation adjustment, net		(2,535)	(570)
Income before taxation and minority interests		**21,251**	**20,334**
Income tax	19	(4,725)	(3,711)
Income before minority interests		**16,526**	**16,623**
Minority interests		(3,347)	(189)
Net income		**13,179**	**16,434**

Notes 1-27 form an integral part of these financial statements

(expressed in thousands of US dollars)

Consolidated statement of cash flows

	Three months ended 31 March 2001	**Three months ended 31 March 2000**
Cash flow from operating activities		
Income before tax and minority interests	21,251	20,334
Depreciation	5,719	4,289
Loss/(Gain) on disposal of property, plant and equipment	224	217
Decrease/(Increase) in accounts receivable	706	993
Decrease/(Increase) in inventory	(882)	(7,091)
Decrease/(Increase) in other receivables	1,548	(8,036)
Decrease/(Increase) in financial receivables	9	
Increase/(Decrease) in accounts payable	283	2,965
Increase/(Decrease) in other liabilities	2,962	(662)
Increase/(Decrease) in provisions for liabilities	-	350
Income tax paid	(4,768)	(2,734)
Cash flow from operating activities	**27,052**	**10,625**
Cash flow from investment activities		
Purchase of property, plant, equipment and intangibles	(14,572)	(20,752)
Purchase of shares and participation	-	-
Net change in short and long term investments	(432)	(1,920)
Proceeds from the sale of property, plant and equipment	435	17
Cash flow from investing activities	**(14,569)**	**(22,655)**
Cash flow from financing activities		
Loans to EBRD	-	8,165
Other loans	(10,110)	2,423
Currency translation adjustment	-	387
Dividends paid to minority by Baltika-Don	(204)	
Dividends paid	(149)	(1,123)
Outflow from financing activities	**(10,463)**	**9,852**
Net change in cash in bank	**2,020**	**(2,178)**
Cash in bank as at 31 December 2000	4,897	5,819
Cash in bank as at 31 March 2001	6,917	3,641

1 NATURE OF THE GROUP

1.1 Organisation

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

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

1.2 Effects of the Russian business environment on activities in Russia

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

The accompanying financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment. The impact of such differences on the operations and financial position of the Group may be significant.

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

Comparative Financial Statements

The Company has prepared consolidated financial statements for the three months ended 31 March 2001 including the results of operations and assets and liabilities of its subsidiaries. The Company has comparative figures for similar period of 2000.

Basis for the Preparation

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

Currency Translation

Monetary assets and liabilities denominated in currencies other than US dollars as at the balance sheet date are converted into US dollars at the official Central Bank of Russia exchange rate as at 31 March 2001. Non-monetary items have been converted at historical exchange rates. The Russian rouble to US dollar exchange rate as at 31 March 2001 was 28.74 (31 December 2000 - 28.16). The profit and loss account has been translated using an average first quarter rate (28.5396) . These rates approximate those effective on the settlement dates. Exchange gains and losses arising are recognised in the profit and loss account or as part of equity, as appropriate.

(expressed in thousands of US dollars)

Basis for Consolidation

Subsidiary companies are those companies in which the Company directly or indirectly holds more than 50% of the voting rights and is able to exercise control. Subsidiary companies have been fully consolidated from the date of Company control. Minority interests in the income and assets and liabilities of the subsidiaries is disclosed separately.

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

As at 31 March 2001, the subsidiary companies which are both included in the consolidation and registered in Russia, consist of the following:

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

Associated companies are those companies over which the Company can exercise significant influence, but which it cannot control. Associated companies are accounted for by the equity method. As at 31 March 2001, the only associated company is a company founded in conjunction with the Soufflet group. This company produces malt.

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

Revenues

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

Accounts receivable

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

(expressed in thousands of US dollars)

Inventory

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

Property, Plant and Equipment

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

intended use. For periods ended on or before 31 December 2000, for practical operational purposes the hard currency fixed asset register was maintained in SEK (the Company being a subsidiary of BBH a Swedish company). From 1 January 2001, the hard currency fixed asset register is maintained both in SEK and USD, the USD values now being incorporated herein. These financial statements thus disclose a translation difference which relates to the reversal of the previously recorded movement of SEK against USD.

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

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

Repair and Maintenance Costs

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

Assets Under Construction

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

Deferred Taxation

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

(expressed in thousands of US dollars)

Pensions

The Company and its subsidiaries make contributions to the Pension Fund of the Russian Federation as required by Russian law. The contributions amount to 26% (maximum rate is 28%) of gross salaries and are expensed as incurred. The Company has not recorded any commitments payable to management or employees on retirement.

Borrowing costs

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

Minority interests

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

Distributable and non-distributable retained earnings

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

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

3 CASH IN BANK

	31 March 2001	**31 December 2000**
Russian rouble bank accounts	6,869	4,518
Foreign currency bank accounts	33	159
Petty cash	15	220
	6,917	**4,897**

There were no legal restrictions on the use of cash and bank balances as of 31 March 2001. As the Government removed Inkombank's licence, the Inkombank balances of the Group have been recorded in the financial receivables line and have been fully provided for as at 31 March 2001.

4 LONG-TERM INVESTMENTS

Long-term investments consist of the following items:

	31 March 2001	**31 December 2000**
Shares in Menatep bank	44	44
Shares in the Associated Company Soufflet	4,403	4,085
Shares is Rosbalt Agency	104	
Redeemed Tula shares held for resale	27	20
Other	2	-
	4,580	**4,145**

Investments in Soufflet are accounted for under the equity method based on the latest Soufflet's available financial statements (December 31, 2000).

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(expressed in thousands of US dollars)

5 TRADE ACCOUNTS RECEIVABLE

	31 March 2001	31 December 2000
Trade accounts receivable	4,150	4,825
Provision for bad and doubtful receivables	(812)	(781)
	3,338	**4,044**

6 FINANCIAL RECEIVABLES

	31 March 2001	31 December 2000
Financial receivables from Soufflet	400	418
Other	9	-
	409	**418**

7 PREPAYMENTS AND OTHER RECEIVABLES

	31 March 2001	31 December 2000
Receivables from Inkombank	350	9
Provision for receivables from Inkombank	(350)	(9)
Receivables from Russian Universal Bank	8	8
Provision for receivables from Russian Universal Bank	(8)	(8)
Prepaid expenses	121	105
Advances to suppliers, paid in roubles	5,070	4,230
Advances to suppliers, paid in foreign currency	16	18
Profit tax receivable	2,502	2,055
VAT receivable	6,198	10,524
Receivable from returnable containers (1999 - in trade receivables)	4,336	2,183
Other receivable	1,113	1,342
	19,356	**20,457**

(expressed in thousands of US dollars)

8 INVENTORY

	31 March 2001	31 December 2000
Raw materials	15,077	10,611
WIP	5,222	3,350
Finished goods	6,076	5,059
Other	20,502	26,975
	46,877	**45,995**

9 PROPERTY, PLANT AND EQUIPMENT

In 2001, the Group continued its investment program which will increase by summer 2001, the capacities of the following breweries: Company (up to 90 mln. decilitres), Baltika-Don (up to 20 mln. decilitres) and Tula (up to 30 mln. decilitres).The main projects were the following:

- Construction of a can bottling line in Saint-Petersburg (3.7 million US dollars);
- Construction of a brewing line in Saint-Petersburg (1.6 million US dollars);
- Construction of new cylinder-conical tanks in Baltika (1.2 million US dollars);
- Construction of a brewing line in Tula (0.6 million US dollars);
- Construction of a brewing line in Baltika-Don (0.6 million US dollars);
- Modernisation of the beer recovery equipment in Saint-Petersburg (0.5 million US dollars);
- Construction of new cylinder-conical tanks in Tula (0.4 million US dollars).

In 2001, the Group invested 8.6 million dollars in the reconstruction of Company, 2.5 million dollars in the reconstruction of Baltika-Don and 3.5 million dollars in the reconstruction of Tula-in total 14.6 million dollars.

The investment program for 2001 is financed using internal financing of an estimated amount of 55 million dollars and external funds (long-term loan from the EBRD) of an amount of 20 million dollars. External financing by EBRD is secured by a pledge of equipment and machinery amounting to 66,765 thousand dollars as at the date of pledge provision in 1999.

(expressed in thousands of US dollars)

Property, plant and equipment movement schedule for 2001 is as follows:

	Machinery and equipment	Plant	Total 31 March 2001	Total 31 December 2000
Cost				
Cost as at 1 January 2001	201,824	69,538	271,362	228,324
Additions	34,071	1,251	35,322	39,053
Acquisition of new subsidiary- Tula	-	-	-	38,185
Disposals	(925)	(67)	(992)	(5,553)
Translation difference	17,017	5,546	22,563	(28,647)
Cost as at 31 March 2001	**251,987**	**76,268**	**328,255**	**271,362**
Accumulated Depreciation				
Accumulated depreciation as at 1 January 2001	(42,527)	(9,314)	(51,841)	(32,157)
Depreciation charge	(5,269)	(406)	(5,675)	(18,058)
Acquisition of new subsidiary- Tula	-	-	-	(8,870)
Disposals	318	17	335	2,611
Translation difference	-	-	-	4,633
Accumulated depreciation as at 31 March 2001	**(47,478)**	**(9,703)**	**(57,181)**	**(51,841)**
Net Book Value as at 31 March 2001	**204,509**	**66,565**	**271,074**	**219,521**

10 ASSETS UNDER CONSTRUCTION

	31 March 2001	31 December 2000
Assets under construction	34,751	31,459
Intangible assets acquisition	154	156
Fixed assets not put into operation	2,424	27,005
	37,329	**58,620**

(expressed in thousands of US dollars)

11 LONG-TERM LOANS PAYABLE

Lender	Repayment date	Currency	Principal	Interest Due	31 March 2001	31 December 2000
Loans payable to EBRD-long term portion	15-Jun-2006	USD	20,000		20,000	20,000
Loans payable to EBRD-short-term portion	28-May-2001	USD	-	732	732	198
			20,000	**732**	**20,732**	**20,198**

12 SHORT-TERM LOANS PAYABLE

As at 31 March 2001, the following bank loans are payable within one year :

Lender	Repayment date	Currency	Principal	Interest due	31 March 2001	31 December 2000
Drezdner-Bank	13-Apr-2001	RUR	522	4	526	-
Credit Lyonnais	11-Apr-2001	RUR	1,044	8	1,052	5,993
Credit Lyonnais	11-Apr-2001	RUR	2,088	15	2,103	3,982
ABN-Amro	18-Jan-2001	RUR	-	-	-	3,815
			3,654	**27**	**3,681**	**13,790**

Baltika-Don receives loans from Credit Lyonnais and Drezdner-Bank. The loan from Credit Lyonnais as at March 31, 2001 consisted of a principal amount of 30,000 thousand RUR (1,044 thousand USD) and accrued interest of 228 thousand RUR (8 thousand USD) at an average interest rate of 13.9%. The loan from Drezdner-Bank as at March 31, 2001 consisted of a principal amount of 15,000 thousand RUR (522 thousand USD) and accrued interest of 109 thousand RUR (4 thousand USD) at an average interest rate of 14.0%. These loans are secured by guarantees from the Company.

Tula repaid the loan to ABN-Amro bank in January, 2001 and as at March 31, 2001 had a loan from Credit Lyonnais, consisting of a principal amount of 60,000 thousand RUR (2,088 thousand USD) and accrued interest of 441 thousand RUR (15 thousand USD) at an average interest rate of 13,4%. This loan is secured by a guarantee from the Company.

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(expressed in thousands of US dollars)

13 TRADE ACCOUNTS PAYABLE

	31 March 2001	31 December 2000
Payable for property, plant and equipment, foreign currency	7,987	8,371
Payable to suppliers, foreign currency	5,557	4,768
Other payables, foreign currency	368	572
Payable for property, plant and equipment, RUR	422	389
Payable to suppliers, RUR	3,427	3,222
Payable for packaging	1,579	2,247
Other	2,332	2,171
	21,672	**21,740**

14 OTHER ACCOUNTS PAYABLE

	31 March 2001	31 December 2000
Salary and social charges	6,683	5,826
Advances received	3,403	2,814
Taxes payable	658	1,286
Excise payable	4,450	3,873
Dividends payable	5,910	532
Other	3,317	1,780
Financial liabilities to BBH Group Companies	1,001	1,101
	25,422	**17,212**

15 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities

A considerable degree of uncertainty currently exists in the Russian Federation with regard to the direction of domestic economic policy, regulatory policy and political developments. Group management is unable to predict what changes in conditions may occur and what effect such changes may have on the financial statements.

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

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

(expressed in thousands of US dollars)

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

Capital commitments

As at 31 March 2001, the Company has the following major capital commitments to be completed in 2001:

Description of the asset	Amount
Saint-Petersburg	
Can bottling line	1,574
New bottling line (120 000 bottles/hour)	927
Beer recovery equipment	820
Purchase of fork-loaders	664
New brewing line	423
Construction of new cylinder-conical tanks	310
Baltika-Don	
New bottling line	280
Purchase of fork-loaders	153
Tula	
Construction of new cylinder-conical tanks	331
New bottling line	272
New brewing line	216

16 SHARE CAPITAL

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

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

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

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

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

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

(expressed in thousands of US dollars)

Type of share	Number of shares	Nominal value per share	Share capital	31 March 2001	31 December 2000
		`	Thousands of RUR	Thousands of USD	Thousands of USD
Ordinary	1,338,590	80	107,087	23,530	23,530
Preference	168,570	80	13,486	2,963	2,963
	1,507,160		**120,573**	**26,493**	**26,493**

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

17 RESERVES

	Revaluation Reserve	Other restricted reserves	Distributable retained earnings (incl. 2001 net income)	Non-distributable retained earnings
Balance as at 31 December 2000	1,063	2,128	154,529	72,151
2001 net income			13,179	
Dividends			(5,527)	
Reclassification			6,945	(6,945)
Translation adjustment				21,914
Balance as at 31 March 2001	**1,063**	**2,128**	**169,126**	**87,120**

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

The Shareholder’s meeting held on 28 March 2001 approved dividends equivalent to 5,527 thousand US dollars for the second half of 2000.

18 MINORITY INTEREST

The minority interest changed as follows:

	31 March 2001	31 December 2000
Minority interest as at 1 January 2001	29,251	4,884
Minority interest on purchase of Tula	-	24,374
Dividends paid to minority by Baltika-Don	(204)	(71)
Effect of currency changes in minority equity	645	(3,885)
Share of annual profit	3,347	3,949
	33,039	**29,251**

(expressed in thousands of US dollars)

19 INCOME TAX

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

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

	31 March 2001	**31 March 2000**
Profit before taxation and minority interest	**21,251**	**20,334**
Estimated profit tax at statutory rates	6,405	6,100
Add/deduct the tax effect of:		
Adjustments between IAS and statutory profit at statutory rate	1,624	537
Non-deductible expenses	859	236
Tax relief (mainly arising from property, plant and equipment acquisition)	(3,279)	(225)
Loss on disposal of property, plant and equipment	11	8
Currency translation adjustment not included in taxable profit	-	-
Effects of concessions granted in respect of the local portion of the statutory tax rate	(895)	(2,945)
Tax expense in the consolidated profit and loss account	**4,725**	**3,711**

20 RELATED PARTY TRANSACTIONS

Director's Shares

The General Director of Baltika Brewery, Mr Bolloyev, owns 80,192 shares, i.e. 5.3% of the total shares.

Associates

The Company has one associate, Soufflet. During the three months the Company contributed cash as share capital contributions in the amount of 11,540 thousand RUR (equivalent to 407 thousand USD using the historical rate) resulting in an increase of Baltika's interest in Soufflet's share capital to 99,194 thousand RUR. Baltika's proportional interest in Soufflet's share capital is still 30%.. Investments in Soufflet are accounted for under the equity method.

Shareholders

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

(expressed in thousands of US dollars)

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

	31 March 2001	31 December 2000
Liability for property, plant and equipment purchased from BBH	324	390
Liability for BBH services	351	424
Interest due to BBH on liabilities for property, plant and equipment and services	326	393
Total liability to BBH Group	**1,001**	**1,207**

21 OPERATING REVENUE

Almost all sales and services were performed in the Russian Federation. Export sales began in April 1999 and generated 1,369 thousand USD during three months ended 31 March 2001 (157 thousand USD dollars during similar period of 2000). Goods were exported to USA, Finland, Estonia, Latvia, Germany, Israel, CIS countries and other countries.

	31 March 2001	31 March 2000
Beer	82,944	58,808
Mineral water	113	93
Transport services	2,612	1,068
Other	1,393	1,855
Total group sales	**87,062**	**61,824**

(expressed in thousands of US dollars)

22 OPERATING COSTS

	31 March 2001	31 March 2000
Raw materials	(31,321)	(22,818)
Low value items	-	(241)
Wages and salaries	(5,180)	(2,569)
Pension and social security costs	(1,747)	(973)
Depreciation	(5,719)	(4,289)
Repairs and maintenance	(3,936)	(1,703)
Rent	(185)	(108)
Taxes	(1,826)	(1,680)
Power and heat	(1,388)	(649)
Compensation to employees	(341)	(199)
Transport expenses	(5,720)	(2,284)
Advertising and marketing expenses	(1,447)	(1,066)
Revaluation of pledged packaging	(260)	(621)
Other	(512)	(108)
	(59,582)	**(39,308)**

23 ADMINISTRATIVE EXPENSES

	31 March 2001	31 March 2000
Wages and salaries	(1,398)	(660)
Pension and social security costs	(495)	(253)
Heat, power and light	(51)	(31)
Legal and professional	(33)	(75)
Communications	(124)	(99)
Charity	(226)	(21)
Other	(350)	(732)
	(2,677)	**(1,871)**

24 OTHER INCOME, OTHER EXPENSES

	31 March 2001	31 March 2000
Refund of taxes paid prior years	-	-
Gain/(Loss) on disposal of property, plant and equipment	(136)	(217)
Penalties to the State budget and non-budgetary funds	(88)	(11)
	(224)	**(228)**

(expressed in thousands of US dollars)

25 OTHER FINANCIAL INCOME

	31 March 2001	31 March 2000
Interest income (from local banks)	36	296
Other interest income	6	34
	42	**330**

26 OTHER FINANCIAL EXPENSES

	31 March 2001	31 March 2000
Provision for investments in associates	-	29
Interest expenses (local banks)	(212)	(32)
Interest expense (EBRD)	(535)	(165)
Interest expense reversal (BBH group)	-	438
Bank services	(88)	(113)
	(835)	**157**

27 DEFERRED TAXES

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

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

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