



Press Release

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BALTIKA DEVELOPS BUSINESS ABROAD

Today, May 15th a contract was signed between Baltika Breweries and Brasseries Internationales Holding (Eastern) Ltd (BIH Eastern) for the purchase of Baku-Castel brewery. The deal will come into force after receiving approval from the anti-monopoly authorities of Azerbaijan.

Anton Artemiev, President of Baltika Breweries:

'The Company successfully carries on its export activities in 47 countries and has thereby acquired experience promoting its products in the most diverse markets, ranging from South America to China. Baltika has set up the production of licensed brands at its own breweries and has arranged for licensed production of its brands in Ukraine and in Great Britain. Now we will add to this experience practice in managing production abroad.'

'We were led to the decision to make this purchase by an optimistic estimate of the prospects for developing the market in Azerbaijan, by the favourable investment climate and the strong position of the Baku brewery and its brands on the market.'

Baltika began to move into foreign markets in 2000. Over the past eight years, the Company set up export shipments to 47 countries around the world, including North and South America, Africa, Scandinavia, the Asia-Pacific region, the Near East, and the countries of Europe the CIS. The next stage in developing the Company's business abroad was licensed production: since December 2006 the Baltika brand has been produced on the license agreement in Ukraine and since April 2007, in Great Britain. The Baku brewery will be the first Baltika-owned production facility outside the Russian Federation and the 12th brewery of the Company.

After completion of the deal, Baltika will continue the development of the Baku-Castel brands and will develop a programme for modernising the existing equipment. The Company plans to start producing its own brands there in time for the 2009 season. Baltika intends to use at the most the Baku-Castel management experience and the employees' potential.

Baltika has been shipping its products to Azerbaijan since the year 2000 and today it has a 3.5% share of the local beer market. It is the leader in the imported beer segment. The whole range of Baltika and Nevskoye brands is represented in the republic, as well as the licensed brands Carlsberg and Kronenbourg 1664. During 2007, the Company's export sales grew by 14%, while the growth of the Baltika brand amounted 17%.

By having its own production in the Trans-Caucasus region, Baltika will be able to lower its logistics costs and consequently to develop new export routes. The annual rate of growth of the beer market in Azerbaijan in the coming 3 years is 12-14% according with forecast of the Company.

Azerbaijan

According to data provided by the State Statistics Administration of Azerbaijan, at the beginning of 2006 the population of the republic numbered 8,436,400 and at present it is the most populous country in the Trans-Caucasus. According to Canadean, in 2006, average per capita consumption of beer in Azerbaijan was 3.9 litres per year, while in 2007, the Company's estimates the figure to be 6 litres, which is still considerably below the average level of beer consumption in the CIS countries (54 litres) and in countries with a similar demographic structure and culture.

Baltika Breweries has been the leader on the Russian beer market and the largest FMCG producer in Eastern Europe since 1996. The Baltika brand holds second place in Europe in terms of sales. The Company comprises 11 breweries across all of Russia. It has a wide portfolio of brands and its employees' number around 12,000. Baltika brand portfolio includes more than 30 brands of beer (among them, Baltika, Arsenalnoye, Nevskoye, Yarpivo, Tuborg, Carlsberg, Kronenbourg 1664 and a range of regional brands), as well as more than 10 non-beer brands.

Brasseries Internationales Holding (Eastern) Ltd owns a controlling interest in the largest brewery in the Republic of Azerbaijan located in the city of Baku (Hirdalan district). The Baku-Castel portfolio of brands includes Castel, Hirdalan, '33'Export, Bizim-Piva and Asfana.

**Public Relations Department
Baltika Breweries**

+ 7 812 326 66 37 pr@baltika.ru www.baltika.ru.