



# Proposed Merger of Baltika, Vena, Yarpiwo and Pikra

## Building a National Champion

Moscow, 18 January 2006



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**Anton Artemiev,  
*President of Baltika***



### 1. Introduction

2. Rationale for the Proposed merger
3. Overview of the transaction
4. Questions



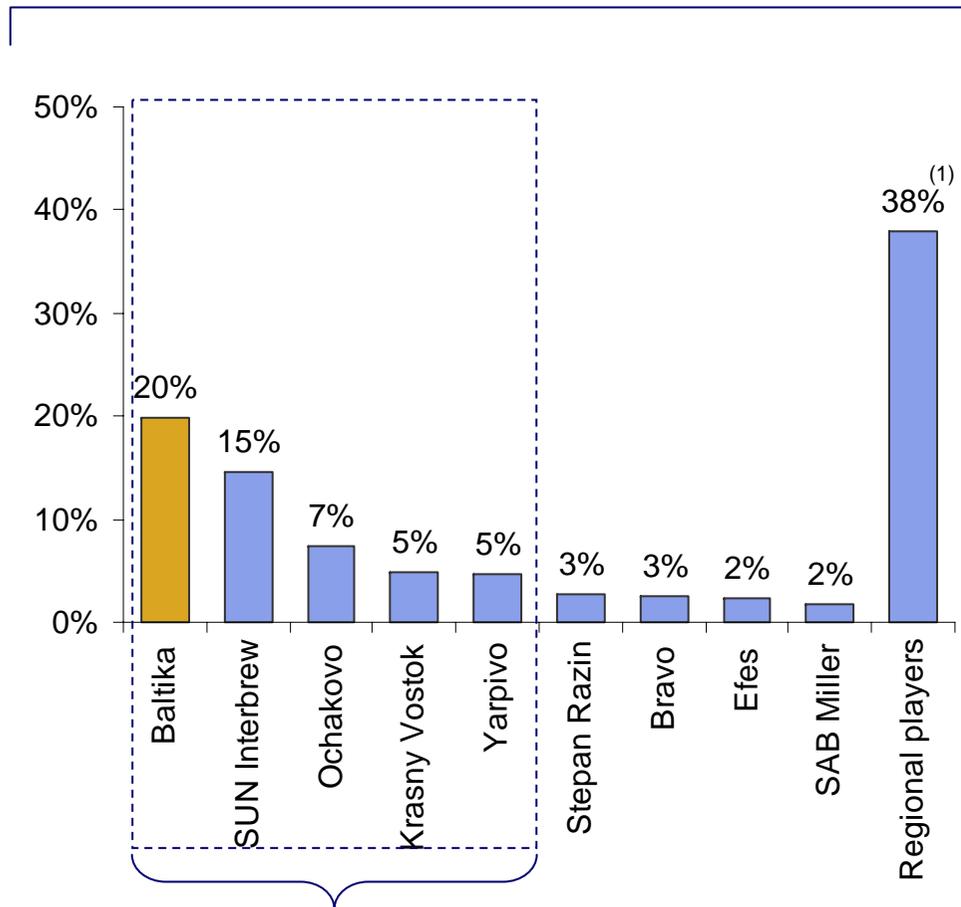
- Our vision is to build a national champion capable of
  - competing in an increasingly consolidating domestic market; and
  - expanding internationally
- The Proposed Merger will:
  - create an exceptional portfolio of brands
  - strengthen Baltika's leadership by volume
  - improve its nationwide coverage
  - enhance platform for international sales
  - broaden management team
  - strengthen its financial profile
  - generate synergies across the enlarged group



# Consolidation in Russia is creating challenges and opportunities

## Building a National Champion

### Russian beer market, 2000

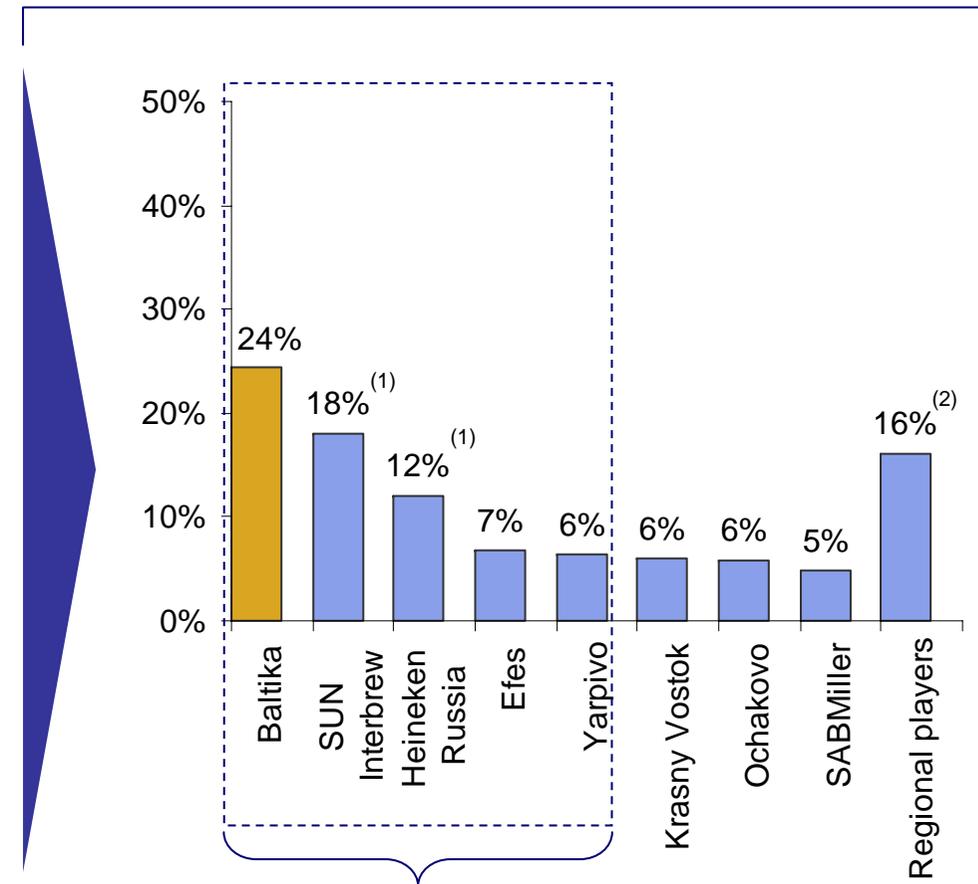


**Top 5 breweries 52%**

Note: (1) Regional players include Vena and Pikra

Source: Rosstat, Breweries' data, BBH

### Russian beer market, 9mo2005



**Top 5 breweries 67%**

Note: (1) Adjusted for acquisitions in 2005

(2) Regional players include Vena and Pikra

Source: Rosstat, Breweries' data, BBH, Business Analytica



Today: Four distinct legal entities

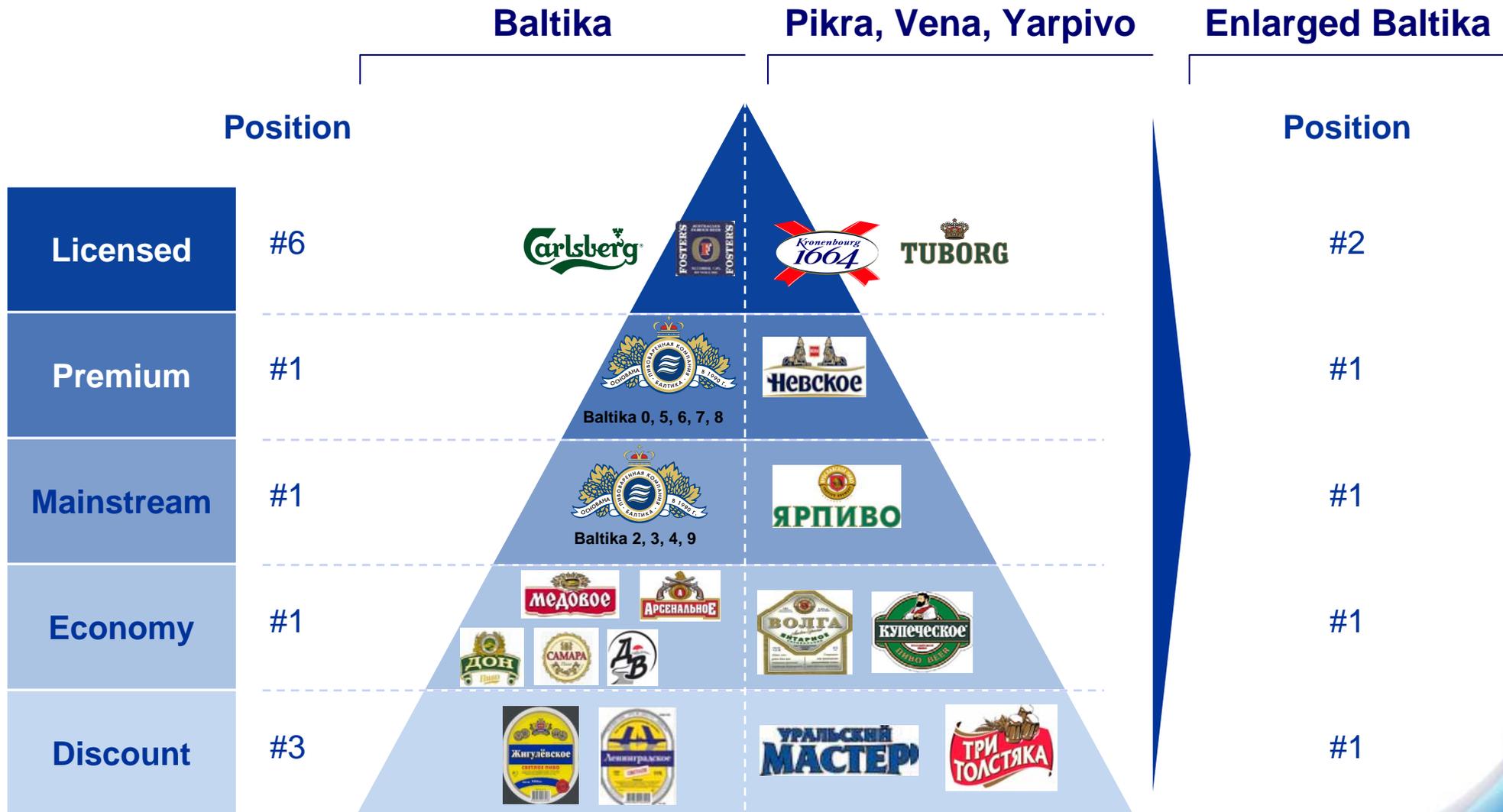


Enlarged Baltika: Champion of the Russian brewing industry

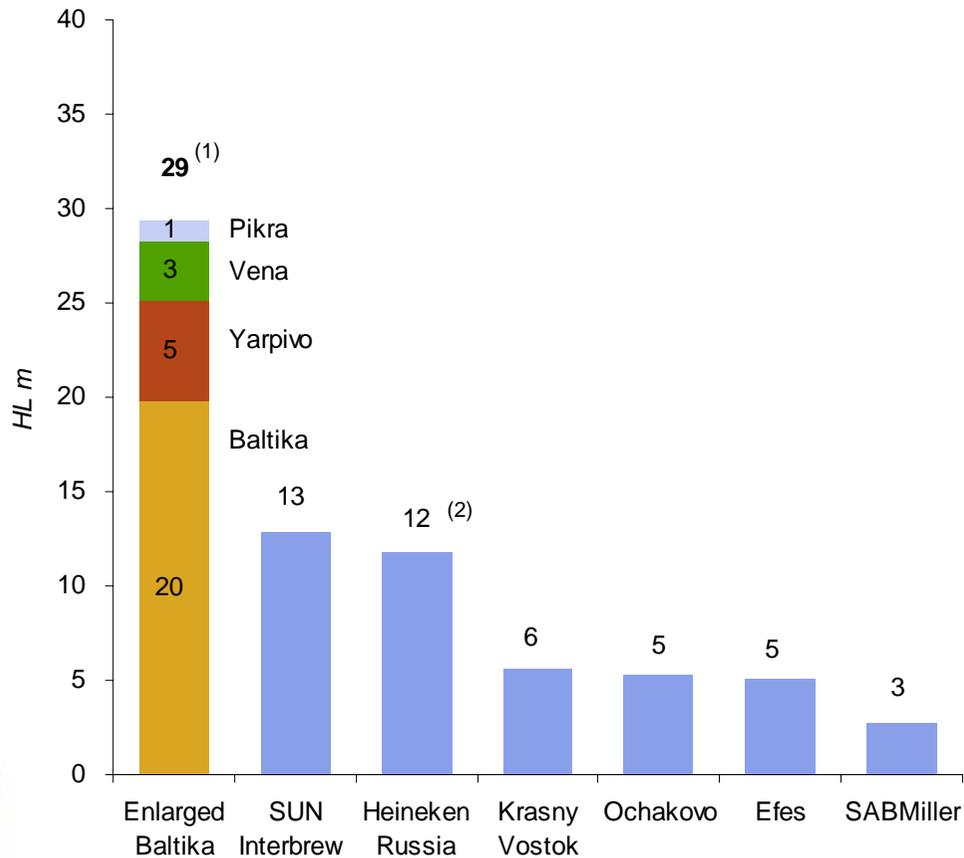


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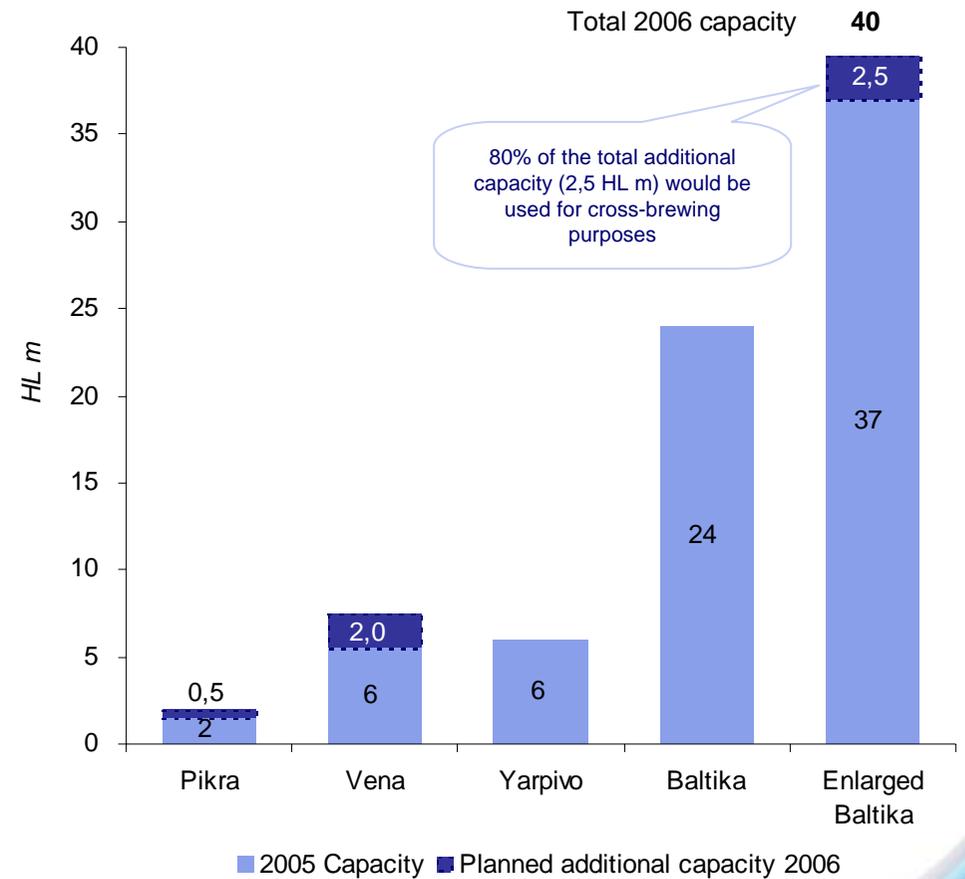
### Production volume, 2004



Note: (1) Enlarged Baltika 2004 pro-forma production volume  
 (2) Adjusted for acquisitions in 2005

Source: Beer Union, Rosstat

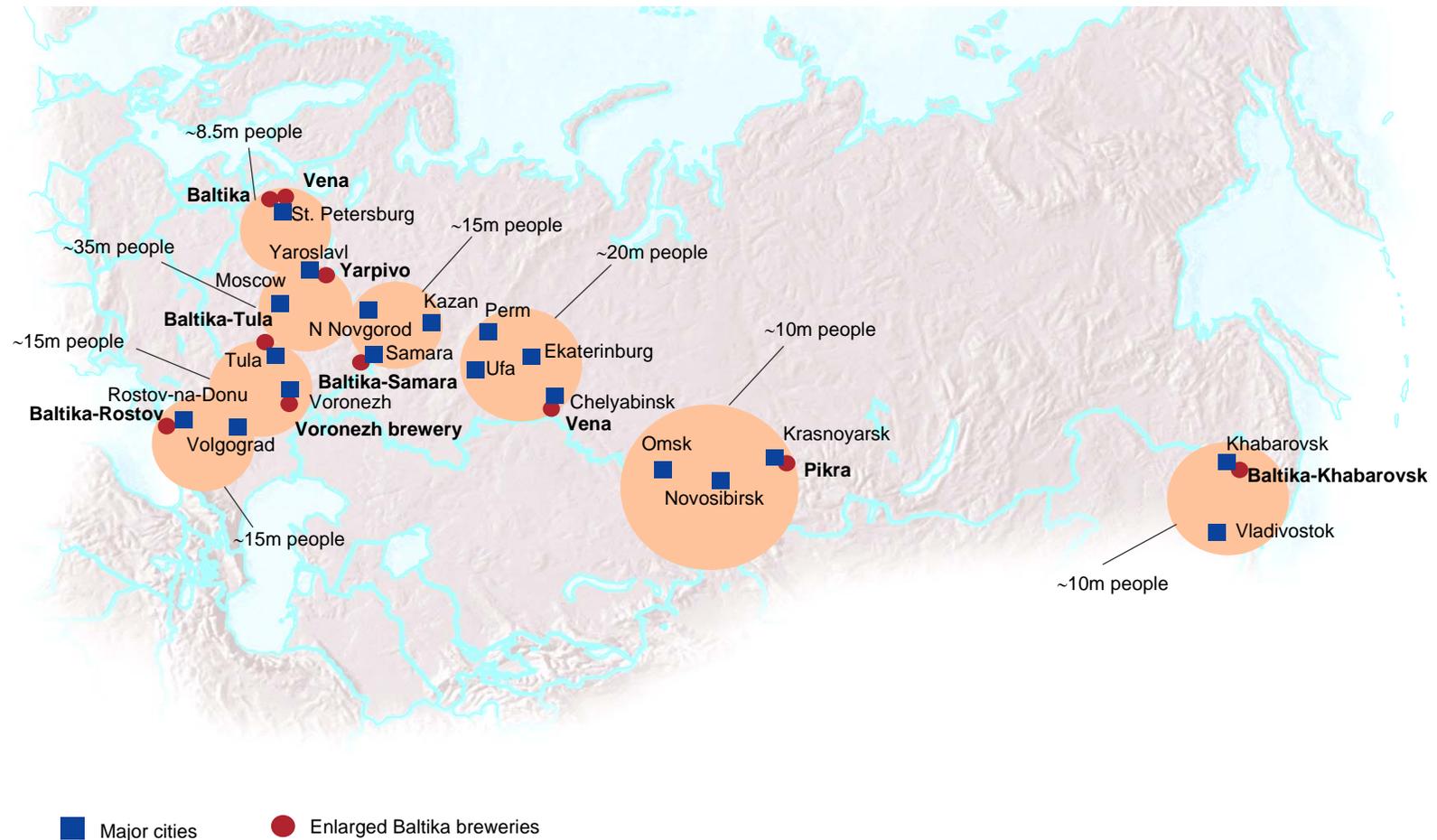
### Current capacity and planned uplift



Source: BBH data



### Home markets of the enlarged Baltika



*In US\$ mn*

	Baltika Full Year 2004 <sup>(1)</sup>	Enlarged Baltika Pro-Forma Full Year 2004 <sup>(2),(3)</sup>
<b>Net Revenues</b>	994	1,507
<b>EBITDA</b>	253	395
<b>EBITDA margin %</b>	25.4%	26.2%
<b>Net Income</b>	132	207
<b>Net Income margin, %</b>	13.3%	13.7%
<b>Free Cash Flow</b>	106	127

Notes:

- (1) Source: audited US GAAP Consolidated Financial Statements of Baltika
- (2) Source: BBH unaudited IFRS Consolidation of Financial Statements of Baltika, Pikra, Vena and Yarpivo
- (3) Translated into US\$ at average official US\$/RUB rate for 2004 of 28.81

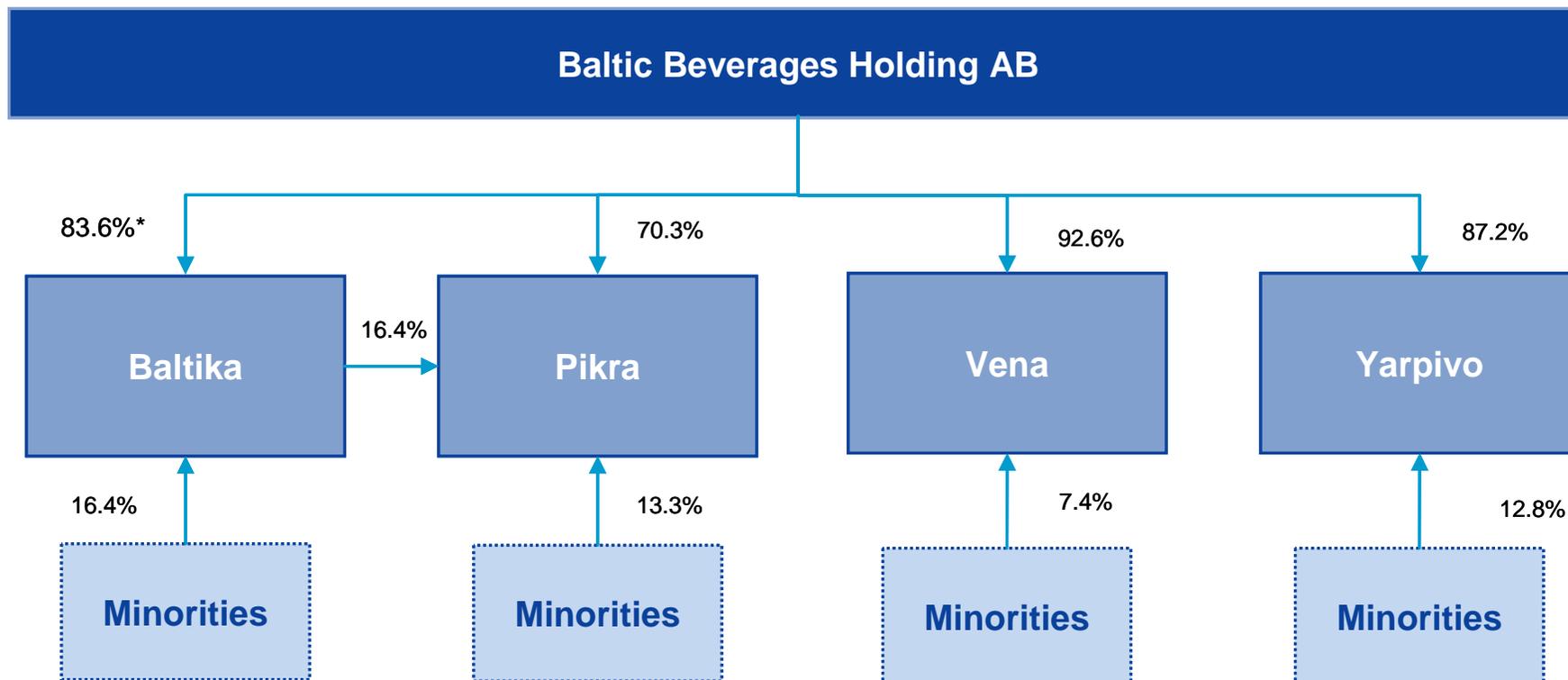


- The Proposed Merger is expected to generate annualised synergies of between US\$60 million and US\$80 million in the first full year following completion
- Main sources of synergies
  - Best practice improvements
  - Cost savings
- Approximately one-third of this amount has been achieved in FY2005
- A substantial part of these synergies will be invested to enhance the growth of Baltika



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Note: Ownership of ordinary shares of Baltika and the Merger Companies as at 31 December 2005

(\*) Baltika also has preference shares, 25.6% owned by BBH and 74.4% by other shareholders

(\*\*) BBH, Carlsberg and Scottish & Newcastle control directly or indirectly 91.2% of Baltika ordinary shares, 30.0% of Baltika preference shares, 94.2% of Pikra shares (including 16.4% owned by Baltika), 93.2% of Vena shares and 87.9% of Yarpivo shares.

Source: BBH



### Stage 1: Share and Cash Offers

- Share Exchange and Cash Offers to Pikra, Vena and Yarpivo shareholders
- Cash offer to buy out Baltika shareholders
- Conditional upon Baltika shareholders' approval
- Expected to complete by mid-2006

### Stage 2: Legal merger

- Merger of Pikra, Vena and Yarpivo with Baltika
- Conditional upon
  - Pikra, Vena and Yarpivo shareholders' approval
  - Regulatory consents
- Expected to complete by late 2006



### Baltika shareholders

- Baltika ordinary shareholders voting in favour of the merger can either
  - keep their shares in Baltika
  - sell their shares to Baltika in return for cash
- Baltika ordinary and preference shareholders voting against the merger can
  - request to be redeemed for cash under the mandatory redemption (within the 10% Net Asset Value limit set out by Russian regulation) or sell their shares in Baltika for cash (only for ordinary shares)
  - keep their shares in Baltika
- Baltika ordinary shareholders voting against the issuance of new Baltika shares can exercise their mandatory pre-emption rights for new Baltika shares
- The table below sets out the cash offer prices and redemption prices that will be made in Roubles (USD values are shown for information only):

Baltika shares	Market value of shares, US\$	Number of shares	Market value per share, US\$	Market value per share, RUB
Ordinary	3,819,297,484	117,158,530	32.60	930.22
Preference	348,835,345	13,545,150	25.75	734.87



### Pikra, Vena and Yarpivo shareholders

- Subject to minority shareholders approving the merger at Baltika EGSM, Pikra, Vena and Yarpivo shareholders will have three options:
  - receive shares in Baltika in exchange for their shares in Pikra, Vena or Yarpivo;
  - sell their shares to Baltika in return for cash; or
  - keep their shares until stage 2
- BBH confirmed that it will take shares in Baltika
- The table below sets out the following values for each of Pikra, Vena and Yarpivo

Ordinary shares	Market value of shares, US\$	Number of shares
Pikra	86,791,772	346,360
Vena	774,142,469	8,092,661
Yarpivo	601,061,366	75,106,393

Ordinary shares	Market value per share, US\$	Market value per share, RUB	Exchange ratio for one Baltika ordinary share
Pikra	250.58	7,150.32	0.1300949
Vena	95.66	2,729.63	0.3407861
Yarpivo	8.00	228.36	4.0734805

Note: The table above sets out the share exchange ratios and the cash offer prices that will be made in Roubles (USD values are shown for information only)



- The shares in Pikra, Vena and Yarpivo will be transformed into Baltika shares subject to:
  - The approval of a majority of shareholders in Pikra, Vena and Yarpivo
  - Regulatory consent
- In stage 2, Dissenting shareholders in Pikra, Vena and Yarpivo will be redeemed at a price to be determined by their respective Boards of Directors



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