



# Baltika Breweries

## 9M 2008 Results

7 November 2008

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# Development Overview for 9M 2008



## 🌐 Russian market volume growth is 1%

Market development was affected by unseasonably cold weather in summer, rise in prices, connected with a price increase for basic raw materials and a rise in excise taxes, all of which significantly affected consumption

## 🌐 Sales volume trend in 9M 2008

- Total Baltika sales volume 35.9 MHL, +2.7%;  
beer volume 35.3 MHL, +2.5%
- Export volume 1.9 MHL, +19.4%;  
with license volume +24.5%
- Market share in Russia 38.0%, growth 0.3% to 9M 2007

## 🌐 Q3 sales influenced 9M 2008 sales volume

- Total Baltika sales volume 12.7 MHL, -3%;  
beer volume 12.5 MHL, -3.3%
- Export volume 0.6 MHL, +0.4%;  
with license volume +5.0%
- Market share in Russia is on the level of 2007: 38%

## 🌐 Strong financial performance

- Revenue 1989.1 MEUR (+12.8%)
- EBIT 497.7 MEUR (+10.5%)
- EBITDA 607.3 MEUR (+11.7%)
- Net profit 360.7 MEUR (+7.7%)



# Russian beer market and Baltika Breweries

# Russian Beer Market Development



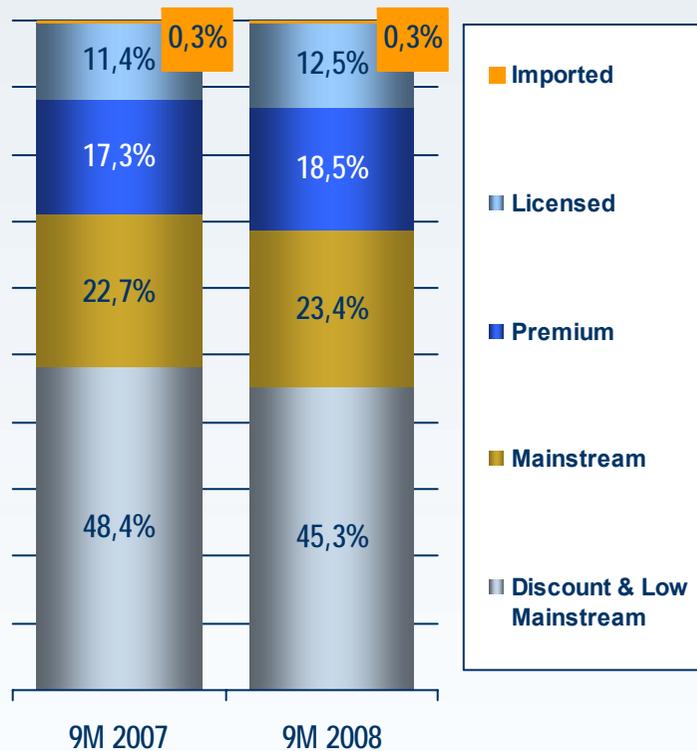
Market share, %	9M 2007	9M 2008
<b>Baltika</b>	<b>37.7</b>	<b>38.0</b>
Sun InBev	18.7	17.6
Heineken	13.0	14.0
Efes*	9.2	9.0
SAB Miller*	6.1	6.6
Others	15.3	14.8

\* Business Analytica, January-September 2007/2008  
 Source: Internal data, State Statistics Committee, breweries  
 Heineken, Sun InBev & Efes include all acquisitions  
 Note: domestic beer volumes

# Price Segments Development

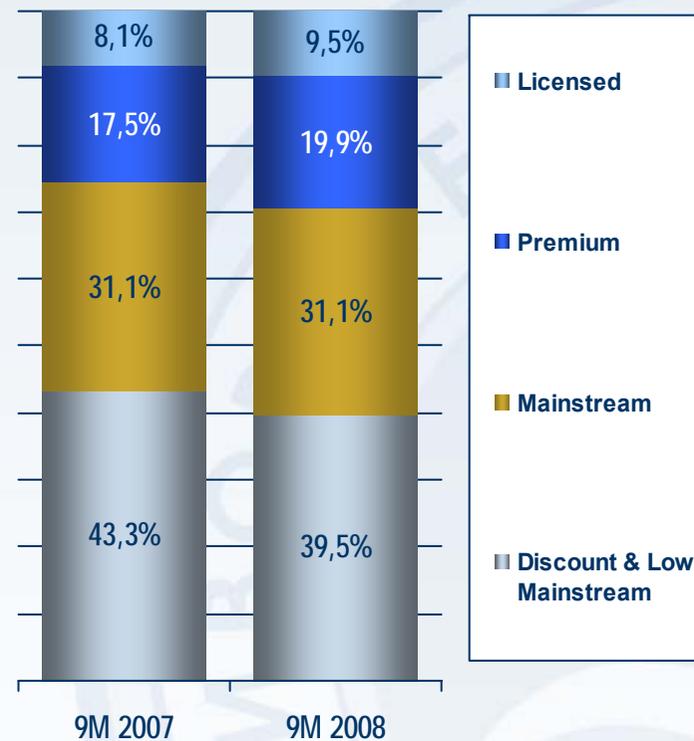


Price segments market volume share



Source: Business Analytica, off-trade

Baltika business in Russia



Source: Internal data

# Baltika brands performance in 9M 2008



- Baltika is the leading brand in Russia
  - Baltika brand growth in 9M 2008 vs. 9M 2007 is +17% (Baltika-7 +26.8%, Cooler +29.5% and a new sort Baltika Lite), market share in Russia growth is 1.9% up to 14.6% (internal estimate)
  - Baltika-7 is brand №1 in the premium segment, for 9M 2008 the brand share grew by 2.7% and amounted in September 2008 19.4%
- Licensed brands volume growth:
  - In 9M 2008 Baltika continued to strengthen its leadership in licensed segment, according to Business Analytica retail audit data company's volume share in license (off-trade) reached 28.5% for 9M 2008
  - Tuborg is brand #1 in licensed segment: +24% for 9M 2008 (according to Business Analytica Tuborg volume share within licensed segment in 9M 2008 increased by 2.5% and reached 19.4% in September 2008)
  - Kronenbourg +42,2%
- High volume growth of regional brands: DV +20%, Don +17%

Source: Internal data

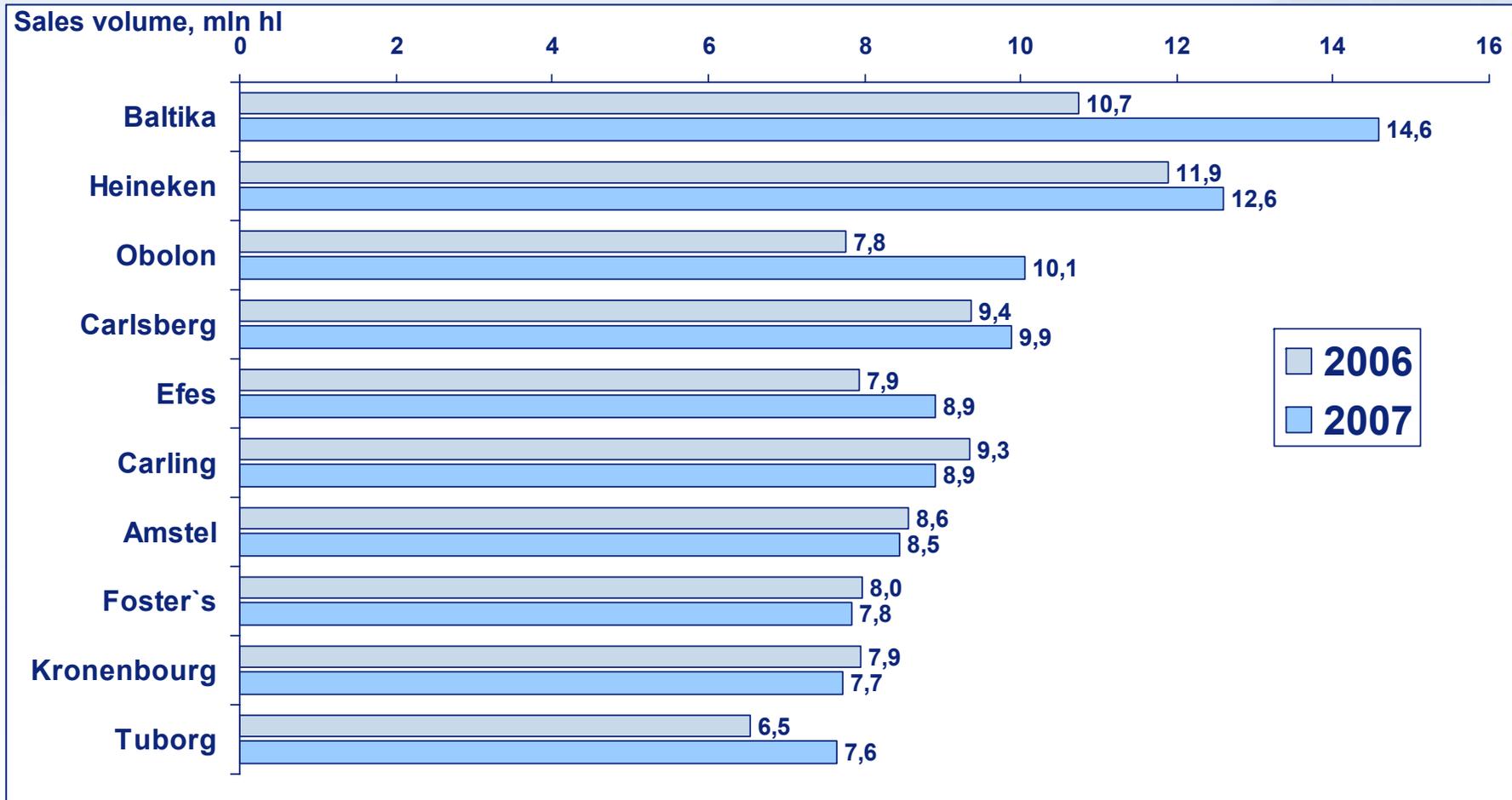
# “Baltika brand became the number one by volume in Europe beer market in 2007 outdoing its closest rival by 16%”



Kevin Baker,  
Beer Service Director of Canadean LTD (UK)



## Leading Europe brands (by volume) in 2006-07\*



Source: Canadean (Wisdom, October 2008). Canadean is one of the leading beverage industry information specialist.

\*Include all countries of Western & Eastern Europe.

# Innovations for 9M Y2008



- **Sibirskiy Bochonok** launch
- **Arsenalnoe** restyling
- **Nevskoye Ice** with a bottom-opener
- **Nevskoye Classic** can 1 liter

- **Baltika Lite** launch
- **Baltika premium** restyling
- Twist-off for **Nevskoe**
- PET 1.5 liter for **Baltika-3**
- **Baltika-3** in keg
- **Asahi** launch
- **Carlsberg** can 1liter
- **Tuborg** new bottle
- **1664 Blanc** launch





# Financial Results

# Financial Results for 9M 2008



	9M 2008, mln EUR	9M 2007, mln EUR	Change, %
<b>Sales Volume, mln. hl</b>	<b>35.9</b>	<b>34.9</b>	<b>2.7%</b>
<b>Revenue</b>	<b>1989.1</b>	<b>1762.7</b>	<b>12.8%</b>
Cost of sales	-1000.9	-835.6	19.8%
<b>Gross profit</b>	<b>988.2</b>	<b>927.2</b>	<b>6.6%</b>
Distribution expenses	-225.9	-223.5	1.1%
Commercial expenses	-210.9	-191.1	10.3%
Administrative expenses	-54.9	-62.5	-12.1%
Other operating income/expenses	1.2	0.1	
<b>EBIT</b>	<b>497.7</b>	<b>450.2</b>	<b>10.5%</b>
<b>EBITDA</b>	<b>607.3</b>	<b>543.7</b>	<b>11.7%</b>
<b>NET PROFIT</b>	<b>360.7</b>	<b>334.8</b>	<b>7.7%</b>
<b>Gross Margin</b>	<b>49.7%</b>	<b>52.6%</b>	<b>-2.9 p.p.</b>
<b>EBIT margin</b>	<b>25.0%</b>	<b>25.5%</b>	<b>-0.5 p.p.</b>
<b>EBITDA margin</b>	<b>30.5%</b>	<b>30.8%</b>	<b>-0.3 p.p.</b>
<b>NET margin</b>	<b>18.1%</b>	<b>19.0%</b>	<b>-0.9 p.p.</b>

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# Baltika Net Sales Development







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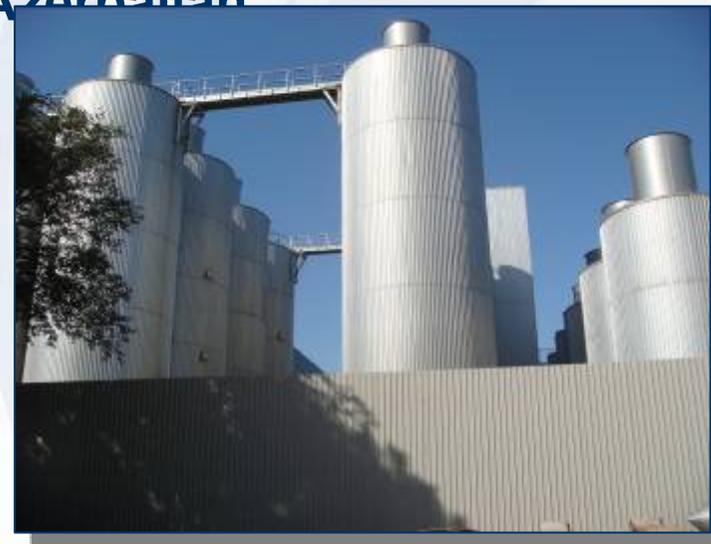
# Investments

# Baltika continued investments into development



**Investments for 9M 2008 amounted 253 MEUR, including:**

- ④ **Completion of construction of the brewery in Novosibirsk**
- ④ **Expansion of capacity in Voronezh, Samara and Rostov**
- ④ **Beginning of construction of a malt-house in Yaroslavl**
- ④ **Purchase of Baku-Castel brewery in Azerbaijan**
- ④ **Sales and marketing**
- ④ **Distribution**
- ④ **Other investments**





# Supplementary information

# Baltika Breweries today



## ☰ 11 breweries in Russia:

St. Petersburg (2 breweries),  
Rostov-on-Don, Tula, Samara  
Yaroslavl, Voronezh, Chelyabinsk,  
Novosibirsk, Krasnoyarsk, Khabarovsk

## ☰ 1 brewery in Azerbaijan

## ☰ Production Capacity:

Around 50 MHL/year

## ☰ 3 malt-houses:

St. Petersburg, Tula, Yaroslavl

## ☰ Over 12,500 employees

## ☰ Market share in 9M 2008 38.0%



# Baltika's beer brands portfolio



Licensed	
Premium	
Mainstream	
Lower mainstream	
Discount	

# Baltika Breweries in Russia



Production capacity: 50 MHL per year





**Thank you!**