

## Baltika Breweries announces 9 months 2007 financial results

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### 1. BALTIKA BREWERIES DELIVERS STABLE STRONG FINANCIAL RESULTS

|                                      | 9 months 2007<br>(mln hl) | 9 months 2006<br>(mln hl) | Difference % |
|--------------------------------------|---------------------------|---------------------------|--------------|
| Sales of all product lines by volume | 34.9                      | 28.6                      | +22.1        |
|                                      | (mln Euro)                | (mln Euro)                |              |
| Sales revenue                        | 1,762.7                   | 1,338.0                   | +31.7        |
| Gross profit                         | 927.2                     | 724.4                     | +28.0        |
| EBIT                                 | 450.2                     | 348.9                     | +29.0        |
| Net Profit                           | 334.8                     | 254.1                     | +31.7        |

In the first 9 months of 2007 total sales of the Company amounted to 34.9 mln hl (+22.1% compared to the same reporting period last year), beer sales grew by +22.4% up to 34.5 mln hl.

In Q3 2007, the Company's sales came to 13.1 mln hl (+11.4% compared to the reporting period last year), and sales of beer were 12.9 mln hl (+11.4%).

### 2. THE COMPANY CONTINUES TO GROW FASTER THAN THE RUSSIAN BEER MARKET

According to the Company's estimates, the growth of the Russian beer market in 9 months of 2007 amounted to 17%. Market showed high growth for 9M Y2007 due to continuous development of category consumption, primarily in less saturated regional markets, and also influenced by several factors, including mild weather, particularly in Q1, and regulatory changes consequences to alcoholic drinks.

In 9 months of 2007 Baltika Breweries grew ahead of the market and increased its share up to 37.7% (+1.4%). Anton Artemiev, President of Baltika Breweries, said: 'Baltika's focus on market innovation and continued improvement on operational efficiency has driven market share growth and a strong financial performance despite growing raw material and logistical costs pressures'.

### 3. DEVELOPMENT OF THE BRAND PORTFOLIO

In 2007 the main efforts are focused on Baltika brand.

In October, ratings of the most valuable brands in Russia during 2006 were published. The list was compiled by the international consulting company Interbrand Group. Baltika brand has reconfirmed its position among the top three leaders and its title of #1 FMCG brand, having increased its value by 15% (to 2.2 billion USD).

In 9M 2007 the Company's title brand Baltika performed sales growth of +34.7%, its market share grew +1.9% and amounted 12.7% (according to the Company's estimates).

The brand's success was facilitated mainly by the innovations introduced in 2006-2007:

- launch and successful development of Baltika Cooler sub-brand;
- restyling Baltika premium sub-brands (bottle with transparent label NLL);
- restyling Baltika mainstream sub-brands (new glass bottle for Baltika's key sub-brand – Baltika №3 Classic);
- launch of Baltika №3 Classic and Baltika №7 Export beer in 1-litre cans.

In the licensed beer segment sales of Tuborg grew by +79% in 9M 2007 and the brand significantly strengthened its leadership in the segment increasing its market share by +3.4% to 17.0% (according to Business Analytica data for 9M 2007). The Company's other licensed brands also demonstrated high growth trends: Kronenbourg 1664 (+154%), Foster's (+62%) and Carlsberg (+41%).

Alongside the Baltika brand and the licensed brands, other brands of the Company also provided excellent sales results: the premium brand Nevskoye (+25%) and the regional brands Don (+32%) and Uralsky Master (+51%).

#### 4. THE COMPANY EXPANDED ITS PRESENCE IN FOREIGN MARKETS

Also, in the first 9 months of 2007 the Company was increasingly developing its export activities: at present Baltika beer is sold in 45 foreign markets. In 9M 2007 the volume of export sales grew by +19.4% compared to the corresponding period last year and amounted to 1.6 mln hl. With licensed sales in Ukraine and in the United Kingdom, the growth in sales abroad amounted to +29.3% compared to previous year.

#### 5. BALTIKA CONTINUES TO INVEST IN THE COMPANY'S DEVELOPMENT

In the first 9 months of 2007 Baltika Breweries investments came to 193 million Euros.

The Company continued the construction of a new brewery in Novosibirsk with rated production capacity of 4.5 mln hl per year.

Moreover, in Q3, the decision was taken to start a new investment project at a value of more than 18 mln Euro to double the production capacity of Baltika brewery in Voronezh to the 2008 season.

#### 6. MARKET DEVELOPMENT FORECAST

Considering the expected lower market growth rates in H2 2007 we forecast the full-year market growth to be 13-15%. In the medium term we keep our market growth estimates of 3-5%

<http://www.beer-union.com/article.php?art=919&PHPSESSID=61ad7d2fa5419fb1a87f8dc32812c5c5>