Baltic Beverages Holding

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President and CEO of BBH

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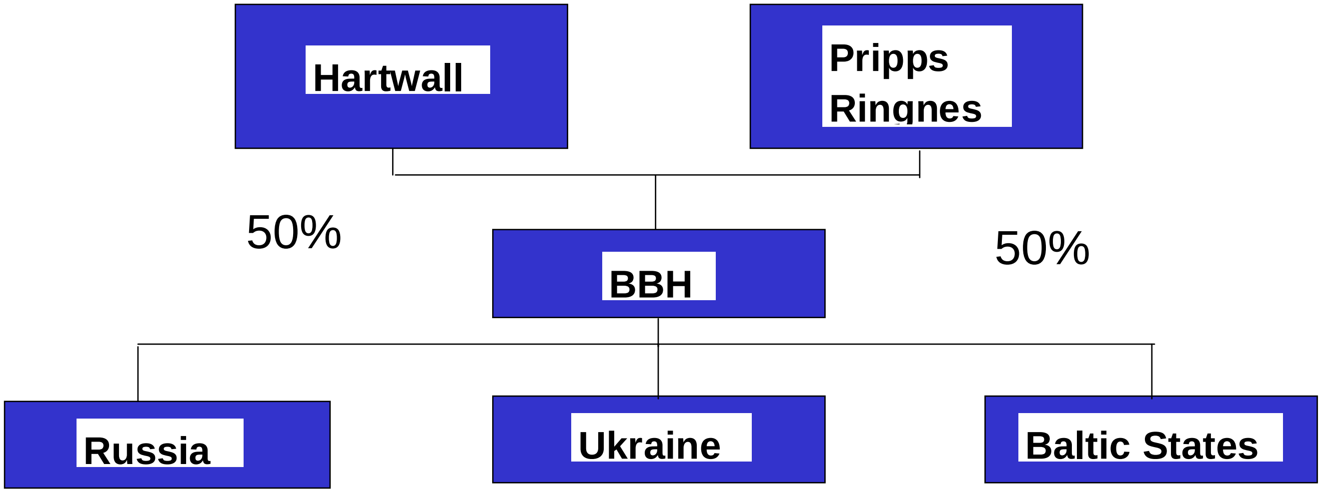
Agenda

- Introduction
- Strategy
- Development in Russia, Ukraine and the Baltic States
- Outlook

BBH

- Swedish registered company located in Stockholm
  - Established jointly by Hartwall and Pripps in 1991
- BBH has expanded rapidly since 1991
- Interests in eleven breweries and eight malteries in Russia, Ukraine and the Baltic States
- Leading player on the brewery markets in this region

BBH - Ownership structure



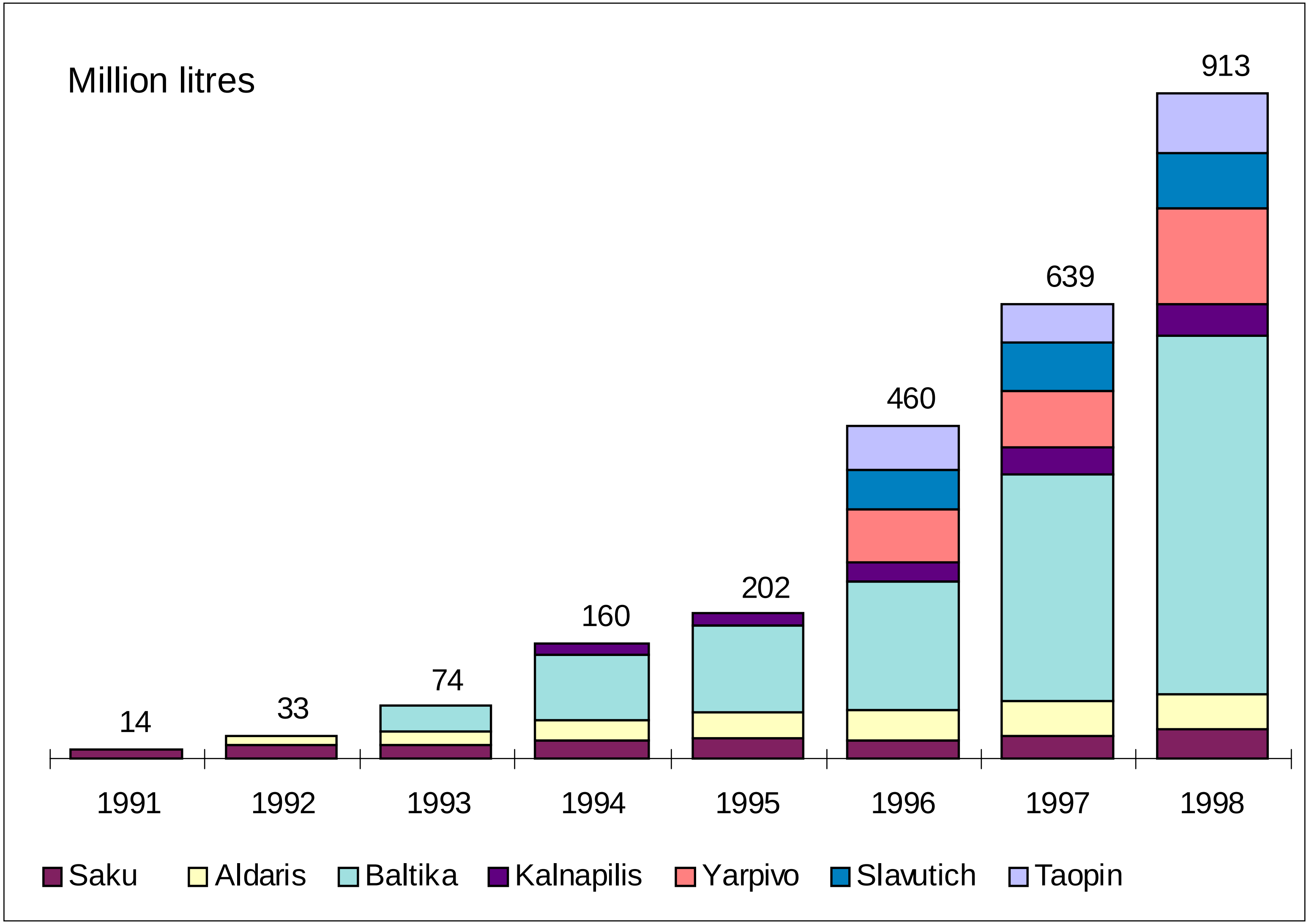
	Russia	Ukraine	Baltic States
Breweries	Baltika (74%) Don Pivo (83%)* Yarpivo (53%) Taopin (69%) Chelyabinskpivo (75%**)	Slavutich (70%) Kolos (92%)**	Kalnapilis (86%) - Lithuania Utenos Alus (50%) - Lithuania Aldaris (75%) - Latvia Saku (75%) - Estonia
Malteries	Baltika (30%) Yarpivo (100%) Taopin (100%) Chelyabinskpivo (100%**)	Slavuta (66%) Kolos (100%)	Litmalt (50%) - Lithuania Utenos (100%) - Lithuania

* Owned by Baltika
** After agreed ownership increases

BBH - A Successful Strategy

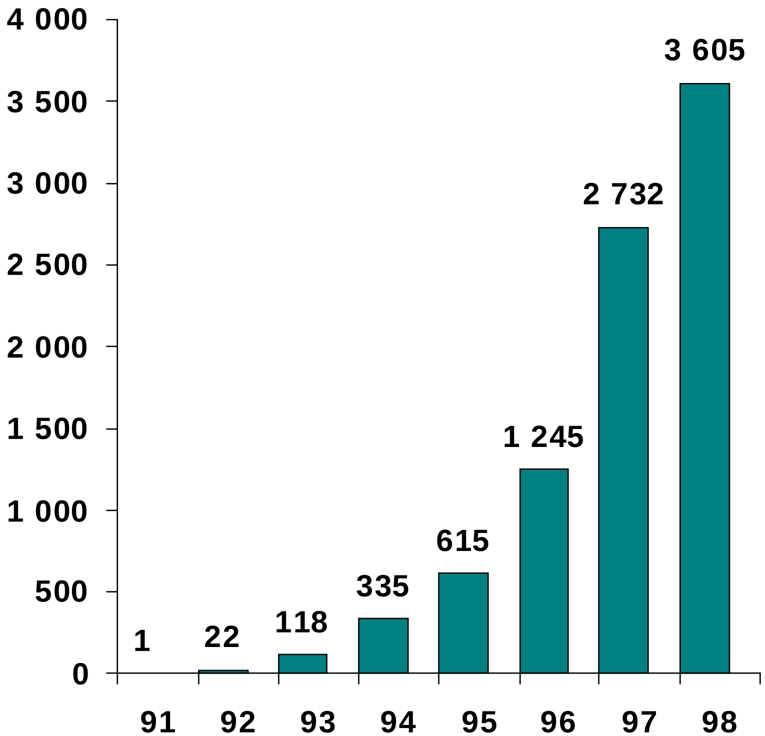
- Acquire majority interests in local breweries
  - Local brands
  - Local management
  - Local ownership
- Quality improvements
  - Modern technology
  - Beer of western quality
  - Extensive personnel development
- Support from BBH in marketing, sales and distribution
- Brand strategy with focus on main stream quality segment
- Volume growth through capacity expansion
- BBH “Family concept”

BBH - Sales volumes 1991-1998

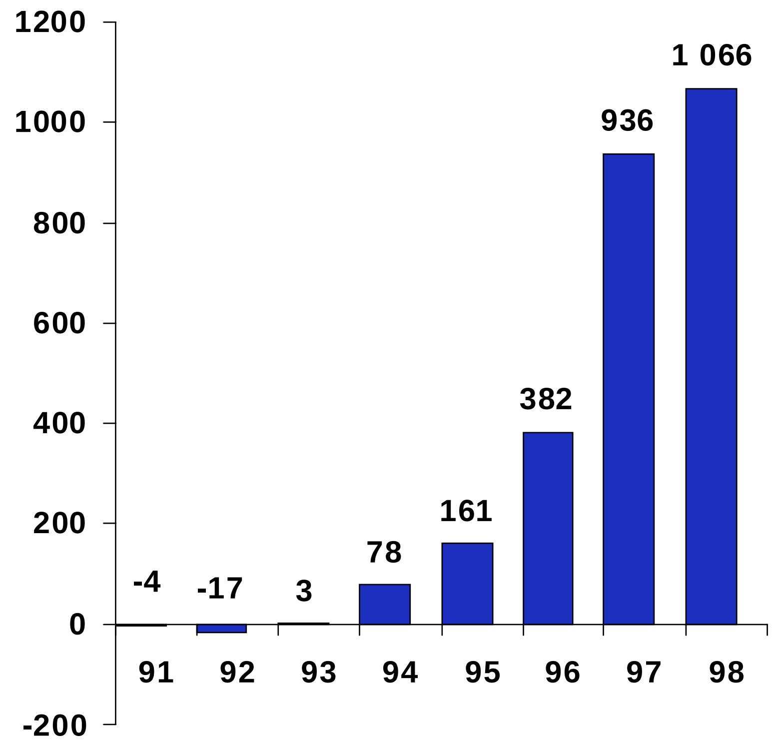


BBH - Development 1991-1998

Operating income (SEK million)

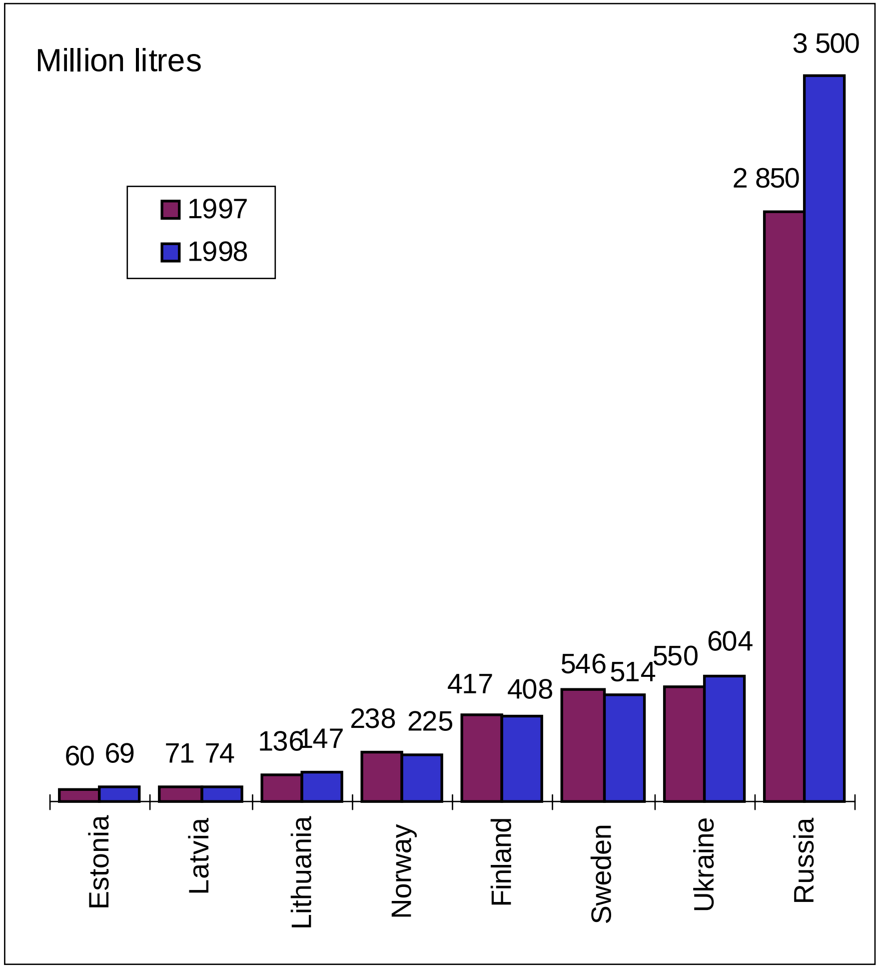


Operating profit (SEK million)

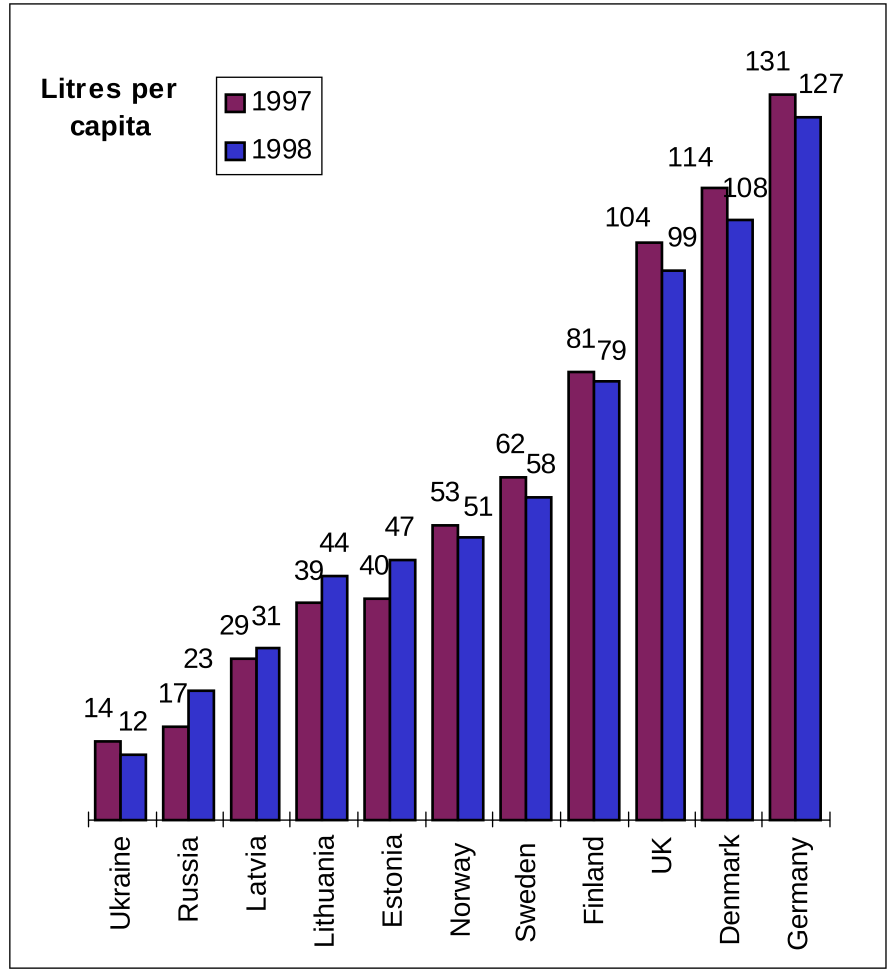


Beer markets 1997 and 1998

Total beer markets



Per capita consumption



A changing environment

- Increased competition
  - New foreign entrants in all markets
  - Acquisition prices go up
- Differentiation of prices and packaging
  - Cheap segments grow
  - Does quality pay off ?
- Control over distribution including consumer pricing

Market trends first four months

	Market growth 1998-99	BBH market share 1999	Litres per capita Year 1998
Russia	+ 22 %	20 %*	23
Ukraine	+ 7 %	13%**	12
Estonia	+ 22 %	50 %	47
Latvia	+ 17 %	42 %	31
Lithuania	+ 11 %	37 %	44

* Including Chelyabinskpivo, acquired January 1999, ownership will increase to 75%
** Including Kolos, ownership will increase to 92%

Volume growth BBH's breweries first four months

Million litres	1999	1998	Change 1998-99	Year 1998
Russia	222	173	+ 28 %	699
Ukraine	21	19	+ 8 %	78
Baltic States	44	37	+ 19 %	136
BBH total	**287**	**229**	**+ 25 %**	**913**

Chelyabinskpivo and Kolos are not consolidated

BBH - First four months 1999

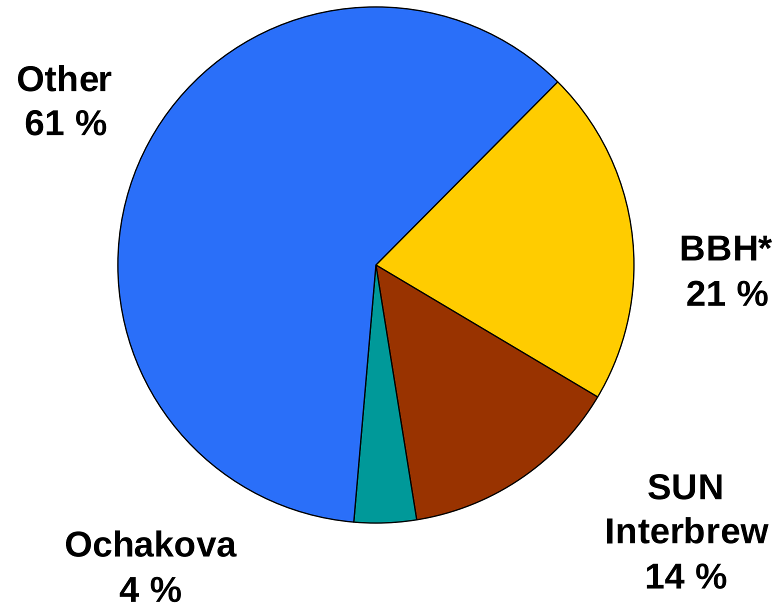
SEK million	1.1. - 30.4. 1999	1998	1.9.-31.12. 1998	Year 1998
Operating income (100%)	**748**	1,043	792	3,605
Operating profit (100%)	**133**	339	126	1,066
Operating margin	**18%**	33%	16%	30%
Volume in million litres (100%)	**287**	229	292	913
Total assets - SEK b. (100%)				4.0
RUB/USD Average exchange rate	**24**	6.1	17.7	9.7

- 25% volume growth
- Average price increase still lower than inflation
- Strong market leadership in most markets
- Increased competition

Russia

- Market leader in Russia
  - However, merger of SUN and Interbrew has significantly narrowed the gap
- BBH is logistically very well located in Russia
- Fragmented industry undergoing restructuring
  - More than 200 breweries, the 20 biggest accounting for around 60% of total capacity
- Low beer consumption
  - 23 litres per capita - Population of 150 million
  - Rapid growth

Beer market 1998



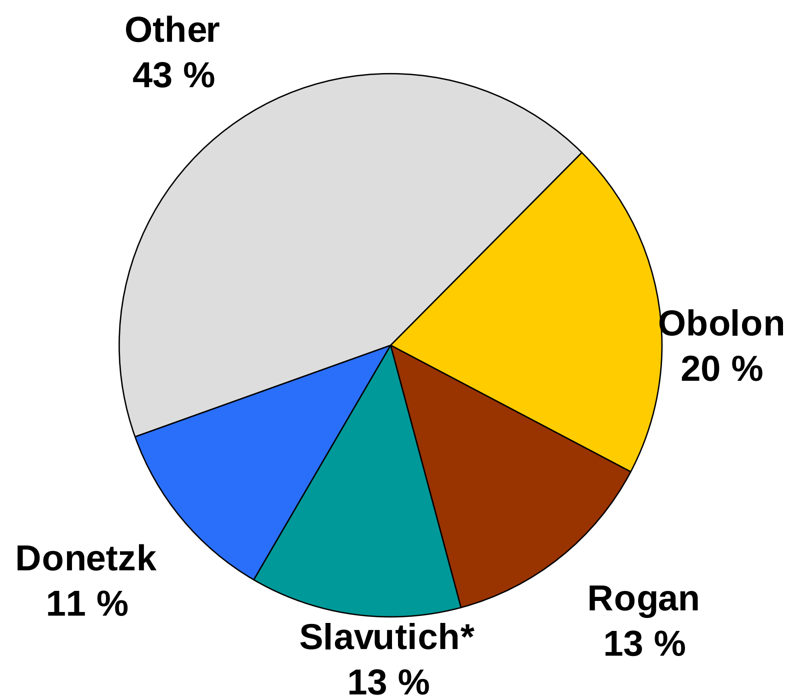
Total beer market 3,500 million litres

* Excluding Chelyabinskpivo (market share 2%)

Ukraine

- Slavutich is Ukraine's leading quality beer
- 8% volume growth in T1 1999
- Fragmented market with more than 100 breweries
- Tax reduced from 1 January 1999

Beer market 1998



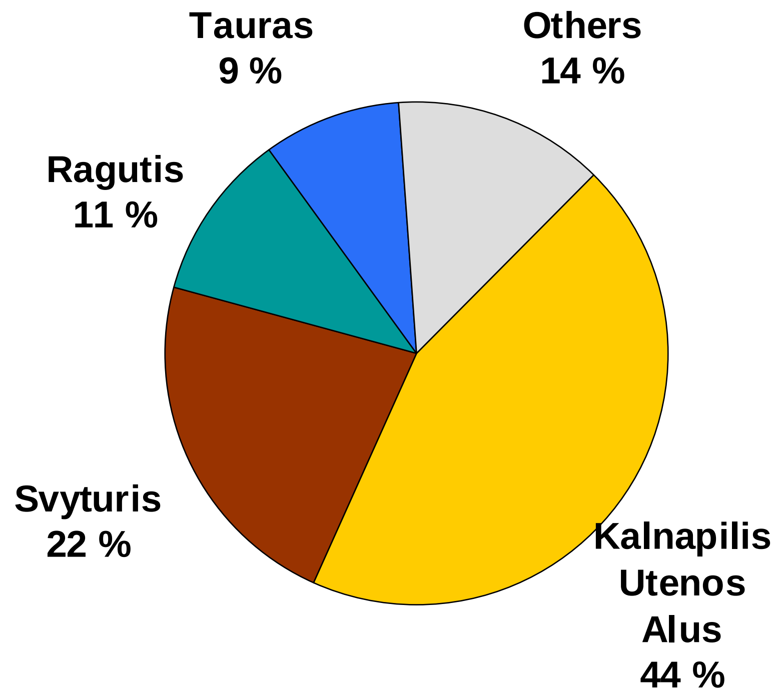
Total beer market 604 million litres

* Excluding Kolos (marketshare 3%)

Lithuania

- Market leader with two breweries
  - Utenos Alus on a rising trend, No. 1 in May
- Volume increased by 31% in T1
  - Consolidation of Utenos Alus
  - Launch of quality beer
- Market growth 11% in T1
- Valuable synergy gains from coordination between Kalnapilis and Utenos Alus

Beer market 1998

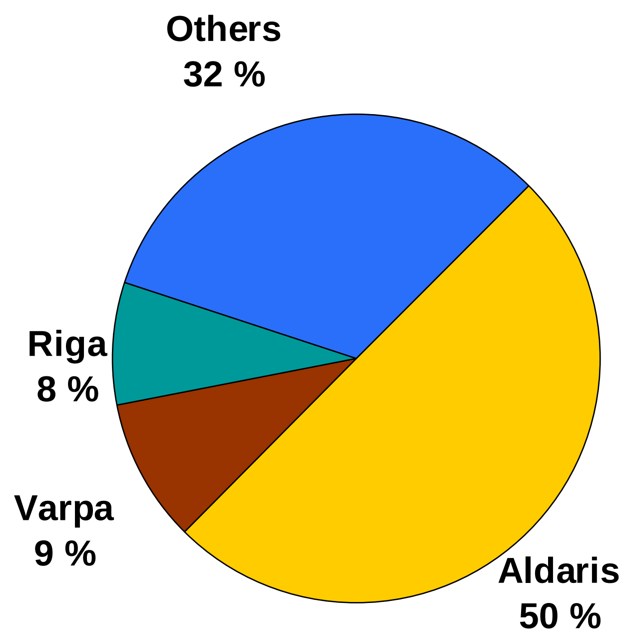


Total beer market 147 million litres

Latvia

- Leading market position
- Aldaris
  - Lost market share to cheap beer segment
- Beer consumption in Latvia increased by 17% in T1
  - Increased import of beer, mainly plastic bottles
- Relatively low beer consumption compared to Estonia and Lithuania

Beer market 1998

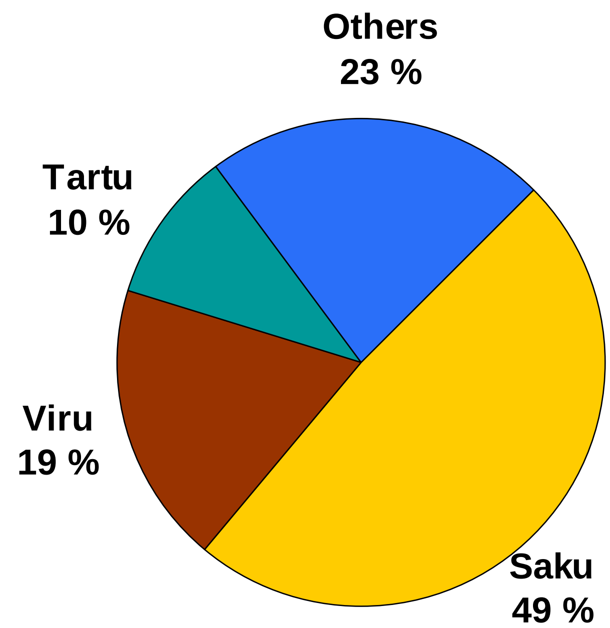


Total beer market 74 million litres

Estonia

- Leading market position
- Saku - 45% volume growth in T1
- Continued market growth
  - Increasing beer consumption
- The new tax act in force from April 1999

Beer market 1998



Total beer market 69 million litres

Cost structure

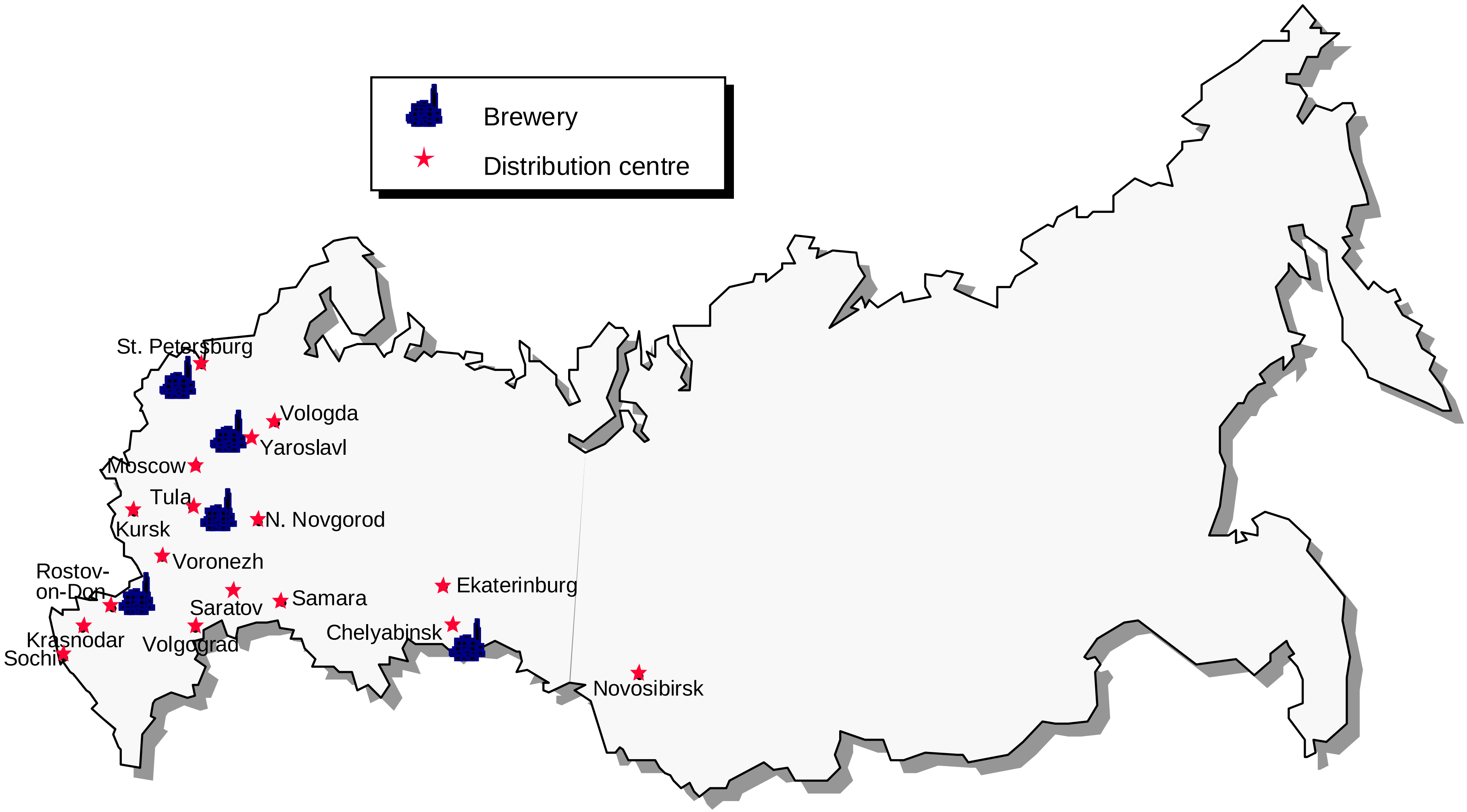
- Dependence on imported raw materials is being reduced
- Increased sourcing of locally produced malt
- Mainly local sourcing of bottles and packaging
- Equipment is imported
- Building and construction are domestic

BBH - Malteries

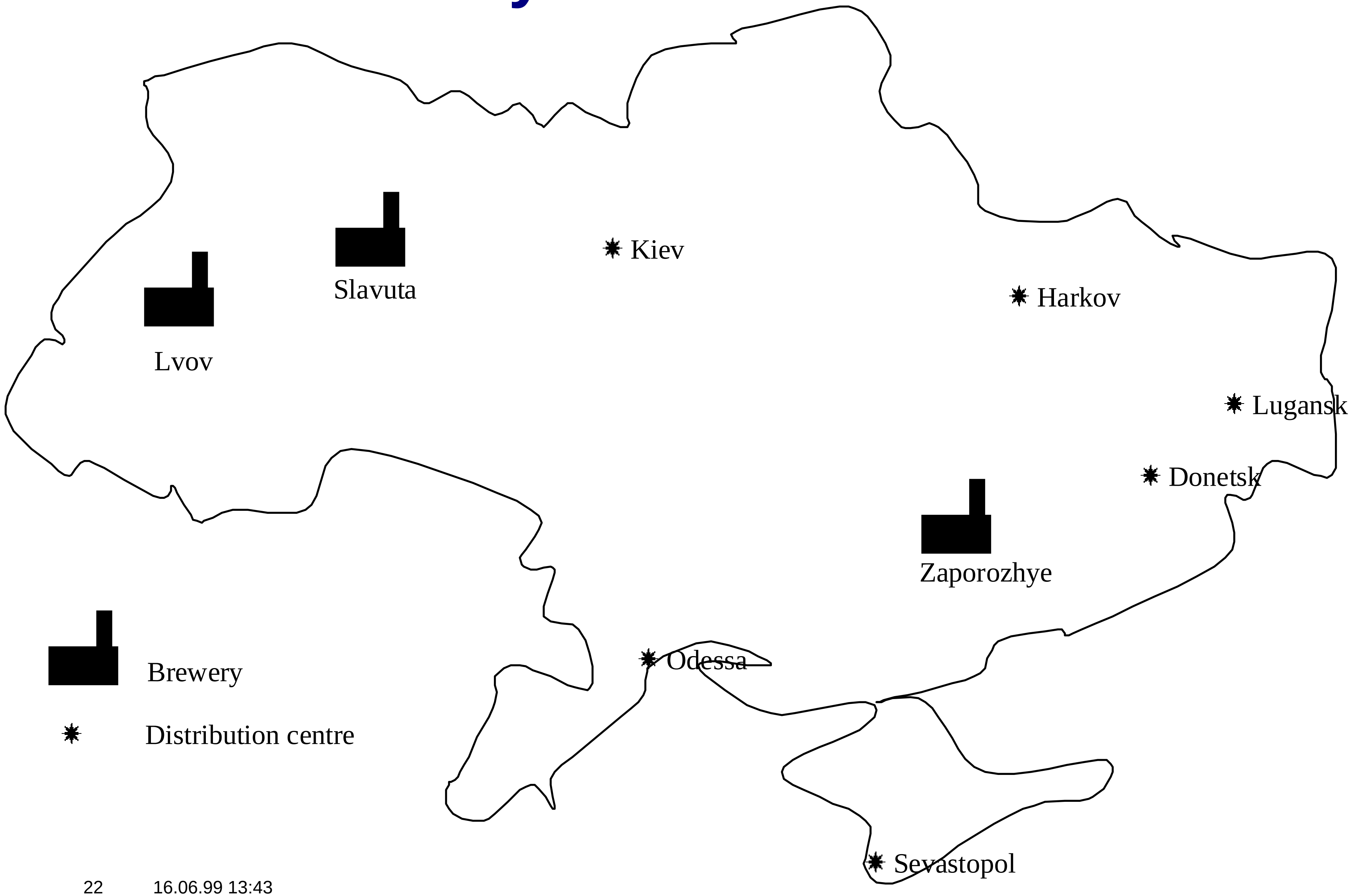
Maltery	Country	Owner	Capacity (tons)
Litmalt	Lithuania	Lahden Polttimo/Kanapilis (50/50)	10 000
Utenos	Lithuania	Utenos Alus	15 000
Slavuta	Ukraine	BBH (66%)	90 000
Kolos	Ukraine	Kolos	6 000
Baltika*	Russia	Soufflet/Baltika (70/30)	105 000
Yarpivo	Russia	Yarpivo	15 000
Taopin	Russia	Taopin	15 000
Chelyabinsk Pivo	Russia	Chelyabinsk Pivo	12 000
Total			**268 000**

* From 1999/2000

BBH distribution system in Russia



BBH distribution system in Ukraine



Investments

- Invested SEK 3.4 billion since 1991 and SEK 1.6 billion in 1998
- Extensive investment programmme to be completed in 1999
- Further investments in existing breweries in year 2000 to expand capacity and improve quality

BBH - Strategy

- Further develop its leading market position in Russia
- Consolidate its positions in the Baltic States
- Become a market leader in Ukraine
- Primarily concentrate on developing existing breweries
- New acquisitions to secure geographical coverage in the most highly populated areas
- A driving force in our markets
- Owners have a long-term commitment

Short term outlook

- Pressure on margins, lower profit
- Increasing competition
- Volumes expected to grow
- Challenging balance between price increases and volume growth
- Change in consumption patterns - shift from vodka to beer

Long term outlook

- Belief in long term development
- Modern local breweries with
  - strong brands
  - strong market positions
  - high quality beer
  - functional distribution
  - good local management
- Growth in per capita consumption, but from a low level
- Further consolidation, increasing competition
- Thorough understanding of the business environment i Eastern Europe since 1991
- High risk region - occasional setbacks are not unlikely

BBH's breweries

Brewery	Country	Share-holding T1 1999	Year acquired	Sales volume Year 1998	Sales volume 1.1-30.4 1999	Market share April 1999
Saku	Estonia	74 %	1991	41	13	50%
Aldaris	Latvia	75 %	1992	49	14	42%
Baltika	Russia	74 %	1993	497	142	12%
Kalnapilis	Lithuania	86 %	1994	46	10	22%
Yarpivo	Russia	53 %	1996	131	45	4%
Slavutich	Ukraine	70 %	1996	78	21	11%
Taopin	Russia	69 %	1997	83	37	3%
Don Pivo*	Russia	83 %	1997		-	
BBH Consolidated 1998				**913**		
Utenos Alus	Lithuania	50 %	1997	23	7	15%
BBH Consolidated 1999					**287**	
Kolos	Ukraine	92%**	1998	17	5	2%
Chelyabinskpivo	Russia	75%**	1999	47	18	1%
BBH Total				**1,000**	**310**	

* Owned by Baltika (83%), included in Baltika's figures
** After agreed ownership increases