

# Results for the first quarter 2003

MOSCOW, May 23, 2003 - SUN Interbrew Limited (Lux: SUNB5-LX), a leading brewer in Russia and Ukraine, wishes to announce its financial results for the first quarter ended 31st March 2003.

## RESULTS

### Operational Highlights

The momentum achieved in the second half of 2002 has continued into 2003 and the following achievements have been made:

- Volume growth in Russia of 8% versus a market decline of 5%. The market share improved from 11.8% in the first quarter 2002 to 13.2% in the first quarter 2003.
- Market leadership in Ukraine improved with volume growth of 18% and a market share increase from 31.1% to 34.9%.
- Organic EBITDA result, excluding embedded foreign exchange movements, increased to €16.1m from €8.0m.
- Successful launch of new PET variants (*Tolstiak*® 1L PET +Regional Brands).
- Launch of PIVOPACK® nationally in Russia brings substantial quality improvement to the PET segment enabling the segment to be expanded to the core and local premium segments.
- Significant cost reductions across the business.

### Financial Highlights

	Q1 2002	Q1 2003	Change	Embedded Forex	Organic Result Pre-currency	Organic Change Pre-currency
Volume, m hl, beer only	2.4	2.6	+11.2%			
Gross Margin, %	41.3%	34.8%	-6.5%		40.7%	-0.5%
Operating Income/(Loss), €m	(1.7)	(2.5)	(0.8)	(9.1)	6.6	+8.3
EBITDA, €m	8.0	7.0	(1.0)	(9.1)	16.1	+8.1
EBITDA Margin, %	9.5%	8.4%	-1.1%		15.4%	+5.9%
Net Income/(Loss), €m	(7.8)	(8.8)	(1.0)			

## FINANCIAL PERFORMANCE IN THE FIRST QUARTER

The headline results for the first quarter of 2003 were adversely affected by foreign currency impact from the depreciation of local currencies versus the Euro.

Net sales per hl decreased due to currency impact.

Gross margins decreased due to the changed sales mix, in particular the strong growth of the lower margin PET segment and value brands.

## Reduction in Cost Base

Substantial fixed cost reductions were achieved again during the quarter versus the same quarter last year.

Selling, marketing and distribution costs in the first quarter were €25.5m versus €27.5m in the same quarter last year. Marketing costs were lower than last year due to phasing differences, but commercial costs have grown particularly in Ukraine as distribution growth continues in that market.

The average distribution cost per hl was almost €1 per hl lower in the quarter compared to the first quarter of 2002. Total sales and marketing costs for the quarter represents 17% of Net Turnover, but this will reduce as we move into the summer season.

General and administration costs for the 1st quarter were €3m lower than for the same quarter in 2002. It should be noted that the first quarter 2002 contained some one time reorganization costs but there is still a substantial cost reduction in the ongoing cost base. Costs in Ukraine are increasing in line with the growth of the business there.

## RUSSIA

Total volumes of beer sold in Russia in the first quarter were 1.77m hl versus 1.64m hl in the first quarter of 2002, an increase of 8% in a market which declined by 5%.

*Tolstiak*® sales volumes grew by 46% over the same quarter last year as a result of the brand relaunch, new 1 litre PET variant and improved advertising focusing on improving the quality image perception.

*Klinskoye*® and *Sibirskaya Korona*® sales volumes were weaker but with the launch of PIVOPACK® and the new custom bottle, recent sales volumes have been very encouraging. In addition both core brands have benefited from new liquid varieties such as *Redkoye* and *Krepkoye* launched this year.

*Stella Artois*® sales volumes continue to grow every quarter.

*Staropramen*® has been launched and has been well received with positive feedback from the trade and consumer.

## Sales volumes, m Hl

	2003 Q1	2002 Q1	% change 03 vs. 02
Beer	1.77	1.64	8.1%

## Market Share Growth - 2002 plus First Quarter 2003 (Average for the period)

## UKRAINE

Sales volumes of beer in Ukraine increased from 0.71m hl in the first quarter of 2002 to 0.84m hl in the first quarter of 2003, an increase of 18.4%, well ahead of the market growth in the quarter of 5.4%.

## Sales volumes, m Hl

	2003 Q1	2002 Q1	% change 03 vs. 02
Beer	0.84	0.71	18.4%
Soft drinks	0.29	0.25	14.3%
Total	1.13	0.96	17.3%

## Market Share Growth - 2002 plus First Quarter 2003 (Average for the period)

The growth achieved is due to continued success in the following brands:

- The growth of the *Chernigivske*® brand by 51%
- Excellent growth of *Stella Artois*® at 116%

## SUMMARY AND OUTLOOK

We have made an encouraging start to the year with strong performances in both Russia and Ukraine. Underlying this performance is a much improved marketing and commercial performance supported by a faster route to market by the operations and marketing teams.

Whilst the strength of the Euro is likely to continue to affect our headline results, the underlying performance will continue to improve as we build volume back into our business and we also introduce higher margin products into our portfolio. The focus on cost reduction will continue in order to support our margin development.

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