

# Results for The Fourth Quarter And Full Year 2004

**SUN Interbrew reports strong organic EBITDA growth of +40.1% for the FY 2004**

## Operational Highlights

- 2004 organic volume growth +18.3% vs. 2003. For the Q4 2004 organic volume growth +3.8% vs. Q4 2003.
- Organic net turnover +27.9% in 2004 and +3.2% in 4Q 2004
- Organic EBIT +61.6% for FY 2004
- EBITDA +40.1% in FY 2004 and +165.7% for Q4 2004. Furthermore the negative currency impact for FY 2004 is €7.5m and €0.8m for Q4 2004
- Net Income result for FY was +136.5% vs. 2003 becoming positive in Q4 2004 (+ €3.1m vs. -€1.9m in Q4 2003).
- The global flagship brands, Stella Artois®, Staropramen® and Beck's®, collectively grew by +80.7% in 2004 and +44.0% in Q4 2004

This solid financial and operational performance was achieved through strategic developments in the following areas:

- Strengthening of higher margin brands;
- Increase of our brewing capacity and the upgrading of existing equipment;
- Increased margin growth through the continued improvement in the route to market resulting from the building of even closer relationships with our distributors in Russia and Ukraine;
- Continued focus on and successful launch of beer and packaging innovations.

The tremendous growth of the company in 2004 was supported in both countries by following innovations:

### Russia

- Tolstiak Grechishnoye, Klinskoye Arriva and Sibirskaya Korona Yantarnoye and Georgievskoye were launched into the Russian market. These new varieties demonstrated strong continuous growth throughout 2004. The excellent growth of Klinskoye Arriva helped to drive core segment growth;
- Having previously been brewed in Ukraine, the production of Stella Artois® and Beck's® commenced at the Novocheboksarsk brewery in Russia helping to increase the profitability of both brands whilst allowing the company to react even faster to increased consumer demand;
- The Company successfully launched multi-packs as well as a unique glass bottle. An innovative metallic label for PET and glass bottles for Tolstiak and Permskoye Gubernskoye were also launched during the year. In December the Company introduced a new 2.5l PET bottle for the Tolstiak brand.

### Ukraine:

- During 2004 the Company successfully launched Chernigivske Bagryane and Chernigivske Bila Nich (unfiltered dark beer), Fitness+, part of the Chernigivske brand, containing vitamin complexes was introduced into the market in 0.5l cans;
- The Unfiltered variety was added to the Yantar brand;
- The Company successfully introduced Rogan Kampai and Rogan Arriva;
- The packaging innovations included of Chernigivske Bagryane in PET 1l bottles and Stella Artois® in a new aluminum bottle.

#### Q4 2004 Financial Highlights:

	Q4 2004	Q4 2003	Organic growth	Organic growth, %
Volume, m Hl	4,0	3,9	+0,1	+3,8%
Net Sales, €m	127,8	123,8	+3,9	+3,2%
Gross Margin, %	40,2%	36,0%	+4,2%	
Operating Margin, %	5,1%	0,9%	+4,2%	
EBITDA, €m	21,5	8,1	+13,4	+165,7%
EBITDA Margin, %	16,8%	6,5%	+10,3%	
EBIT, €m	8,6	-1,2	+9,8	
Net Income, €m	3,1	-1,9	+5,0	
Cash flow from operating activities, €m	10,1	2,3	+7,8	+347,9%

#### FY 2004 Financial Highlights:

	FY 2004	FY 2003	Organic growth	Organic growth, %
Volume, m Hl	20,5	17,3	+3,2	+18,3%
Net Sales, €m	691,3	540,3	+151,0	+27,9%
Gross Margin, %	40,5%	39,7%	+0,8%	
Operating Margin, %	12,1%	9,3%	+2,7%	
EBITDA, €m	141,2	100,8	+40,4	+40,1%
EBITDA Margin, %	20,4%	18,7%	+1,8%	
EBIT, €m	81,1	50,2	+30,9	+61,6%
Net Income, €m	50,4	21,3	+29,1	+136,5%
Cash flow from operating activities, €m	111,6	84,1	+27,4	+32,6%

#### FINANCIAL PERFORMANCE IN 2004

In 2004 Russia and Ukraine reported strong organic volume growth of +18.3%, helping to drive the excellent EBITDA and EBIT growth +40.1% and +61.6% respectively. Much of this growth can be attributed to the performance of our premium brands.

The EBITDA margin growth was restrained by the cost evolution in malt and glass bottles. The margin was also affected by higher logistics costs due to increased transport distances for our beer during high season sales. The negative impact of logistics costs was softened by the end of the year thanks to the Omsk site capacity expansion. Distribution cost per hl increased by +12.5% as a result of FY 2004 and fell by -4.6% in Q4 2004.

Sales, marketing and distribution costs were +17.7% and -3.9% in 2004 and in Q4 2004, respectively. SM&D costs for the FY and Q4 represent 23.6% and 27.7% of Net Sales down -2.1% for both FY and Q4 versus 2003. The lower SM&D margin was mainly caused by Sales and Marketing costs margin decrease which was -2.6% and -1.5% in FY2004 and Q4 2004 compared with 2003. The Distribution as a % of Net Sales did not fluctuate substantially.

The accounts receivable turnover ratio (net of VAT) for FY and Q4 2004 decreased by -6.5 and -5.3 days compared with the same periods last year.

In FY 2004 and 4Q the General and Administrative costs were +€7.9m and +€2.7m higher. At the same time the G&A margin remained stable, for the FY at 4.8% vs. 4.7% in 2003.

## **RUSSIA**

In 2004 the market growth was +10.9% FY and +5.2% Q4, while SUN Interbrew's beer volumes grew by +19.8% FY and decreased by -3.0% in Q4. On annual basis the global brands, as well as the domestic brands Sibirskaya Korona and Klinskoye achieved significantly faster growth. Overall, SUN Interbrew achieved excellent levels of profitability, despite the modest volume growth in Q4 2004, helping to underpin the annual results.

Consequently, our market share reached 15.6% FY and 14.2% Q4 what is +1.1% and -1.3% vs. previous year's periods.

Stella Artois® grew by +24.5% and decreased by -6.8% in volumes FY and Q4 respectively.

Sales volumes for Staropramen® grew by +52.4% FY and by +32.6% in Q4.

FY sales of Sibirskaya Korona increased by +37.7%. Sibirskaya Korona decreased versus last year's sales for Q4 by -14.6%.

Totally the FY 2004 growth of Klinskoye sales comprised +28.9%. Klinskoye volume growth in Q4 was +5.6%. This annual growth was driven by the successful launch of Klinskoye Arriva in the first half of the year.

Tolstiak sales volumes were +3.1% for FY and -6.7% for Q4.

The main drivers of SIL Russian sales, PET and Bottle, on the FY basis carried out a regular growth equal to the total branch's growth. So bottle volumes were +20.9% FY and -6.5% Q4. PET was +24.0% FY and +1.9% Q4. Kegs decreased by -12.5% for FY as well for Q4. Cans were up by +18.2% for FY and -8.1% for Q4.

### **Sales volumes, m HI**

	2004 Q4	2003 Q4	% change	2004 FY	2003 FY	% change
Beer	2,4	2,5	-3,0%	12,9	10,8	+19,8%

## UKRAINE

In 2004 the market grew by +14.3%, with SUN Interbrew Ukraine growing +19.2%. For the Q4 2004 the growth rate was significantly higher: market grew +19.4% and SIL +24.2%. This performance helped SIL Ukraine end 2004 with record market shares of 35.5% FY and 37.8% in Q4. Thus, SUN Interbrew Ukraine boosted its market share by +1.2% compared with both FY 2003 and Q4 2003.

The increase in total volume growth and market share was a result of the company's continued focus on expanding the capacity of production and packaging operations and the successful introduction of new marketing and distribution initiatives.

The driver of the Ukrainian branch was Chernigivske, up by +34.6% FY and +20.0% Q4 2004. The success was based on newly launched varieties Chernigivske Bagryane, Chernigivske Bila Nich (unfiltered dark beer), Chernigivske FITNESS+ which were targeted at the different segments of customers.

Rogan sales grew +4.0% FY and +30.9% Q4 2004. Partly the growth by the end of the year was supported by launch of Rogan Kampai.

Stella Artois® continued to grow strongly +58.9% and +34.5% FY and Q4 respectively.

Bottle sales continue to be the largest packaging segment in which our brands are sold. At the same time the share of the bottle decreased because of a volume growth rate for FY of only +8.3%. The Q4 increase is in line with the overall growth rate and amounts +24.9%. PET volume continues growing aggressively by +36.8% for FY. For the quarter there is the seasonal weather affect and the growth comprised +20.2%. The Keg volume growth reached +24.5% FY and +33.2% Q4. Cans demonstrated the highest growth rate of +53.2% and +70.5% for FY and Q4, respectively.

### Sales volumes, m hl

	Q4 2004	Q4 2003	% change	FY 2004	FY 2003	% change
Beer	1,3	1,1	+24,2%	6,3	5,3	+19,2%
Soft Drinks	0,3	0,3	-14,9%	1,2	1,2	+ 0,0%
Total	1,6	1,3	+15,5%	7,5	6,5	+15,6%

## SUMMARY AND OUTLOOK

During 2004 SUN Interbrew continued its strategy of portfolio diversification, brand extension and improvement in our route to market policy. Despite some negative cost factors, this resulted in significantly increased profitability both on gross margin and on EBIT level.

In 2005 we are continuing our successful strategy. Though as was noticeable in Q4 2004 the competition became fiercer, we are expecting further strong increase on both top and bottom lines.

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