

# Results for The First Quarter of 2005

MOSCOW, May 19, 2005 - SUN Interbrew Limited (Lux: SUNB5-LX), a leading brewer in Russia and Ukraine, today announces its financial results for the first quarter of 2005 ended 31 March 2005.

## **SUN Interbrew started the year with continued growth of Net Sales and Gross Margin**

### **Operational Highlights**

- Organic volume growth in Q1 2005 was +8.7% vs. Q1 2004.
- Organic net turnover was up by +8.6% in Q1 2005 vs. Q1 2004.
- EBITDA decreased by €10.9 m and reached €6.3 m in Q1 2005 vs. €17.2 m in Q1 2004.
- Despite the solid sales results of the first quarter the bottom line results are lower than those of the previous year as the one-off payments to the company's employees, made under the long-term management incentive plan, became due in Q1 2005. Excluding these expenses the EBITDA would have improved by €17.2 m and would have reached €23.5 m or an increase of 36.7% vs. Q1 last year. The currency evolution negatively impacted EBITDA by €0.3 m in Q1 2005.
- EBIT was - €8.2 m for Q1 2005 vs. €4.0 m in the same period of last year.
- Net Loss for Q1 2005 was -€9.0 m vs. -€1.8 m in Q1 2004.
- The global brands, Stella Artois®, Staropramen® and Beck's®, collectively grew by +29.4% in Q1 2005.

**The sales growth was accompanied by a significant improvement in production, new launches and marketing innovations. We continued our strategy to strengthen the route to market. The following initiatives were taken to support our business:**

### **Russia:**

- Klinskoye Ultra, an ultra-light and low-carbon variety of the Klinskoye brand was launched into the Russian market. This new variety contributed to the growth of the Klinskoye brand in the core segment;
- The new extension of Sibirskaya Korona Zolotistoye was launched in Q1 2005. The variety of light beer with low level of bitterness successfully supported the Sibirskaya Korona brand development in Q1 2005.
- Brahma®, one of InBev's global flagship brands, was successfully launched by the company in 33cl and 50cl bottles on the Russian market. The Brahma® brand is produced from the end of Q1 at the company's plant in Klin. Abroad Brahma® is brewed in Brazil and the Netherlands.
- Having previously been imported, the production of Hoegaarden®, the famous Belgian white beer, commenced at the Klin brewery in Russia. The production kick-off in Russia helps to expand the market share of the premium segment and to increase the profitability of the brand.

### **Ukraine:**

- During 2004 the Company successfully re-launched Chernigivske Premium upgrading liquid and packaging.

### **Q1 2005 Financial Highlights:**

|                     | Q1 2005 | Q1 2004 | Growth | Growth rate, % |
|---------------------|---------|---------|--------|----------------|
| Volume, m HI        | 4,6     | 4,2     | +0,4   | 8,7%           |
| Net Sales, €m       | 145,1   | 133,6   | +11,5  | 8,6%           |
| Gross Margin, %     | 43,9%   | 35,6%   | +5,7%  |                |
| Operating Margin, % | -4,9%   | 4,0%    | -8,9%  |                |
| EBITDA, €m          | 6,3     | 17,2    | -10,9  | -63,5%         |
| EBITDA Margin, %    | 4,3%    | 12,9%   | -8,5%  |                |
| EBIT, €m            | -8,2    | 4,0     | -12,2  |                |
| Net Loss, €m        | -9,0    | -1,8    | -7,2   |                |

## FINANCIAL PERFORMANCE IN Q1 2005

In Q1 2005 Russia and Ukraine reported stable organic volume growth of +8.7%, Net Sales growth was similar. The major reason of Operating Margin and EBITDA decline was the increase of General and Administrative costs, mainly driven by the termination of the company employees' stock option plan. Without this event the EBITDA would have improved by €17.2 m and would have reached €23.5 m or an increase of 36.7% vs. Q1 2004.

Sales, marketing and distribution costs (SM&D) were up by +8.4% in Q1 2005. SM&D costs for Q1 2005 represent 27.0% of Net Sales which is equal to percentage in Q1 2004. Sales and marketing costs as a % of Net Sales were up by +0.8%. At the same time distribution costs as a % of Net Sales were slightly down.

In 1Q 2005 the General and Administrative costs were +€21.6m higher: G&A as a % of NS were up to 19.1% vs. 4.6% in Q1 of 2004.

## RUSSIA

In Q1 2005 the market growth was +5.5%, while SUN Interbrew's beer volumes grew by +5.0% vs. Q1 of the previous year. The value and price brands as well as our super premium brands showed a higher rate of organic growth. Overall, SUN Interbrew succeeded in increasing Gross Margin despite the slower market growth in Q1 2005. In Q1 2005 our market share was 17.2% vs. 17.3% comparing with Q1 of the previous year.

During Q1 2005 Stella Artois® volumes were down by -3.5%.

Volumes of Staropramen® showed good progress, growing by +39.5% supported by new international labeling and a recently launched promotion campaign.

Expansion of Beck's® was continued in Q1 2005 with growth of +58.1%.

Quarterly sales of Sibirskaya Korona declined by -23.0% against last year's Q1.

SUN Interbrew Russia's core brand, Klinskoye, showed in Q1 2005 stable sales growth of +8.8%. The brand performance was supported by a new variety as well as by a wide promotion campaign.

Tolstiak sales volumes were +10.8% for Q1 2005. The growing sales of the brand were strongly driven by 2.5l PET packaging introduced earlier in Q4 2004.

The main driver of SIL Russian sales in Q1 2004 was beer in PET packaging which grew by +15.6%. The other types of packaging showed a decrease: bottle volumes were -4.4% lower, kegs decreased by -14.8% down, cans - by -3.1%.

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

|      | 2005 Q1 | 2004 Q1 | % change |
|------|---------|---------|----------|
| Beer | 3,0     | 2,9     | 5,0%     |

### **Market Share - Average for Q1 2005**

## **UKRAINE**

In Q1 2005 the market grew by +15.9% while beer volumes realized by SUN Interbrew Ukraine grew by +26.4%. This performance helped SUN Interbrew Ukraine start 2005 with the record market share of 37.2% for Q1 2005 vs. 34.3% in the same period of last year. The excellent performance at the beginning of the year was caused by significant efforts in marketing, promotion and distribution activities.

Stella Artois® through continuous marketing initiatives grew strongly by +56.3%.

The driver of the Ukrainian business, Chernigivske was strongly supported by the re-launch of the Premium variety resulting in the growth of +18.2%.

Rogan sales grew significantly by +43.2% in Q1 2005 helped by the previously introduced innovations.

The largest packaging segments, bottle and PET, continued to grow. Their volumes rose by +25.5% and +24.0%, respectively. The keg volume growth reached +34.6%. Cans demonstrated fabulous growth of +219.9%.

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

|             | Q1 2005 | Q1 2004 | % change |
|-------------|---------|---------|----------|
| Beer        | 1,3     | 1,0     | 26,4%    |
| Soft Drinks | 0,3     | 0,3     | -16,7%   |
| Total       | 1,6     | 1,3     | 16,2%    |

### **Market Share Growth - Average for Q1 2005**

## **SUMMARY AND OUTLOOK**

Good sales results achieved in the Q1 2005, despite the increased competition in Russia and slower market growth, confirm the chosen strategy. We believe that with the continued strong

innovations introduced on the markets we will be able to outperform the competitors and expand our share in both countries in 2005.