

# Results for The Fourth Quarter and Full Year 2002 Board Appointment

MOSCOW, March 28, 2003 - SUN Interbrew Limited (Lux: SUNB5-LX), a leading brewer in Russia and Ukraine, wishes to announce its financial results for the fourth quarter and year ended 31<sup>st</sup> December 2002.

## BOARD APPOINTMENT

The Company announces the promotion of Joseph W. (Joe) Strella, currently Country Manager for Russia, to Chief Executive Officer of SUN Interbrew as from the beginning of April 2003. In addition, Joe will continue as Country Manager for Russia, and will be based in Moscow. Joe was appointed Country Manager for Russia in September 2002 after a successful tenure as Country Manager for Ukraine. While in this role he led the effort to establish the Ukrainian business as undisputed market leader. Prior to his responsibilities in Ukraine, Joe was the CEO of SUN Brewing in the years preceding the formation of SUN Interbrew in April 1999.

The management team in Russia was also strengthened by the appointment of key managers with significant experience in the areas of marketing and supply chain.

In parallel, Andre Weckx will rejoin Interbrew as Chief Technical Officer responsible for worldwide brewery operations and supply chain management. The Company expresses its gratitude to Andre for his strategic direction and leadership over the last two years.

## RESULTS

### Operational Highlights

Following a difficult first half of the year for SUN Interbrew when price and other errors resulted in a change of management in Russia, the company can look back at a number of significant achievements in 2002:

- Market leadership in Ukraine consolidated with share increasing from 31.7% to 32.2% (including adjusting for the sale of Krym brewery)
- Recovery of Russian market share in the second half of 2002 which has continued into the first quarter of 2003
- Successful launch of PET and can lines in Russia
- Appointment of supply chain and marketing managers

### Financial Highlights

	Q4 2001	Q4 2002	Change
Volume, m hl, beer only	2.2	2.6	+16.5%
Total Net Turnover, €m, beer only	76.8	84.6	+10.2%
Gross Margin - operational	39%	39%	No change
EBITDA, €m	10.1	8.6	-15%

EBITDA Margin, %	13.2%	10.2%	-3%
	2001	2002	Change
Volume, m hl, beer only	11.8	12.5	+5.8%
Total Net Turnover, €m	392	433	+10.5%
Gross Margin - operational	43.1%	43.4%	+0.3%
EBITDA, €m	89.9	74.9	-16.7%
EBITDA Margin, %	23%	17.3%	-5.7%

## FINANCIAL PERFORMANCE IN 2002

The financial performance of SUN Interbrew Limited in 2002 was affected by the poor performance in Russia offset by the improved performance in Ukraine.

Underlying the headline results detailed above, the company achieved organic growth in 2002 versus 2001 as follows:

EBITDA	+13.0%
EBIT	+14.3%
Net Income	+40.6%

The headline results for 2002 were adversely affected by the following two items:

- Foreign currency impact from the depreciation of local currencies versus the Euro, which reduced profitability by € 27.1 m
- Write-off of asset values and goodwill totaling €6.7m in the 4<sup>th</sup> quarter

A review of the overall market projections and the future cash flow generated by certain fixed assets led to the decision, being prudent, to write-off the goodwill generated on the acquisition of the Bavaria Brewery in St.Petersburg. In addition, following substantial investment in modern bottling lines over the last three years plus the market growth of PET and can packaging formats, certain older bottling lines have been written off. Furthermore, certain other assets whose future cash generation was in doubt have been written off. The total of these write-offs was €6.7 m.

The following table explains the evolution of the headline numbers in 2002:

	2001	Scope (disposal of Krym)	Organic Growth	Write-off	Forex Impact	TOTAL
EBITDA	90.2		11.7		(27.1)	74.9
EBIT	47.5	(1.4)	6.8	(3.8)	(27.1)	21.9
Net Income	22.4	(1.4)	9.1	(6.7)	(27.1)	(3.6)

Gross margins, excluding write-offs, increased despite the negative foreign currency impact. EBITDA margins were impacted by the investment in commercial and marketing activities, which were maintained at planned levels despite the disappointing volume performance.

Improvements in working capital have resulted in a substantial improvement in net cash generated by operating activities in the amount of €52.7m versus €7.6m in 2001.

### Reduction in Cost Base

Substantial fixed cost reductions were achieved during the year and particularly in the last quarter in Russia, ensuring a lower fixed cost base in 2003. Selling, marketing and distribution costs in the final quarter were €29.7m and marketing and commercial costs totaled €17.9 m. The average distribution cost per hl was €4.04, a decrease of 6.8% compared to the 4th quarter of 2001. Total sales and marketing costs for the year were €69 m, which represents 16% of net turnover.

General and administration costs were consistently reduced each quarter in 2002, and the general and administration costs for the 4th quarter were €2.8m lower than for the same quarter in 2001. The total G&A costs for 2002 were €31.3 m, a 5.9% increase over 2001. If the one-time costs incurred in the first quarter are removed, the G&A costs would be below 2001. Due to the cost reduction program the cost base for 2003 will be lower than 2002.

### RUSSIA

Total volumes of beer sold in Russia in the last quarter were 1.61m hl versus 1.46m in Q4 2001, an increase of 10.6% in a market, which grew by only 1%.

	2002 Q4	2002 FY	2001 Q4	2001 FY	% change	
					Q4	FY
Beer	1.61	8.11	1.46	7.83	10.6%	3.6%
Soft drinks	0.01	0.04	0.01	0.12	-60.7%	-65.5%
Total	1.62	8.15	1.47	7.95	9.9%	2.5%

For the year as a whole, the average market share fell from 12.8% in 2001 to 12.1% in 2002. Following the investment in PET and cans, however, market share in the second half of 2002 grew to 12.5% from 11.8% in the first half. The early results in 2003 indicate further gains in market share.

### Market Share Growth - 2002

The key drivers of this growth are PET and cans, particularly PET growth in our Eastern Region. *Tolstiak*® and our regional brands were sold in PET as capacity became available. Gross margins on these products are lower than those in glass bottles but despite this and the negative impact of a stronger Euro, overall gross margins were maintained at the same level as Q4 2001 before any asset write-offs. Sales of *Klinskoye*® in 2002 were impacted by the lack of TV advertising in the key summer months. A new campaign is scheduled to start before the summer season. *Sibirskaya Korona*® lost some share in its home market during its repositioning from a regional to a national brand.

Sales per hl have been affected by the strength of the Euro as can be seen as follows:

## Beer Sales per hl, €

	Q1	Q2	Q3	Q4
2001	31.47	34.77	37.41	37.65
2002	37.86	39.98	37.5	36.63

The fall in net turnover values per hl largely reflects the devaluation of the Rouble against the Euro, a change in sales mix and price competition in the PET segment in the 3<sup>rd</sup> and 4<sup>th</sup> quarters 2002.

## UKRAINE

Sales volumes of beer in Ukraine increased from 0.7m hl in 4th quarter 2001 to 1.0m hl in 4th quarter 2002, an increase of 27.9%, well ahead of the market growth in the quarter.

### Market Share Growth - 2002

Total beer sales volumes for the year were 4.5m hl which is an absolute growth of 10.1%, but if the adjustment is made for scope changes (the sale of Krym), like for like volumes increased by 19.2%.

	2002 Q4	2002 FY	2001 Q4	2001 FY	% change	
					Q4	FY
Beer	0.95	4.39	0.75	3.99	27.9%	10.1%
Soft drinks	0.26	1.12	0.22	1.07	15.7%	5.0%
Total	1.21	5.51	0.97	5.06	25.1%	9.1%

The growth achieved is due to several successful initiatives including:

- The growth of the *Sibirskaya Korona*<sup>®</sup> brand by 54%
- Introduction of wheat beer under the *Sibirskaya Korona*<sup>®</sup> brand
- *Taller*<sup>®</sup> growth of 33% partially due to the introduction of «*Taller Ice*<sup>®</sup>»
- Excellent growth of *Stella Artois*<sup>®</sup> which is brewed in the Desna brewery

Net turnover per hl in Ukraine was also affected by the strength of the Euro versus the Hryvna.

## Beer Sales per hl, €

	Q1	Q2	Q3	Q4
2001	23.10	25.80	26.34	29.39
2002	29.27	27.45	26.09	26.77k

## SUMMARY AND OUTLOOK

2002 was a disappointing year in terms of volume growth and financial performance. Mistakes were made resulting in a change of management in the second half in Russia.

The outlook for our businesses in both Russia and Ukraine is now encouraging with both businesses growing market share. Both markets are seeing the proportion of sales in PET and cans now growing significantly.

In Russia all the signs indicate that the business has turned the corner in 2002 in market share growth and confidence within the business is improving rapidly, due to the following:

- Investment in PET and cans
- Price realignment
- Improved cost base
- Innovation in packaging and liquid formats

In Ukraine the extra capacity in PET has enabled continued growth and together with the brand growth further consolidation of our market leadership should take place.

The company's target is to achieve market share growth along with a substantially improved financial performance in 2003 and beyond.

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