

Results for the second quarter and first half 2004

MOSCOW, September 16, 2004 - SUN Interbrew Limited (Lux: SUNB5-LX), a leading brewer in Russia and Ukraine, wishes to announce its financial results for the second quarter and first half ended June 30, 2004.

RESULTS

Operational Highlights

The successful results of the second quarter and first half 2004 reconfirm the strong momentum of the Company in both countries - Russia and Ukraine. Below are the key achievements, which strongly support the growth trend over the last several quarters:

- In the second quarter 2004 beer volumes were up 17.5% compared with the second quarter last year and reached 5.8 m hl. Over the first half 2004, beer volume grew by 28.3% versus the first half 2003.
- Second quarter Net Sales increased by 47.8% versus the second quarter 2003 and first half 2004 Net Sales 52.5% against the first half 2003.
- EBITDA increased by €14.3m or 37.9% in the second quarter 2004 versus the same period in 2003 and reached €51.9m. Excluding the negative currency impact, organic second quarter EBITDA was €54.0m. EBITDA for the first half 2004 was €69.1m, or 52.8% higher than in the first half 2003.
- EBIT for the second quarter 2004 increased by 56.7% versus the second quarter last year. For the first half 2004 EBIT increased by 93.8% compared with the first half 2003.
- Net Income comprised €21.8m in the second quarter, 88.7% higher than in the same period last year, which represents the highest result in the history of the Company. Over the first half 2004 Net Income was €20.0m, an increase of €15.5m versus the first half 2003.

We continue to successfully implement our growth strategy based on the following key drivers: highly efficient distribution, focus on higher margin brands, operational excellence, brand and packaging innovations. All these factors made significant contributions to the strong performance in the second quarter and over the first half 2004.

We have also continued to pick up further market share. In the second quarter 2004 we increased beer sales in Russia by 23.7%, which resulted in an increased market share of 16.7% in the second quarter 2004 compared to 14.8% in the second quarter last year. Market share for the first half 2004 increased to 16.4%, versus 14.0% for the first half last year.

In Ukraine, in the second quarter 2004 we realized a volume increase of 4.4%. The market share for the half a year was 34.4% versus 33.9% in the same period 2003.

The extremely strong performance of our global brands Stella Artois®, Staropramen® along with the local Klinskoye and Sibirskaya Korona in Russia and Chernigivske in Ukraine has been supported by continuous brand innovations:

- The Company successfully launched multi-packs in Russia in May 2004;

- During the second quarter 2004 the Company successfully launched Chernigivske Bila Nich (unfiltered dark beer), and the premium variety Rogan Kampai in Ukraine;
- During the first half 2004 Tolstiak Grechishnoye, Klinskoye Arriva and Sibirskaya Korona Yantarnoye and Georgievskoye were launched into the Russian market. All new varieties continued to grow strongly throughout the period;
- In March 2004 the Company started producing Stella Artois® at the Novocheboksarsk brewery in Russia;
- During the first half 2004 Chernigivske Bagryane and Yantar Unfiltered were introduced in the Ukrainian market.

Financial Highlights of the second quarter 2004:

	Q2 2004	Q2 2003	Change	Change, %
Volume, m hl, beer only	5.8	4.9	+0.9m	+17.5%
Net Sales, €m	215.7	146.0	+69.8m	+47.8%
Gross Margin, %	40.9%	44.6%	-3.7%	
Operating Income, €m	32.0	21.8	+10.2m	+46.7%
EBITDA, €m	51.9	37.6	+14.3m	+37.9%
EBITDA Margin, %	24.1%	25.8%	-1.7%	
Net Income, €m	21.8	11.6	+10.3m	+88.7%

Financial Highlights of the first half 2004:

	1H 2004	1H 2003	Change	Change, %
Volume, m hl, beer only	9.7	7.5	+2.1m	+28.3%
Net Sales, €m	349.4	229.1	+120.3m	+52.5%
Gross Margin, %	38.9%	41.3%	-2.4%	
Operating Income, €m	37.3	19.9	+17.5m	+87.8%
EBITDA, €m	69.1	45.2	+23.9m	+52.8%
EBITDA Margin, %	19.8%	19.7%	+0.1%	
Net Income, €m	20.0	4.5	+15.5m	+344.8%

FINANCIAL PERFORMANCE IN THE SECOND QUARTER AND FIRST HALF 2004

The financial performance of SUN Interbrew Limited in the second quarter and first half 2004 was driven by strong volume growth. The impressive results confirm the Company's ability to grow ahead of the market, both in Russia and Ukraine. In total, including beer and soft drinks, volumes were 16.1% higher this quarter compared with the same quarter last year, and 26.2% up over the first half 2004 versus the first half 2003.

For the second quarter 2004 the EURO exchange rate fluctuation had a €2.1m negative impact on EBITDA. For the first half 2004 the EURO negative impact of the exchange rate fluctuation was €3.4m

Accounts receivable turnover ratio (net of VAT) in the second quarter 2004 as well as for the first half 2004 increased by 1 day compared with the same period last year.

The increased prices on malt and bottles as well as the higher property tax paid in 2004 (exemption from the property tax was abolished at the beginning of 2004) put pressure on the gross margin in the first half 2004.

The efforts of the Company to generate distribution growth resulted in an increase in Net Sales of 47.8% versus the second quarter 2003 and of 52.5% when comparing the first half 2004 to the first half last year. Selling, marketing and distribution costs for the second quarter 2004 were €48.8m versus €37.0m in the same quarter last year. For the first six months of 2004 selling, marketing and distribution costs were €85.0m versus €62.5m in the same period last year.

The average distribution cost per hl in the second quarter 2004 was €1.1 higher than in the same period last year, and overall for the first half 2004 it was €1.0 up versus the first half last year. This was caused by higher logistics costs for the increased volume flows from West to East and railway tariff increases. These expenses were partly offset by capacity increases launched in the second quarter, which will allow the Company to save on distribution costs in the future.

Total selling and marketing costs for the quarter represent 9.7% of Net Sales, compared to 12.9% in the second quarter 2003, and 10.6% of Net Sales for the first half 2004, versus 14.2% in the first half 2003.

General and administrative costs for the second quarter were €1.1m higher than in the same quarter last year. In the first half 2004 these costs were €1.4m higher than in the same period last year.

RUSSIA

SUN Interbrew beer volume sold in Russia in the second quarter 2004 was 3.96m hl, versus 3.20m hl in the same period last year, representing a 23.7% increase. Over the first half 2004 beer volume grew by 37.0% from 4.98m hl in the first half 2003 to 6.82m hl in the first half 2004. At the same time the total beer market volume in Russia increased by 11.3% in the second quarter 2004 and by 13.9% over the first half of the year.

The local premium and global brands showed continued growth as a result of further national expansion in line with the Company's efforts to enhance our presence in the Premium segment. In the second quarter 2004 Stella Artois® grew by 51%, whilst sales volumes for Staropramen® were up 60%, both versus the same quarter last year. For the first six months of 2004 Stella Artois® grew by 58% and Staropramen® by 122%, both versus the same period last year. After its launch at the end of 2003, Beck's® continued to grow; its growth versus the first quarter 2004 comprised 107%.

In the second quarter 2004 Sibirskaya Korona achieved volume growth of 63% versus the comparative period last year. Over the first half 2004 Sibirskaya Korona grew by 90% against the same period in 2003. These results are mostly due to the success of new packaging and new varieties.

Klinskoye sales exceeded the previous year's second quarter by 27%, and the first half performance by 38% versus the same period in 2003, mostly driven by the continuous success of Klinskoye Arriva.

Tolstiak sales volume grew by 4% versus the second quarter 2003 and by 14% compared with the first half 2003.

PET volume grew by 29% compared with the same quarter last year and by 43% in the half-year, versus the first half 2003.

Overall, the increase in share of premium and licensed brands in SUN Interbrew's total portfolio during the first half 2004 had a positive effect on gross margins.

Sales volumes, m hl

	2004 Q2	2003 Q2	% change	2004 H1	2003 H1	% change
Beer	4.0	3.2	23.7%	6.8	5.0	37.0%

Market Share Growth - (Average for the period)

UKRAINE

In the second quarter 2004 SUN Interbrew sold 1.84m hl of beer in Ukraine versus 1.73m hl in the same period last year. This represents an increase of 6.1%, which is well ahead of the total market quarter growth of 2.7%. In the first half 2004 SUN Interbrew Ukraine achieved volume growth of 11.4% (vs 9.0% market growth in the first half last year) to 2.87m hl from 2.57m hl in the first half 2003.

Sales volumes, m hl

	2004 Q2	2003 Q2	% change	2004 H1	2003 H1	% change
Beer	1.8	1.7	+6.1%	2.9	2.6	+11.4%
Soft drinks	0.3	0.35	-4.0%	0.7	0.6	+2.3%
Total	2.2	2.1	+4.4%	3.5	3.2	+9.6%

Market Share Growth - (Average for the period)

- Stella Artois®, 57% volume growth in the second quarter 2004 and 61% in the first half 2004 versus the same periods in 2003;
- Chernigivske, 29% volume growth in the second quarter 2004 and 35% in the first half 2004 versus the same periods in 2003.

After the launch at the end of 2003 Beck's® continued to grow, its growth versus the first quarter 2004 comprised 100%.

The Company focuses on promoting its higher margin brands and ensuring continuous growth of the local premium and global brands. The results are driven by innovations in the brand varieties and packaging.

PET volume grew by 32% compared with the same quarter last year and by 43% versus the first half 2003. Keg volume increased by 3% in the second quarter, whilst bottle volume declined by 7% compared with the second quarter 2003. In the first half 2004 keg volume growth was 10%, while bottle volumes decreased by 5% versus the first half 2003.

SUMMARY AND OUTLOOK

The encouraging start in the first quarter of this year, with impressive performances in both Russia and Ukraine, has been sustained in the second quarter 2004. SUN Interbrew pursued the strategy of building its diversified portfolio of brands with continued focus on higher margin products. This was supported by thoughtful and sizeable investments in marketing and commercial activities, resulting in the continued growth of market share in both Russia and Ukraine.

The Company maintains strong control over its costs and is able to balance the negative impact of increased glass bottle and malt prices with output price increases. By implementing the strategy aimed at constantly growing volumes, whilst at the same time controlling costs in order to support our margin development, we expect the strong performance to continue in 2004.

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