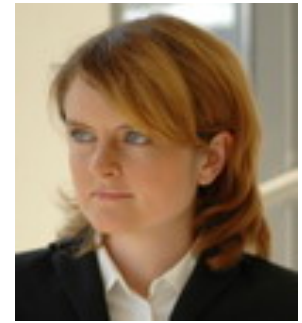




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Analyst's Notebook

Ukraine/Consumer Goods

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****Editor's Note:** In order to keep our coverage of the Ukrainian market as up to date as possible Concorde Capital is launching a new product – Analyst's Notebook. Unlike our more in-depth desk notes and reports, Analyst's Notebook provides rapid feedback on breaking news in the Ukrainian market. Analyst's Notebook gives you our analysts' first impressions of a situation and may set the table for further investigation. Our analysts will use their experience in their sectors to take a look at the situation and provide insight or speculate on possible scenarios. We want to emphasize however, this product consists mostly of the analyst's intuition and may require further analysis.

Sun Interbrew Consolidation: A New Player

In a nutshell: Ukraine's largest beer producer Sun Interbrew announced that it was shifting from Ltd into Open JSC, and acquiring the Yantar, Rogan and Desna Breweries. Before Yantar and Rogan were Open JSCs, Desna was a closed JSC and Sun Interbrew owned controlling stakes in all of them. The breweries will become consolidated affiliates of Sun Interbrew. The deal will be finalized in April after all the breweries hold their AGMs.

Who will be affected: Rogan is going to go through a metamorphosis. The company's free-float is estimated at ~4-5%. We expect Rogan's minority shareholders to be offered an opportunity to either sell their shares at market price or exchange them for shares in Sun Interbrew.

Rogan:

Bloomberg: ROGA UZ

Current Price: USD 200

Number of Shares, mn: 0.22

Similar options were offered to shareholders of BBH assets in Russia. A few days ago Baltika (Russia) announced its swap ratios in 2006 in order to consolidate all the assets owned by Baltic Beverages Holding (BBH) in Russia. Deloitte&Touche made a valuation of the shares, and defined the swap ratios, which were then verified by Citigroup, and approved by Baltika's Board of Directors.

Rogan's free-float is too small for the Russian scenario, when the Alfa-eco investment company managed to consolidate ~20% of Sun Interbrew's shares, and then the latter was forced to buy it at an average price of EUR 34 per share, about 140% more than the market price. Nevertheless, we expect a fair swap ratio, to be defined by an independent valuation of the companies' shares.

Compared to its foreign peers, the market price for Rogan is significantly undervalued. Even after applying a 50% discount to account for the company's smaller size, we reach a target price of ~350, which implies 75% upside.

Thus, a fair swap would imply significantly higher price than the current market price for Rogan. However, for those that prefer the "glass is half empty" approach, the company's valuation may be hurt by a beer market growth slow down in 2006. After growing 25% in 2005, the market looks pretty saturated leaving only the premium beer segment and Kyiv with further growth potential.

	Market Cap	Net Revenues		EBITDA Mgn 2005E	Net Mgn 2005E	EV/Sales		EV/EBITDA 2005E	P/E 2005E
		2005E	2006E			2005E	2006E		
Rogan	44.6	116.8	120.3	17%	9%	0.6	0.5	3.2	4.2
Baltika	4,112.0	1206.6	1801.7	31%	19%	3.4	2.7	11.0	18.4
Grolsch NV	444.1	365.9	374.7	20%	6%	1.5	1.4	7.4	19.2
Guinness Anchor Berhad	471.6	265.0	272.8	17%	11%	1.6	1.6	9.7	16.7
Grupo Modelo SA De CV	11,655.7	4,553.5	4,831.5	36%	16%	2.1	2.0	6.0	15.6
Fomento Economico Mexicano SA	9,295.1	9,744.6	10,706.9	24%	6%	1.2	1.1	4.9	15.8
Compania Cervecerias Unidas	1,741.6	956.9	1,001.7	24%	11%	2.0	1.9	8.3	16.2
Anadolu Efes AS	3,278.1	1,205.4	1,420.2	35%	19%	2.6	2.2	7.5	14.3
Average				26%	13%	2.0	1.8	7.8	16.6
Median				24%	11%	2.0	1.9	7.5	16.2
Rogan Target Price Average						983.3	896.9	412.2	796.8
Rogan Target Price Median						932.4	916.0	383.9	777.8

Source: Thomson Financial

The next candidate for consolidation: We believe the next consolidation move of this type may come from Baltic Beverages Holding (BBH), which owns the Slavutych brewery and Lvivska Pyvovarnya. The former is the only actively traded beer stock in Ukraine. Sales made up USD 97.4 mln in 9M05, EBITDA margin 25%, Net margin 10%. Free float estimated at 5-6%. **Watch Slavutych (SLAV).**

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