



CONCORDE CAPITAL

Ukraine / Beverages

Sun InBev & Slavutych

9M07 results: profitable beer season

December 18, 2007

12M targets: **SUNI USD 0.19**
SLAV USD 1.36 (diluted USD 0.87)

BUY
BUY

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Sun InBev

MARKET INFORMATION

Market price, USD	0.15
52Wk H/L, USD	0.16/0.09
Chg YTD	57%
Avg Mo Tr Vol 6M, USD mln	1.2
Market Cap, USD mln	1426.6
Free float	4%
Free Float, USD	57.1
No of shares, mln	9510.7

SHAREHOLDERS

Interbrew International B.V	68.4%
Interbrew DSN Holding B.V.	13.5%
Other (InBev related)	14.1%

CORPORATE GOVERNANCE

Concorde Rating* **A**

Slavutych

MARKET INFORMATION

Market price, USD	1.0
52Wk H/L, USD	1.17/0.67
Chg YTD	32%
Avg Mo Tr Vol 6M, USD mln	0.7
Market Cap, USD mln	495.7
Free float	6.5%
Free Float, USD	32.2
No of shares, mln	495.7
No of shares new, mln*	853.7

SHAREHOLDERS

BBH	92.0%
Management	1.5%
Other	6.5%

* Additional share issue adopted at Nov. 23 EGM. Ex-rights date is Dec. 20, 2007

CORPORATE GOVERNANCE

Concorde Rating* **AA**

* The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor.

Interim 9M07 financial results prompt us to revise our 2007 projections for two beer stocks we cover. While we are more cautious on the top line (cutting sales forecasts 5% for SUNI and 6% for SLAV), we're more positive farther down the P&L: we upgrade estimates of EBITDA (4% for SUNI and 2% for SLAV) and net income (14% for SUNI and 18% for SLAV). We confirm both targets and reiterate BUY recommendations on both stocks.

Ukraine's five major beer producers combined expanded sales 22% yoy in 9M07. In aggregate, the industry increased production 19% yoy.

Of the five largest domestic breweries, only Slavutych and Sun InBev improved profitability in 9M07 vs. one year ago. The others were saddled with 3 pp to 18 pp declines in both EBITDA and net margins.

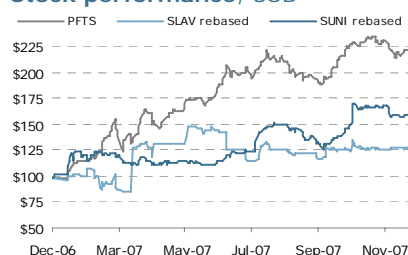
Slavutych

- Though Slavutych recorded the largest growth in sales among its top-five local peers, up 49% yoy to USD 181.5 mln in 9M07, we believe this pace is not enough to meet our annual projection of 66% growth yoy. We revise our 2007 sales expectations down 6%.
- The main reason for the downward revision in sales projection was the company's relatively large inventory at the end of September (4% of 9M07 beer production vs. almost zero for all other players). Slavutych ramped up output by 42% in 9M07, and is likely to meet our yearend estimate of 4.5 mln hl.
- Based on surprisingly strong 9M results, we upgrade our EBITDA and net income projections. Even taking into account traditionally depressed margins in 4Q07, we come to EBITDA of USD 56.2 mln (24% margin) and net income of USD 22.2 mln (9% margin) for 2007. We attribute improved profitability to economy of scale, as Slavutych is regaining the market share it lost in 2005-2006.

Sun InBev

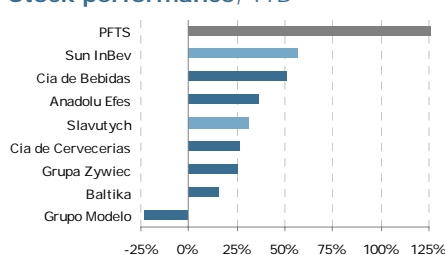
- The company posted the highest profitability margins of Ukraine's five largest breweries. Its EBITDA margin grew 4 pp to 32%. We attribute improved profitability to the continuing effect of cost savings after consolidation of the company's assets in 2006, which is likely to turn out larger than we had previously expected. This induced an upgrade in our forecasts for EBITDA in 2007 by 4% to USD 138.6 (29% margin) and for Net income by 14% to USD 73.1 (15% margin).
- We revise our projections for 2007 sales growth from +36% yoy to +29% yoy or sales from USD 508.7 mln to USD 481.5 mln. While the company met our expectations for sales volumes in physical terms, the effective average beer price in 9M07 was lower than we initially expected.

Stock performance, USD

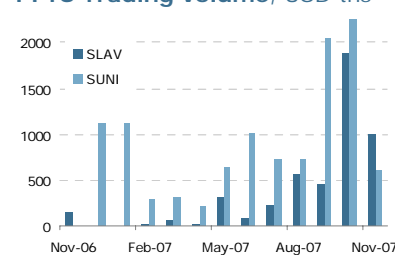


Source: Bloomberg

Stock performance, YTD



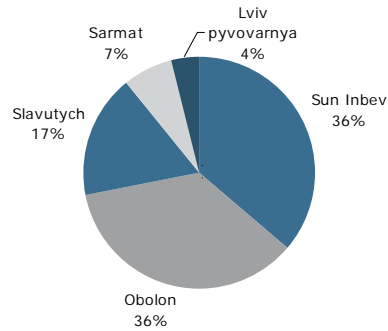
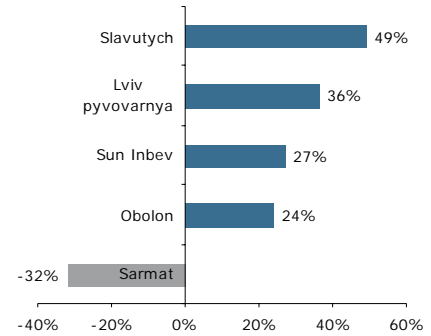
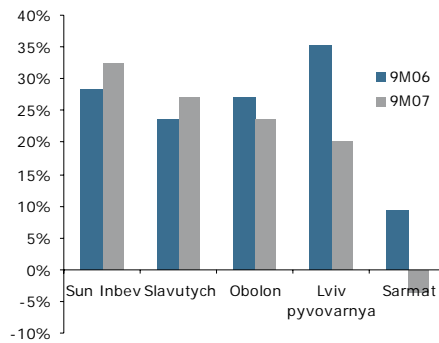
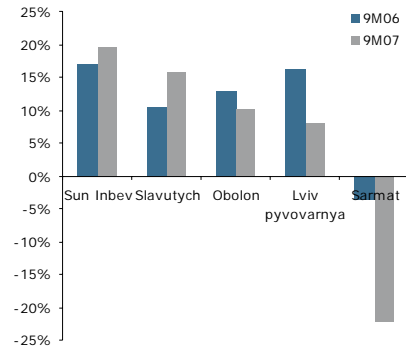
PFTS Trading volume, USD ths



Beer industry aggregate financials*

	9M06	9M07	yoy change, %
Sales, USD mln	860.2	1050.9	22%
EBITDA, USD mln	215.6	265.9	23%
EBITDA margin, %	25%	25%	0%
Net Income, USD mln	103.8	128.3	24%
Net margin, %	12%	12%	0%

Source: Companies' Data

9M sales breakdown*

Change in sales, 9M07 yoy, %

EBITDA margin, %

Net margin, %


*Five largest market players, which jointly account for over 95% of Ukraine's beer production
Source: Companies' Data

Revision of projections

We revise our 2007 sales projections for both companies slightly down, and upgrade expectations for EBITDA and net income.

We preserve our forecasts of the companies' market shares and effective average beer price in 2008, and confirm our previous sales projections going forward. At the same time, the two companies' improved profitability outlook led us to improve our EBITDA and Net Income projections.

	Sales					
	2007			2008		
	new	new/old	07E/06	new	new/old	08E/07E
SUNI	481.5	-5%	29%	595.2	0%	24%
SLAV	234.5	-6%	56%	319.4	0%	36%

	EBITDA margin				Net margin			
	2007		2008		2007		2008	
	new	new/old	new	new/old	new	new/old	new	new/old
SUNI	29%	3p.p.	29%	2p.p.	15%	3p.p.	16%	1p.p.
SLAV	24%	2p.p.	26%	2p.p.	9%	2p.p.	10%	2p.p.

Source: Concorde Capital estimates

9M07 financials

	Sun InBev						
	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07
Net Revenues	15.0	157.2	125.7	76.0	72.6	144.9	161.4
EBITDA	0.1	41.4	42.6	1.4	18.3	54.0	50.0
EBITDA margin, %	0.8%	26.3%	33.9%	1.8%	25.3%	37.2%	31.0%
EBIT	(1.8)	31.8	35.1	(5.8)	10.4	45.8	40.9
EBIT margin, %	-12%	20%	28%	-8%	14%	32%	25%
Net Income	(1.9)	26.1	27.0	(18.8)	7.8	39.9	26.6
Net Margin, %	-13.0%	16.6%	21.5%	-24.7%	10.7%	27.5%	16.5%

	Slavutych						
	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07
Net Revenues	22.6	46.2	52.7	28.6	29.5	64.9	87.1
EBITDA	2.8	11.3	14.8	(0.6)	3.8	17.0	28.2
EBITDA margin, %	12.28%	24.39%	28.01%	-2.17%	12.94%	26.14%	32.40%
EBIT	(0.8)	7.7	11.1	(4.1)	(0.1)	12.8	23.6
EBIT margin, %	-3%	17%	21%	-14%	0%	20%	27%
Net Income	(2.2)	6.4	8.5	(8.3)	(2.1)	10.5	20.2
Net Margin, %	-9.9%	13.9%	16.1%	-28.8%	-7.1%	16.2%	23.2%

Source: Company Data

Peer valuation

	MCap, USD mln	EV/S			EV/EBITDA			P/E			EV/Output USD/hl, 2006
		2006	2007E	2008E	2006	2007E	2008E	2006	2007E	2008E	
Slavutych	495.7	3.7	2.4	1.7	19.9	9.9	6.7	112.7	22.3	15.2	182.6
Sun InBev	1 426.6	4.0	3.1	2.5	17.7	10.7	8.6	44.2	19.5	15.0	162.5
International peers											
Companhia De Bebidas	47 181.3	6.2	4.8	4.4	14.9	10.9	9.8	35.9	25.2	20.4	n/a
Grupo Modelo	15 127.2	2.5	1.3	1.0	7.5	4.0	3.0	18.9	16.4	15.2	n/a
Baltika	7 753.2	3.4	2.8	2.3	10.3	9.2	7.7	18.6	15.2	13.0	209.8
Anadolu Efes	4 931.6	3.0	2.2	1.9	12.8	9.2	7.7	26.0	18.6	14.5	291.5
Tsingtao Brewery	4 523.4	3.0	2.4	1.9	29.0	20.4	16.6	78.8	52.0	40.2	n/a
Compania Cervecerias	2 400.7	2.5	2.1	1.9	11.0	8.8	7.9	22.9	16.7	14.8	n/a
Grupa Zywiec	2 836.3	2.8	n/a	n/a	12.4	n/a	n/a	24.9	n/a	n/a	279.1
Beijing Yanjing	2 574.6	3.9	2.7	2.3	20.9	18.3	15.8	65.5	48.8	39.2	n/a
Guinness Anchor	499.6	1.8	1.4	1.3	10.1	8.1	7.7	14.3	13.7	13.2	n/a
Average		3.2	2.5	2.1	14.3	11.1	9.5	34.0	25.8	21.3	260.1
Implied price, USD											
Slavutych undiluted		0.84	1.04	1.25	0.68	1.14	1.47	0.30	1.16	1.40	1.48
Slavutych diluted		0.57	0.69	0.81	0.48	0.75	0.94	0.26	0.76	0.90	0.94
Sun InBev		0.12	0.12	0.13	0.12	0.16	0.17	0.12	0.20	0.21	0.25

Source: Thomson Financial, Concorde Capital estimates

Sun InBev's financials

Income Statement Summary, USD mln

	2003	2004	2005	2006	2007E	2008F
Net Revenues	38.9	59.7	80.5	373.9	481.5	595.2
Change y-o-y	N/M	53.6%	34.8%	364.3%	29.0%	23.6%
Gross Profit	37.6	55.1	86.8	229.8	285.2	357.1
Other Operating Income/Costs. net	(0.5)	0	(5)	(7)	(7.0)	(8.7)
SG&A	(38.8)	(43.1)	(68.1)	(137.2)	(139.6)	(175.6)
EBITDA	(1.7)	12.3	13.5	85.4	138.6	172.8
EBITDA margin. %	-4.4%	20.6%	16.8%	22.9%	28.8%	29.0%
Depreciation	(2.2)	(4.3)	(6.9)	(26.2)	(31.1)	(37.5)
EBIT	(3.9)	8.1	6.6	59.3	107.5	135.3
EBIT margin. %	-10.0%	13.5%	8.2%	15.9%	22.3%	22.7%
Interest Expense	(0.9)	(1.4)	(1.0)	(8.6)	(8.9)	(8.9)
Financial income	0.0	0.1	0.0	0.0	0.0	0.0
Other income/(expense)	(0.4)	(0.8)	0.8	(1.9)	(1.2)	0.0
PBT	(5.2)	6.0	6.5	48.7	97.4	126.4
Tax	(0.5)	(1.8)	(2.1)	(16.4)	(24.4)	(31.6)
Net Income	(5.7)	4.1	4.3	32.3	73.1	94.8
Net Margin. %	-14.8%	6.9%	5.4%	8.6%	15%	16%

Balance Sheet Summary, USD mln

	2003	2004	2005	2006	2007E	2008F
Current Assets	15.3	26.1	19.5	91.6	107.6	141.5
Cash & Equivalents	0.6	3.9	1.1	2.3	0.7	7.6
Trade Receivables	9.1	14.0	9.7	3.3	5.4	3.6
Inventories	1.9	2.6	2.7	73.8	83.4	102.8
Other current assets	3.7	5.5	5.9	12.2	18.1	27.5
Fixed Assets	12.6	20.0	28.2	214.2	268.5	306.
PP&E, net	8.7	14.3	22.7	170.3	233.8	296.9
Other Fixed Assets	3.9	5.6	5.5	44.0	34.7	10.0
Total Assets	27.9	46.1	47.7	305.9	376.1	448.3
Shareholders' Equity	(2.7)	1.5	17.8	151.3	226.7	319.9
Share Capital	1.0	1.0	13.1	41.5	41.5	41.5
Reserves and Other	-	-	-	9.1	10.7	9.1
Retained Earnings	(3.7)	0.5	4.7	100.7	174.5	269.3
Current Liabilities	30.6	44.6	29.9	154.5	149.3	128.3
ST Interest Bearing Debt	16.1	27.0	5.4	83.6	64.1	59.8
Trade Payables	11.9	14.1	16.9	53.5	60.2	42.0
Accrued Wages	-	0.0	0.0	0.0	0.8	1.2
Accrued Taxes	0.0	0.0	0.3	4.6	7.9	9.0
Other Current Liabilities	2.5	3.4	7.3	12.8	16.2	16.2
LT Liabilities	-	-	-	0.1	0.1	0.1
LT Interest Bearing Debt	-	-	-	-	-	0.0
Deferred Taxes & Other LT	-	-	-	0.1	0.1	0.1
Total Liabilities & Equity	27.9	46.1	47.7	305.9	376.1	448.3

Slavutych's financials

Income Statement Summary, USD mln

	2002	2003	2004	2005	2006	2007E	2008F
Net Revenues	69.5	70.8	93.1	121.8	150.1	234.5	319.4
<i>Change y-o-y</i>	<i>N/M</i>	<i>1.8%</i>	<i>31.6%</i>	<i>30.8%</i>	<i>23.3%</i>	<i>56.2%</i>	<i>36.2%</i>
Gross Profit	40.7	41.2	51.9	72.8	91.1	138.0	191.7
Other Operating Income/Costs, net	(0.4)	(0.0)	1	4	2	-	-
SG&A	(23.5)	(26.8)	(34.2)	(55.2)	(64.4)	(83.2)	(108.6)
EBITDA	16.8	14.4	18.6	21.5	28.2	56.2	83.1
<i>EBITDA margin. %</i>	<i>24.2%</i>	<i>20.3%</i>	<i>20.0%</i>	<i>17.6%</i>	<i>18.8%</i>	<i>24.0%</i>	<i>26.0%</i>
Depreciation	(5.6)	(6.2)	(8.7)	(13.5)	(14.3)	(19.1)	(32)
EBIT	11.2	8.2	9.9	8.0	13.9	37.1	50.7
<i>EBIT margin. %</i>	<i>16.1%</i>	<i>11.5%</i>	<i>10.6%</i>	<i>6.6%</i>	<i>9.3%</i>	<i>15.8%</i>	<i>15.9%</i>
Interest Expense	(0.2)	(1.3)	(2.5)	(3.4)	(5.0)	(7.3)	(7.2)
Financial income	0.6	0.7	5.5	(0.0)	-	-	0.0
Other income/(expense)	(0.9)	(0.9)	(0.0)	2.7	(0.6)	(0.1)	0.0
PBT	9.8	6.6	12.9	7.3	8.3	29.7	43.5
Tax	(3.6)	(3.7)	(3.8)	(4.1)	(3.9)	(7.4)	(10.9)
Net Income	6.2	2.9	9.1	3.2	4.4	22.2	32.6
<i>Net Margin. %</i>	<i>8.9%</i>	<i>4.1%</i>	<i>9.8%</i>	<i>2.6%</i>	<i>2.9%</i>	<i>9%</i>	<i>10.2%</i>

Balance Sheet Summary, USD mln

	2002	2003	2004	2005	2006	2007E	2008F
Current Assets	17.7	22.9	31.4	40.3	56.3	96.7	114.1
Cash & Equivalents	0.7	0.7	3.0	0.3	0.3	22.3	22.3
Trade Receivables	5.7	5.7	6.2	12.5	13.0	25.2	27.6
Inventories	9.4	11.1	17.7	19.5	22.0	29.4	46.9
Other current assets	1.9	5.5	4.5	8.1	21.0	19.9	17.3
Fixed Assets	35.5	78.7	100.6	112.9	123.6	197.3	279.9
PP&E, net	32.9	34.1	95.7	104.0	108.4	172.9	264.7
Other Fixed Assets	2.6	44.6	4.9	8.9	15.2	24.4	15.2
Total Assets	53.2	101.5	132.0	153.3	180.0	293.9	394.0
Shareholders' Equity	22.2	49.9	62.3	68.7	73.1	154.7	258.4
Share Capital	9.2	34.1	37.3	39.1	39.1	98.5	169.0
Reserves and Other	2.4	2.8	2.9	3.6	3.7	3.7	4.3
Retained Earnings	10.5	13.1	22.1	26.0	30.2	52.4	85.1
Current Liabilities	14.0	29.5	33.3	54.0	83.9	51.0	58.8
ST Interest Bearing Debt	4.3	15.9	6.1	14.8	47.7	-	8.2
Trade Payables	6.7	4.7	4.0	11.5	10.7	23.9	24.3
Accrued Wages	0.1	0.2	0.4	0.4	0.4	0.8	0.6
Accrued Taxes	0.8	0.7	0.8	0.9	2.3	3.7	3.0
Other Current Liabilities	2.2	7.9	21.9	26.4	22.7	22.7	22.7
LT Liabilities	17.1	22.1	36.4	30.6	23.0	88.2	76.8
LTInterestBearingDebt	17.1	22.1	33.8	27.8	19.3	83.9	74.8
Deferred Taxes & Other LT	-	-	2.6	2.7	3.8	4.3	2.0
Total Liabilities & Equity	53.2	101.5	132.0	153.3	180.0	293.9	394.0

Appendix - Disclosures

Analyst Certification

I, Olha Pankiv, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

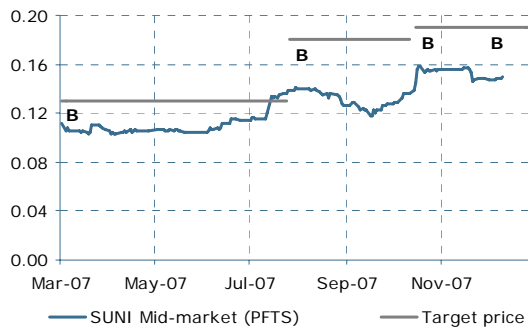
Sun Interbrew

Date	Target price, USD	Market Price, USD	Rec'	Action
02-Mar-07	0.13	0.13	BUY	Initiating
27-Jul-07	0.18	0.14	BUY	Maintain
16-Oct-07	0.19	0.14	BUY	Maintain
18-Dec-07	0.19	0.15	BUY	Maintain

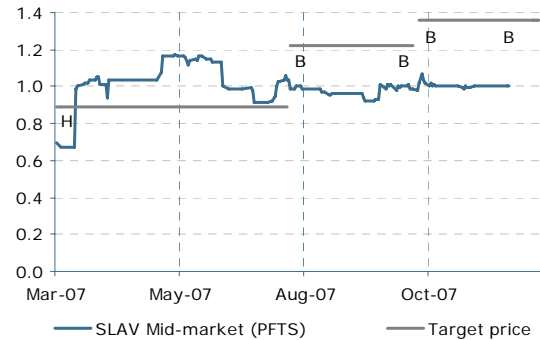
Slavutych

Date	Target price, USD	Market Price, USD	Rec'	Action
02-Mar-07	0.86	0.79	HOLD	Initiating
27-Jul-07	1.22	1.00	BUY	Upgrade
08-Oct-07	1.22	1.00	BUY	Maintain
16-Oct-07	1.36	0.98	BUY	Maintain
18-Dec-07	1.36	1.00	BUY	Maintain

Sun Interbrew



Slavutych



Investment Ratings

The time horizon for target prices in Concorde Capital's research is 12 months unless otherwise stated. Concorde Capital employs three basic investment ratings: Buy, Hold and Sell. Typically, Buy recommendation is associated with an upside of 15% or more from the current market price; Sell is prompted by downside from the current market price (upside <0%); Hold recommendation is generally for limited upside within 15%. Though investment ratings are generally induced by the magnitude of upside, they are not derived on this basis alone. In certain cases, an analyst may have reasons to establish a recommendation where the associated range given above does not correspond. Temporary discrepancies between an investment rating and its upside at a specific point in time due to price movement and/or volatility will be permitted; Concorde Capital may revise an investment rating at its discretion. A recommendation and/or target price might be placed Under Review when impelled by corporate events, changes in finances or operations. Investors should base decisions to Buy, Hold or Sell a stock on the complete information regarding the analyst's views in the research report and on their individual investment objectives and circumstances.

Concorde Capital ratings distribution

Buy	42	39%
Hold	36	34%
Sell	18	17%
Under Review	11	10%
Total	107	100%

Investment banking clients*

Buy	8	80%
Hold	2	20%
Sell	0	0%
Under Review	0	0%
Total	10	100%

**Within the last twelve month period, Concorde Capital has obtained compensation from these companies*

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