



CONCORDE CAPITAL

Ukraine / Consumer Goods

Sun Interbrew & Slavutych

On A Bender

July 27, 2007

12M targets

SUNI 0.18 BUY
 SLAV diluted 1.22 BUY
 SLAV undiluted 3.06 BUY

Oiha Pankiv

+380 44 207 50 37
 op@concorde.com.ua

Anna Dudchenko

+380 44 207 50 30
 ad@concorde.com.ua

SUNI

MARKET INFORMATION

Market price, USD	0.14
52Wk H/L, USD	0.14/0.09
Chg YTD	43%
Avg Mo Tr Vol 6M, USD mln	0.7
Market Cap, USD mln	1,293.4
No of shares, mln	9,510.7
Free float	4%
Free float, USD	45.7
Concorde Corp Gov rating	A

STOCK OWNERSHIP

Interbrew International B.V.	63.7%
Interbrew DSN Holding B.V.	13.5%
Yantar Holding	9.4%
Rogan Holding	9.4%
Other	4.0%

SLAV

MARKET INFORMATION

Market price, USD	1.0
52Wk H/L, USD	1.5/0.5
Chg YTD	44%
Avg Mo Tr Vol 6M, USD mln	0.12
Market Cap, USD mln*	
dilluted	495.7
undilluted	197.7
No of shares, mln*	
dilluted	495.7
undilluted	197.7
Free float	6.5%
Free float, USD	32.2
Concorde Corp Gov rating	AA

STOCK OWNERSHIP

BBH	92.0%
Management	1.5%
Other	6.5%

*Slavutych increases charter fund by 2.5 times. The subscription period ends on July 31, 2007

Based on the 20% surge in beer production in Ukraine in 1H07 we upgrade our projections for growth in beer output to 12% in 2007, compared to 5-6% expected earlier. We believe, the market has only partially factored in the positive effect this is going to have on SUNI and SLAV, and there is room for further growth for both stocks. We upgrade SLAV to BUY with USD 1.2 target (22% upside), and confirm BUY recommendation for SUNI upgrading the target to USD 0.18 (32% upside).

Production growth: double what we initially expected

The surge in beer production by 19.6% in 1H07, triggered by the hot weather and growing disposable incomes, led us to revise our projections for beer output growth in 2007 to 12% (30 mln hl), up from the 5-6%, we expected at the beginning of the year. In our opinion, Ukraine's beer market has room for further growth, as beer consumption, which we expect to reach 58 L per person in 2007, is still lower than the amount consumed in Russia and Poland two years ago.

Beer price forecast upgraded

We expect a yoy increase in the average beer price to make up 10-12% - slightly above our previous projections. The increase will be supported by growing disposable income per capita, up by 22.7% in January-May 2007. The premium beer segment continues to see strong growth (over 50% yoy in 2006), and this will also contribute to the increase in the average beer price.

Slavutych brand repositioned, expecting big sales

This spring Slavutych launched a new advertising campaign, clearly pitching its Slavutych brand to a mainstream segment, where the company had the weakest presence. Slavutych's quality, neglected earlier, is also being improved this season due to increased management control, and brand-new capacities, installed at the company's Zaporizhzhya plant. The company went into the Y2007 season having increased beer production capacities by 25%. We expect Slavutych to increase its production share from 11.5% last year to 13.0% in 2007.

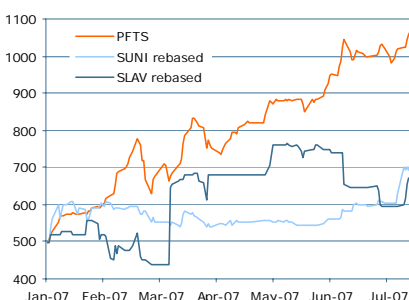
SUNI preserves leadership in domestic sales

Sun Interbrew increased production by 17% in January-May 2007 to 379 ths hl. SUNI has maintained its leadership in sales in Ukraine while its largest competitor Obolon, has focused on exports. We expect Sun Interbrew's market share of 36% in 5M07 to grow to 38% in 2007, on par with 2006.

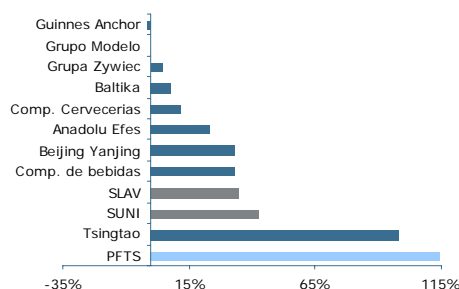
Attractively valued

SUNI and SLAV are significantly undervalued on 2006 EV/Output(hl) multiples, trading at x142 and x170 respectively, a discount of 42% and 31% to EMEA peers average. Most of 2008E financial-based multiples also offer upside.

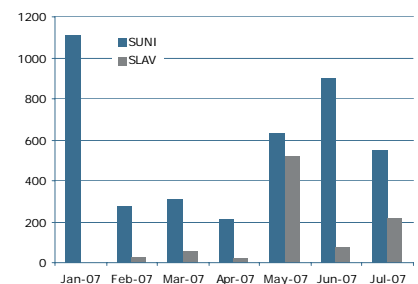
SUNI & SLAV vs. PFTS



Performance YTD



Trading volume, PFTS, USD ths



Slavutych on the rebound

We believe that in 2007 Slavutych will re-gain its share in production, lost in 2005-06. We expect the company's share to grow to 13%, matching that of 2004 due mainly to the active development of its *Slavutych* brand in the mainstream segment. The launch of *Foster's* beer this spring will drive sales in the premium segment up, and we believe, with *Arsenal* Slavutych will preserve second place in sales in the economy segment.

Slavutych is likely to revise its cooperation with PepsiCo after the latter bought Sandora, Ukraine's largest juice-maker. We believe that PepsiCo which gave Slavutych exclusive rights on bottling and distribution of Pepsi will eventually transfer production of its carbonated soft drinks (CSD) to Sandora. Given the need to install additional capacities at Sandora, we believe Slavutych will be able to negotiate a gradual shift of Pepsi production to Sandora.

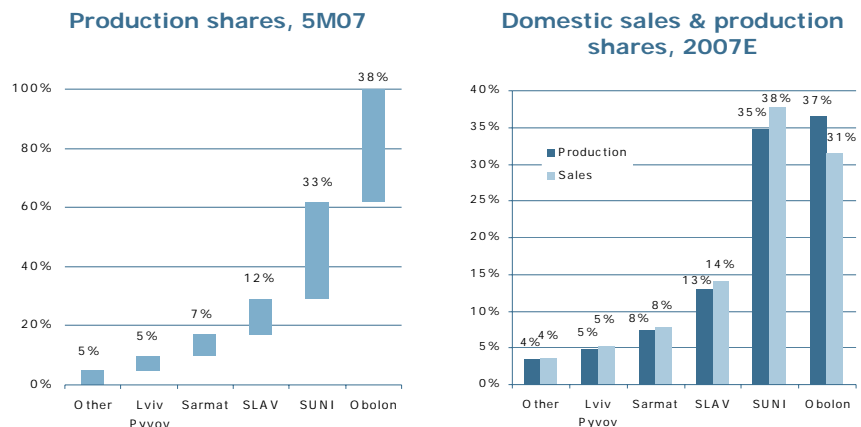
We believe that meanwhile Slavutych will be able to successfully develop its own CSD brands or find another partner willing to outsource. The CSD market in Ukraine has significant growth potential, as per capita CSD consumption in Ukraine is three times lower than neighbouring Poland. Alternatively, Slavutych could shift its CSD bottling capacities to beer. CSD sales made up 8% of Slavutych's total revenues in 2006.

Sun Interbrew: #1 in domestic sales

Sun Interbrew is likely to preserve its leadership positions in sales on the Ukrainian market in 2007. We expect its market share to reach 38% in 2007 - far ahead of Obolon which is expected to account for 31% of domestic beer sales. However, Obolon's overall production is greater than Sun Interbrew, as it is actively targeting exports, which account for up to 20% of its sales. Sun Interbrew's export is minor as its major shareholder has a global production presence.

Sarmat: a distant competition threat

Sarmat lost 3% of its production share in 5M07, but is likely to get it back in the mid-term, as SCM, the company's major shareholder plans to increase its market share in the run-up to a possible sale. For this purpose Sarmat has recently appointed Jorn Pedersen, a former managing director at Carlsberg Croatia, as its new CEO. Sarmat says, Pedersen is famous for increasing Carlsberg's market share in Croatia from 6% to 15% in four years.



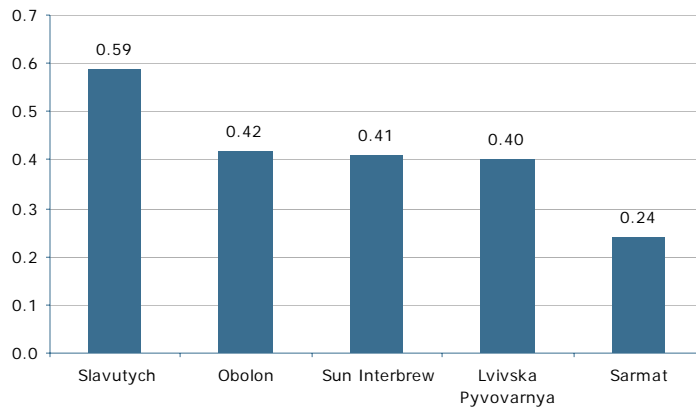
Source: Ukrpyvo, Companies' Data, Concorde Capital estimates

Premium beer to raise sales & profits

The growing share of the premium segment will contribute to an increase in the average beer price. We expect the latter to grow by 12% in 2007. Slavutych is still a trendsetter in pricing with the highest average beer selling price as of May, 2007. *Foster's*, launched by Slavutych at the beginning of Y2007 beer season, another addition to the company's portfolio of premium brands, is likely to contribute to further growth in the company's average beer price.

We expect the higher profitability of premium beer segment, and growing demand for it, driven by increasing incomes, to lead to the active development of premium beer brands by other players.

Average wholesale price in May, 2007, USD/L



Source: Ukrpyvo Association

Valuation

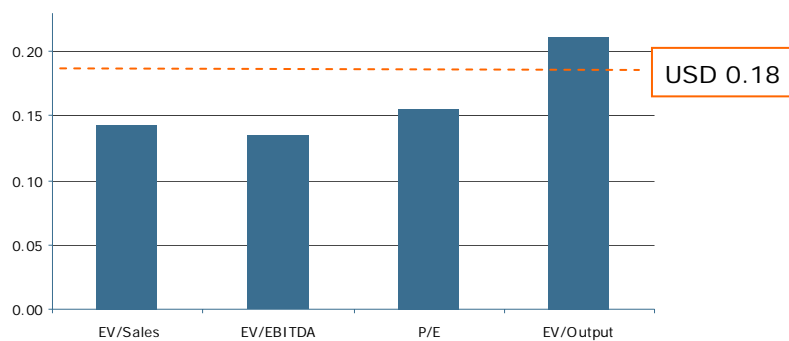
We calculate our target prices for SLAV and SUNI, assigning equal weights to financial-based and output-based multiples.

We believe that EV/Output multiple is the most relevant, as financial-based metrics do not account for expected long-time convergence of relatively low Ukrainian beer prices to those in Eastern Europe. This implies better prospects for sales and profit growth for Ukrainian beer makers, than their peers.

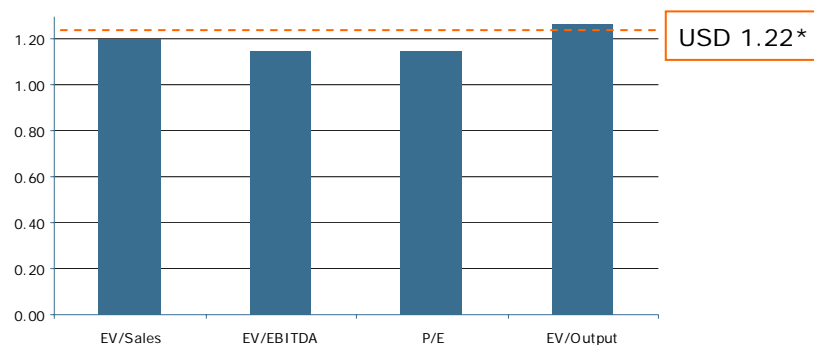
As the average price for Ukraine's beer grows, the share price implied by EV/Output multiple will come closer to those implied by financial-based multiples. This is evident in the case of Slavutych, for which the discrepancy between finance-based and output-based multiples is less pronounced than it is for Sun Interbrew. We believe that the major reason for this is a 40% higher average beer price, at which Slavutych is selling, compared to that of Sun Interbrew.

Valuation summary

SUNI



SLAV



Source: Concorde Capital
 *Based on diluted number of shares

Financial summary

	Country	Market Cap, USD mln	Net Revenues			EBITDA Mgn			Net Mgn		
			2006	2007E	2008E	2006	2007E	2008E	2006	2007E	2008E
Sun Interbrew Ukraine		1293.4	373.9	508.7	595.1	23%	23%	24%	9%	10%	11%
Slavutych*		495.7	150.1	216.2	281.1	19%	23%	24%	3%	6%	9%
Slavutych**		197.7									
Companhia De Bebidas	BRAZIL	47,580.89	8,250.0	9,872.0	10,502.2	41.2%	43.3%	44.5%	15.9%	17.0%	19.0%
Grupo Modelo	MEXICO	17,688.20	5,565.2	5,468.2	7,214.4	32.0%	39.4%	33.0%	14.3%	17.9%	12.4%
Baltika	RUSSIA	8,221.61	2,513.5	2,632.3	2,899.9	31.5%	31.3%	29.8%	16.5%	18.4%	18.2%
Anadolu Efes	TURKEY	4,825.34	1,831.3	2,124.0	2,299.9	23.4%	23.3%	23.4%	10.4%	11.0%	11.7%
Tsingtao Brewery	CHINA	3,186.16	1,496.1	1,808.4	2,185.3	10.4%	n/a	n/a	3.8%	3.6%	4.0%
Compania Cervecerias	CHILE	2,224.42	1,025.5	1,116.2	1,194.7	22.5%	23.4%	24.0%	10.2%	11.9%	12.5%
Grupa Zywiec	POLAND	2,017.27	1,089.5	n/a	n/a	22.6%	n/a	n/a	10.5%	n/a	n/a
Beijing Yanjing	CHINA	1,881.82	685.8	915.3	1,102.4	18.8%	15.6%	15.3%	5.7%	5.2%	5.3%
Guinness Anchor	MALAYSIA	521.92	265.6	305.5	316.8	17.4%	17.8%	18.3%	13.1%	11.8%	12.4%
Average						24%	28%	27%	11%	12%	12%

Relative valuation

	Country	EV, USD mln	Production, mln hl, 2006	EV/Output, USD/hl
Sun Interbrew	Ukraine	1,374.6	9.3	148.2
Slavutych*	Ukraine	562.4	3.1	182.6
Slavutych**	Ukraine	264.4		85.8
Baltika	Russia	8,032.9	37.2	215.9
Grupa Zywiec	Poland	2,233.3	10.9	204.0
Anadolu Efes	Turkey	4,848.6	18.8	257.9
Average				225.9

Implied share price, USD

Sun Interbrew	0.21
Slavutych*	1.27
Slavutych**	3.18

	Country	Market Cap, USD mln	EV/Sales			EV/EBITDA			P/E		
			2006	2007E	2008E	2006	2007E	2008E	2006	2007E	2008E
Sun Interbrew Ukraine		1293.4	3.7	2.8	2.3	16.1	12.2	9.7	40.0	25.1	19.0
Slavutych*		456.0	3.7	2.8	2.1	19.9	12.2	8.5	112.7	37.3	18.9
Slavutych**		197.7	1.8	1.4	1.0	9.4	6.1	4.1	44.9	14.9	7.5
Companhia De Bebidas	BRAZIL	47,580.89	6.2	5.2	4.8	15.1	11.9	10.7	36.2	28.4	23.8
Grupo Modelo	MEXICO	17,688.20	2.8	2.8	2.0	8.8	7.1	6.1	22.2	18.0	19.8
Baltika	RUSSIA	8,221.61	3.2	3.0	2.7	10.1	9.7	9.0	19.8	17.0	15.5
Anadolu Efes	TURKEY	4,825.34	2.6	2.5	2.3	11.3	10.6	10.0	25.4	20.7	17.9
Tsingtao Brewery	CHINA	3,186.16	2.1	n/a	n/a	20.4	16.7	13.5	55.5	48.4	36.4
Compania Cervecerias	CHILE	2,224.42	2.3	2.1	1.9	10.2	8.9	8.0	21.2	16.8	14.9
Grupa Zywiec	POLAND	2,017.27	2.0	n/a	n/a	n/a	n/a	n/a	17.7	n/a	n/a
Beijing Yanjing	CHINA	1,881.82	2.8	2.1	1.7	14.8	13.6	11.4	47.9	39.2	32.2
Guinness Anchor	MALAYSIA	521.92	1.8	1.6	1.5	10.4	8.7	8.1	15.0	14.5	13.3
Average			2.9	2.7	2.4	12.6	10.9	9.6	29.0	25.4	21.7

Implied share price, USD

Sun Interbrew Ukraine	0.10	0.13	0.14	0.10	0.12	0.13	0.10	0.14	0.16
Slavutych*	0.74	0.98	1.21	0.58	0.88	1.15	0.26	0.68	1.15
Slavutych**	1.85	2.47	3.02	1.47	2.20	2.88	0.65	1.71	2.88

*Based on diluted number of shares

**Based on undiluted number of shares

Source: Thomson Financials, Bloomberg, Companies' Data, Concorde Capital estimates

All financial statements according to Ukrainian accounting standards

Slavutych

INCOME STATEMENT SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007E	2008E
Net Revenues	69.5	70.8	93.1	121.8	150.1	216.2	281.1
<i>Change y-o-y</i>	-	1.8%	31.6%	30.8%	23.3%	44.0%	30.0%
Gross Profit	40.7	41.2	51.9	73.0	91.1	134.1	175.7
EBITDA	16.8	14.4	18.6	21.5	28.2	49.4	67.9
<i>margin, %</i>	24.2%	20.3%	20.0%	17.6%	18.8%	22.8%	24.1%
Depreciation	(5.6)	(6.2)	(8.7)	(13.5)	(14.3)	(23.8)	(31)
EBIT	11.2	8.2	9.9	8.0	13.9	25.6	37.0
<i>margin, %</i>	16.1%	11.5%	10.6%	6.6%	9.3%	11.8%	13.1%
Interest Expense	(1.1)	(1.3)	(2.5)	(3.4)	(5.0)	(7.9)	(6.0)
Other income/(expense)	(0.3)	(0.3)	5.5	2.7	(0.6)	-	-
PBT	9.8	6.6	12.9	7.2	8.3	17.1	30.9
Tax	(3.6)	(3.7)	(3.8)	(4.1)	-	(4.4)	(8)
<i>Effective tax rate</i>	36.7%	56.0%	29.1%	56.0%	0.0%	25.0%	25.0%
Net Income	6.2	2.9	9.1	3.2	4.4	13.3	23.2
<i>Net Margin, %</i>	8.9%	4.1%	9.8%	2.6%	2.9%	6.1%	8.2%

BALANCE SHEET SUMMARY, USD mln

	2002	2003	2004	2005	2006	2007E	2008E
Current Assets	17.7	22.9	31.4	40.3	56.3	62.9	69.2
Cash & Equivalents	0.7	0.7	3.0	0.3	0.3	0.4	0.4
Trade Receivables	5.7	5.7	6.2	12.5	13.0	19.0	21.0
Inventories	9.4	11.1	17.7	19.5	22.0	27.8	30.5
Other	1.9	5.5	4.5	8.1	21.0	15.8	17.3
Fixed Assets	35.5	78.7	100.6	112.9	123.6	221.1	222.9
PP&E, net	32.9	34.1	95.7	104.0	108.4	206.7	208.5
Other	2.6	44.6	4.9	8.9	15.2	14.4	14.4
Total Assets	53.2	101.6	132.0	153.3	180.0	284.1	292.1
Shareholders' Equity	22.2	50.0	62.3	68.7	73.1	145.5	177.0
Share Capital	9.2	34.1	37.3	39.1	39.1	98.1	98.1
Reserves and Other	12.9	15.9	25.1	29.5	30.2	3.922	4.3
Retained Earnings					3.7	43.5	74.6
Current Liabilities	14.0	29.5	33.3	54.0	83.9	38.5	40.6
ST Interest Bearing Debt	4.3	15.9	6.1	14.8	47.7	9.1	8.2
Trade Payables	6.7	4.7	4.0	11.5	10.7	15.6	17.1
Other	3.1	8.9	23.2	27.7	25.4	13.9	15.3
LT Liabilities	17.1	22.1	36.4	30.6	23.0	100.1	74.5
LT Interest Bearing Debt	17.1	22.1	33.8	27.8	19.3	97.0	72.5
Other	-	-	2.6	2.7	3.8	3.1	2.0
Total Liabilities & Equity	53.2	101.6	132.0	153.3	180.0	284.1	292.1

QUARTERLY ANALYSIS, USD mln

	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07
Net Revenues	18.2	34.6	43.3	25.6	22.6	46.2	52.7	28.7	29.5
<i>Change y-o-y</i>	20.5%	17.6%	39.3%	46.8%	23.9%	33.3%	21.8%	11.7%	30.7%
EBITDA	2.7	11.8	9.3	(2.3)	2.8	11.3	14.8	(0.6)	3.8
<i>margin, %</i>	14.6%	34.1%	21.5%	-8.9%	12.3%	24.4%	28.0%	-72.8%	12.9%
EBIT	(0.5)	8.5	5.9	(5.9)	(0.8)	7.7	11.1	(4.1)	(0.1)
<i>margin, %</i>	-2.5%	24.5%	13.5%	-23.0%	-3.4%	16.7%	21.1%	-29.8%	-0.3%
Net Income	(1.0)	7.0	3.7	(6.5)	(2.2)	6.4	8.5	(8.3)	(2.1)
<i>Net Margin, %</i>	-5.8%	20.2%	8.5%	-25.3%	-9.9%	13.9%	16.1%	27.5%	-7.1%

Sun Interbrew Ukraine

INCOME STATEMENT SUMMARY, USD mln*

	2003	2004	2005	2006	2007E	2008E
Net Revenues	38.9	59.7	80.5	373.9	508.7	595.1
<i>Change y-o-y</i>	-	53.6%	34.8%	364.3%	36.1%	17.0%
Gross Profit	37.6	55.1	86.7	229.8	315.4	374.9
EBITDA	(1.7)	12.3	13.5	85.4	115.8	141.5
<i>margin, %</i>	-4.4%	20.6%	16.8%	22.9%	22.8%	23.8%
Depreciation	(2.2)	(4.3)	(6.9)	(26.2)	(35.1)	(42.1)
EBIT	(3.9)	8.1	6.6	59.3	80.7	99.3
<i>margin, %</i>	-10.0%	13.5%	8.2%	15.9%	15.9%	16.7%
Interest Expense	(0.9)	(1.4)	(1.0)	(8.6)	(11.9)	(8.4)
Other income/(expense)	(0.4)	(0.6)	0.8	(1.9)	-	-
PBT	(5.2)	6.0	6.4	48.7	68.8	90.9
Tax	(0.5)	(1.8)	(2.1)	(0.0)	(17.2)	(22.7)
<i>Effective tax rate</i>	-10.5%	30.8%	32.6%	0.0%	25.0%	25.0%
Net Income	(5.7)	4.1	4.3	32.3	51.6	68.2
<i>Net Margin, %</i>	-14.8%	6.9%	5.4%	8.6%	10.1%	11.5%

BALANCE SHEET SUMMARY, USD mln*

	2003	2004	2005	2006	2007E	2008E
Current Assets	15.3	26.1	19.5	91.6	115.5	135.1
Cash & Equivalents	0.6	3.9	1.1	2.3	1.4	1.6
Trade Receivables	9.1	14.0	9.7	3.3	2.8	3.2
Inventories	1.9	2.6	2.7	73.8	87.9	102.8
Other	3.7	5.5	5.9	12.2	23.5	27.5
Fixed Assets	12.6	20.0	28.2	214.2	264.4	287.3
PP&E, net	8.7	14.3	22.7	170.3	254.4	277.3
Other	3.9	5.6	5.5	44.0	10.0	10.0
Total Assets	27.9	46.1	47.7	305.9	379.9	422.4
Shareholders' Equity	(2.7)	1.5	17.8	151.3	202.9	271.1
Share Capital	1.0	1.0	13.1	41.5	41.5	41.5
Retained Earnings	(3.7)	0.5	4.7	100.7	9.1	9.1
Other	-	-	-	9.1	152.3	220.5
Current Liabilities	30.6	44.6	29.9	154.5	176.9	151.3
ST Interest Bearing Debt	16.1	27.0	5.4	83.6	115.3	81.5
Trade Payables	11.9	14.1	16.9	53.5	37.7	43.0
Other	2.5	3.5	7.6	17.5	23.9	26.8
LT Liabilities	-	-	-	0.1	0.1	0.1
LT Interest Bearing Debt	-	-	-	-	-	-
Other	-	-	-	0.1	0.1	0.1
Total Liabilities & Equity	27.9	46.1	47.7	305.9	379.9	422.4

QUARTERLY ANALYSIS, USD mln*

	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07
Net Revenues	12.2	22.3	28.4	17.6	15.0	157.2	125.6	76.0	72.6
<i>Change y-o-y</i>	44.0%	43.7%	406.6%	-41.6%	22.7%	605.0%	342.8%	331.6%	383.6%
EBITDA	(1.4)	5.7	9.4	(0.2)	0.1	41.4	42.6	1.4	18.3
<i>margin, %</i>	-11.2%	25.4%	33.1%	-0.9%	0.8%	26.3%	33.9%	1.8%	25.3%
EBIT	(2.7)	4.0	7.5	(2.2)	(1.8)	31.8	35.1	(5.8)	10.4
<i>margin, %</i>	-22.5%	18.2%	26.5%	-12.4%	-12.3%	20.2%	28.0%	-7.6%	14.4%
Net Income	(3.2)	4.1	6.7	(3.3)	(1.9)	26.1	27.0	(18.8)	7.8
<i>Net Margin, %</i>	-26.0%	18.3%	23.6%	-18.5%	-13.0%	16.6%	21.5%	-24.7%	10.7%

* Financial statements for 2003-2005 are for Sun Interbrew Ltd (distribution company with three production units) and are presented as reported by the company, not consolidated. The company's reported financials statements for 2006 include 1Q unconsolidated financials; 2Q, 3Q and 4Q consolidated. Projections for 2007 and 2008 are prepared as for the consolidated company.

Concorde Capital
3V Sportyvna Square
2nd entrance, 3rd floor
Kyiv 01023, UKRAINE

Tel: +380 44 207 5030
Fax: +380 44 206 8366
www.concorde.com.ua
office@concorde.com.ua

CEO

Igor Mazepa

im@concorde.com.ua

Head of Equity Sales

Lucas Romriell

lr@concorde.com.ua

Equity Sales

Marina Martirosyan
 Anastasiya Nazarenko

mm@concorde.com.ua
 an@concorde.com.ua

Director of Research

Konstantin Fisun, CFA

kf@concorde.com.ua

RESEARCH COVERAGE BY SECTOR

Strategy

Konstantin Fisun
 Oleksandr Klymchuk

kf@concorde.com.ua
 ok@concorde.com.ua

Metals & Mining

Eugene Cherviachenko

ec@concorde.com.ua

Utilities (Telecom, Energy)

Alexander Paraschiy

ap@concorde.com.ua

Oil & Gas, Chemicals

Vladimir Nesterenko

vn@concorde.com.ua

Consumer/Retail Group

Andriy Gostik
 Olha Pankiv
 Alexander Romanov
 Anna Dudchenko

ag@concorde.com.ua
 op@concorde.com.ua
 ar@concorde.com.ua
 ad@concorde.com.ua

Machinery

Olha Pankiv
 Eugene Cherviachenko
 Inna Perepelytsya

op@concorde.com.ua
 ec@concorde.com.ua
 pi@concorde.com.ua

**Financial Services,
 Macroeconomics**

Alexander Viktorov

av@concorde.com.ua

Fixed Income

Oleksandr Klymchuk

ok@concorde.com.ua

Corporate Governance

Nick Piazza

np@concorde.com.ua

News/Production

Nick Piazza
 Polina Khomenko

np@concorde.com.ua
 pk@concorde.com.ua

Editor

Brad Wells

bw@concorde.com.ua

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