

WE

SUN
Interbrew
Annual Report
2004

Main Innovation

DRINK

OUR

BEEER

We Drink Our Beer

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NOT BECAUSE

WE
HAVE
TRUST
IN OUR
BRANDS

We Drink
Our Beer

Not Because

Company
Description

Company Description

SUN Interbrew Limited is the second largest brewer in Russia and the market leader in Ukraine. The company is a strategic partnership between InBev, one of the largest brewers in the world, and the SUN Group, which has operated in the region since 1958, and in the beer sector of Russia and the CIS since the early 1990s.

SUN Interbrew Limited has 8 breweries in Russia and 3 in the Ukraine, along with its own distribution network.

The company's main brands are Stella Artois®, Beck's®, Staropramen®, Sibirskaya Korona, Klinskoye, and Tolstiak in Russia, and Stella Artois®, Beck's®, Chernigivske, Rogan, Taller and Yantar in Ukraine.

SUN Interbrew is a public company registered in Jersey. The Company has a full listing on the Luxembourg Stock Exchange. The Company's shares are also listed for trading purposes on the Freiverkehr market of the Berlin Stock Exchange, the Stuttgart Stock Exchange, the Frankfurter Boerse and the Xetra™ market of the Frankfurt Stock Exchange. The Class B GDRs are listed for trading purposes on the Munich Stock Exchange.

Russia & Ukraine

We Drink
Our Beer



Company Description

GLOBAL BRANDS



Stella Artois®

Stella Artois® is the most popular Belgian beer in the world and a flagship international brand of SUN Interbrew. This is a classic European bottom-fermented pilsner beer positioned in the premium segment.



Hoegaarden®

Hoegaarden® is a unique, pale, unfiltered beer with a specific cloudy look. Such spices as coriander and curacao orange peel give it an unusual taste. Because of its colour and the recommended low temperature of consumption (2–3°C), Hoegaarden® is often referred to as a “cold sun”.



Beck's®

Beck's® is the No.1 International German Beer. Beck's® is a proper name, a name that is unique for beer. It's short, has a tough edge to it, sounds very masculine and is very international, pronounced the same way throughout the whole world



Leffe®

While sharing a Leffe®, consumers savour true moments of indulgence. Designed for real beer lovers, Leffe® is to be savoured when there is time to relax and enjoy the deep, complex flavours wrought from a centuries-old brewing tradition.



Staropramen®

Staropramen® is a Czech pale beer of highest quality brewed in Russia at SUN Interbrew's Klin brewery since March 2003, and in Novocheboksarsk. For centuries skilful Czech brewers developed beers with distinguishing clear and mild taste.



Belle-Vue®

Belle-Vue® is the world's leading producer of lambic beers and their blends—spontaneously fermented and aged in wooden casks.

RUSSIAN NATIONAL BRANDS



Sibirskaya Korona

Sibirskaya Korona is one of the leading SUN Interbrew brands. It was launched as a local beer at Omsk Brewery Rosar in August of 1996 and turned into a strong national brand.



Tolstiyak

Tolstiyak is a Russian beer of high quality. It has a characteristic rich taste and pronounced hop flavour. Today Tolstiyak is one of the best recognized brands in Russia.



Klinskoye

Klinskoye is a pale beer with clear taste and soft hop bitterness. It is a flagship brand of SUN Interbrew group of companies in Russia and one of the leaders in the Russian beer market.

Company Description

RUSSIAN REGIONAL BRANDS



Bag-Bier

Bag-Bier has a clear balanced taste and a delightful hop bitterness and aroma. It is one of the most popular beers brewed at the Omsk brewery.



Premier

Premier is a beer of good spirits, a quality beverage for true connoisseurs. The recipe was developed according to the best Russian brewing traditions.



Permskoye Gubernskoye

Permskoye Gubernskoye is a pale beer brewed at the Perm Brewery.



Rifey

Rifey—is a pale beer created by Perm brewers with the aid of Czech specialists in 1995. Its prototypes were popular “people brands”.



Pikur

Pikur is a pale beer brewed by Kursk brewmasters according to traditional methods and special recipes.



Volzhanin

Volzhanin is a superb beer with full and balanced malt taste, pleasing hop bitterness, peculiar aroma with a delicate fruity etheric note.



Piterskoye

Piterskoye was developed specially for the 300th anniversary of the northern capital.

UKRANIAN BRANDS



Chernigivske

Chernigivske is the first national brand in the company's portfolio. Today Chernigivske is one of the most dynamic Ukrainian beer brands.



Yantar

Yantar is produced in accordance with the best brewing traditions and international experience at Yantar Brewery. Originally from the South of Ukraine.



Rogan

Rogan is the second national brand in SUN Interbrew Ukraine portfolio. The water used for brewing comes from an artesian well more than 700 meters deep.



TALLER

TALLER was the first licensed European brand presented on the Ukrainian market in 1998.

We Drink
Our Beer

Not Because

WE
REJOICE
IN
OUR
SUCCESS

Key
Figures

Key Figures

SUN Interbrew

Key Figures	2002	2003	2004
Total volume, m Hl	13.7	17.3	20.5
Volume—beer, m Hl	12.5	16.1	19.2
Global brands, % y-o-y	245.9%	214.3%	81.0%

Key Figures	2002	2003	2004
Net Sales, Bm	433.0	540.3	691.3
Gross profit, Bm	181.0	214.5	279.9
Operating profit, Bm	23.0	50.4	83.3
EBITDA, Bm	74.9	100.8	141.2
EBIT, Bm	23.6	50.2	81.1
Net Income, Bm	-3.6	21.3	50.4

Key Figures	2002	2003	2004
Net Sales, B/Hl	31.7	31.2	33.7
Gross profit, B/Hl	13.2	12.4	13.7
EBITDA, B/Hl	5.5	5.8	6.9

Key Figures	2002	2003	2004
Gross Margins, %	41.8%	39.7%	40.5%
Operating Margin, %	5.3%	9.3%	12.1%
EBITDA Margin, %	17.3%	18.7%	20.4%
EBIT Margin, %	5.5%	9.3%	11.7%
Sales, Marketing and distribution costs/Net sales,%	29.3%	25.7%	23.6%
General and Administrative expenses/Net sales,%	7.2%	4.7%	4.8%

Key Figures	2002	2003	2004
Cash flow from operating activities, Bm	52.7	83.4	111.1
Capex, Bm	115.2	112.2	171.5

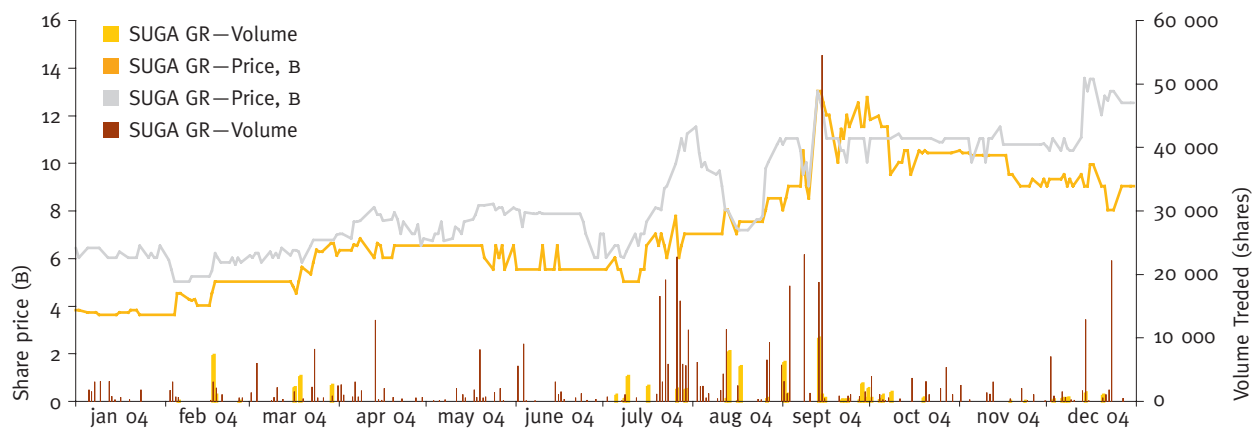
Russia

Key Figures	2002	2003	2004
Market growth, % y-o-y	11.4%	7.4%	10.9%
Market share, %	12.1%	14.5%	15.6%
Volume—beer*, m Hl	8.1	10.8	12.9

Ukraine

Key Figures	2002	2003	2004
Market growth, % y-o-y	17.0%	13.0%	14.3%
Market share, %	32.2%	34.3%	35.5%
Volume, m Hl	5.5	6.5	7.5
Volume—beer*, m Hl	4.4	5.3	6.3

SUN Interbrew shares performance 2004

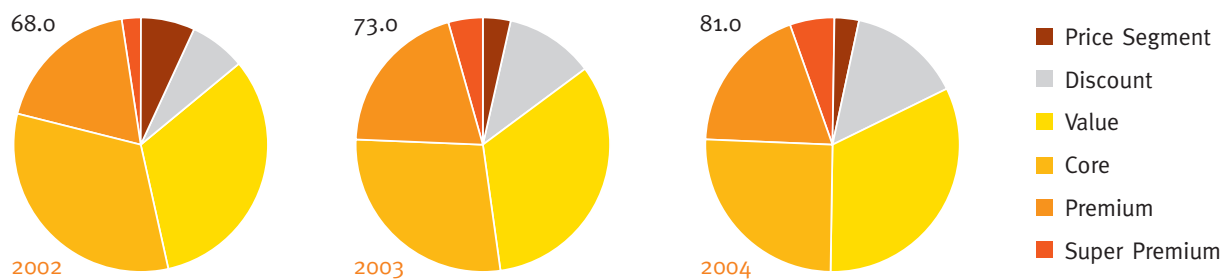


Key Figures	2002	2003	2004
Market Capitalization, Bm	466.3	515.3	1 146.5
Share Price High, B	8.5	7.0	14.5
Share Price Low, B	3.0	2.9	4.5
Year-end Share Price, B (SUG GR)	4.0	6.4	12.5
Year-end Share Price, B (SUGA GR)	4.0	3.8	9.0

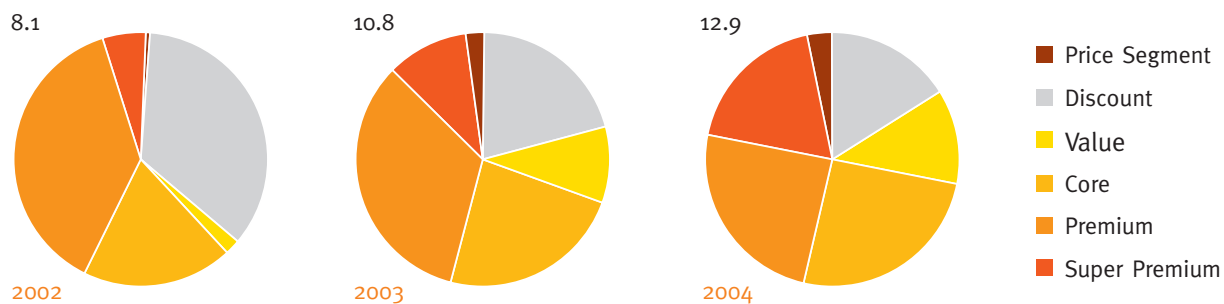
*Growth rates of SIL volumes are calculated on the basis of volume including domestic sales and export.

Key Figures

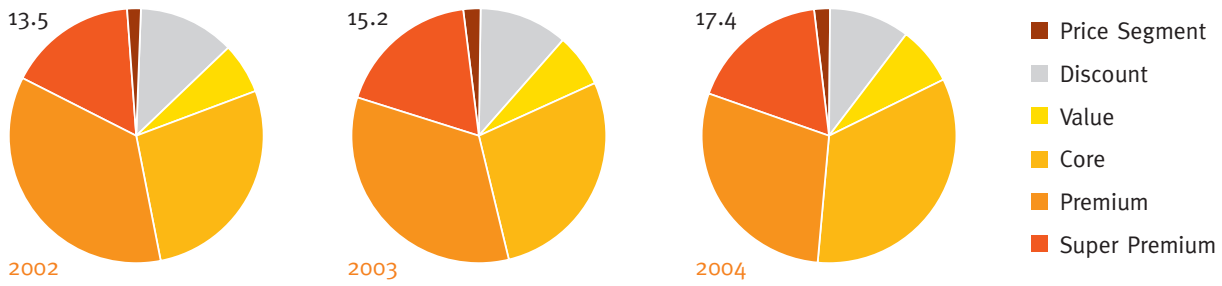
Russia beer market per price segment, m-KHI



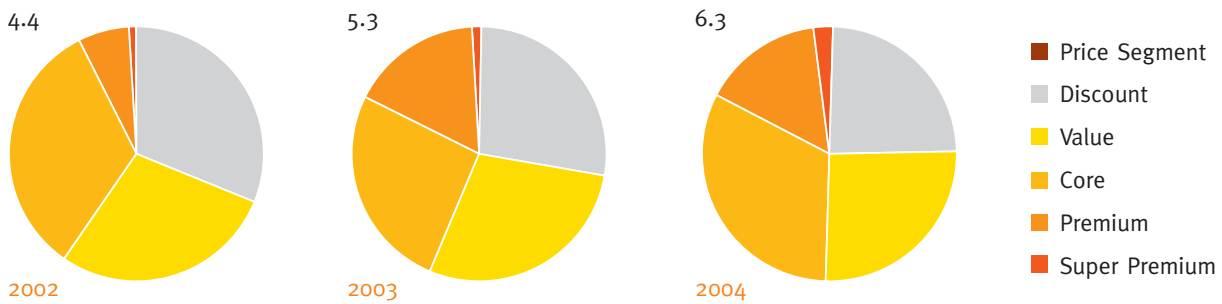
SUN Interbrew Russia beer volumes per price segment, m-KHI



Ukraine beer market per price segment, m-KHI



SUN Interbrew Ukraine beer volumes per price segment, m-KHI



We Drink
Our Beer

Not Because

WE
FIRMLY
BELIEVE
IN OUR
MISSION

Chairman's
Letter

Chairman's Letter

I am pleased to report that 2004 was a year of excellent progress for SUN Interbrew in terms of both market share and profit growth, a year that we can look back on with considerable pride. We achieved strong performance at all levels through continued successful implementation of the strategy that we initiated in 2002. Central to this strategy is our commitment to ensure that our customers receive the products that they want and in the way that they want them. In this context, I would like to briefly highlight the major achievements in 2004, which will help us to realize our goals during this year and which are crucial for the further success of SUN Interbrew.

We continued to extend our reach both geographically and by market segment. During 2004 we significantly expanded our market share in the Eastern part of Russia, underpinned the Omsk capacity upgrade at the end of the year. To reinforce our profitability we strengthened our focus on higher margin brands. We especially capitalized on opportunities in the up-and-coming premium segment, which remains the fastest-growing in the beer markets of both Russia and Ukraine. SUN Interbrew has five of the leading brands in this segment, i.e. the global brands, Stella Artois®, Staropramen® and Beck's®, along with two national brands, Sibirskaya Korona and Chernigivske, all of which performed strongly.

I believe that the Company's innovation skills are a key factor in the continued sales and profit growth of SUN Interbrew and, in 2004, we further strengthened our position as a leading innovator in the beer sector. Our innovation is highlighted by the launch of Klinskoye Arriva, a Latino-style beer, the introduction of a 2.5l PET bottle for Tolstiak brand, and the launch of Stella Artois® Alubottle in Ukraine. We successfully introduced these and other innovations into the market through creative marketing and promotion campaigns.

We Drink
Our Beer

**Chairman
Nand
Khemka**

19

Chairman's Letter

SUN Interbrew's record sales in 2004 were accomplished by the further improvement of our distribution and sales network. A lot of effort has been put into aligning the cooperation with our distributors, and in this respect we launched a range of specific initiatives. For instance, we developed further the programme of enlisting selling agents into exclusive cooperation with SUN Interbrew, and this concept continued to reap benefits for the company. During the course of the year we also improved sales through the on-trade channels by tighter control of bar equipment and draught-beer quality. A separate department was created with the aim of focusing on key accounts and retail chains. As a result, our brands now have an even stronger route to the consumer. Moreover, we achieved a better understanding of where our beer is sold and the price the consumer pays, putting in place stricter controls, overall.

All of the above-described initiatives allow me to say that in 2004 SUN Interbrew achieved excellent results, and we maintained our leading position against a background of increasing competition.

General Market Development

In Russia, 2004 was a year of further economic growth. GDP increased by 7.0%, industrial production grew by 6.1%, real income by 7.8% and consumer spending power remained strong, though, inflation exceeded the budget target and reached 10.9%.

In 2004, the Russian government introduced new legislation governing the advertising of beer on television and billboards. Another law, which came into force at the beginning of 2005, restricts beer consumption and sales on public transport, in cultural organizations and sports buildings as well as near schools. The law retains restrictions of beer consumption in public places for people under 18.

We believe that despite the obvious restrictive measures for the industry, the new legislation should bolster the positive image of the brewing industry by reducing underage consumption. We do not expect the new law to result in a tangible decline either in beer consumption or in growth of the beer market.

In 2004, in Ukraine real GDP and industrial growth increased by 12.0% and 12.5% respectively; inflation was 12.4%. The overall tax rate remained flat while disposable income increased by 16.2%.

SUN Interbrew expects further growth opportunities in both our countries of operation, especially in Ukraine following the successful outcome of the December 2004 elections.

Summary

Through targeted investment and effective management, SUN Interbrew attained significant business growth in both countries in 2004. Our existing strong position and further expansion in both markets are underpinned by a resilient, diversified portfolio of leading brands. This portfolio gives the company a strong platform to deliver future growth in each brand segment.

Over the last few years, SUN Interbrew has continued to develop the expertise of its people in Russia and Ukraine. I am confident that these teams will continue to build on the strong momentum within the business. I would like to take this opportunity to thank every employee at SUN Interbrew. It is their hard work and ability that has made 2004 such a successful year.

WE
TRULY
LOVE
OUR
BOSS

We Drink
Our Beer

Not Because

CEO
Review

CEO Review

It gives me great pleasure to report that 2004 was an outstanding year for SUN Interbrew, as we drove significant volume and profit growth. To highlight these achievements I will start this message with a few financial results representing the record sales and profits of the company during its 5 year history.

Total sales increased by 27.9% up to B691.3 m (2003: B540.3 ml), with total volume growth of 18.3% up to 20.5 m Hl (2003: 17.3 m Hl). EBITDA increased by 40.1% to B141.2 m (2003: B100.8 m) and EBIT increased by 61.6% to B81.1m (2003: B50.2 m). Net income grew 136.5% to B50.4 m (2003: B21.3m).

I am pleased to state that in 2004 SUN Interbrew was setting the pace in both countries, Russia and Ukraine, where the company outperformed the market.

Beer volume growth in Russia was 19.8%, versus an overall market growth of 10.9%. In Ukraine, volumes grew by 19.2% versus an overall market growth of 14.3%. As a result, our market shares in both Russia and Ukraine reached all-time highs of 15.6% (2003: 14.5%) and 35.5% (2003: 34.3%), respectively.

All these achievements were based on a number of key successes in marketing, distribution and production.

Marketing

During 2004, SUN Interbrew continued its strategy of diversifying the brand portfolio and strengthening the existing brands, accomplished by developing and promoting innovations throughout the market.

The brands all performed strongly in Russia and Ukraine. SUN Interbrew continued to grow market share across all segments. Our global flagship brands Stella Artois®, Beck's® and Staropramen® give SUN Interbrew a leading position in the fast-growing super premium beer segment. During 2004, this segment in Russia and Ukraine grew

**Chief
Executive
Officer
Joseph
W. Stella**



CEO Review

by 51.6% and 49.5% respectively. I am also pleased to report that our local premium brands continued to perform strongly: Sibirskaya Korona in Russia achieved strong volume growth of 38%, and Chernigivske in Ukraine grew by 35%.

Our core brands show significant growth underpinned by strong innovations. A good example of this is Klinskoye Arriva, a Latino-themed addition to the 'Taste a Like' brands. The launch of Arriva in February 2004 combined high-level marketing skills with product innovation. Arriva is packaged in our new original bottle, the first transparent bottle on the Russian market. Overall, Klinskoye Arriva represents a perfect example of brand, mix, packaging and product innovation.

To improve the health and loyalty of our brands we marketed them with a number of original advertising campaigns. These include such examples as “Czech days with Staropramen” helping to support the launch of Staropramen kegs in the on-trade, and “Join the World of Music” campaign in Ukraine, with the famous Ukrainian pop stars Ruslana and Skryabin complementing launches of new varieties of the Chernigivske brand.

Route to Market

In 2004 we persisted in improving and extending our sales and distribution network and aligning the relationship with our distributors. The ongoing evolution of the sales agents has continued to be one of the main drivers of SUN Interbrew's success in the off-trade. Started in 2002, the agent model is now providing 62% of the population in Russia with the ability to choose SUN Interbrew's brands. We will keep investing in both those agents and in the wholesalers who work with us on an exclusive basis. This initiative was also launched successfully in Ukraine in 2004, and we expect the full benefits to come through in 2005 and beyond.

SUN Interbrew continued to increase its coverage, especially in the fast-growing regions of the East, Western Siberia and the Urals. The company now has a leading market share in these regions and we are confident that the group is well positioned to take advantage of future growth.

Production

In 2004, we extended our production capacity with a particular focus on Omsk, Volzhsky, Perm and Klin breweries. Partial upgrades were also made to all existing brewing, packaging and malting facilities, helping to improve our productivity levels while scaling up gross margin and keeping costs under control.

The brewing of Beck's® and Stella Artois® for the Russian market was transferred during the year to Novocheboksarsk. This gave us the ability to efficiently react to fast-changing consumer trends and to cut costs.

Procurement

During 2004 we improved our procurement activities to employ extra potential and apply a single approach to all our customers. Measures undertaken include the development and adherence to the general policy across the Company.

We also made significant progress in supplying our breweries with malt, a key ingredient in the brewing process. We launched a program to grow European strains of barley in Russia, to become less dependent on imports and to ensure the supply of high quality domestic barley.

Now we have a predictable and lower-cost supply of consistently high-quality barley. In addition, we are completing the construction of a malting facility in Saransk. In Ukraine, we are now completely self-sufficient in the supply of malt, with the introduction of an additional malting facility.

Margin Growth

All the above-mentioned have enabled us to gain a significant increase of profitability. This was achieved despite some cost pressures, such as malt and glass-bottle price

Joseph W. Strella Drinks Tolstiyak

Tolstiyak

Tolstiyak is a Russian beer of high quality. It has a characteristic rich taste and pronounced hop flavour. Today Tolstiyak is one of the best recognized brands in Russia.



"I choose Tolstiyak Svetloye because it goes really well at a cozy little gathering, or barbecue, or when I'm close to nature, fishing, for example."

CEO Review

increases and higher logistics costs, caused by increased transport distances for our beer during high-season sales. However, the negative impact of logistics costs was softened by the year-end, thanks to capacity expansion at the Omsk production site. In addition, we continued to implement local and national initiatives, focusing on cost saving and higher margins.

Outlook

Going forward, we should emphasize that our partnership with InBev has continued to grow stronger. This is due to the closing of the transfers with SUN Trade (International) Ltd. and Eco Holdings Limited, the result of which means that InBev will hold more than 98% of economic interest in SUN Interbrew.

As I am writing this, we all probably know about the outcome of InBev's offer for the remaining SUN Interbrew shares. We assume that our Russian and Ukrainian branches will continue their seamless integration into the global business of InBev, giving our businesses additional value in the form of extra knowledge and experience in all areas. From our side, we will contribute hands-on experience in delivering innovative solutions to the market.

Russian and Ukrainian markets are becoming highly competitive. Consumers are demanding products that are cutting edge, innovative and of the highest quality.

And I am absolutely sure our company has everything in place to meet the expectations of consumers and to tackle the external challenge of increasing competition and, in the meantime, to continue growing market share and profits. Bringing all this together, we are confident that we will be able to set new record results in the upcoming years.

I want to take this opportunity to thank everybody at SUN Interbrew for the efforts to drive the business to new heights in 2004. Thanks again for your support. I am sure we can accomplish new targets as we work together as a team.

WE
ARE
PROUD
OF OUR
COMPANY

We Drink
Our Beer

Not Because

Country
Report

Country Report

RUSSIA

Our business in Russia significantly outperformed the market achieving record volume, sales and profit growth during 2004. SUN Interbrew sold 12.9m Hl of beer versus 10.8m Hl in 2003. This represents an increase of 19.8% compared to the overall beer market growth of 10.9%. As a result, our market share in 2004 reached a record level of 15.6 %, a 1.1% increase compared to 14.5% in 2003.

Global Brands

Stella Artois® increased volume growth by 24% during 2004 with Staropramen® growing volumes by 58%. Beck's® was officially launched in February 2004 and made significant progress during the year. This success ensures key positioning for the company in order to continue to grow both volumes and market share within the fast-growing and profitable super premium segment.

In 2004 the Company started producing Stella Artois® and Beck's® at Novocheboksarsk brewery in Russia. This allows us now to react more quickly to changing market trends and to generate considerable cost savings.

During the second half of 2004, SUN Interbrew took full control of the importing, distribution and pricing of the Belgian specialty brands, Hoegaarden®, Leffe® and Belle-Vue®. All of the brands have performed well and will continue to complement our premium portfolio.

Domestic Brands

SUN Interbrew's strong performance was supported by the outstanding contribution made by our leading domestic brands, especially Klinskoye Arriva.

The launch and performance of Klinskoye Arriva, a Latino-style variety, helped to reinforce and strengthen the growth of all Klinskoye brands. Arriva significantly overtook the growth rate of the core segment during the year. Overall, Klinskoye grew volumes by 28.9% in 2004.

Sibirskaya Korona was one of our leading performing brands during 2004. The strong growth of the brand was achieved due to its successful repositioning from the core to premium segment. This was supported by a new advertising campaign focusing on the beauty of Siberia and its reputation for producing the finest beer in Russia. Distribution increased in Western Russia, in particular, and it is now available throughout the country. Volumes grew 37.7% in 2004, supported by the launch of two new products, Sibirskaya Korona Yantarnoye and Sibirskaya Korona Georgievskoye also available in a 0.5l PIVOPACK®.

In the value segment, Tolstiak grew by a creditable 3.1% in a highly competitive environment.

Ian Ross Drinks Stella Artois®

Stella Artois®

Stella Artois® is the most popular Belgian beer in the world and a flagship international brand of SUN Interbrew. This is a classic European bottom-fermented pilsner beer positioned in the premium segment.



“I prefer Stella Artois. It is such a delicate balance of tradition and character; sweetness and bitterness.”



**Senior
Regional
Vice President**
**Ian
Ross**

Route to Market

The main focus for SUN Interbrew in 2004 was increasing SUN Interbrew's distribution reach and raising our sales in every region, while keeping the price growth below inflation.

The continued evolution in the relationship SUN Interbrew has with its distributors and key accounts was one of the company's main achievements during 2004.

We did much to build and develop our key-account relationships through new initiatives in all major Russian cities. These allowed the account managers to build closer relationships with the major chains to drive volume and sales growth, thereby giving SUN Interbrew an important competitive advantage.

Investment in the Trade Marketing Excellence Programme continued in 2004. This programme is focused on assuring the SUN Interbrew brands are arranged in prime positions at sales outlets. Regional independence for members of our Trade Marketing Excellence teams allow them to decide which brand promotions to start and where.

Torsten Huebner Drinks Staropramen®

Staropramen®

Staropramen® is a Czech pale beer of highest quality brewed in Russia at SUN Interbrew's Klin brewery since March 2003, and in Novocheboksarsk. For centuries skilful Czech brewers developed beers with distinguishing clear and mild taste.



"I am conservative, just as are my tastes in beer. My beer should be traditionally brewed, as Staropramen® is, according to the Prague-customs which have been moved to Russia."



**Senior
Regional
Vice President**
**Torsten
Huebner**

Considerable gains were made in the development of sales agents in 2004. Launched in 2002, agents are tasked with ensuring that our products are available and prominent at retail outlets and that outlets sell the SUN Interbrew brands on an exclusive basis. The agents are put through a comprehensive training process which we manage, and which provides the agents with detailed knowledge of the full product range and how best to tailor brands to the specific needs of each retailer. SUN Interbrew retains a close working relationship with the agents throughout the year, updating them on new product launches and marketing initiatives. Agents work completely under the direction of our supervisors and this has enabled SUN Interbrew to grow sales and market share in all segments of the competitive off-trade environment during the course of the year.

The agent programme was developed further through the introduction of a new IT system. Launched in 2004, this system will allow a complete and accurate overview of inventory and sales in real time and allow the agents to order new stock immediately.

Bertrand Van Renynghe Drinks Klinskoye

Klinskoye

Klinskoye is a pale beer with clear taste and soft hop bitterness.

It is a flagship brand of SUN Interbrew group of companies in Russia and one of the leaders in the Russian beer market.



"I like Klinskoye Arriva and Klinskoye Svetloye. Arriva because it is a beer I can easily drink a few of at a party. Klinskoye Svetloye is just the perfect thirst quenching lager; ideal in the garden with friends."



**Senior
Vice President,
Marketing**
**Bertrand
Van Renynghe**

Marketing

In today's world, it is obvious that the successful life of a brand is impossible without a strong marketing campaign. However, to maintain the success of the entire portfolio of brands is even harder. It was long ago when marketing became one of the cornerstones for the success of SUN Interbrew. We are very proud of our marketing team, which is second to none.

It goes without saying that investment in the marketing of both our global and domestic brands plays a vital role in our success.

This included the launch of several national TV campaigns for Stella Artois®, Beck's®, Staropramen®, Sibirskaya Korona and Klinskoye Arriva. All brands were supported by innovative marketing campaigns and events helping to drive their growth in each segment. Both Beck's® and Klinskoye Arriva sponsored club nights in Moscow. Beck's® was also promoted at numerous fashion parties helping to target the most demanding and fashionable consumers as well as highlighting the heritage of the brand.

Country Report

Besides Sibirskaya Korona restaurants operating in the Eastern part of Russia SUN Interbrew has plans to further develop its presence at the on-trade market. National distribution drive of Stella Artois® was supported by a campaign focusing on cinema and movies promotion.

Moreover SUN Interbrew continued to focus on the fast growing off-trade segment.

Innovation

Innovation is a key component in helping underpinning the growth of the company, maintaining its competitive advantage and providing consumers with the products they want. Examples of innovation can be found throughout this report; however, some of the key highlights are listed below.

Strong performance in 2004 was supported by continuous varieties and packaging innovations.

Tolstiak Grechishnoye, Klinskoye Arriva and Sibirskaya Korona Yantarnoye and Georgievskoye were launched in 2004 onto the Russian market. Klinskoye Arriva continued to grow strongly throughout 2004 and drove the annual growth of the core segment.

The Company successfully launched multi-packs in Russia in May 2004. Additionally the Company launched a unique glass bottle and innovative metallic label for PET and glass bottles for Tolstiak and Permskoye Gubernskoye.

In December, SUN Interbrew became the first brewer to bottle beer in a 2.5l PET for the Tolstiak Dobroye, Svetloye and Zaboristoye varieties.

Packaging

PET and bottles sales continued to be the main drivers of growth in the packaging segment in 2004. PET performed the strongest with volume growth of 24.0%. Bottles and cans grew volumes by 20.9% and 18.2%, respectively. Keg volumes decreased by 12.5% in 2004.

The record growth was supported by continuous innovations in packaging. The Company successfully launched multi-packs in May 2004, and in addition, we launched a unique glass bottle and innovative metallic label for PET and glass bottles for some varieties.

Eugene Zabawa Drinks Leffe®

Leffe®

While sharing a Leffe®, consumers savour true moments of indulgence. Designed for real beer lovers, Leffe® is to be savoured when there is time to relax and enjoy the deep, complex flavours wrought from a centuries-old brewing tradition.



"I like Leffe for its strength and well-defined bitterish flavour that combine with rich fragrance of caramel"



**Senior
Vice President
Operations**
**Eugene
Zabawa**

Operational Excellence

During 2004, SUN Interbrew continued expanding its production facilities while ensuring that the quality of the final product met the highest standards. Having enough capacity is vital to maintaining the existing pace of SUN Interbrew rapid growth, which is well ahead of average market growth.

Additional bottling and PET production lines were introduced at Novocheboksarsk and Omsk. We also extended our production capacity at the Omsk, Volzhsky, Perm and Klin brewing houses. In addition, we upgrade on a regular basis all operational facilities to provide the highest quality and capacity.

A programme was launched in 2004 to invest in the production of Western European barley in Russia. The malting capacity was also increased at Saransk and SUN Interbrew worked closely with local suppliers to further improve the quality of raw materials used in the brewing process. Going forward, we are confident that the supply and quality of the malt and other raw materials used across the company will be assured.

Mikhail Maximenko Drinks Bag-Bier

Bag-Bier

Bag-Bier has a clear balanced taste and a delightful hop bitterness and aroma. It is one of the most popular beers brewed at the Omsk brewery.



“I like it for its story; it is our site which produces it! This is a brand with a strong spirit for the people with strong spirits.”



**Senior
Vice President,
Supply Chain
& Procurement**
**Mikhail
Maximenko**

With the support of InBev the Super Voyager programme was launched in 2004. This initiative is aimed at the optimisation of all business processes. A team of leading consultants from InBev is working with our employees to drive improvements in the efficiency of all our divisions and to guarantee the highest quality of the end product. The programme will reinforce the position of SUN Interbrew at the forefront of global brewing and will help to train our people.

Further developments were also made in 2004 to reduce energy costs and water consumption in the brewing process. We expect to make further progress in 2005.

Production of Beck's® and Stella Artois® commenced in Russia during the course of 2004. Previously the brands had been brewed in Ukraine and then exported to the Russian market. As a result we raised the margin of these brands.

Country Report

UKRAINE

In Ukraine SUN Interbrew ended the year with a record market share of 35.5% versus 34.3% in 2003.

The company increased beer volumes by 19.2% to 6.3m Hl, significantly ahead of the 14.3% growth of the market as a whole. Reinforcing in 2004 its position as the market leader, SUN Interbrew continued to grow the whole portfolio of the brands and now has stronger footholds in all segments.

Global Brands

Stella Artois® performed extremely well, increasing sales for the year by almost 60%. The launch of Beck's® was a notable success and it is well-positioned for further growth in 2005. The continued sound success of the favourable global brands was ensured by packaging innovation coupled with extensive marketing and advertising campaigns.

Domestic Brands

Volumes of our market-leading brand, Chernigivske, grew by 34.6% during 2004, following the introduction of three new varieties, Chernigivske Bagryane, Chernigivske

Bila Nich and Chernigivske Fitness+. Volumes of Rogan and Yantar increased by 4.0% and 4.3% respectively, with Rogan being supported by the successful launch of Rogan Kampai.

Packaging

There was continued strong growth across the packaging segments, with cans, PET and kegs all increasing by 53.2%, 36.8% and 24.5% respectively over 2003. Bottles increased by 8.3%. SUN Interbrew also started to use bottles for Beck's® produced in Russia, instead of importing them from Europe, helping to cut costs and increase efficiency.

Operational Excellence

During 2004, we continued to invest and upgrade all areas of the brewing process. We upgraded our malt facility enabling us to be totally self-sufficient in malt production. This extension will allow us access to malt of the highest quality and to make meaningful cost savings in the future.

Investment in increasing capacity also continued in 2004. The expansion of packaging lines for Desna, Rogan and Yantar breweries was completed, while the capacity of the brew house at Yantar was further increased.

The brewing of Beck's® and Stella Artois® for the Russian market was switched from Ukraine to Russia, resulting in the availability of more capacity for the brewing of brands for the Ukrainian market.

Country Report

Route to Market

One of the main achievements of the year was the successful launch of the agent model. Based on the same concept used in Russia, the agent model has given SUN Interbrew a unique advantage over its competitors, helping to further consolidate its position across all beer segments by focusing on the exclusive promotion of the brands and their merchandising. The “More seen, more cold, more sold” programme, where brands are placed in prime position on shelves in retailers’ cooler sections is just one example of the success the agents have had to date.

Marketing

SUN Interbrew continued to actively promote and market all its brands during 2004.

Stella Artois® was supported through television campaigns such as the Pouring Ritual Foundation and Choir Image, along with a series of advertisements in cinemas across the country. SUN Interbrew also hosted competitions to find the best pourer of draught Stella Artois® through the introduction of the successful Draught Master competition.

The launch of Beck's® was supported through Real Authentic television and magazine campaigns and the brand's sponsorship of eight parties throughout the summer in Odessa's leading nightclubs. The aim of the marketing campaign was to highlight the exclusivity of the brand, while also drawing the consumer's attention to the heritage of the brand.

Chernigivske, the market-leading brand in Ukraine, was supported by a number of marketing initiatives in 2004. The brand was awarded the prestigious honour of sponsoring the Ukrainian Olympic team and an Olympic television campaign was launched to highlight this event.



**Country
Manager,
Ukraine**
**Lyudmila
Nakonechnaya**

The Rogan and Yantar brands were also supported through television and billboard campaigns respectively during 2004.

In addition to marketing initiatives specific to each brand, SUN Interbrew sponsored a number of beer festivals throughout 2004.

Innovation

To ensure its market-leader position, SUN Interbrew continued to launch new and exciting products during 2004.

The Stella Artois® Alubottle, a new aluminium-coated bottle, was launched during August 2004 and targeted at the fashionable, cutting edge end of the market.

Lyudmila Nakonechnaya Drinks Chernigivske

Chernigivske

Chernigivske is the first national brand in the company's portfolio. Today Chernigivske is one of the most dynamic Ukrainian beer brands.



*"My favorite is Chernigivske Bila Nich. It's full-bodied and remarkable for its unique bitter taste.
To my mind, it's really the best Ukrainian beer."*

We launched three new varieties of our leading Chernigivske brand. Fitness+, a non-alcoholic beer containing healthy vitamin complexes, Chernigivske Bagryane and Chernigivske Bila Nich, an unfiltered dark beer.

In addition, Rogan Arriva was launched towards the end of the year.

SUN Interbrew continued to respond successfully to the increasing demands of the consumer. The company created two departments focusing on the promotion of our products in the high margin, on-trade and fast-growing key-accounts segment. These departments provide us with highly detailed data on consumer trends. One example of the programme's success was an improvement in the quality and efficiency of draught equipment supplied to the on-trade. We believe that these initiatives will improve our ability to tailor new products, new forms of packaging and new brands to meet consumer tastes.

All this perfectly illustrates how we evaluate opportunities and effectively deploy new initiatives.

We Drink
Our Beer

Not Because

WE
WANT
TO PUSH
OUR
SALES

Financial
Review

Financial Review

2004 was a year of solid success for SUN Interbrew, both in marketing and financial performance, which affirms our sound strategy in Russia and Ukraine. SUN Interbrew reported another year of record growth in 2004, with a total volume of 20.5m HL, an increase of 18.3% over 2003.

Russia contributed 12.9m HL and Ukraine 7.5m HL, increases of 19.8% and 15.6% respectively. Net turnover per HL increased by 8.1%, up to B33.7m, which reflects a shift towards the higher margin segments.

This growth combined with efficient cost control and higher margin focus led to a significant leap forward in the company's profitability.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) grew to B141.2m, representing an increase of 40.1% over 2003. Earnings before interest and tax (EBIT) were 61.6% higher at B81.1m. Net Income was B50.4 m, increasing by 136.5%.

The headline results were impacted by the depreciation of the rouble against the euro. Currency translation had a negative impact of B7.5m at the EBITDA level. Excluding this currency impact, EBITDA was B148.7m.

During the course of 2004, SUN Interbrew sold shares in the Bavaria brewery in Saint Petersburg to the management of the brewery, generating a one-off gain of B2.2m.

The overall results reflect our firm and confident position which gave rise to record sales and profits of SUN Interbrew in 2004 and highlight our progress in growing volumes and market share.

Operational Performance

Gross margins for the full year increased by 0.8% versus 2003 to 40.5%. EBITDA margins for the year increased by 1.8% to 20.4%. The operating margin increased from 9.3% in 2003, up to 12.1% in 2004.



**Chief
Financial
Officer**
**Luc
Vanheel**

Cost Management

SUN Interbrew seeks to standardize production and distribution costs by benchmarking every cost item to apply best practices and drive economies of scale.

The cost of glass bottles, malt and transport increased, reflecting a greater number of points of sale in both Russia and Ukraine.

Total sales, marketing and distribution costs for the full year represented 23.6% of net sales, down 2.1% compared with 2003.

General and administrative costs during 2004 were B7.9m. Margins for general and administrative costs remained stable at 4.8% for the full year versus 4.7% in 2003.

Capital Expenditure

Net capital expenditure increased by 53% from B112.2 m in 2003 to B171.5 m in 2004. This CAPEX represents our continued commitment to improving the quality and efficiency

Luc Vanheel Drinks Sibirskaya Korona

Sibirskaya Korona

Sibirskaya Korona is one of the leading SUN Interbrew brands. It was launched as a local beer at Omsk Brewery Rosar in August of 1996 and turned into a strong national brand.



"I like Sibirskaya Korona. It is the best beer Russia can offer; not too bitter, perfect with dinner or afterwards."

Financial Review

of all facilities of the company. This includes an increase in our brewing and packaging capacity, maintenance, primary warehousing at plant locations, investment in coolers at points of sale, and continued investment in innovations. In 2004, the majority of CAPEX was spent in upgrading the capacity of our breweries in both Russia and Ukraine. We expect the level of CAPEX for 2005 to increase slightly, as a result of our continued focus on increasing production capacity.

Cash Flow

During 2004, distribution costs as a percentage of net sales remained flat. Due to the major restructuring initiatives started in 2003 and continued in 2004, the improvement in our operations and working capital led to the level of net cash generated by operating activities to increase from B83.4m in 2003 to B111.1 m in 2004, an increase of 32.6%. The close cooperation with our distributors led the turnover ratio of receivable accounts to decrease by 6.5 days.

Accounting

Following the changes instigated in 2003, bottles continue to be treated as inventory (non-returnable) and they are included in our turnover and in costs of goods sold.

SUN Interbrew completed the move of all its breweries into one legal entity allowing for greater rationalisation and efficiency in the accounting process, going forward.

Legal Structure

In March 2004, SUN Interbrew completed the merger of its Russian subsidiaries into one legal entity. This new legal entity, Open Joint-stock Company SUN Interbrew, which comprises all of the production and distribution companies of the Group in the Russian Federation, except the Bavaria Brewery, was registered by the Russian tax authorities on the 2nd of March 2004. SUN Interbrew Ltd. holds more than 95% of the voting shares in this new subsidiary. In Ukraine there are four legal entities operationally acting as a Ukrainian branch of SUN Interbrew.

WE
FOLLOW

We Drink
Our Beer

Not Because

OUR
STRA
TEGY

Corporate
Governance

Corporate Governance

SUN Interbrew is a public company registered in Jersey, whose shares are listed in Luxembourg and traded on the Berlin, Frankfurt and Luxembourg stock exchanges. SUN Interbrew complies in full with all rules and regulations governing the listing and trading of the shares on these exchanges.

SUN Interbrew continues to follow the InBev Code of Ethical Conduct, as well as its own internal regulations, with explicit roles and responsibilities for the Board of Directors and senior management of the company.

The company constantly reviews its internal regulatory structure to make sure that all regulations adhere to international corporate governance standards.

The Board of Directors decides the company's strategy and is the ultimate decision-making body, except for issues that come under the rights reserved to the shareholders' meeting by law or by charter. Major decisions taken by the Board include the appointment of the Chief Executive Officer, members of the executive management, acquisitions and the annual budget.

The Board of Directors is Assisted by Two Committees:

The Compensation Committee comprises three members, including an independent director and one representative from each of the major shareholders;

The Audit Committee comprises three members including an independent director and one representative from each of the major shareholders.

The company's strategy is co-ordinated by the Executive Committee, which has one representative from each of the major shareholders. In 2004 these members were Jerry Fowden and Shiv Khemka.



**Senior
Vice President,
Legal Affairs**
**Oleg
Moubarakshin**

Policy for Dealing in Shares by Connected Parties

In January 2004, the Board of SUN Interbrew approved a revised set of policies on share dealings in SUN Interbrew shares by connected parties, which established specific close periods and applied the best international practice. The policies aim to further augment the level of corporate governance and transparency at SUN Interbrew through the application of international best practice for dealing in the shares of public companies. The policies are available on the company website, www.suninterbrew.ru, along with information regarding shareholdings by connected parties.

Oleg Moubarakshin Drinks Beck's®

Beck's®

Beck's® is the No.1 International German Beer. Beck's® is a proper name, a name that is unique for beer. It's short, has a tough edge to it, sounds very masculine and is very international, pronounced the same way throughout the whole world.



"Beck's® is really good. It does not matter where you are. If you just want to create a great atmosphere you call friends, put music on and pop open a Beck's®!"

Corporate Governance

Board of Directors

InBev Directors

Mr. Johan Van Biesbroeck
Mr. Jerry Fowden
Ms. Catherine Elizabeth Noirfalisse

SUN Directors

Mr. Nand Khemka (Chairman)
Mr. Uday Khemka
Mr. Shiv Khemka

Independent Directors

Mr. Khamzat Khasbulatov
Mr. Fred Packard
Mr. Christopher Lloyd

SUN Interbrew CEO

Mr. Joseph Stella

Executive Committee

Mr. Shiv Khemka
Mr. Jerry Fowden

Compensation Committee

Mr. Shiv Khemka
Mr. Johan Van Biersbroek
Mr. Fred Packard

Audit Committee

Mr. Nand Khemka
Mr. Johan Van Biesbroeck
Mr. Khamzat Khasbulatov

WE
ABIDE
BY OUR
COMPANY
ETHICS

We Drink
Our Beer

Not Because

Management

Management

Management Committee (Russia)

Joseph W. Strella
Chief Executive Officer

Luc Vanheel
Chief Financial Officer

Svetlana Chekalova
Senior Vice President, HR and Administration

Torsten Huebner
Senior Regional Vice President

Irina Kibina
Senior Vice President, Corporate Affairs
and Communication

Mikhail Maximenko
Senior Vice President,
Supply Chain & Procurement

Oleg Moubarakshin
Senior Vice President, Legal Affairs

Ian Ross
Senior Regional Vice President

Bertrand Van Renynghe
Senior Vice President, Marketing

Eugene Zabawa
Senior Vice President, Operations

Management Committee (Ukraine)

Lyudmila Nakonechnaya
Country Manager, Ukraine

Oksana Komarnytskya
National Finance Director

Daniel Gary
National Technical Director

Sergey Gerenko
National HR Director

Konstantin Pletenetskiy
National Procurement Director

Anatoliy Pustovarov
National IT-Director

Yuriy Stadnik
Head of Legal Dept.

Sergey Yeskov
Acting National Director, Sales,
Distribution & Logistics

Victoria Tsomaya
National Director, Marketing

Breweries' Directors (Russia)

Igor Gaidym

Volzhsky production site

Oleg Klein

Omsk production site

Vladislav Kuskov

Novocheboksarsk production site

Sergei Mitirev

Perm production site

Irina Privalova

Kursk production site

Elena Vinogorova

Klin production site

Petr Zaichenko

Saransk production site

Alexander Zubko

Ivanovo production site

Breweries' Directors (Ukraine)

Georgiy Ambartsumian

OAO "Rogan Brewery", Chernigov

Boris Grechko

ZAO "Desna Brewery", Kharkov

Vladimir Zhuravel

OAO "Yantar Brewery", Nikolaev

WE
HAVE
TO RALLY
OUR
TEAM

We Drink
Our Beer

Not Because

Our
People

Our People

Nothing is more important than our people and our culture. A winning team starts with the right people, and we highly appreciate those with whom we work. We respect and trust each other.

In 2004, SUN Interbrew continued to invest in development, to support continuous learning, and to reward the success of all its employees. One of our major concerns is the ongoing development of SUN Interbrew's employer profile, which we constantly raise through a number of programmes.

We improved the Young Brewer Programme which has been conducted over the past few years. It is a graduate programme designed to support and train leading graduates across all aspects of the brewing process. This initiative is a key in developing the internal talent pool of the company, with the ultimate goal of providing SUN Interbrew with the master brewers of the future. In 2004 within the Programme we launched a Mobile Training Centre supporting our production sites.

In 2005, with the support of InBev, leading managers from SUN Interbrew will be provided with the opportunity to attend courses at the world renowned Wharton and Insead business schools. They will be joined by other managers from across the InBev network, where business and leadership skills will be enhanced, taught and shared. We look forward to develop such programs hereafter.



**Senior
Vice President,
HR and
Administration**
**Svetlana
Chekalova**

SUN Interbrew continued to reform the pension scheme first introduced in 2002. At that time, pensions were incorporated on a brewery-by-brewery basis. However, in 2004, SUN Interbrew validated and introduced a company-wide pension scheme available to all employees, supplementing the state pension.

In 2004 we started to introduce a unified payroll system. Moreover, we revised and improved our internal compensation system.

Svetlana Chekalova Drinks Hoegaarden®

Hoegaarden®

Hoegaarden® is a unique, pale, unfiltered beer with a specific cloudy look. Such spices as coriander and curacao orange peel give it an unusual taste. Because of its colour and the recommended low temperature of consumption (2–3°C), Hoegaarden® is often referred to as a “cold sun”.



“I prefer Hoegaarden, what I call the Garden of Eden Beer.”

Overall we searched for extra efficiency in our work unifying our structures across the breweries, establishing closer co-operation between Russia and Ukraine. In 2004, the process of finding a new head office for SUN Interbrew was launched. This process has now been concluded and the headquarters of the Company will be moved to a new site in Moscow in June 2005. This will allow the departments from finance to operations, marketing and distribution to be housed under one roof, helping to increase the efficiency of the decision making process.

We Drink
Our Beer

Not Because

WE
STRONGLY
SUPPORT
OUR COMMUNITY

Social
Responsibility

Social Responsibility

Corporate Standards

With a unique reach in Russia and Ukraine, two of the most rapidly developing economies in the world, comes a responsibility that SUN Interbrew takes extremely seriously. We are committed to conducting our business activities in a socially responsible manner, and in particular, taking care to protect the interests of our consumers, employees, stakeholders, customers and the environment. This can be achieved only in close partnership with the local authorities and communities in which we operate.

With access to the worldwide expertise of InBev, SUN Interbrew ensures that best practices are fully embedded in all workplace activities by making decisions which are in the best interests of occupational health and safety, the environment and society.

SUN Interbrew has a long-term social responsibility to serve the communities in Russia and Ukraine, where we employ more than 9,000 people.

SUN Interbrew and the Community, “We will live here!”

During 2004, SUN Interbrew continued its long-term social initiative, “We will live here”. This programme aims to help improve the community environment in the towns and cities in which the company operates. The programme runs throughout the year and is planned to run in parallel with the changing seasons.

During the springtime, SUN Interbrew's employees in the regions spend a day performing useful work in the community. The work takes place over the weekend and is called “Subbotnik” (socially useful work on Saturday) and involves the collection of rubbish around public areas and buildings.



**Senior
Vice President,
Corporate
Affairs and
Communication**
**Irina
Kibina**

In the summer, SUN Interbrew donates flowers and helps to plant them, resulting in competitions to find the best colour displays in the autumn, “best courtyard contest”.

Our most exciting time of the year is winter. During this period SUN Interbrew helps build skating rinks and hangs New Year decorations in all the cities in which it operates.

Social Advertising

Realizing its responsibility for the society and concern for many social problems existing in Russia and Ukraine at the moment, SUN Interbrew financed production and release of social advertisement aimed at preventing drunk driving. The advert was broadcast on major national and local TV channels and on radio. This initiative has been continued in early 2005 with a new public information advertisement devoted to underage drinking.

Irina Kibina Drinks Belle-Vue®

Belle-Vue®

Belle-Vue® is the world's leading producer of lambic beers and their blends—pontaneously fermented and aged in wooden casks.



"I like its raspberry and cherry taste- it's nice and soft. Belle-Vue® goes well in just about any surroundings."

Social Responsibility

Support of Local Communities

One of our most successful project's to date has been the company's support in the construction of several modern sport complexes in Omsk and Novosibirsk. SUN Interbrew will continue to expand this and other initiatives, which we feel can contribute to the local communities.

The Environment

SUN Interbrew makes every effort to ensure that our breweries consume energy and raw materials in the most efficient way possible with no harm to the surrounding environment. Our standards of production are continuously reviewed and improved throughout the year.

Product Quality

SUN Interbrew's aim is to brew beer that is of the highest quality. The regulations governing the brewing of beer in Russia consist of seven key parameters. On top of these, SUN Interbrew has put in place for Russia and Ukraine a further twenty-five internal, quality-control checks to ensure that the end products meet the very high standards of the company and our consumers. The means of maintaining quality include measuring our processes at every step along the way—from raw material to the consumer's glass. We work with our suppliers to help them raise their food safety standards which also have a wider benefit for consumers. Each of our beer varieties has a recipe and a set of raw material specifications. But as we deal with changeable weather and different harvests, we adjust our processes to accommodate that. Yeast, which is a key ingredient in beer production, is a living organism, and we also resolve this point of variability.

Social Responsibility

At least as important as the quality of the liquid is the quality of the packaging. We carry out regular quality audits to assess how suppliers' quality systems are set up.

Moreover, beer has a limited shelf life and much effort is expended to get the product to the consumer as quickly as possible.

Employee Safety

Our people are the cornerstone of our business. We pay a great deal of attention to the working conditions, including safety, comfort and social environment. We look at these points from all possible sides. Our production facilities are constantly monitored to make sure they operate efficiently and safely according to international standards. We continuously conduct training for all employees to safely operate equipment and to provide basic first aid. We adhere to international standards of safety to assure stable efficiency of production process and quality standards.

Marketing—The SUN Interbrew Code of Conduct

In 2003, Interbrew introduced its own Corporate Code of Communication and Marketing Standards that SUN Interbrew adheres to, which ensures that the company's marketing materials or activities do the following:

- Promote responsible drinking and a healthy lifestyle
- Do not make unsubstantiated health claims
- Do not target consumers under the national legal drinking age
- Do not imply that beer consumption enhances or is a prerequisite for personal success
- Create no confusion regarding either alcohol strength, or use high or low alcoholic content as a positive quality of our brands.

In 2004 we continuously reviewed standards and monitored compliance. The Code is mandatory for all our business units throughout the markets where we operate and applies to advertising, sponsorship, outdoor events and promotions. SUN Interbrew is the only brewer in Ukraine who has implemented self-regulation over and above the current government regulations. Moreover, SUN Interbrew is a member of a number of social and commercial associations, including the Russian Beer Union, the Consumer Rights Protection Society and the Advertisers' Association. We strive to play an active role in beer community to support and improve the positive image of brewers.

Sale of Bavaria

In June 2004, SUN Interbrew sold the shares it owned in Open Joint-stock Company Bavaria (hereinafter “Bavaria”) to the management of the brewery. It was a decision that took into account the interests of all the concerned parties: SUN Interbrew, Bavaria management, staff and the Saint Petersburg city authorities.

We highly appreciate the employees of the brewery and Bavaria's historical value to the city of Saint Petersburg. Therefore, among all other choices SUN Interbrew chose the offer of the brewery's management, which expressed its strong intention to operate the brewery in the interests of the staff and with full respect for city's cultural heritage.

SUN Interbrew Hotline

We are always available to speak to our customers and have a dedicated customer hotline: 8-800-200-PIVO.

We Drink
Our Beer

Not Because

WE
IMPRESS
WITH
OUR
GROWTH

Financial
Report

Independent Auditor's Report

The Board of Directors of SUN Interbrew Limited and subsidiaries We have audited the accompanying consolidated balance sheets of SUN Interbrew Limited and subsidiaries (the "Group") as of December 31, 2004 and 2003, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SUN Interbrew Limited and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG Limited Moscow

Russian Federation

18 March 2005



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www.kpmg.ru

Financial Statements

SUN Interbrew Limited and Subsidiaries Consolidated Financial Statements of Operations For the Years Ended December 31, 2004 and 2003

(B, thousands)	2004	2003
Net sales	691,268	540,306
Cost of goods sold	(411,418)	(325,807)
Gross Margin	279,850	214,499
Selling, marketing and distribution expenses	(163,345)	(138,788)
General and administrative expenses	(33,186)	(25,291)
Operating Income	83,319	50,420
Other Income (Expense)		
Other expense	(4,473)	(270)
Interest expense, net	(15,486)	(9,831)
Foreign exchange (loss) / gain	466	(9,480)
Gain on disposal of subsidiaries	2,226	—
Impairment of investment	(3,314)	—
Other financial expenses	(2,052)	(2,291)
Net other expense	(22,633)	(21,872)
Income before income taxes and minority interest	60,686	28,548
Income taxes	(9,963)	(5,994)
Income before minority interest	50,723	22,554
Minority interest	(324)	(1,247)
Net Income	50,399	21,307
Basic Earnings per Share	0.43	0.19
Diluted Earnings per Share	0.43	0.19

See Notes to the Condensed Consolidated Financial Statements

Financial Statements

SUN Interbrew Limited and Subsidiaries Consolidated Balance Sheets As of December 31, 2004 and December 31, 2003

(B, thousands)	December 31, 2004	December 31, 2003
Assets		
Current Assets		
Cash and cash equivalents	6,300	2,529
Accounts receivable, net	15,221	23,799
Inventories	91,918	76,033
Taxes receivable	23,239	20,417
Deferred tax assets	8,211	8,872
Other current assets	21,530	17,689
Total Current Assets	166,419	149,339
Plant and equipment, net	500,268	420,456
Intangible assets, net	2,425	3,497
Goodwill	56,078	56,859
Long-term deferred tax assets	243	6,451
Other long-term assets, net	5,780	10,043
Total Assets	731,213	646,645

See Notes to the Condensed Consolidated Financial Statements

**SUN Interbrew Limited and Subsidiaries Consolidated Balance Sheets As of December 31, 2004
and December 31, 2003 (continued)**

(B, thousands)	December 31, 2004	December 31, 2003
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	55,923	43,011
Taxes payable	7,862	8,623
Deferred tax liabilities	1,871	1,764
Accrued expenses	13,313	13,808
Short-term debt	179,661	130,097
Total Current Liabilities	258,630	197,303
Long-term deferred tax liabilities	16,331	24,767
Non-current bonds payable	66,120	69,435
Other long-term liabilities	207	463
Total Liabilities	341,288	291,968
Minority interests in equity of subsidiaries	7,411	14,228
Shareholders' Equity		
Class A Shares, one pence par; authorized 125,278,614 shares; issued 88,777,585 shares	1,421	1,421
Class B Shares, one pence par; authorized 30,000,000 shares; 27,796,220 shares	387	387
Additional paid-in-capital	357,679	357,679
Retained earnings	109,025	58,626
Accumulated other comprehensive loss	(85,998)	(77,664)
Total Shareholders' Equity	382,514	340,449
Total Liabilities and Shareholders' Equity	731,213	646,645

See Notes to the Condensed Consolidated Financial Statements

Financial Statements

SUN Interbrew Limited and Subsidiaries Consolidated Statements of Cash Flows For the Years Ended December 31, 2004 and 2003

(B, thousands)	2004	2003
Operating Activities		
Net Income	50,399	21,307
Adjustments to reconcile net loss to net cash provide from operations:		
Depreciatoin	60,173	50,729
Other non-cash items	5,419	11,819
Changes in working capital:		
Accounts receivable	6,610	(6,803)
Inventories	(17,928)	(11,142)
Other current assets	(3,841)	(2,390)
Taxes payable	1,286	7,678
Accounts payable	9,466	2,290
Accured income (expenses)	(495)	9 933
Net cash provided by operating activities	111,089	83,421
Investing Activities		
Purchase of intangible assets and plant and equipment (net of processes from disposal)	(171,544)	(112,200)
Cash received from disposal of subsidiaries / (Cash paid) for acquisition of subsidiaries, net of cash (disposed) / acquired	4,763	(62,489)
Net cash used in investing activities	(166,781)	(174,689)
Financing Activities		
Net proceeds from issuance of shares	—	888
Payments of loanspayable-related parties	—	(3,041)
Proceeds of loans	59,463	88,122
Net cash used/provided by financing activities	59,463	85,969

See Notes to the Condensed Consolidated Financial Statements

SUN Interbrew Limited and Subsidiaries Consolidated Statements of Cash Flows
For the Years Ended December 31, 2004 and 2003 (continued)

(B, thousands)	2004	2003
Increase(Decrease) in cash and cash equivalents	3,771	(5,299)
Cash and cash equivalents, beginning of the period	2,529	7,828
Cash and cash equivalents, end of the period	6,300	2,529
Cash paid during the period for:		
Interest	17,085	9,046
Income taxes	8,677	8,008
Schedule of non-cash financing activities		
Proceeds from shares issue offset with loan	—	37,600

SUN Interbrew Limited and Subsidiaries Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2004 and 2003

(B, thousands)	Share Capital Class A shares	Share Capital Class B shares	Additional Paid-in Capital	Retained Earnings	Other Comprehen- sive Loss	Total
Balances at January 1, 2003	1,304	387	319,308	37,319	(14,808)	343,510
Net income	—	—	—	21,307	—	21,307
Proceeds from share issue	117	—	38,371	—	—	38,488
Recognition of deferred tax	—	—	—	—	(20,683)	(20,683)
Unrealized loss from foreign currency translation	—	—	—	—	(42,173)	(42,173)
Balances at December 31, 2003	1,421	387	357,679	58,626	(77,664)	340,449
Net income	—	—	—	50,399	—	50,399
Unrealized loss from foreign currency translation	—	—	—	—	(8,334)	(8,334)
Balances at December 31, 2004	1,421	387	357,679	109,025	(85,998)	382,514

See Notes to the Condensed Consolidated Financial Statements

Financial Notes

1. Description of Business

SUN Interbrew Limited (the “Company”) is incorporated in Jersey, the Channel Islands, and has through holding companies incorporated in Jersey; the Netherlands; and Cyprus, a controlling interest in 11 breweries (referred to collectively as the “Group”) in the Russian Federation (“Russia”) and Ukraine.

The Group manufactures, markets and distributes beer, malt and soft drinks.

The Company's voting shares (Class B) are 34.25% owned and controlled by S.U.N. Trade (International) Limited (together with its affiliates, “STI”) and 41.23% owned and controlled by Interbrew S.A., reorganized in 2004 to InBev S.A. (together with its affiliates, “InBev”) as of December 31, 2004 (December 31, 2003: 34.25% and 34.25%, respectively). The remainder of the voting shares are widely held.

The Company's non-voting shares (Class A) are owned and controlled by InBev, with an interest of 86.09% and STI, with an interest of 10.04% as of December 31, 2004 (December 31, 2003: 86% and 10%, respectively). The remainder of the non-voting shares are widely held.

2. Summary of Significant Accounting Policies

Basis of Presentation

These consolidated financial statements have been prepared in conformity with the accounting principles generally accepted in the United States of America (“US GAAP”).

The majority-owned subsidiaries incorporated under the laws of Russia and Ukraine (the “Russian subsidiaries” and “Ukrainian subsidiaries”) maintain accounting records and prepare their financial statements in Russian Roubles (“RUR”) and Ukrainian Hryvna (“UAH”) in accordance with the requirements of Russian and Ukrainian accounting and tax legislation respectively. The financial statements of the Russian and Ukrainian subsidiaries included in these consolidated financial statements differ from those prepared for Russian and Ukrainian statutory purposes. They reflect certain adjustments not recorded in the accounting of the Russian or Ukrainian subsidiaries, which are appropriate to present the financial position, results of operations and cash flows in accordance with US GAAP.

Principles of Consolidation

The consolidated financial statements include the financial statements of the Company and the majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet date as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Going Concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The recoverability of the Group's assets, as well as the future operation of the Group, may be affected by the current and future economic environments in Russia and Ukraine. The consolidated financial statements do not include any adjustments should the Group be unable to continue as a going concern.

Foreign Currency Translation

The functional currencies of the Russian and Ukrainian subsidiaries are the Russian Ruble and Ukrainian Hryvna. Management of the Company has elected to use the Euro as the reporting currency for the consolidated financial statements.

At the reporting dates, translation from the functional currency was conducted as follows:

- All assets and liabilities are translated from the functional to the reporting currency at the exchange rate effective at the reporting date;
- Equity items are translated from the functional to the reporting currency at historical exchange rates;
- Transactions in the statement of operations are translated from the functional currency to the reporting currency at the exchange rates on the date of the transactions;
- Translation adjustments are included in other comprehensive loss in equity.

Exchange rates have changed from 36.82 RUR and 6.66 UAH for B 1 respectively at December 31, 2003 to 37.81 RUR and 7.22 UAH for B 1 respectively at December 31, 2004. The 2004 average exchange rate was B1=RUR 35.66 and B 1=UAH 6.56.

The Russian Rouble and Ukrainian Hryvna are not fully convertible currencies outside the territories of Russia and Ukraine. Accordingly, the translation of amounts recorded in these currencies into Euros should not be construed as a representation that such currency amounts have been, could be or will in the future be converted into Euros at the exchange rates shown or at any other exchange rates.

Financial Notes

Cash and Cash Equivalents

The Group's cash at December 31, 2004 and 2003 consists of cash in banks and cash in transit.

Receivables

Receivables are stated at cost, less allowance for doubtful accounts.

Inventories

Inventories are valued at the lower of cost or market value. The cost of inventories is determined on a first-in, first-out (FIFO) basis and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and their condition. The cost of manufactured inventories and work in progress includes an appropriate share of overheads based on normal operating capacity.

Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. Costs include major expenditures for improvements and replacements, which extend the useful lives or increase capacity, and interest costs associated with significant capital additions. Depreciation of production assets is included in cost of goods sold. Normal maintenance and repairs are expensed. Depreciation is computed under the straight-line method using estimated useful lives as follows:

Buildings	10 to 20 years
Machinery and equipment	8 to 15 years
Transportation and office equipment	3 to 10 years
Returnable packaging	5 to 10 years

Intangible Assets

Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortization and are amortized on a straight-line basis over their useful lives of 3 to 4 years.

Goodwill

Goodwill, which represents the excess of the purchase price over the fair value of net assets acquired, is not amortized but tested annually for impairment. The amount of goodwill impairment is measured on projected, discounted, future operating cash flows.

Other Long-term Assets

Investments in non-marketable securities where the Company does not exercise control or significant influence over the investee are carried at cost less allowance for any permanent diminution in value. These investments are classified as available-for-sale securities.

Impairment

Long-lived assets, such as property, plant and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset against the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Goodwill and intangible assets not subject to amortization are tested annually for impairment. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value.

A decline in the fair value of any available-for-sale security that is deemed to be other than temporary, results in a reduction of the carrying amount to fair value. The impairment is charged to the statement of operations and a new cost basis for the security is established.

Short-Term Debt

Short-term debt consists primarily of short-term loans and overdraft facilities from banks.

Revenue Recognition

Revenue from the sale of goods is recognised in the statement of operations when the significant risks and rewards of ownership have been transferred to the buyer.

Income Taxes

Deferred income taxes are accounted for under the liability method and reflect the tax effect of all significant temporary differences between the tax basis of assets and liabilities and their reported amounts in the accompanying consolidated financial statements. A valuation allowance is provided when management believes that it is more likely than not, that the deferred tax assets will not be realized.

Financial Notes

Advertising

Incurred advertising costs are charged to the statement of operations and amounted to B 36.59 million and B 32.2 million for the years ended December 31, 2004 and 2003, respectively.

Stock-Based Compensation

The Group has adopted the provisions of Statement of Financial Accounting Standards 123, "Accounting for Stock-Based Compensation" ("SFAS 123") and accounts for stock-based compensation using the fair value method. Under the fair value method, stock based compensation is measured at the grant date based on the value of the award and is recognized in compensation costs over the service period.

Basic and Diluted Earnings Per Share

Basic earnings per share is based on the weighted average number of ordinary (common) shares outstanding during the period. Diluted earnings per share is based on the weighted average number of ordinary (common) shares and ordinary (common) share equivalents (stock options and convertible shares) outstanding during the period. The effects of share equivalents are not included in the calculation of diluted earnings per share where their effects would be anti-dilutive.

Concentration of Credit Risk and Fair Value of Financial Instruments

Financial assets that potentially expose the Group to concentrations of credit risk consist primarily of cash and cash equivalents and trade accounts receivable.

The Group places the majority of its excess cash in branches of international banks in Russia and Ukraine and in financial institutions outside Russia and Ukraine. The Group also limits the amount of credit exposure to any one institution. The Group has not experienced losses on such accounts. The Group's customer base includes primarily beer and soft drink distributors in Russia and Ukraine. In general, the Group does not require collateral for its accounts receivable with its larger distributors and maintains an allowance for doubtful debt.

Historically and on aggregate, these losses have not exceeded estimates made by the management.

The carrying amount of financial instruments approximates the fair value due to the short-term maturities of these instruments.

Concentration of Business Risk

The Group's principal operating activities are within Russia and Ukraine. Both countries have been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in Russia and Ukraine involve risks that typically do not

exist in other markets. The consolidated financial statements reflect the management's assessment of the impact of the Russian and Ukrainian business environments on the operations and the financial position of the Group. Future business environments may differ from the management's assessment.

3. Disposals of subsidiaries during the year

Bavaria

In June 2004 the Group signed an agreement with the management of Bavaria brewery for the sale of the Group's stake (approx. 99%) in OJSC Bavaria.

The result of the disposal is as follows:

(B, thousands)	
Cash and cash equivalents	(13)
Accounts receivable, net	(203)
Inventory	(325)
Taxes receivable	(18)
Other current assets	(242)
Property, plant and equipment	(5,701)
Intangible assets	(2)
Total assets	(6,504)
Accounts payable	463
Taxes payable	59
Deferred tax liability	696
Accrued expenses	79
Other current liabilities, including interest payable	3,338
Total liabilities	4,635
Net assets at the date of disposal	(1,869)
Consideration received	5,294
Expenses related to sale	(1,199)
Gain on sale of Bavaria	2,226

Financial Notes

Other subsidiaries

In March 2004 the Group sold 100% of the shares in Klin Holding, a Dutch subsidiary, to a company affiliated to InBev.

The result of the disposal is as follows:

(B, thousands)	
Cash and cash equivalents	(30,025)
Other current assets	(16)
Total assets	(30,041)
Net assets at the date of disposal	(30,041)
Consideration received	30,041
Loss on disposal	—

4. Net Sales

Net sales for the years ended December 31, 2004 and 2003 consisted of the following:

(B, thousands)	2004	2003
Beer	689,899	538,527
Soft drinks	1,369	1,779
	691,268	540,306

5. Accounts Receivable

Accounts receivable as of December 31, 2004 and 2003 consisted of the following:

(B, thousands)	2004	2003
Accounts receivable	20,396	30,212
Less: allowance for doubtful debts	(5,175)	(6,413)
Accounts receivable, net	15,221	23,799

The movement in the allowance for doubtful debts is as follows:

(B, thousands)	2004	2003
Allowance for doubtful debts—beginning of the year	6,413	5,849
Additional charge/(release) to other operating expense	(1,238)	564
Allowance for doubtful debts—end of year	5,175	6,413

6. Inventories

Inventories as of December 31, 2004 and 2003 consisted of the following:

(B, thousands)	2004	2003
Raw materials	52,190	32,612
Produced malt	10,701	5,205
Work-in-process	5,240	7,792
Finished goods	14,687	12,818
Other (spare parts and point of sales materials)	9,100	17,606
	91,918	76,033

7. Other Current Assets

Other current assets as of December 31, 2004 and 2003 consisted of the following:

(B, thousands)	2004	2003
Advances to suppliers	15,674	10,817
Deposits and prepayments	5,856	6,872
	21,530	17,689

Financial Notes

8. Plant and Equipment

Plant and equipment as of December 31, 2004 and 2003 consisted of the following:

(B, thousands)	2004	2003
Buildings	102,194	95,044
Machinery and equipment	354,740	354,271
Transportation and office equipment	72,764	26,360
Packaging materials	28,257	29,402
Construction-in-progress	122,957	59,152
	680,912	564,229
Less: accumulated depreciation and impairment losses	(180,644)	(143,773)
Plant and equipment, net	500,268	420,456

Accumulated depreciation and impairment losses include impairment losses for the year of B 0.7 million (2003: B 1.8 million).

9. Intangible Assets

Intangible assets as of December 31, 2004 and 2003 consisted of the following:

(B, thousands)	2004	2003
Cost as of January 1, 2004 and 2003	6,495	6,251
Less: accumulated amortization	(4,070)	(2,754)
Intangible assets, net	2,425	3,497

10. Goodwill

The changes in the carrying amount of goodwill as of December 31, 2004 and 2003 consisted of the following:

(B, thousands)	2004	2003
Cost as of January 1, 2004 and 2003	59,003	28,478
Goodwill acquired during the year	—	30,525
Decrease due to disposal	(2,144)	—
Effect of change in exchange rate	(781)	—
	56,078	59,003
Accumulated impairment losses of January 1, 2004 and 2003	(2,144)	(2,144)
Decrease due to disposal	2,144	—
	—	(2,144)
Goodwill, net	56,078	56,859

11. Other long-term assets

Other long-term assets as of December 31, 2004 and 2003 consisted of the following:

(B, thousands)	2004	2003
Long-term receivables	2,896	3,434
Equity securities available-for-sale	2,376	9,568
Other long-term assets	508	338
Less: impairment	—	(3,297)
Other long-term assets, net	5,780	10,043

12. Related Party Transactions

The Group has entered into various services agreements with InBev and STI. The services to be provided under the general services agreement include management support, general technical assistance, financial operations, publicity, marketing, use of brands and various other services, which both STI and InBev provide

Financial Notes

to the Group. Under the general services agreement, a fee equal to 0.875% of net sales, is payable by the Group on a yearly basis to STI and InBev. Fees for the use of brands are agreed between the shareholders. Other services are purchased at market rates. During 2004 and 2003, the Group had expenditures of B17.9 million and B11.8 million, respectively, under these agreements. In addition, the Group acquired services from related parties in relation to the construction of property, plant and equipment. The cost of these services was B1.6 million (2003: B1.6million).

As of 31 December 2004 the outstanding balances with related parties were as follows:

(B, thousands)	2004	2003
Trade payables	1,731	3
Other payables	5,473	5,489
Short term debt	—	308

Refer Note 3 and Note 19 for other transactions with related parties.

13. Short-Term debt

Short-term debt as of December 31, 2004 and 2003 consisted of the following:

(B, thousands)	2004	2003
Short-term loans payable	179,661	129,492
Related party payables	—	308
Other short-term debt	—	297
	179,661	130,097

As of December 31, 2004, the Group had multi-currency credit line agreements for the equivalent amount of B255.3 million with various banks. Short-term loans payable consist of USD denominated loans of B34.6 million, that have been drawn at an average interest rate of 2.9%, Rouble denominated loans equivalent to B113.5 million with an average interest rate of 6.87% and Hryvna denominated loans equivalent to B31.6m with an average interest rate of 11%. All short-term loans have variable interest rates.

14. Long-term bonds payable

In September 2003, the Group issued bonds, with a coupon interest of 13.75% which is repriced annually. The number of bonds issued was 2,500,000 with a par value RUR 1,000 with a total bond obligation of RUR 2,500 million. The date of maturity is August 2006. Coupon interest is payable every 6 months with the first payment made on 17 February 2004. On 17 August 2004 the coupon rate was changed to 13% p.a.

15. Post Retirement Benefits payable

Russian and Ukrainian entities are required by federal laws to contribute an amount to state pension funds for a certain number of their employees. The Group's contributions are approximately 21% and 32% of the employees' salaries for Russia and Ukraine, respectively (2003: 28% for Russia and 32% for Ukraine). The contributions are accounted for on an accrual basis, and totalled B7.4 million and B10.8 million for 2004 and 2003, respectively.

Certain breweries provide their own benefit plans covering employees who have served a Group brewery for more than five years. A life-long retirement benefit and lump sum amount is paid upon retirement. The amount of benefit paid depends on the employee's total length of service for the brewery. The liability related to the benefit plans is recognized as a long-term liability and amounted to B0.2 million as of December 31, 2004 and B0.5 million as of December 31, 2003.

16. Income Taxes

Income taxes are provided for based on taxable income and the varying tax rates as required by the tax laws in Russia, Ukraine, Holland, Jersey and Cyprus. Certain costs and expenses, including some types of employees' compensation, benefits, and interest, which are included as expenses in the consolidated statements of operations, are not deductible when determining taxable income. The Company and certain of its subsidiaries, which are registered in Jersey, the Channel Islands, have been granted "Exempt Company" status and are exempt from Jersey income taxes.

The statutory income tax rate applicable to the Ukrainian subsidiaries was changed from 30% to 25%, effective as of January 1, 2004. The statutory income tax rate applicable to the Russian subsidiaries remained the same as 2003 and amounted to 24%.

Financial Notes

The reconciliation of the income tax expense for the year compared to the amount of income tax expense that would result from applying the statutory tax rate in Jersey to the income before taxes is as follows:

(B, thousands)	2004	2003
Income before tax	60,686	28,548
Expected tax expense at Jersey tax rate (0%)	—	—
Effect of different tax rates in different jurisdictions:		
Russian operations	2,450	2,155
Ukrainian operations	4,511	2,995
Other international operations	264	(4,604)
Effect of change in tax rates in Ukraine	—	(266)
Tax concessions for capital investments in Russian operations	(124)	(1,157)
Change in valuation allowance	—	(60)
Net non-taxable income and non-deductible expenses	2,862	6,931
Income tax expense	9,963	5,994

(B, thousands)	2004	2003
Current tax expense	8,996	7,910
Deferred tax expense / (benefit)	967	(1,916)
Income tax expense	9,963	5,994

As of December 31, 2004 and 2003 temporary differences that give rise to deferred tax liabilities and assets were comprised of the following:

(B, thousands)	2004	2003
Deferred tax assets:		
Plant and equipment	—	7,283
Other assets	243	701
Accrued expenses	5,479	4,287
Tax loss carry forwards	2,732	3,544
Total gross deferred tax assets	8,454	15,815
Deferred tax liabilities:		
Plant and equipment	(16,331)	(25,590)
Inventories	(1,721)	(810)
Other assets and liabilities	(150)	(131)
Total gross deferred tax liabilities	(18,202)	(26,531)
Net deferred tax liability	(9,748)	(10,716)
Valuation allowance	—	(492)
Deferred tax asset / (liability) net of allowance	(9,748)	(11,208)

The tax loss carried forward included in the deferred tax assets relate to operations in Russia. In accordance with Russian legislation, tax losses can be carried forward for 10 years.

Realisation of net deferred tax assets is dependent on future reversals of existing taxable temporary differences and adequate future taxable profit. Although realisation is not assured, management believes that it is more likely than not that the deferred tax assets will be realised. The amount of the net deferred tax assets considered realisable, however, could be reduced in the near term if actual future taxable income is lower than estimated, or if there are differences in the timing or amount of future reversals of existing taxable temporary differences.

Financial Notes

17. Tax contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions. These are often unclear, contradictory and subject to varying levels of interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a fiscal year may remain open for longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated US GAAP financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

18. Commitments

At December 31, 2004 and 2003 the Group had outstanding contractual commitments totalling approximately B 53.9 million and B 16.8 million respectively, to purchase property, plant and equipment. In addition, the Group had commitments to purchase raw materials and other materials worth B 20.3 million at December 31, 2004 and B 22.1 million at December 31, 2003.

19. Employee stock option plan

On December 31, 2004 and 2003, the Company had 666,343 and 510,493 option granted, respectively. Each option allows the right to purchase one non-voting share (class A) or receive a cash alternative. The options are vested in 3 instalments; 20% one year after the grant date, 30% two years after the grant date and 50% three years after the grant date and have a maximum term of 10 years. The stock option plan summary and changes during the year are presented below:

	Weighted average exercise price, B	2004	2003
Options granted at the beginning of year	4.1	510,493	90,675
Granted	7.64	274,372	419,818
Cancelled	4.31	(62,645)	—
Exercised	4.24	(55,877)	—
Options granted at end of the year	5.52	666,343	510,493
Options exercisable at end of the year	4.51	66,019	—
Exercise price per share		USD 3.83 - USD 7.64	USD 3.83 - USD 5.33

The fair value of these options was estimated using the Black Scholes model. The assumptions used in this model were as follows:

(B, thousands)	2004	2003
Risk free interest rate	4.26%	4.26%
Expected stock volatility	172%–315%	45%–120%
Average expected life (years)	7.5	8

During 2004, the Group recorded compensation costs of B3.1 million relating to the employee stock option plans.

20. Earnings Per Share

The reconciliation of basic earnings per share and diluted earnings per share for the year ended December 31, 2004 and 2003 are as follows:

2004 (B, thousands)	Net income (Numerator)	Shares (Denominator)	Per share- amount
Basic EPS			
Income available to ordinary (common) shareholders	50,399	116,573,805	0.43
Diluted EPS			
Income available to ordinary (common) shareholders and assumed conversions	50,399	116,573,805	0.43

Financial Notes

As at December 31, 2004 the Company had 356,000 potentially dilutive shares, which are not included in the calculation because of their anti-dilutive effect on EPS.

2003 (B, thousands)	Net income (Numerator)	Shares (Denominator)	Per share- amount
Basic EPS			
Income available to ordinary (common) shareholders	21,307	115,037,112	0.19
Diluted EPS			
Income available to ordinary (common) shareholders and assumed conversions	21,307	115,037,112	0.19

21. Segment Information

There are two operating segments in the Group that are organized around geographic areas, Russia and Ukraine. These operating segments have similar economic characteristics and were aggregated into a single operating segment.

2004 (B, thousands)	Revenues	Long-lived assets
Russia	529,693	401,591
Ukraine	161,575	157,180
Total	691,268	558,771

2003 (B, thousands)	Revenues	Long-lived assets
Russia	404,074	338,813
Ukraine	136,232	141,999
Total	540,306	480,812

22. Subsequent events

On January 31, 2005 the extraordinary General Meeting of the Company's shareholders approved the acquisition by InBev of up to 10,491,176 of the Company's Class B shares from SUN Trade (International) Ltd. and its affiliates and up to 6,061,930 of the Company's Class B shares from Eco Holdings Limited and its affiliates. As a result of the shares acquisition, InBev will own 97.3% of the B (voting) shares and 98.8% of the A (non-voting) shares in the Company, which represent a 98.5% economic interest in the Company. In accordance with the employee stock option plan (Note 19), all employee stock options that were outstanding when this decision took place became vested. The Company intends to settle those options in cash at a price similar to the price offered by InBev for the outstanding shares, which exceeds the market price at the balance sheet date. The estimated additional costs relating to this settlement is approximately B10.6 million.

Quarterly Financial Information (Unaudited)

The Group's financial results by quarter were as follows:

2004 (B, thousands)	1st quarter	2nd quarter	3rd quarter	4th quarter
Net sales	133,622	215,748	214,145	127,753
Operating income (loss)	5,320	32,015	40,041	5,943
Net income (loss)	(1,837)	21,826	27,314	3,094
Basic earnings (loss) per share	(0.02)	0.19	0.23	0.03
Diluted earnings (loss) per share	(0.02)	0.19	0.23	0.03

2003 (B, thousands)	1st quarter	2nd quarter	3rd quarter	4th quarter
Net sales	83,165	160,205	173,102	123,834
Operating income (loss)	(1,941)	21,824	29,475	1,062
Net income (loss)	(7,072)	11,566	18,727	(1,914)
Basic earnings (loss) per share	(0.06)	0.1	0.16	(0.02)
Diluted earnings (loss) per share	(0.06)	0.1	0.16	(0.02)

Note: Quarterly earnings (loss) per share are independently computed using weighted-average shares outstanding for the quarter. As a result, the sum of the quarterly earnings per share will not necessarily equal the annual earnings per share.

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