

Fitch Ratings asigna B- en escala internacional a Cerveceria y Malteria Quilmes

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Fitch Ratings-Chicago—March 17, 2005: Fitch Ratings has assigned an international foreign currency rating of 'B-' to the US\$150 million bond issued by Argentine Beverages Financial Trust, whose underlying asset is a loan granted to Cerveceria y Malteria Quilmes S.A. (CMQ). This rating reflects CMQ's dominant position in the Argentine beer industry. It also reflects the company's strong financial profile and diversification into soft drinks, juices and water. The rating further factors in CMQ's strong shareholders: the Bemberg family, via Beverage Associates Corp. (BAC), and Companhia de Bebidas das Americas (AmBev). CMQ had a market share of 79% in the Argentine beer market at the end of September 2004. Due to the merger of the company's operations with the Argentine operations of AmBev, the second-strongest brewer in the market during 2003, Fitch believes the company will continue to dominate this market, as barriers to entry are high. These barriers include the diversification of CMQ's brands, the broad appeal of the company's flagship brand, Quilmes Cristal, and its extensive distribution systems. Like other beverage companies in Latin America, CMQ has a considerable amount of expenses denominated in U.S. dollars while its revenues are generated in the local currency, Argentine pesos. During significant economic downturns, the company is not able to transfer increases in dollar-denominated costs to the prices for its beer and soft drink products. This situation acts as a constraint upon the company's national scale currency rating. Furthermore, CMQ has a material amount of financial debt denominated in U.S. dollars. Not only does this diminish the company's ability to service its debt obligations in the event of a sharp devaluation of the Argentine peso versus the dollar, but the company also has significant exposure to the imposition of transfer and convertibility (T&C) restrictions by the Argentine government. As a result of T&C risks, Fitch has capped CMQ's foreign currency rating at 'B-'. This rating is equal to the 'B-' country ceiling of the Argentine Republic. Fitch rates AmBev's foreign currency debt obligations 'BB+', two notches above Brazil's 'BB-' country ceiling. Control of AmBev, which is based in Brazil, was acquired by one of the largest brewers in the world, InBev, during 2004. As part of that transaction, AmBev acquired Labatt Canada, the second-largest brewer in Canada. The 'BB+' foreign currency rating of AmBev was constrained by debt covenants at Labatt Canada that limit the distribution of cash from that subsidiary to AmBev, as well as uncertainty surrounding under what circumstances and the degree to which InBev would assist AmBev in making timely payments on the debt obligations of its Brazilian subsidiary. AmBev and BAC jointly control CMQ's parent company, Quilmes Industrial S.A. (Quinsa), through a shareholders' agreement. As a result of shared control, CMQ is not considered a material subsidiary of AmBev under the terms of its existing debt agreements. Through a series of put and call agreements between BAC and AmBev, the shareholders of BAC will exchange their shares in Quinsa for shares in AmBev. This will result in AmBev owning more than 90% of the company's voting shares and more than 80% of CMQ's total equity. While this exchange of shares could come as early as April 2005, it is likely to occur no later than April 2009. For the fiscal year-ended June 30, 2004, CMQ generated about ARP453 million (about US\$153 million) of operating profits plus depreciation and amortization (EBITDA). This figure represented an increase from ARP235 million in the prior year. The improvement was due to a number of factors, including the overall rebound in the Argentine economy, which translated into higher prices and volumes for both beer and soft drinks, and a restructuring of the company's production and distribution systems to incorporate AmBev and Buenos Aires Embotelladora S.A. (Baesa). Due to these factors, the company's EBITDA margins increased to 32.2% as of June 30, 2004, from 23% in the prior year. At the end of June 2004, CMQ had ARP821 million (US\$277 million) of total debt and ARP188 million (US\$64 million) of cash and marketable

securities. Therefore, the company's leverage, as measured by total debt-to-EBITDA, was 1.8 times (x) and its net leverage was 1.4x. CMQ's credit profile is expected to improve in 2005, with EBITDA projected to increase to approximately ARP540 million (US\$180 million). With limited capital expenditures due to the company's modern production facilities, CMQ should generate a significant amount of free cash flow. This could lead to a reduction of the company's total debt to less than ARP450 million (US\$150 million). For a complete copy of the credit analysis on CMQ, please visit the Fitch Ratings web site at 'www.fitchresearch.com'. Contact: Joe Bormann, CFA +1-312-368-3349, Chicago; or Dolores Teran +54-11-5235-8120, Buenos Aires.