Press-release: RG Brands 9M2013

thousands KZT	***9 months 2013***	***9 months 2012***	***Change, %***
Revenue	26 600 609	25 938 046	3%
Gross Profit	10 110 724	10 785 176	-6%
Gross Profit margin, %	38%	42%	
EBITDA	3 458 547	4 255 958	-19%
EBITDA margin, %	13,0%	16,4%	-21%
Currency exchange gain/loss	-224 007	-86 784	
Net profit/loss	1 645 205	2 464 631	-33%
Net financial debt	8 922 884	11 141 880	-20%

- **RG Brands 9M 2013 revenue climb by 3% to TENGE 26.6bn**
- **9M Gross Profit decreased by 6% to TENGE 10.1bn**
- **9M EBITDA result is TENGE 3.5bn**
- **Net Operating Cash for 9 months of 2013 is TENGE 2bn**
- **Net financial debt decreased by 20% or for the amount of TENGE 2.2 bn.**

RG Brands continues to execute its midterm development plan. The company achieved net revenue growth for 9 months of 2013 of 3%, actively reinvesting accumulated funds into the development of key company brands and strengthening of sales and distribution system.

Focus of RG Brands on developing strong regional brands with high growth potential resulted in the launch in 1H of 2013 of the companies own brand CITI in the Iced Tea category, as well as extended flavours with brand YETI in the energy drink segment. Sales and distribution development dynamics for Yeti and CiTi in 2013 is fully in line with the company’s expectations.

The International business development program across Central Asia and Russia (Western Siberia, the Urals and the Volga region), is already becoming a significant factor in the company’s business, due to active marketing campaigns and long term relationship development with local trade partners.

The decline of Gross profit by 6%, gross profit margin by 4 points and EBITDA is mainly a result of increased commodity prices (in particular, on tea). Important to mention that the prices on main raw materials are cyclic, a high level of which are observed in 2013. Currently, the company has already managed to optimize the commodity prices and the prices have been reduced to the level of 2012 by concluding forward contracts, establishing a favorable base for 2014. The decline of EBITDA for the 9 months of 2013 is tactical and connected with ‘Investing for Growth’, strengthening of the sales and distribution capability, as well as investments in marketing initiatives related to the launch of new products. The effect from these investments has already begun, whilst these investments are medium-term ones. General and administrative expenses are below the level of 2012 due to implemented cost reduction and productivity improvement programs.

The Company pays great attention to effective management of working capital and as a result plans to finish 2013 with 10% growth of Net Operating Cash compared with the same indicator of 2012. Net Operating Cash results for 9 months of 2013 reached 2 bn tenge.

RG Brands continues to implement financial initiatives aimed at strengthening its balance sheet. The 7-year long term loan agreement for the amount of USD 40.2 mln was concluded with Asian Development Bank during the first half of 2013, aimed at refinancing of short term obligations and financing of 2013-2015 investment program. In addition, within the midterm strategy of sustainability of w/c financing, the company signed the midterm 3-year loan agreement for the amount of USD 25 mln with European Bank for the Reconstruction and Development in 3Q 2013 to finance its working capital needs. Along with that, the amount of net financial debt has decreased by 1.8 bn tenge since the beginning of this year.

Based on the current situation in the capital markets, management of JSC "RG Brands" focus on delivery of its growth through long term working capital financing facilities and diversification of its obligations by using different types and instruments of funding. Much attention is paid to minimize currency risks.

In connection with the changes in commodities prices, as well as an unusually cool summer season the management has made downward corrections in respect to the key indicators for 2013. However, forecasted sales volumes and optimized commodity prices for 2014, as well as strengthening key balance items allow RG Brands to confirm and be confident it can deliver all midterm key indicators in accordance with its midterm development plan.