



# *Welcome*

SABMiller plc

Quarterly divisional  
seminar series

SABMiller Europe

July 9<sup>th</sup>, 2009 – London

July 10<sup>th</sup>, 2009 – New York





# Forward looking statements



This presentation includes ‘forward-looking statements’. These statements contain the words “anticipate”, “believe”, “intend”, “estimate”, “expect” and words of similar meaning. All statements other than statements of historical facts included in this presentation, including, without limitation, those regarding the Company’s financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Company’s products and services) are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future. These forward-looking statements speak only as at the date of this presentation. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

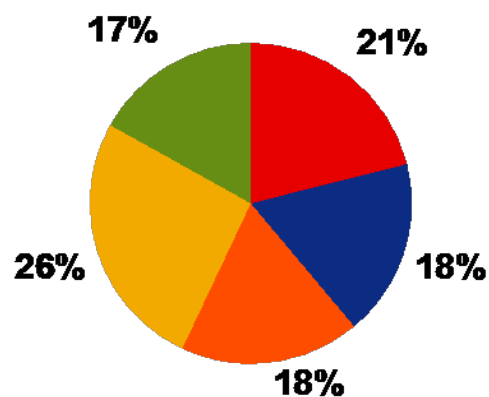


## Europe: an important contributor to the Group

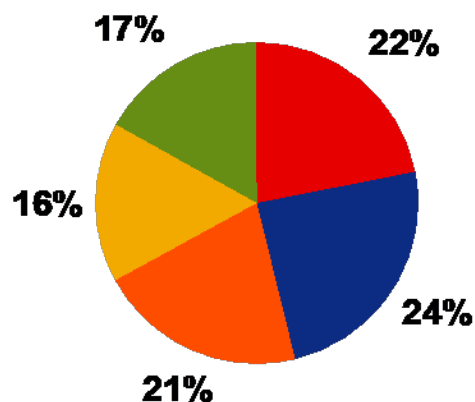


### Twelve months to 31 March 2009

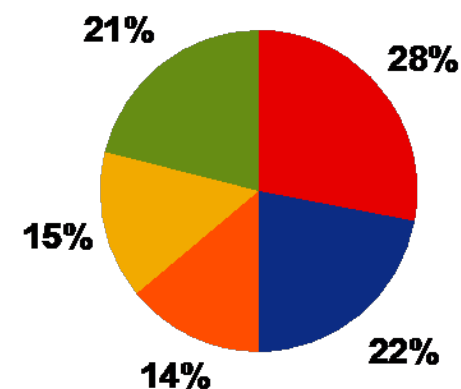
**Volume**



**Revenue**



**EBITA**



■ Latin America      ■ Europe      ■ North America  
■ Africa & Asia      ■ South Africa

Volume excludes contract brewing, includes soft drinks and other beverages

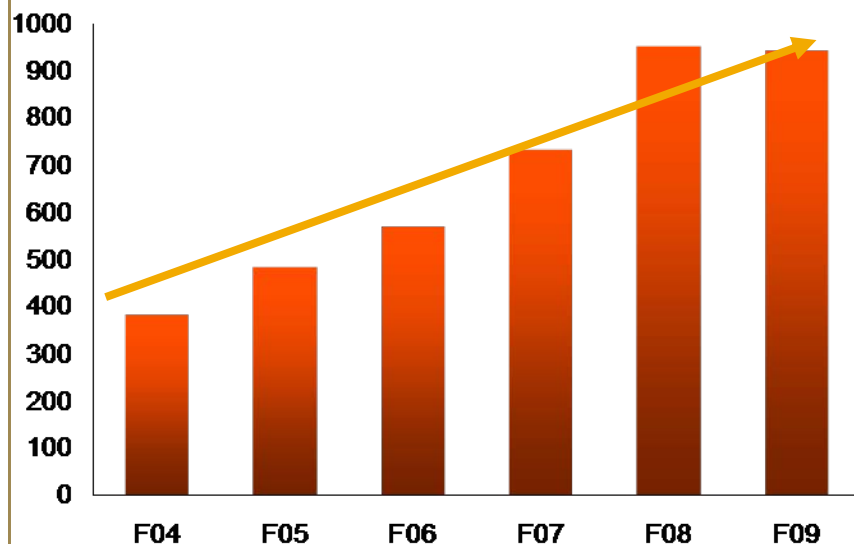
EBITA comprises operating profit before exceptional items, amortisation of intangible assets (excluding software) and includes the group's share of associates and joint ventures' operating profit on a similar basis



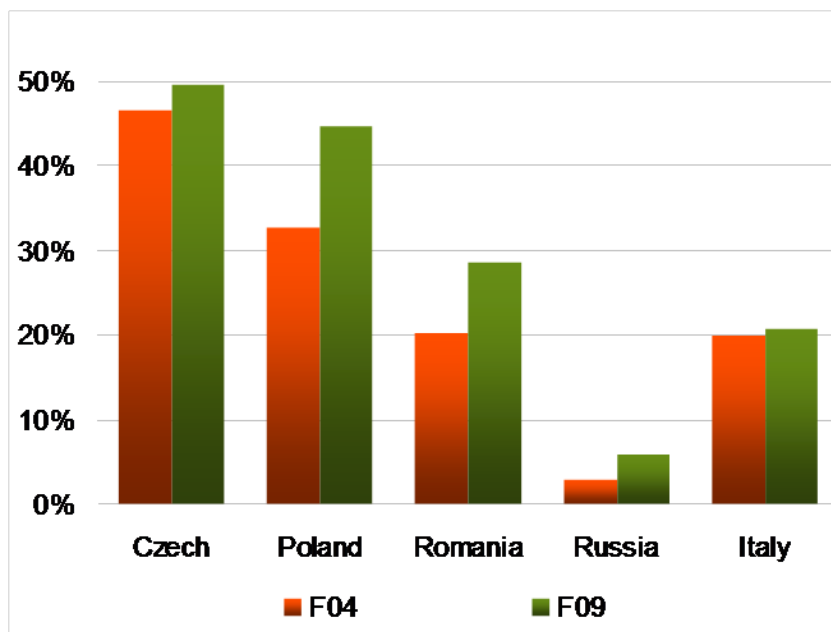
# Consistent Europe profit and market share growth



## Reported EBITA \$m



## Volume market share



Organic CC 2004-2009 EBITA CAGR: 19%



# F09 performance



Organic, CC	Volume $\Delta$ H1	Volume $\Delta$ H2	Rev/hl $\Delta$ H1	Rev/hl $\Delta$ H2	EBITA $\Delta$ H1	EBITA $\Delta$ H2	EBITA % $\Delta$ H1	EBITA % $\Delta$ H2
Europe	2%	(2)%	6%	7%	(6)%	(4)%	(270) bps	(110) bps

- Margin impact of higher costs reduced despite softer volumes H2 versus H1:
  - Robust pricing
  - Focus on cost base
  - Marketing efficiency
- Share gains despite robust pricing

Country	Share Growth <sup>1</sup>	Market Share
Poland	+400bps	44%
Czech	-60bps	49%
Romania	+460bps	29%
Russia	+30bps	5.3%
Italy	+40bps	21%

1. Internal management estimates, Q4 F09 versus Q4 F08



## Alan Clark – career background



- 1985 Lecturer in Psychology, University of South Africa
- 1988 Associate Professor of Psychology, Vista University, SA
- 1990 Training and Development Manager, SAB Ltd
- 1994 General Manager, Alrode Brewery, SAB Ltd
- 1996 Operations Director, Northern Regions, SAB Ltd
- 2000 Marketing Director, SAB Ltd
- 2001 Managing Director, Amalgamated Beverage Industries
- 2003 Managing Director, SABMiller Europe



## Nigel Cox – career background



- 1970 Audit Manager, Price Waterhouse, Johannesburg
- 1975 Finance Manager, SAB Group, Johannesburg
- 1980 Managing Director, Southern Breweries<sup>1</sup>
- 1985 Finance Director, Westgate Overseas<sup>2</sup>
- 1990 Managing Director, Westgate Overseas<sup>2</sup>
- 1994 Finance Director, SAB Group, Johannesburg
- 1999 Finance Director, SAB Plc
- 2001 Finance Director, SABMiller Europe

1. SAB Operations in Zimbabwe, Botswana, Swaziland, Lesotho 2. SAB International Operations in USA, UK, Europe, Australia



# Agenda



- Industry context
- Our strategy for growth
- Medium term outlook
- Q&A





# Since we last spoke in Jan 2008 the macro context in Europe has changed...



## 1. Challenging economic environment

- Global credit crisis – impact varies by country
- Unknown duration and depth of recession
- Government fiscal pressure, higher taxes
- Commodity cost volatility

## 2. Increasing market maturity

- PCC growth moderating in Eastern Europe, reducing in Western Europe
- Category fragmentation, consumer polarisation
  - ‘Treat versus Deal’ behaviour
  - SKU proliferation
- Traditional media less effective
- Growing modern trade, declining on-premise
- Consolidation of distribution

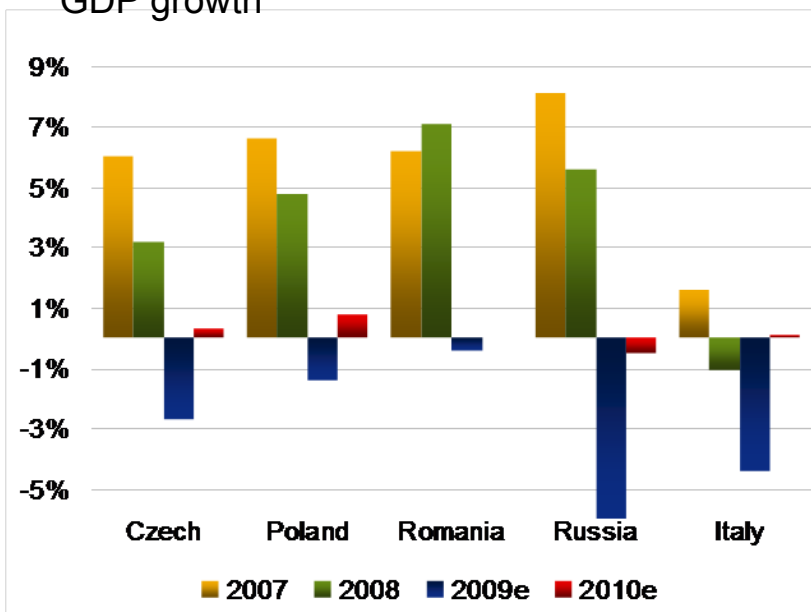
## 3. Changing competitive landscape

- Over 80% of volume in SABME markets consolidated amongst ‘big four’ brewers

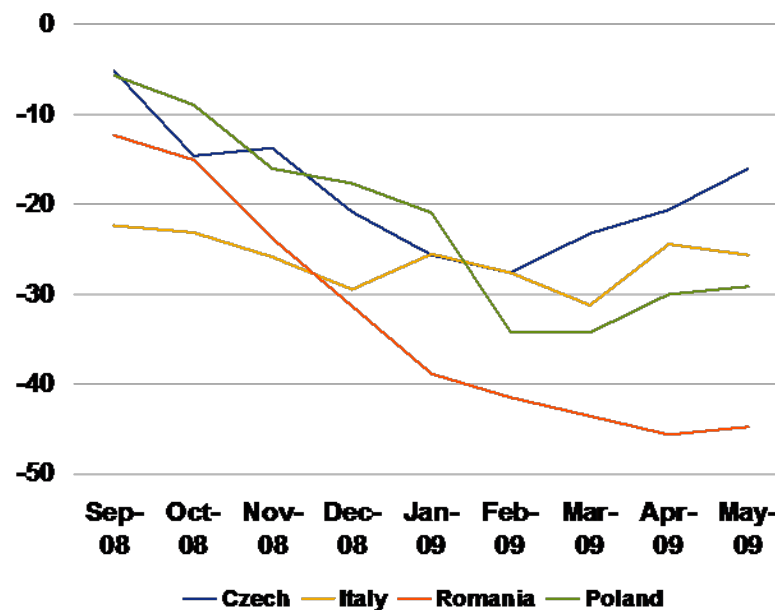


# Economic environment

## GDP growth



## Consumer confidence indicator



GDP growth to resume in 2010, confidence returning

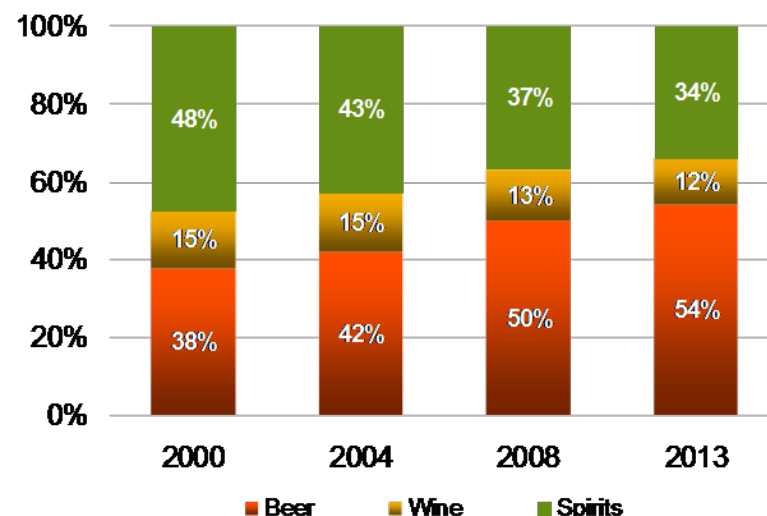
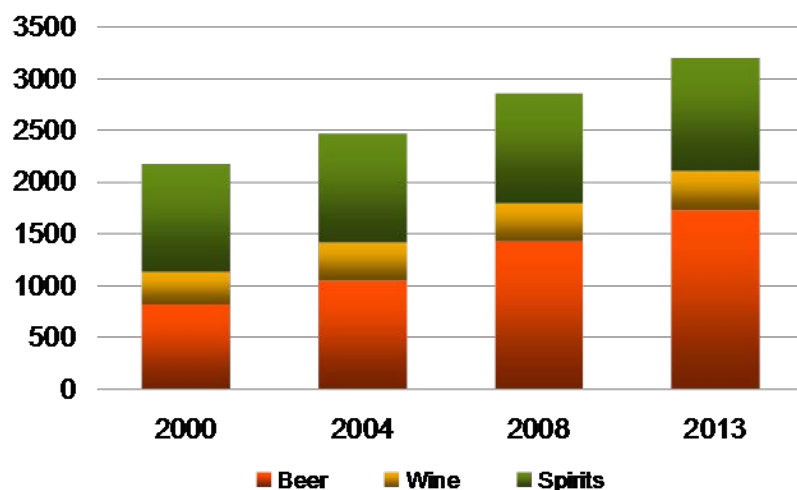
Source: Eurostat May 09



# Growth in beer has driven growth in total alcohol



## Central and Eastern Europe: litres of equivalent alcohol

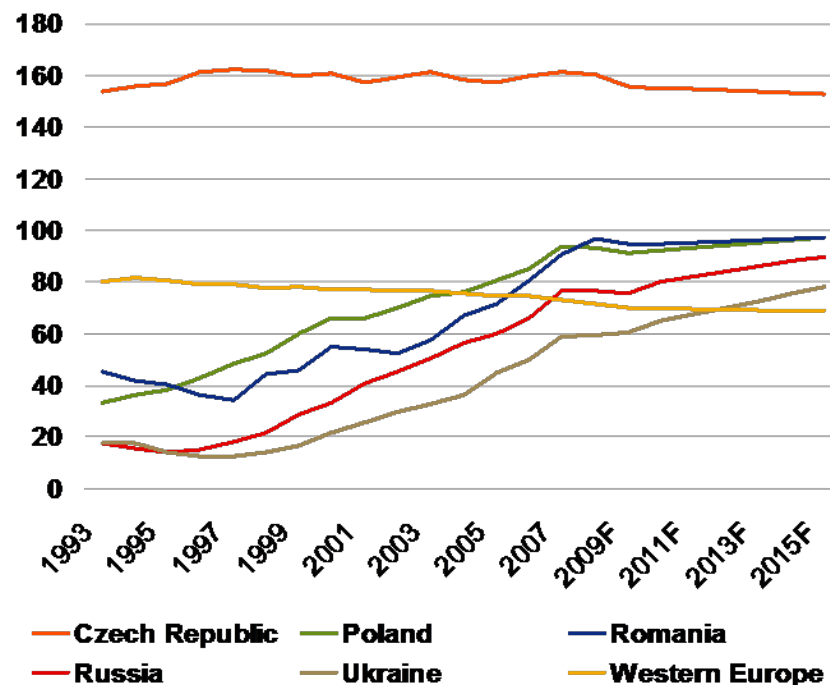


Source: Canadean, March 2009



## European beer consumption trends

- Growth still expected in CEE
- PCC in CEE exceeds Western European average
- Western Europe PCC declining
  - Western Europe average skewed by Spain and Italy, which are growing from smaller bases, and France



Growth moderating in Eastern Europe while PCC declines in Western Europe

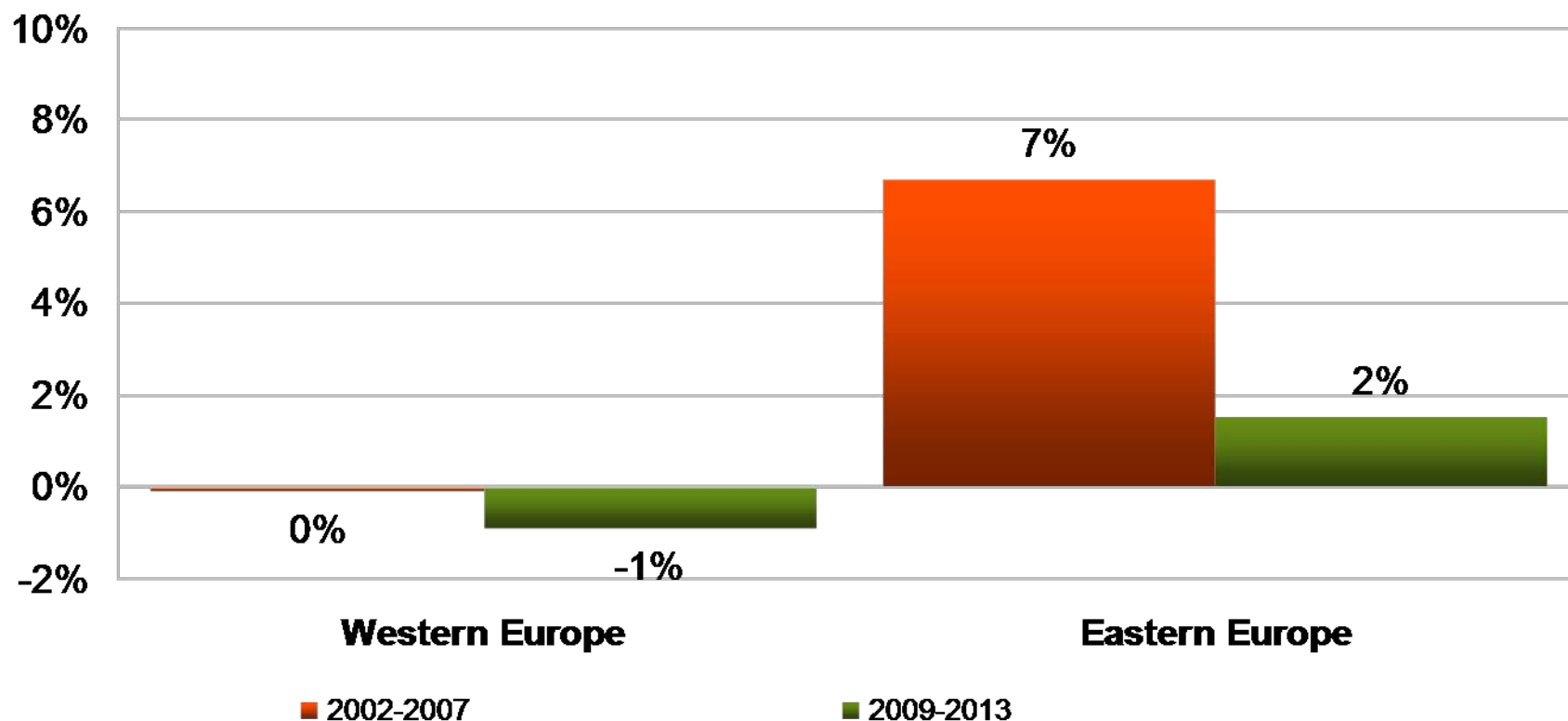
Source: Plato Logic, May 2009



# Increasing market maturity



## Beer volume CAGR – historic and forecast



Average CAGR includes Canadean, Plato Logic and Datamonitor  
Canadean: Current March 2009; Plato Logic: Current May 2009; Datamonitor: Current June 2009.



In January 2008 we shared these key consumer trends....

Industry context



### **“Lead platform”**

### **Illustrative implications**

#### **Pursuit of wellbeing**

- Health protection & natural offerings

#### **Home as a sanctuary**

- Growth in off-premise, and home occasion packs

#### **Moving to fun**

- Openness to new experiences
- “Indulgence” and “treat & deal” behaviour

#### **Desire for authenticity**

- Provenance and heritage
- Craftsmanship, speciality and experience

#### **What women want**






- Reappraising the category



## Impact of economic crisis on consumer trends



**Current trends still prevailing, but their manifestation is impacted.....**

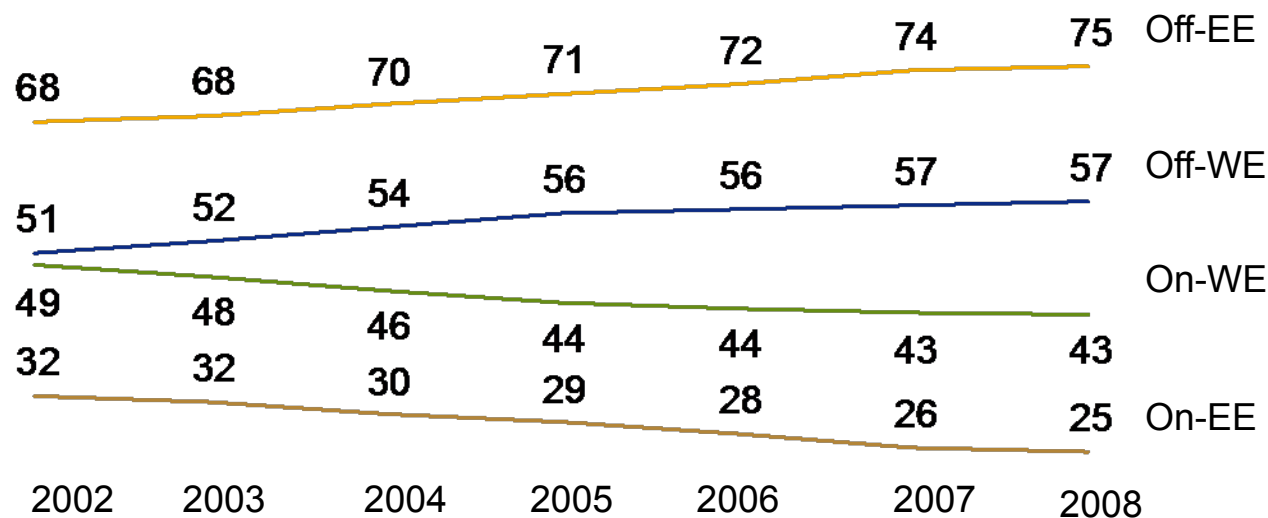
<b>“Lead platform”</b>	<b>Impact of economic crisis</b>
 <b>Pursuit of wellbeing</b>	■ No major impact
 <b>Home as a sanctuary</b>	■ Sharp increase in at home consumption
 <b>Moving to fun</b>	■ Trading up more considered and situational
 <b>Desire for authenticity</b>	■ Lower willingness to pay for authenticity
 <b>What women want</b>	■ No major impact



## Key channel trends

### On vs. off-premise share: Western and Eastern Europe 2002-2008

- Shift to modern formats
- Rise of the discounters and multi-format chains
- Buying group as key interface



Channel shift accelerating

Source: Canadean 2008





# The 'Big 4' account for almost 80% of country volumes in SABMiller Europe

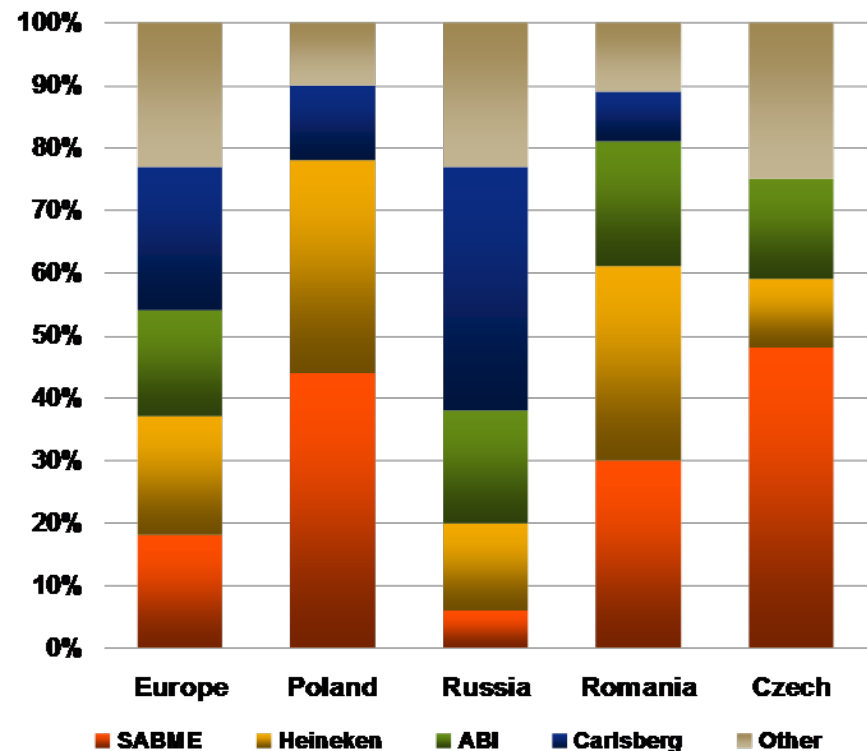
Industry context



## ■ Recent M&A:

- Heineken: Drinks Union in Czech (+4%), Neumarkt in Romania (+6%)
- Carlsberg: Remaining 50% of BBH
- SABMiller: VladPivo Russia (+1%), Sarmat Ukraine (+4%), Azuga Romania

Volume market shares\*



\*Volume shares: MAT April 2009



## Regulatory trends



- Increased regulatory scrutiny and consideration
- Advertising restrictions
- Increasing alcohol excise taxes
- Sustainable development & climate change debate





# Our strategy for growth





## Our strategy for growth



- Build and grow positions in attractive beer markets
- Maximise commercial potential across the country portfolio
  - Further build commercial skills
  - Access new consumers and occasions
  - Build a differentiated premium portfolio
  - Strengthen core mainstream brands
  - Improve revenue management
  - Win in priority channels
- Manage costs and drive productivity



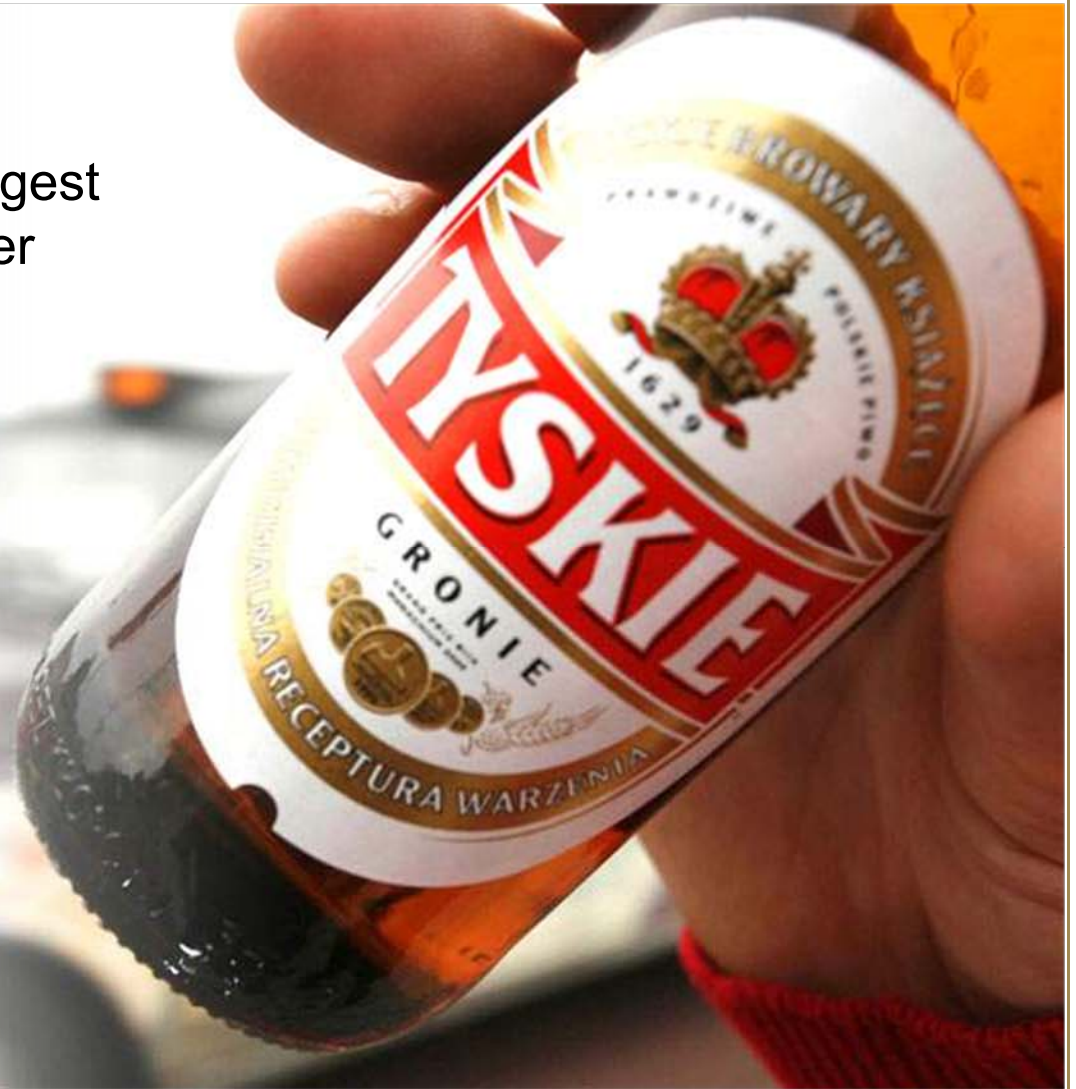


# Build and grow positions in attractive beer markets

Positions in attractive beer markets



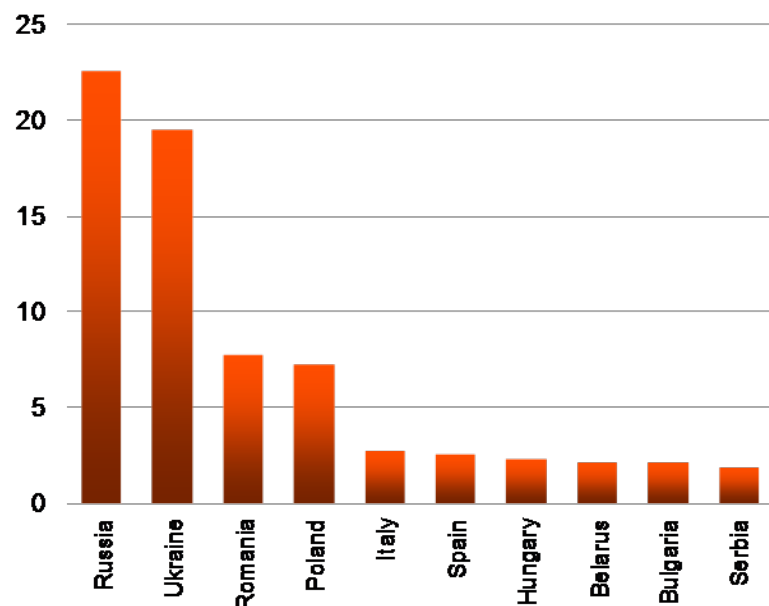
- In-country scale is the biggest driver of profitability in beer
- Leaders in these markets enjoy better profitability



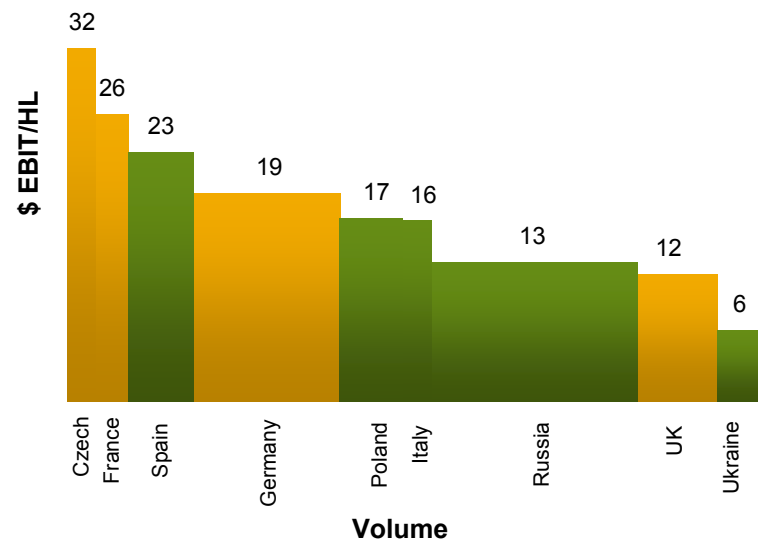


## Building an attractive country portfolio

**Top 10 Europe growth markets**  
Incremental volume khl 2008-2013



**...of which five amongst the leading European country profit pools**



Geographic footprint remains an essential factor in accessing future growth



# Delivering profit growth across a range of market maturities

Volume: Domestic, MAT March 09. Market share: Q4 F09. PCC: Q4 09

	Czech	Italy	Poland	Russia	Romania	Ukraine
Volume (m hls)	7.8	3.7	15.0	5.9	5.9	1.2
F06-F09 volume CAGR	-1.2%	2.2%	9.4%	9.4%	22.9%	-
Market share	49%	21%	44%	5.3%	29%	4%
PCC (I)	153	29	91	78	93	60





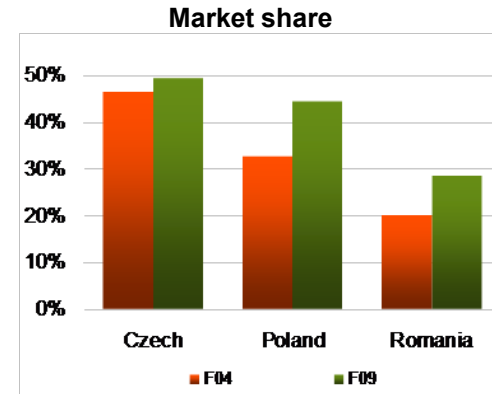


# Poland, Czech, Romania: leading brand-led beer business models

Positions in attractive beer markets



- Organic market share gains and superior profitability, driven by:
- Strong portfolios of leading local “power brands”
    - Deep local heritage, leading consumer equity within beer and across FMCG
  - Execution excellence at point of sale
  - Efficient manufacturing base



Country	Brand	Rank
Poland	Tyskie	1
	Zubr	2
	Lech	4*
Czech	Gambrinus	1
	Kozel	2
	Radegast	3
	Pilsner Urquell	5*
Romania	Timisoreana	1
	Ursus	4*

\*#1 in Premium segment

Aggregate F09 EBITA / hl: \$27

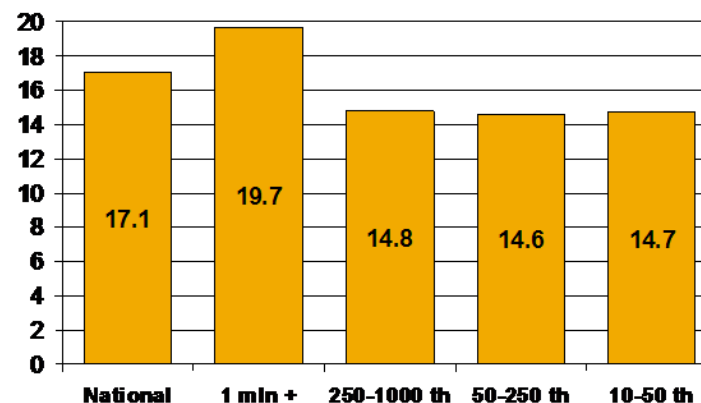




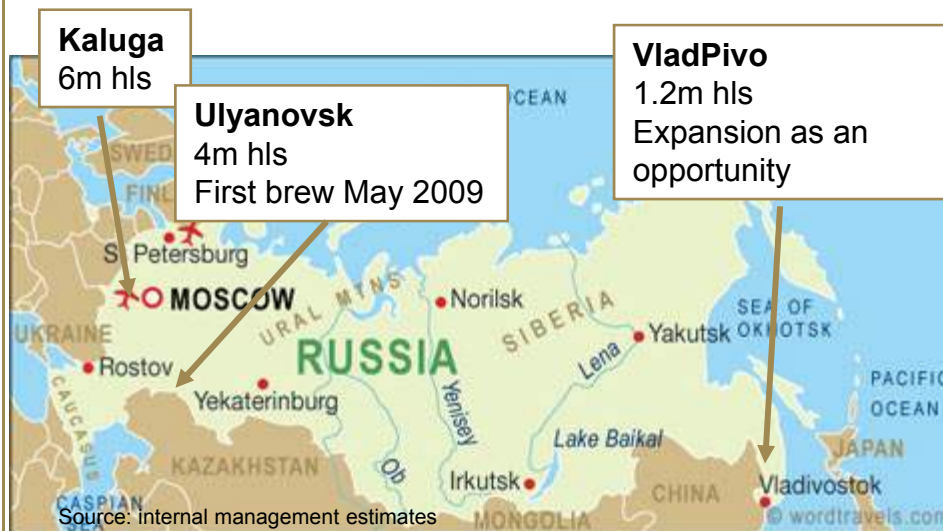
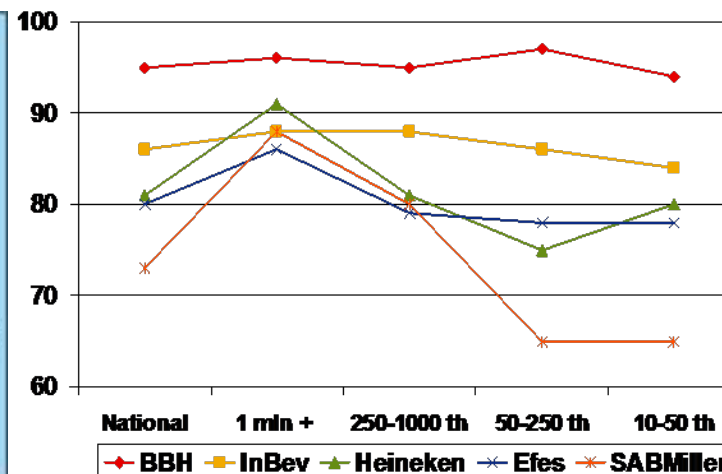
# Russian expansion strategy

- 60% of worthmore sales in cities < 1m, within which 36% is in cities < 250k
  - SABME under-indexes in smaller cities
- PCCs growing faster outside biggest cities
- PET offering supports economics of supply
- Important logistics benefits

SABMiller volume share within worthmore



Distribution, %



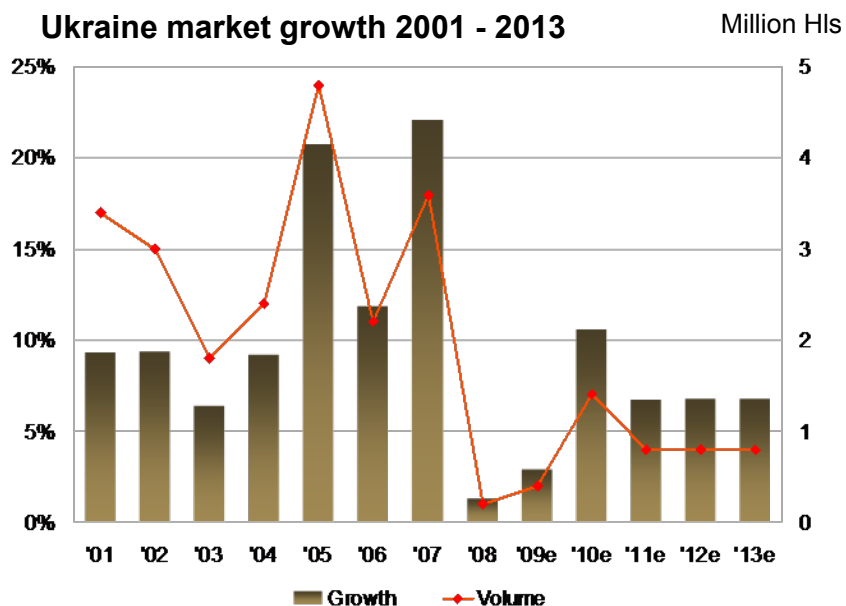


# The Sarmat acquisition provided a first step in Ukraine

Positions in attractive beer markets

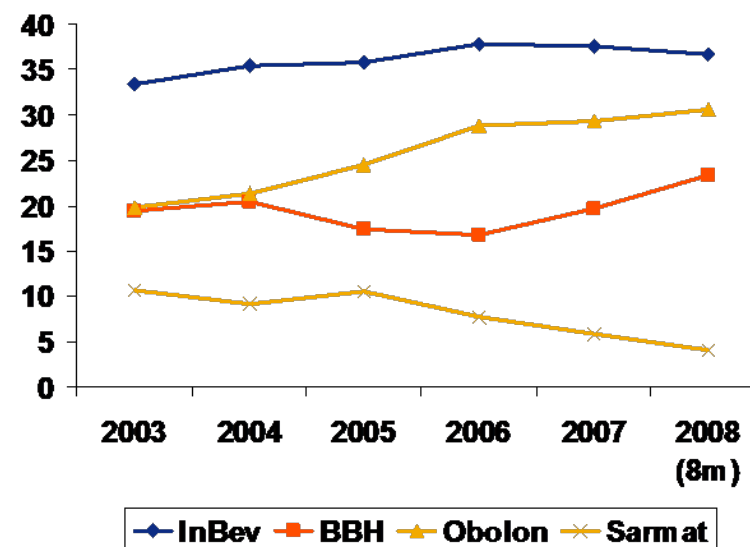


- Fast growing market
- Growing worthmore segment
- Synergy opportunities with SABMiller Russia



Source: Market shares: internal data. Volume: Plato Logic May 2009

**SARMAT: market share opportunity**





## Managing for value growth in mature markets

- Vigorous extraction of maximum value
  - Aggressively building premium brands
  - Consolidating significant mainstream positions
  - Heightened focus on revenue management
- Highly-differentiated in-market execution
- Best in class cost structure
- World class organisational capabilities

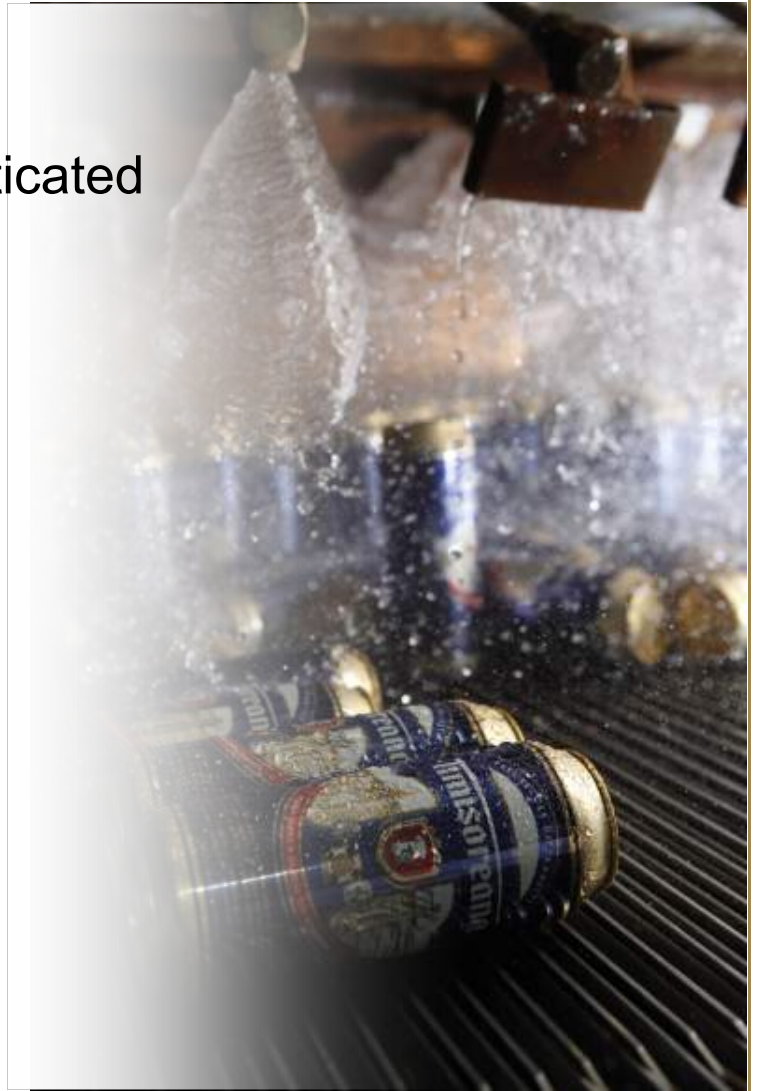




## Further build commercial skills



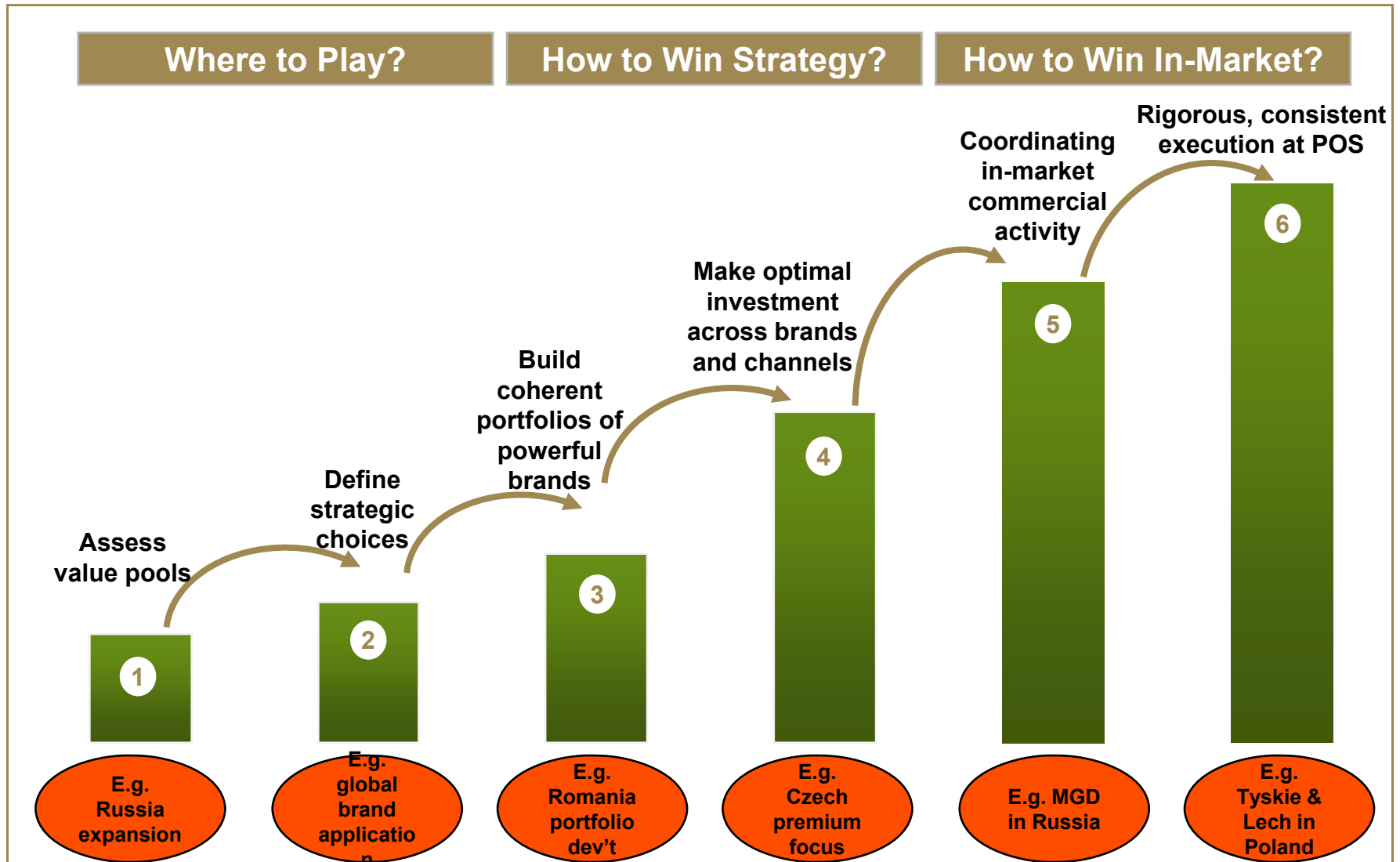
- Industry dynamics drive a more sophisticated approach





# Building commercial capability: The SABMiller Marketing Way

Maximise commercial  
potential





## Accessing new consumers and occasions



- Future growth requires us to reach beyond current core consumers







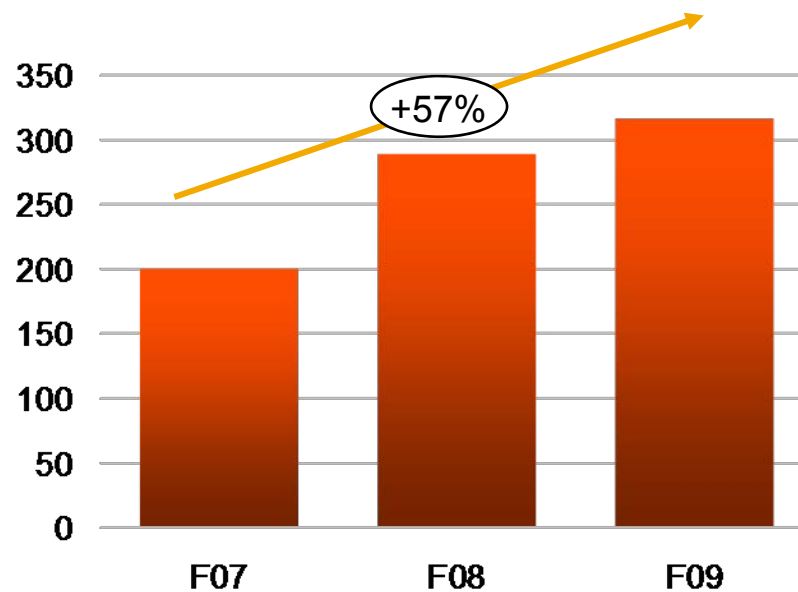
## Accessing new consumers: Czech



- #1 non-alcoholic beer in rapidly growing segment



Birell volume growth (khl's)





## Accessing new consumers: Russia



### Zolotaya Bochka Russia

- Extending consumer franchise with premiumisation







# Accessing new occasions: packs and SKUs



- Grounded in consumer and trade segmentation analysis
- Articulate the occasion role for each SKU
- Tailor pack and channel pricing

	Immediate	Entry level	Loyalty	Specific Occasion
	Draught/single serve	Trial/Penetration	"Stock up" packs	Specials
<b>IMMEDIATE</b>	 0,5 L CAN  0,33 L CAN  0,5 L RB  0,33 L RB  0,5 L RB	 0,5 L CAN  0,33 L CAN  0,5 L RB  0,33 L RB		
<b>SMALL STORES/ DISCOUNTER</b>	 0,5 L CAN  0,5 L RB	 0,5 L CAN  0,5 L RB  6x0,5 L CAN	 24x0,5 L CAN  20x0,5 L RB	 0,5 L RB – gift pack more varieties  5 L CAN
<b>LARGE STORES</b>	 0,33 L CAN  0,5 L CAN  0,5 L RB	 0,33 L CAN  0,5 L CAN  0,5 L RB  0,33 L RB  6x0,33 L CAN  6x0,5 L CAN	 24x0,5 L CAN  20x0,5 L RB  24x0,33 L CAN  24 x 0,33 L RB  8 x 0,5 L RB	 8 x 0,5 L RB  0,5 L RB – gift pack more varieties  5 L CAN  6 x 0,33 RB  4 x 0,33 RB



## Build a differentiated premium portfolio







- All markets over time will develop large, profitable premium segments
- We believe in a portfolio response with both global and local premium brands





# Global Brands positioning summary



Brand	Consumer Insight	Purpose “brings....to the world of beer”	Platform
	When it comes to self expression, effortless style and flair, nobody does it better and more naturally than the Italians	<b>Style</b>	<b>Peroni Italy</b>
	Easy drinking beers are too simplistic for some consumers, who enjoy deeper, more rewarding experiences	<b>Enchantment</b>	<b>The Pure Pilsner from Pilsen</b>
	There is a maverick spirit within some of us... there are times we want to express it	<b>Character and charisma</b>	<b>Provoking the Maverick Spirit</b>
	Young people are drawn to the confident energy and vibrancy of the world's coolest cities at night	<b>Cosmopolitan cool</b>	<b>Icon of Cosmopolitan Cool</b>



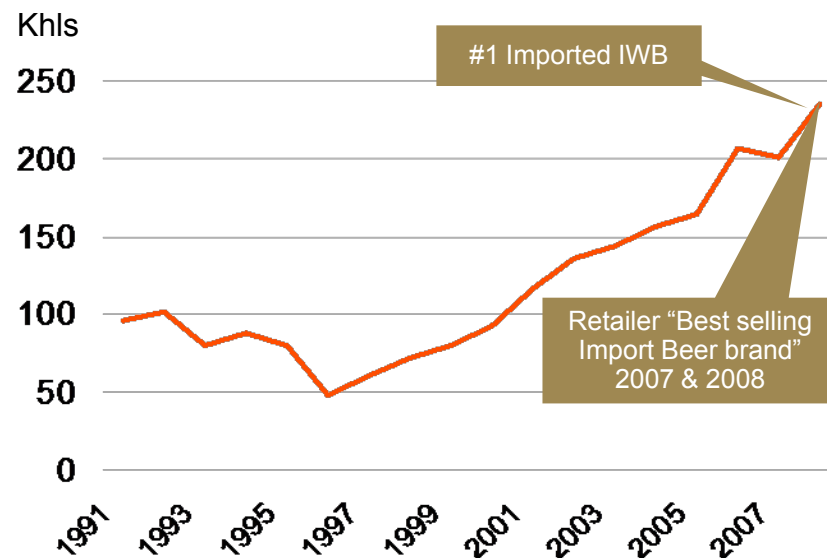
## Pilsner Urquell - Germany



- PU Germany has enjoyed consistently strong growth since acquisition
- It is the #1 imported international premium brand with a 28% share of this segment



1996–2008 CAGR 14%



Source: Monitor; Plato Logic 2005; SABM Internal sources

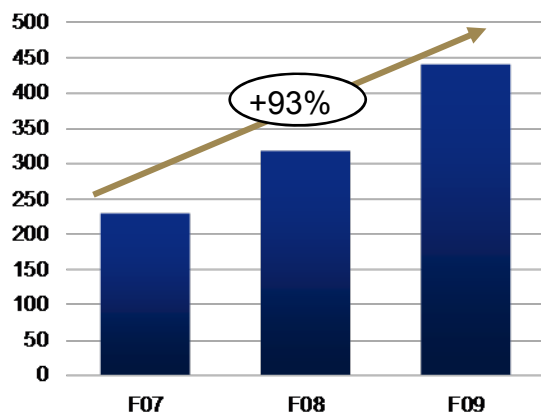


## Peroni Nastro Azzurro - UK



- Draught volume up by 48%, in a market declining 16%
- The only top 5 on-trade packaged brand to register growth over the past year
- Volume MAT +25% in off-trade

PNA UK Volume Growth (khl's)







## Miller Genuine Draft - Russia



- Leading new media development
- Can design briefed to online community of creators
- Maintain constant dialogue with our consumers



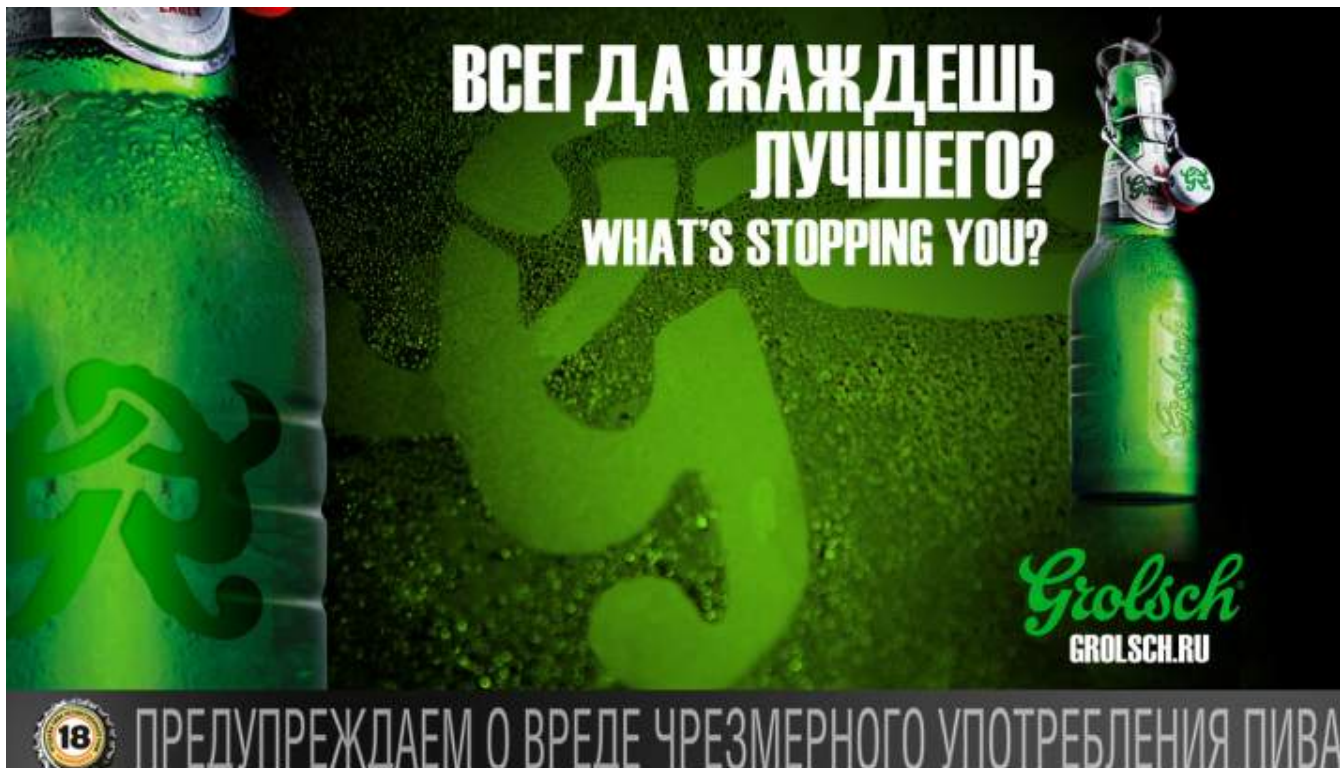


## Grolsch - Europe

Maximise commercial potential - premium



- Key market launches imminent
- Major opportunity in premium beer heartland





## Local Premium: Russia - Redd's new flavours



- Concept: “indulge yourself”
- Launch objectives:
  - Challenge perception of the beer category and stimulate trial
  - Increase differentiated shelf visibility

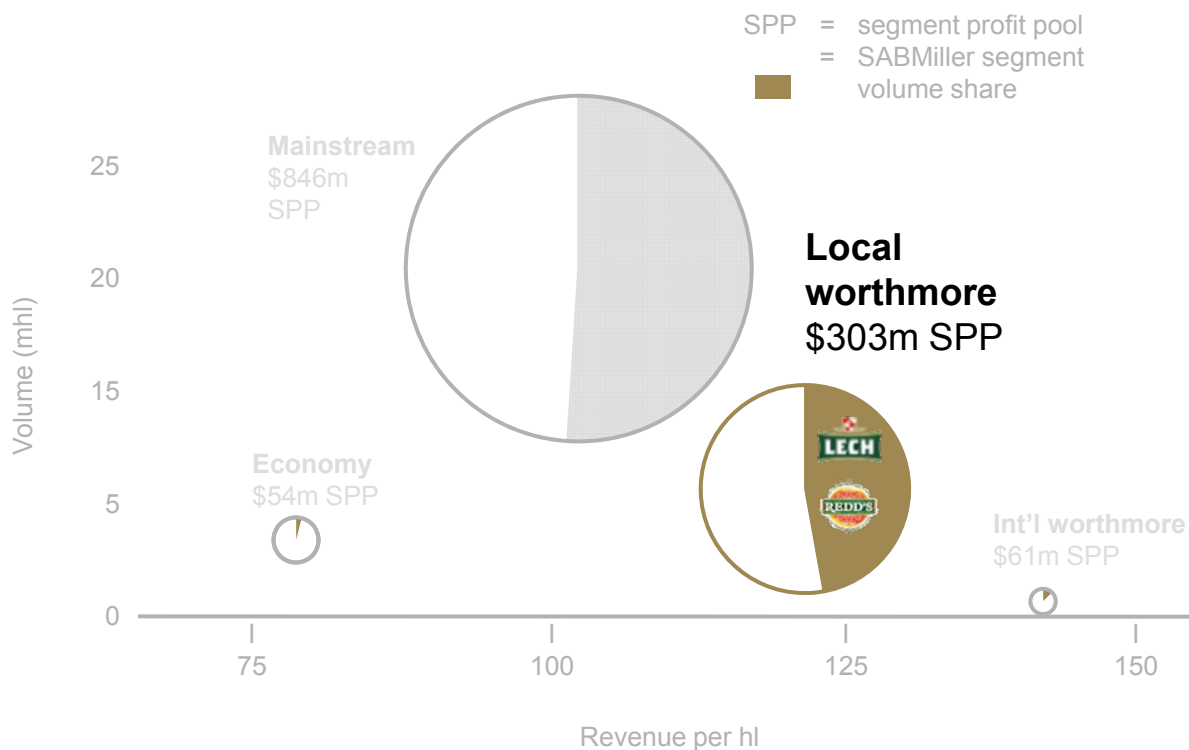






## Local premium: Poland - Lech

### Poland beer category profit pool



Lech “active refreshment” positioning driving status as *the* premium brand for Polish consumers

F08. Source company internal estimates



## Strengthen core mainstream brands



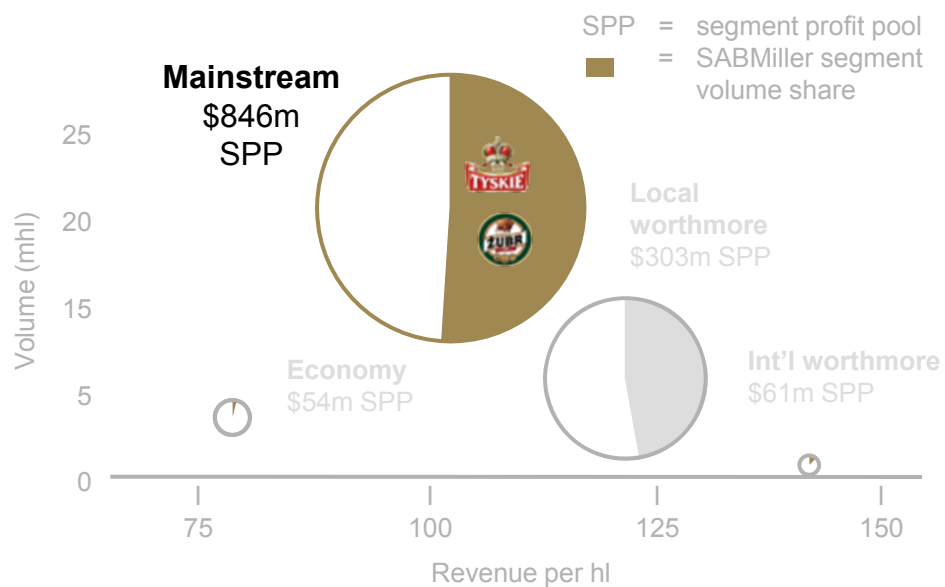
- Mainstream brands will continue to be the primary beer profit pool contributor for the foreseeable future
  - On-going brand renovation will be required



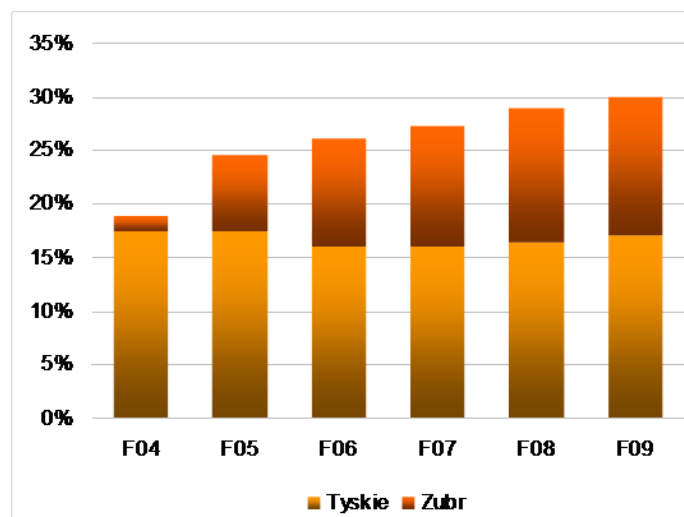


## Poland - Tyskie and Zubr

### Poland beer category profit pool



### Polish mainstream brands volume share



F08. Source company internal estimates



## Romania - Timisoreana



- From #6 in 2005 to market leader in 2008
  - 3x volume, 4x net profit increase
- Strength of brand fundamentals:
  - Target consumer understanding
  - Ordinary people & their extraordinary moments







## Italy - Peroni

Maximise commercial potential - mainstream



- Market leader in Italy
  - Volume growth of 4% CAGR since 06
  - Revenue growth of 7% CAGR since 06
- Strong brand fundamentals
  - Values of authenticity and tradition
  - Consistent identity



ILLUMINA LA TUA VOGLIA DI RUGBY.



TERZO TEMPO PERONI.  
DA SEMPRE NON DIVIDE MA UNISCE.

ROMA STADIO FLAMINIO - TORNEO 6 NAZIONI  
Domenica 16 Febbraio Italia - Irlanda  
Sabato 14 Marzo Italia - Galles  
Sabato 21 Marzo Italia - Francia

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PERONI  
LA BIRRA DEL RUGBY.

ILLUMINA LE NOSTRE PASSIONI.



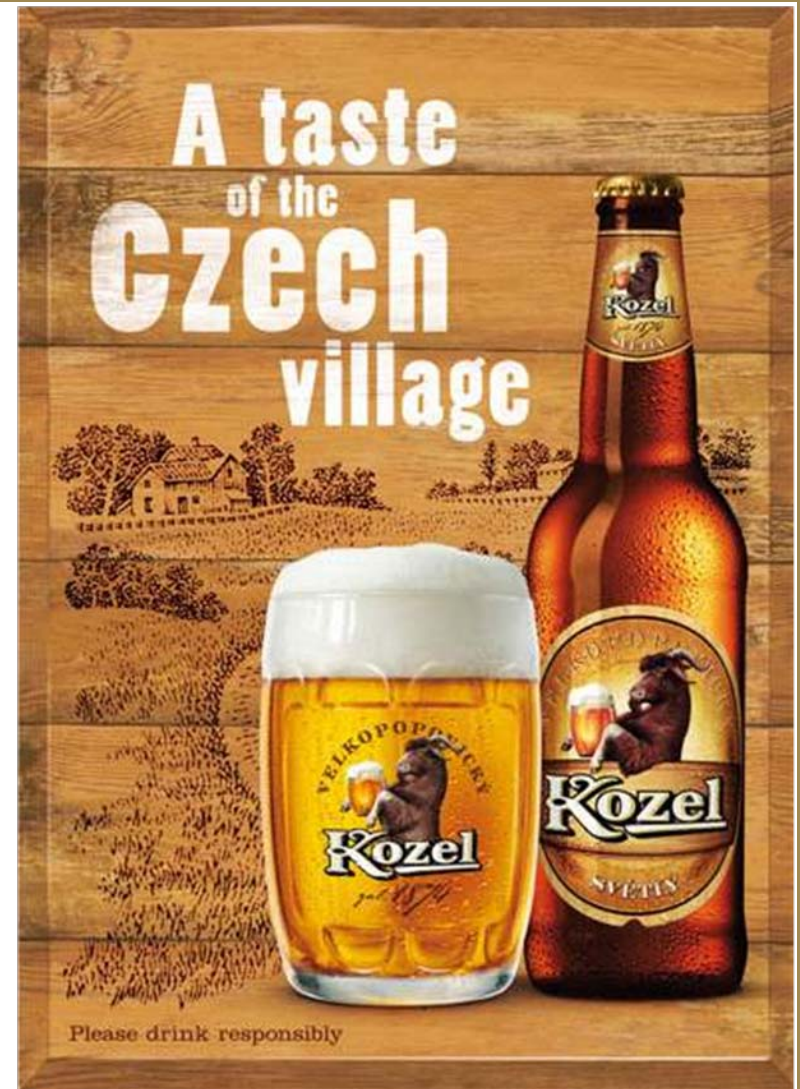
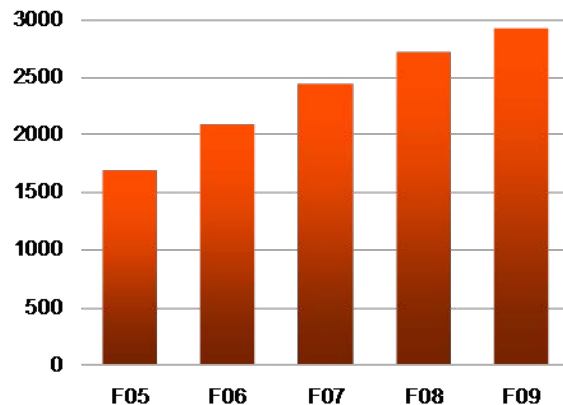
## Pan-Europe - Kozel

Maximise commercial potential - mainstream



- Czech quality offering across six operating units Czech, Russia, Hungary, Slovakia, Ukraine, Imports Division
- Winning brand formula:
  - Product
  - Positioning
  - Iconography

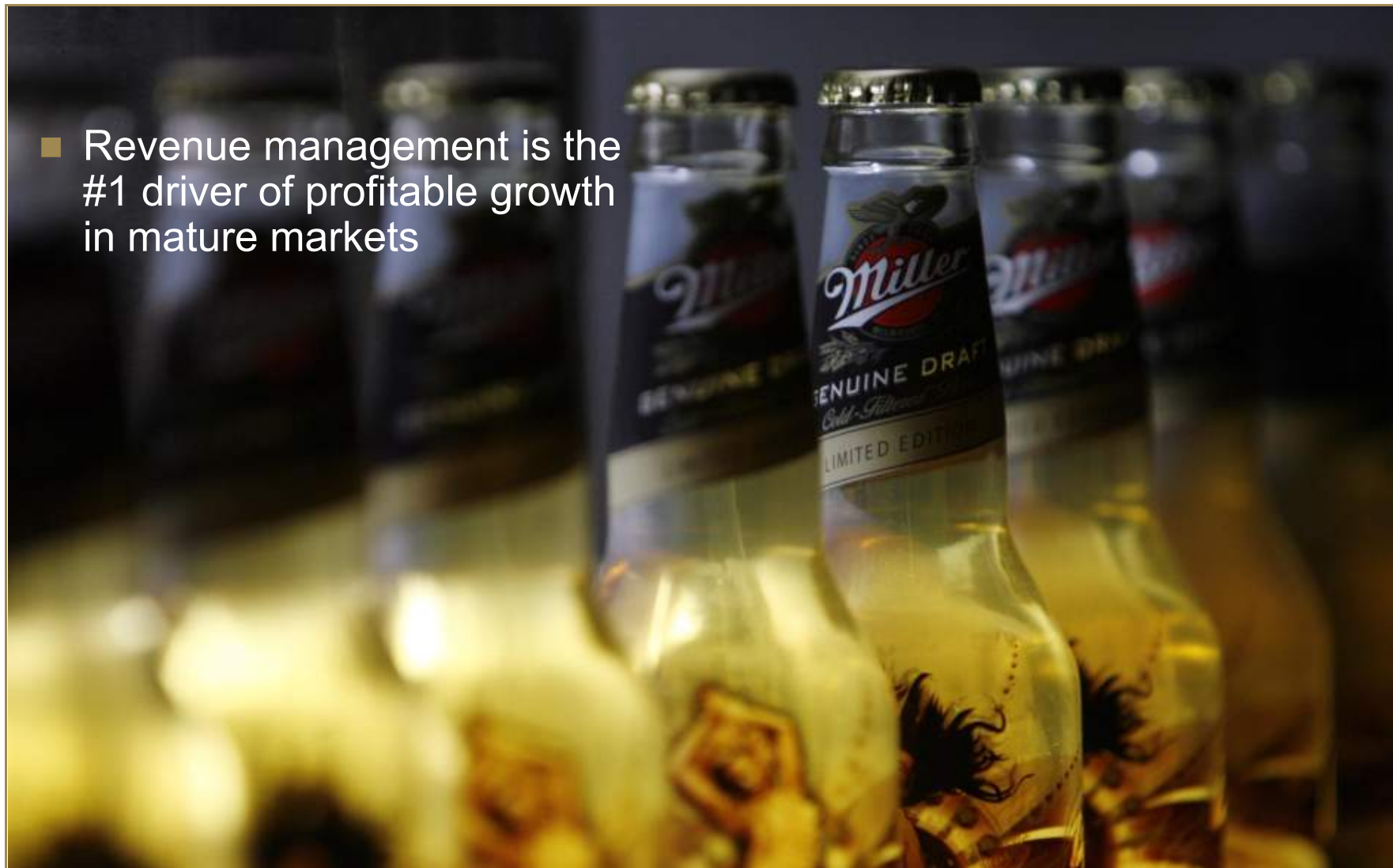
Kozel Europe: CAGR 18%





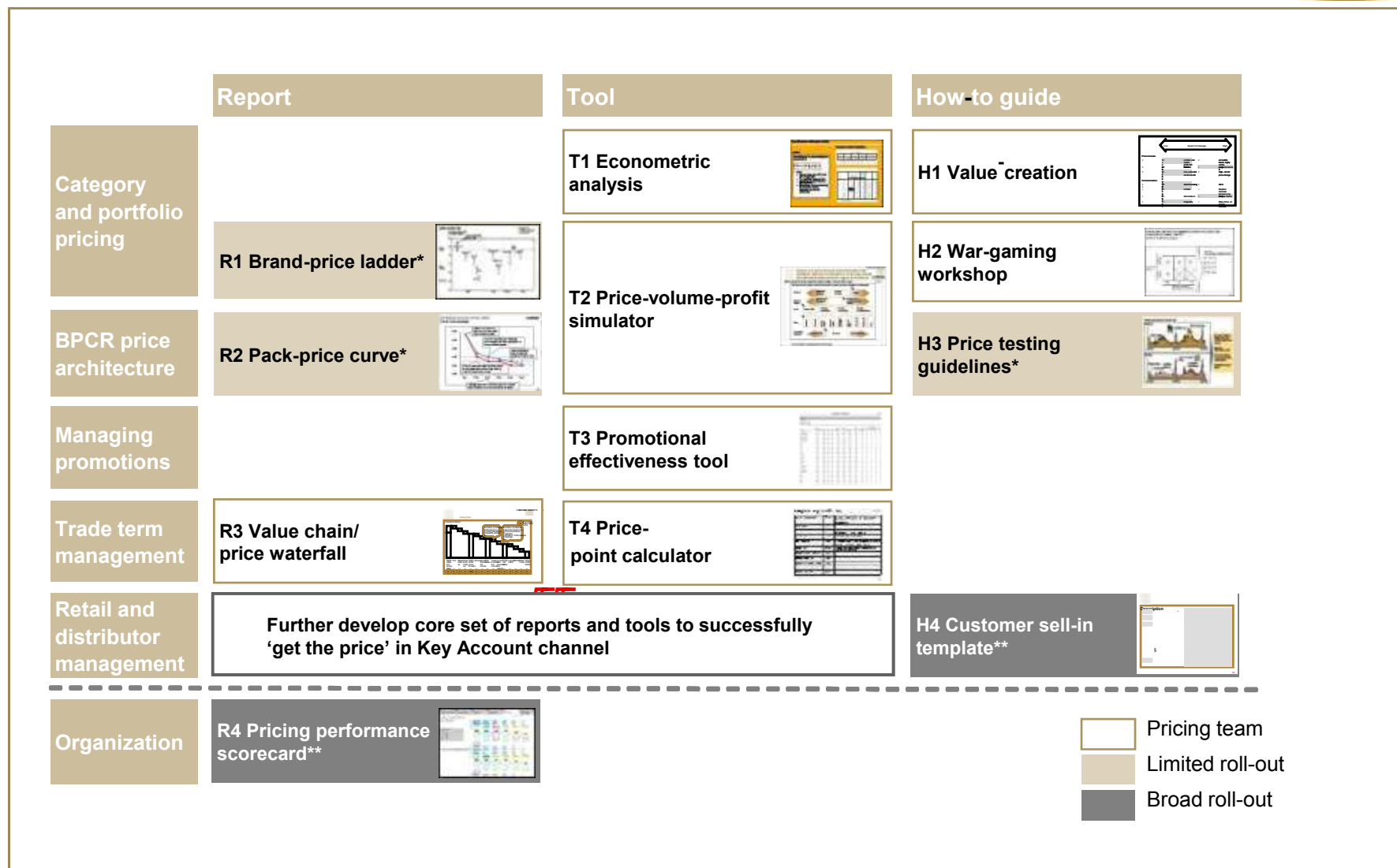
## Improve revenue management

- Revenue management is the #1 driver of profitable growth in mature markets





# Strong revenue management

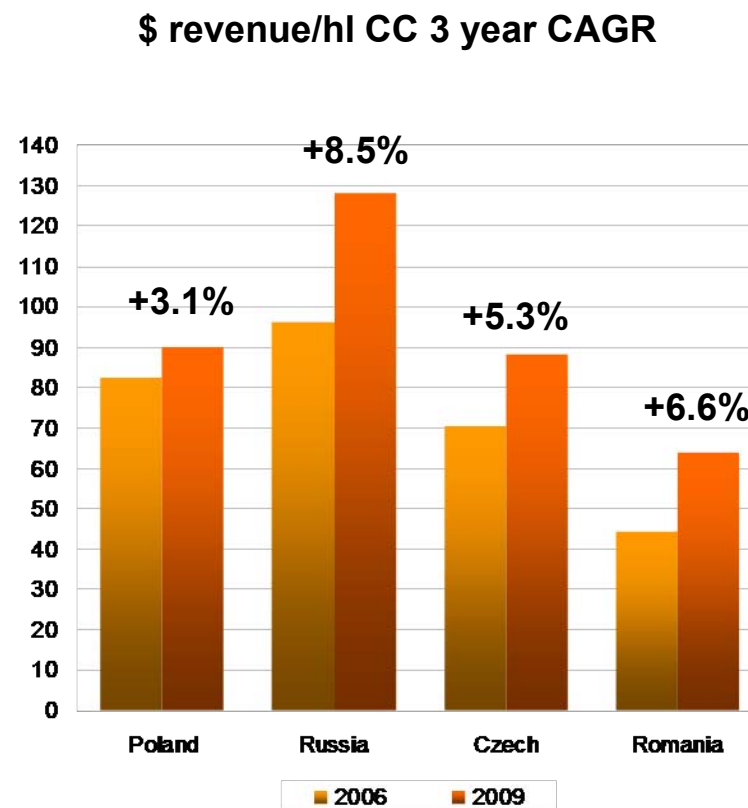






## Strong revenue management

- Poland: growth in high value channels
- Russia: continued premiumisation
- Czech: channel and brand segment mix
- Romania: expanding occasions



Leveraging core brands strength



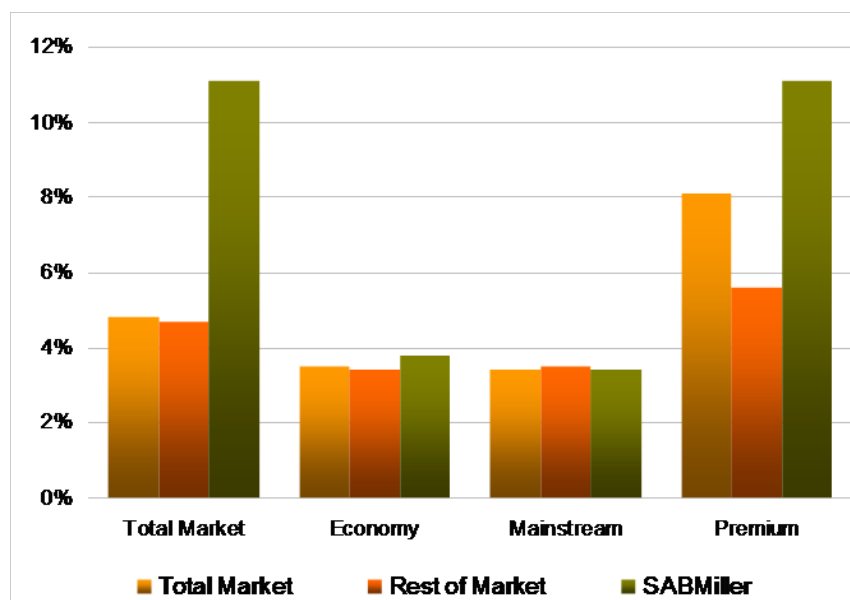
## Revenue management: Romania



- 460bps Q4 share gain and +7% revenue/hl
- Strong brand equities key to driving value

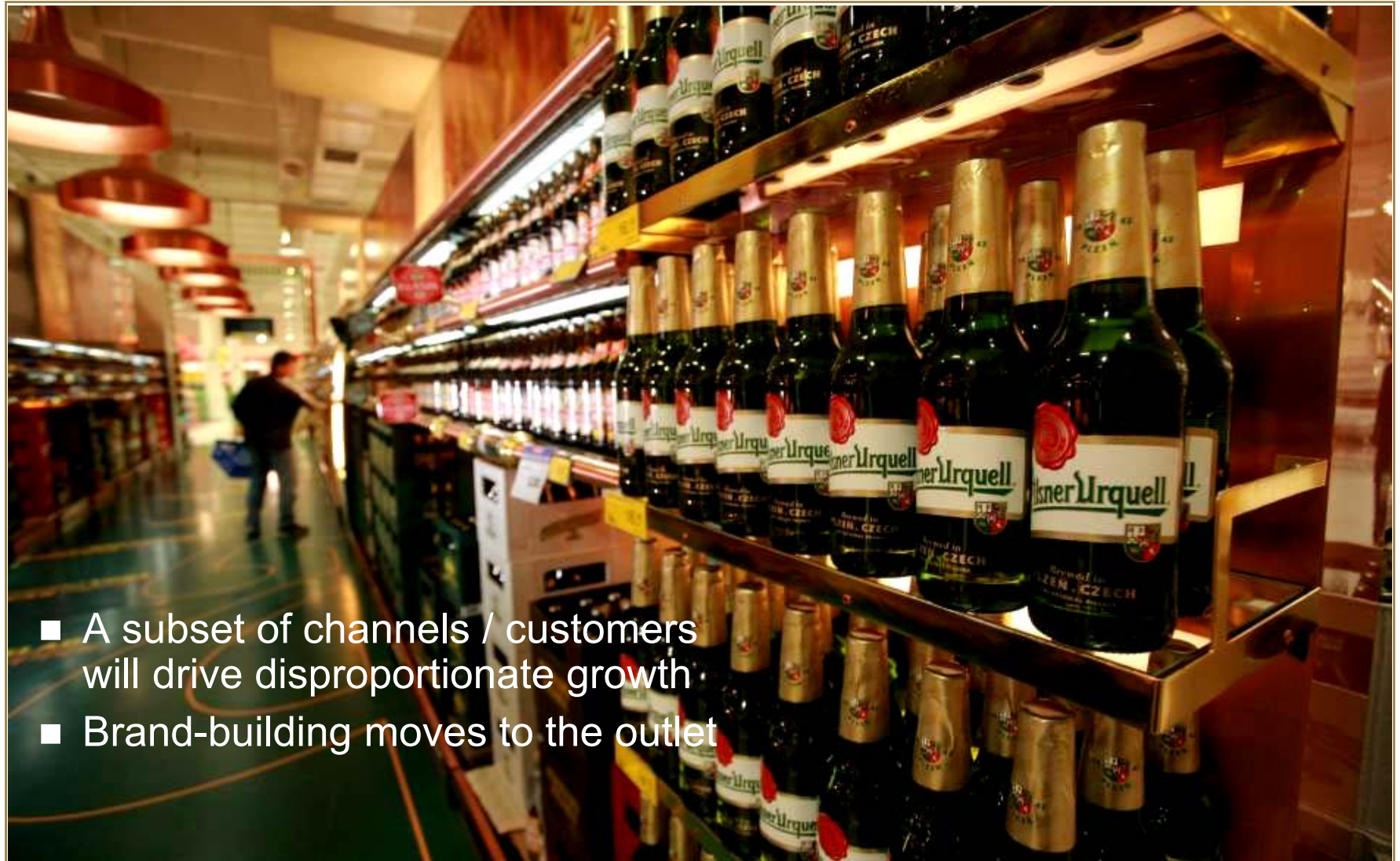


Romania: average RSP growth by segment:  
2005-2008 CAGR





## Win in priority channels



- A subset of channels / customers will drive disproportionate growth
- Brand-building moves to the outlet



# Channel advocacy in the RTM: the first mile

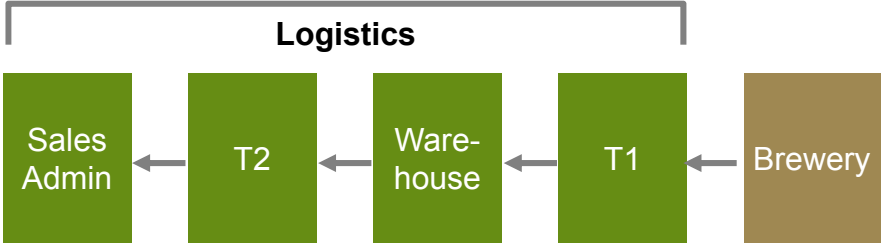
- Own the outlet relationship

**Effectiveness in developing advocacy**



Company objectives  
→  
←  
Customer needs

**Ability to leverage efficiency/ create value**





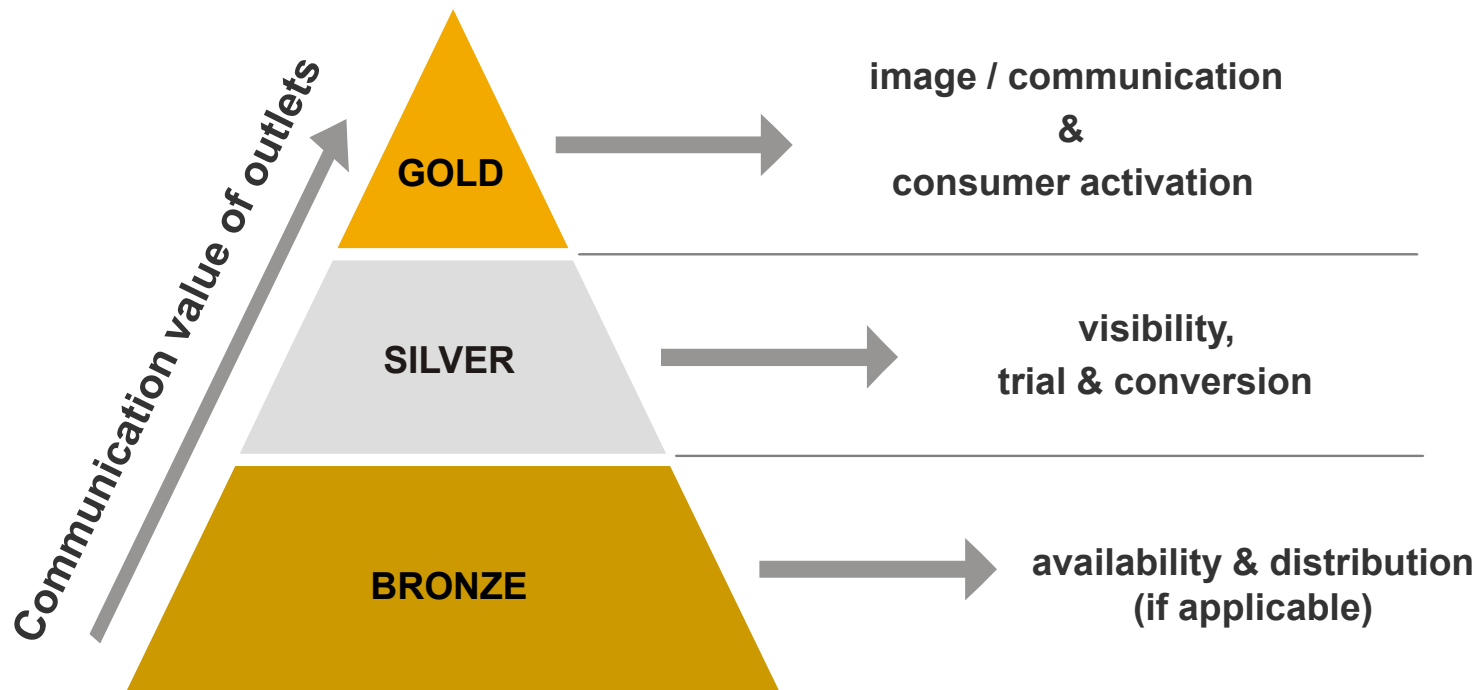
# Targeted execution: consumer based segmentation

Maximise commercial potential –  
priority channels



## ■ Key selection criteria:

- Outlet type, consumer audience, product offering, service, promotion acceptance





# Targeted execution: consumer based segmentation example: premium brand launch



## Total SABMiller Russia on-premise universe

### Bronze Outlets

No outlets targeted for F10 at this phase  
69 outlets currently contracted

### Silver Outlets

111 outlets targeted for F10  
67 outlets currently contracted

### Gold Outlets

45 outlets targeted  
for F10  
12 outlets currently  
contracted

Focus on Moscow & St. Petersburg






# A vision of success: POSM guide lines related to outlet classification

Maximise commercial potential – priority channels

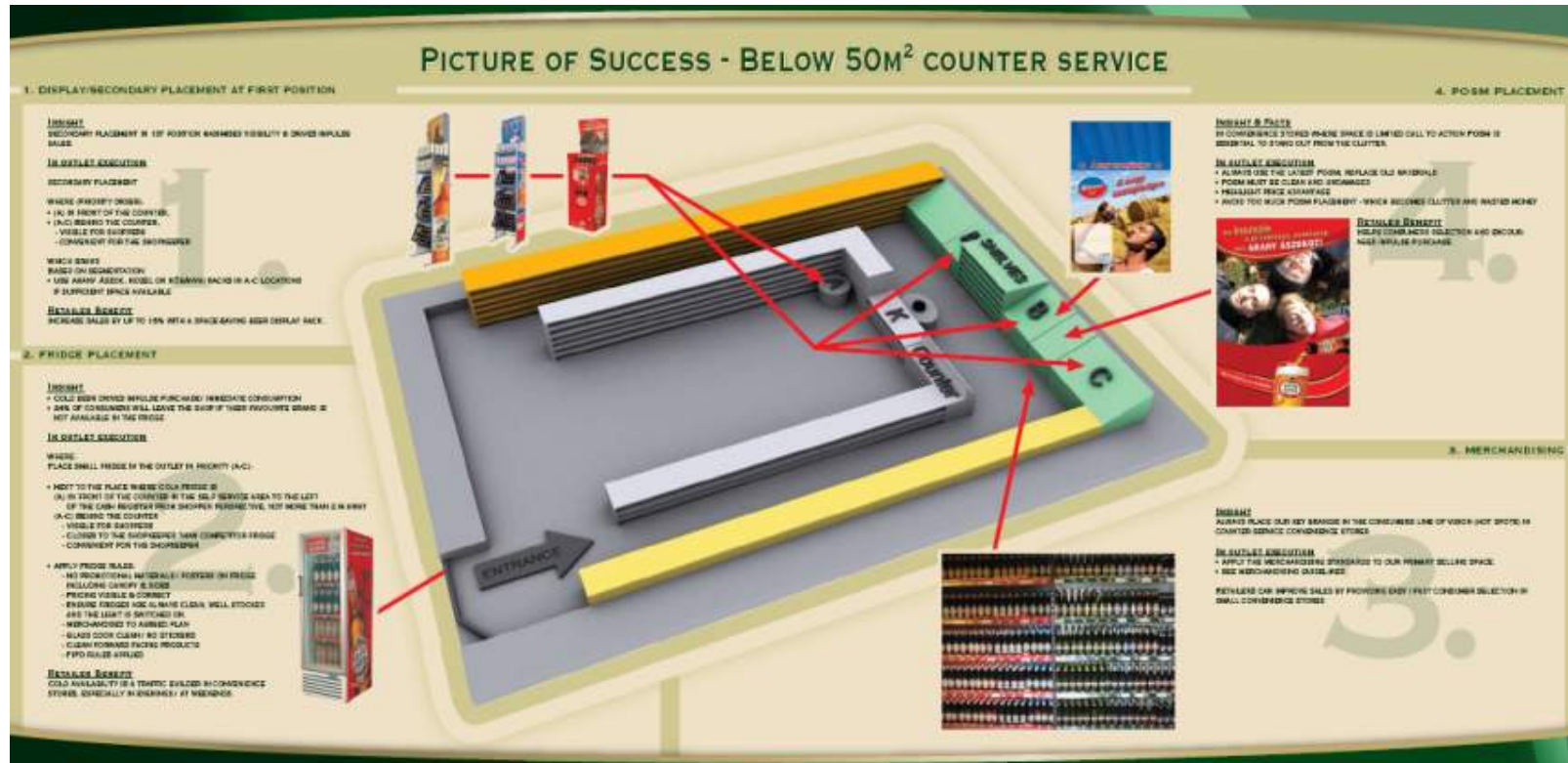


Brand	Tipology	Description	Bronze	Silver	Gold
	Distribution	Glasses	X	X	X
		Beer mat	X	X	X
		Bottle opener	X	X	X
		Tray		X	X
		Ice bucket			X
		Placemat			X
	Visibility	Napkin ring		X	X
		Apron		X	X
		Cashtray		X	X
		Bottle exhibit		X	X
		Blackboard		X	X
		"Bottle top" signage		X	X
		T - shirt			X
		Clock			X
		Pricing mechanism			X
		"Birra Peroni" signage			
		"Waiter theme" signage			
		Tables and chairs			
		Table cloth			
		Umbrella			
	Activation **	Keyring -1			
		Keyring -2			



# Vision of success for outlet execution - example material

Maximise commercial potential – priority channels



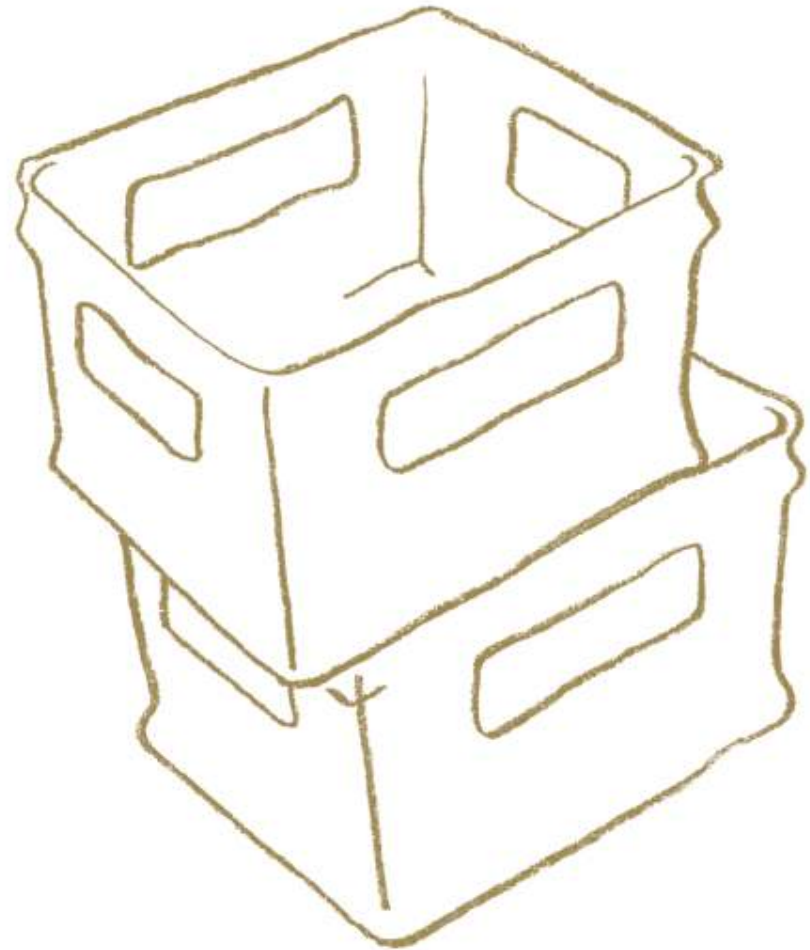




# Manage costs and drive productivity

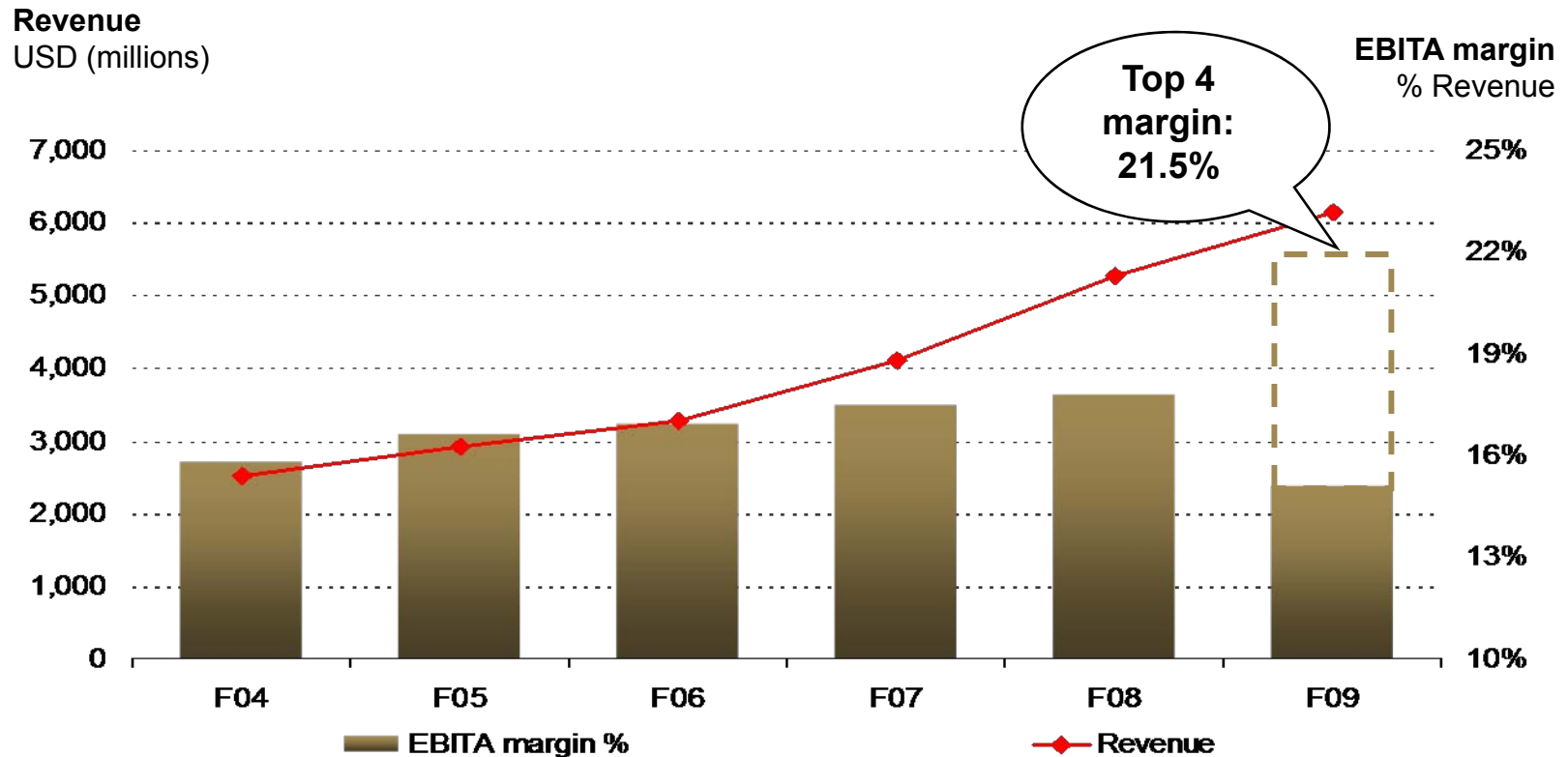


- **Input cost management**
- Drive productivity
- CapEx and working capital





## Margins challenged by input costs



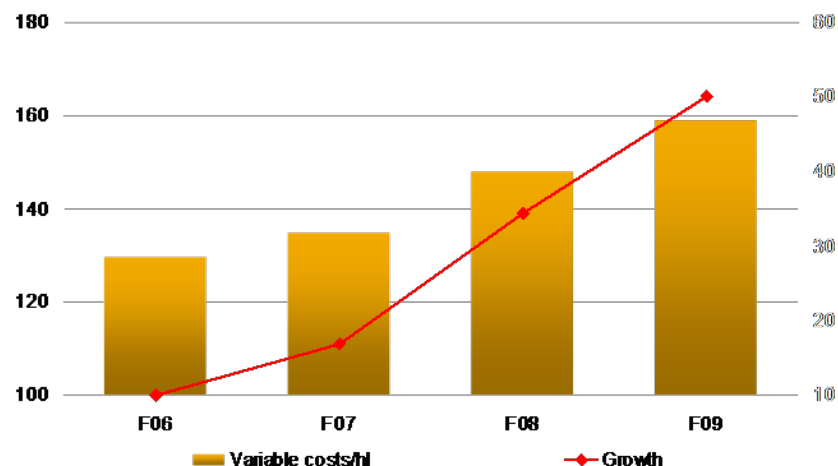
Source: SABMiller Annual Financial Statements



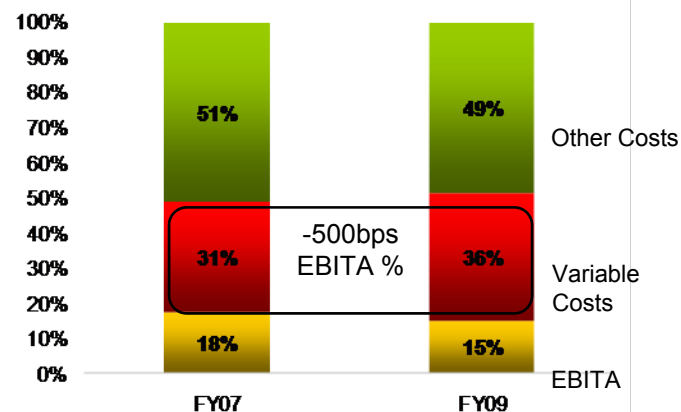
## Margins challenged by input costs

- F07-F09 increase in cost/hl
  - Brewing >60%
  - Packaging >20%
  - Distribution & utilities >20%
  - Total Variables >40%

Variable costs per HL USD F06=100



SABME Costs as % of Revenue



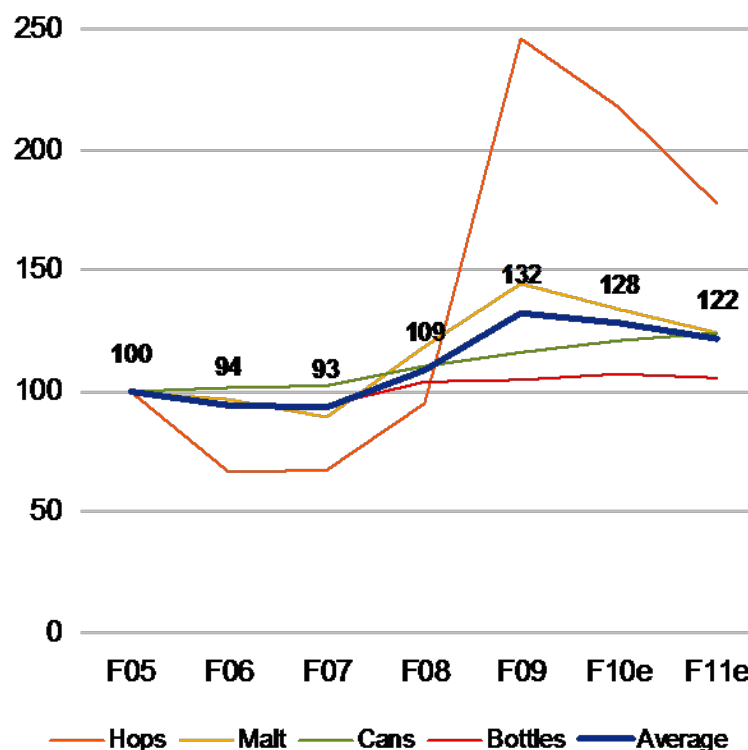


## Input cost management

- **Commodity hedging**
  - Guardrails for barley, malt processing capacity, hops and aluminium
  - Securing supply
  - Visibility
- **Time frames:**
  - Rolling 36-month basis
  - Barley: seasonal buying
  - Hops and malt processing are longer term

### Key commodities price index

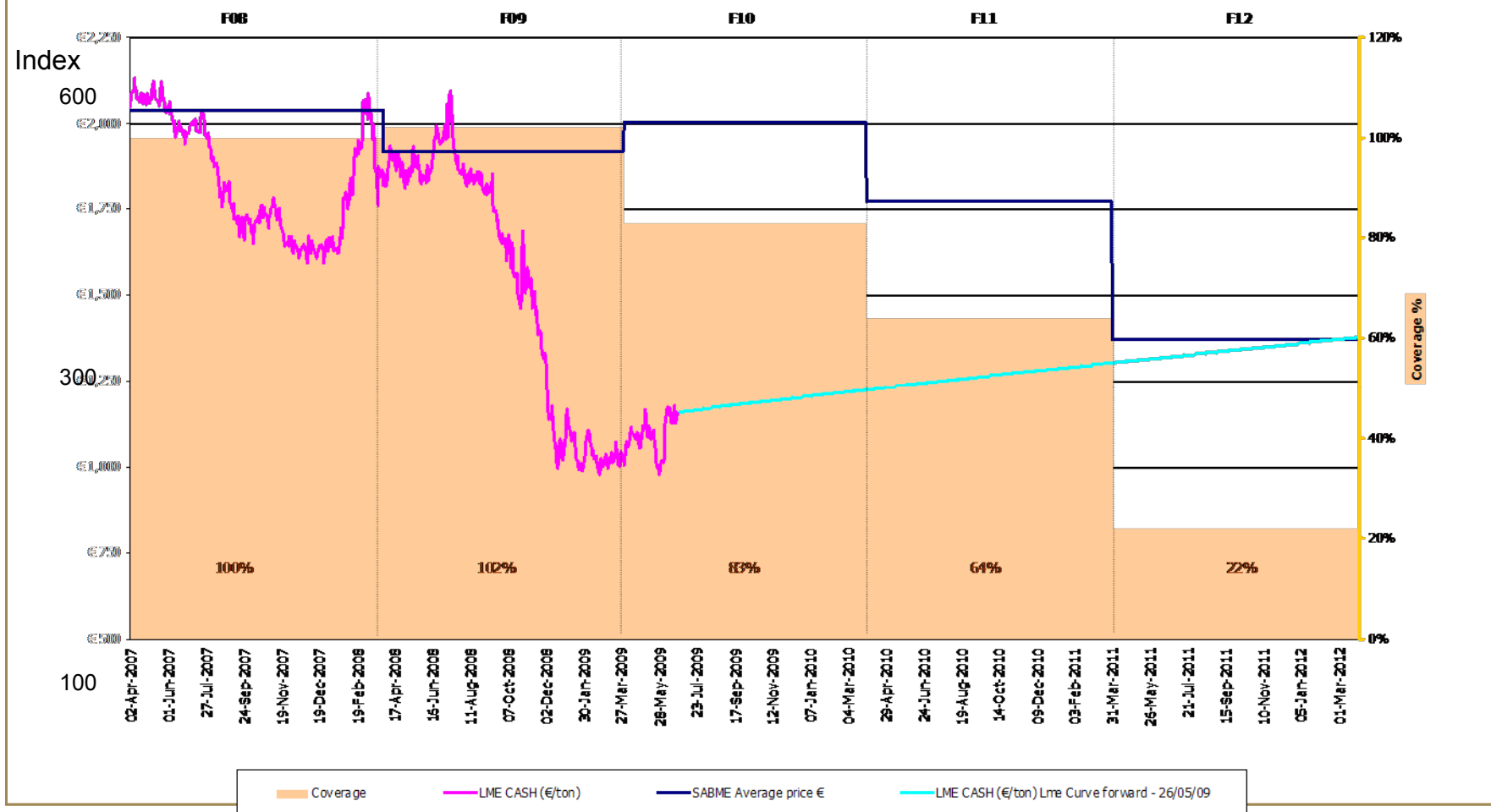
F05 = 100





## Example: aluminium

### LME Cash Spot price x SABME hedged positions

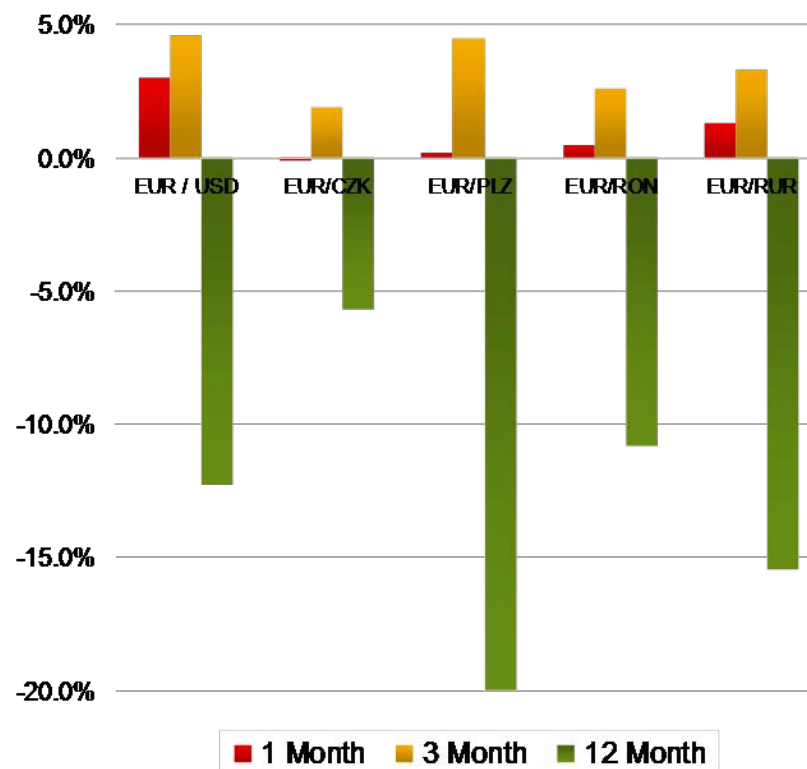




## FX volatility

- FX transaction hedging:
  - Min: 9m forward @75%
  - Max: 24m forward @ 100%
  - Normally back-to-back with commodity hedge
  - RUR & RON not practical due to liquidity

% change at 31<sup>st</sup> May 2009

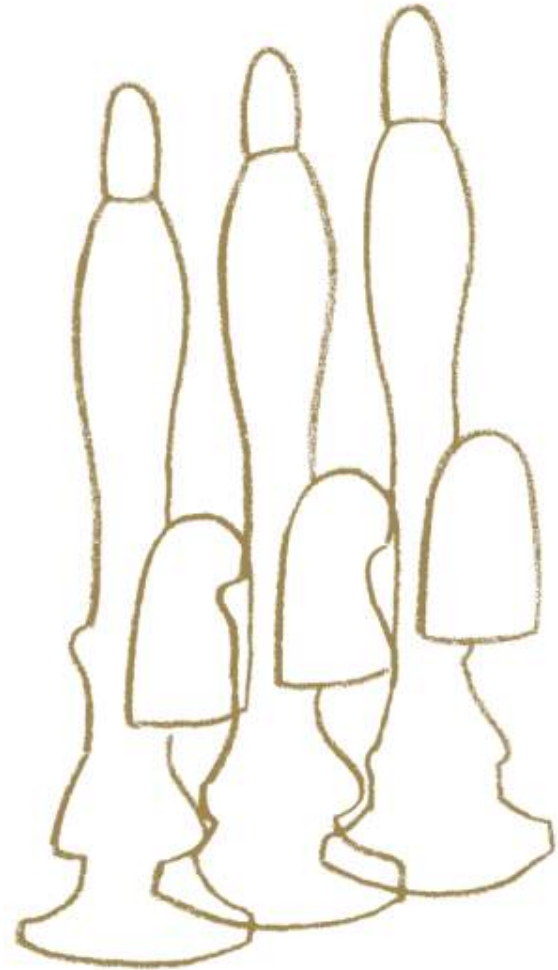




# Manage costs and drive productivity



- Input cost management
- **Drive productivity**
- Cash flow, CapEx and working capital







## Drive productivity

- 2006 – 2008: 200bps improvement in overheads as a % revenue
- 2009: deliberate investment in expansion in Romania and Russia RTM
  - Over 220 sales heads added
  - Production heads added in Russia
- Actions to improve cost ratios
  - Ongoing requirement of 2% p.a. real reduction in overheads/hl
  - Continuing to build capability in Russia and Romania in 2010

1. Excludes variable costs, DME and depreciation



## Restructuring steps already taken

- Exceptional restructuring charges in 2009:
  - Total restructuring costs \$50m
  - Grolsch \$20m
  - Approximately 340 FTEs (NL, PL, CZ)
- Estimated benefits
  - F10 \$10m
  - Annual thereafter \$25m
- Possible further interventions in F10



## Key productivity drivers 2011-2013

- **Services efficiency**
  - Scale opportunities in support functions
  - IT platform structured for new capabilities
- **Procurement**
  - Identify and define new procurement model that will address anticipated future input costs.
- **Revenue generation**
  - Commercial capability platform and best practice
- **Supply chain optimisation**
  - Inventory and container management
  - Warehouse and logistics efficiencies
  - Integration of demand and supply planning
  - Step-change in manufacturing efficiency



## Manage costs and drive productivity



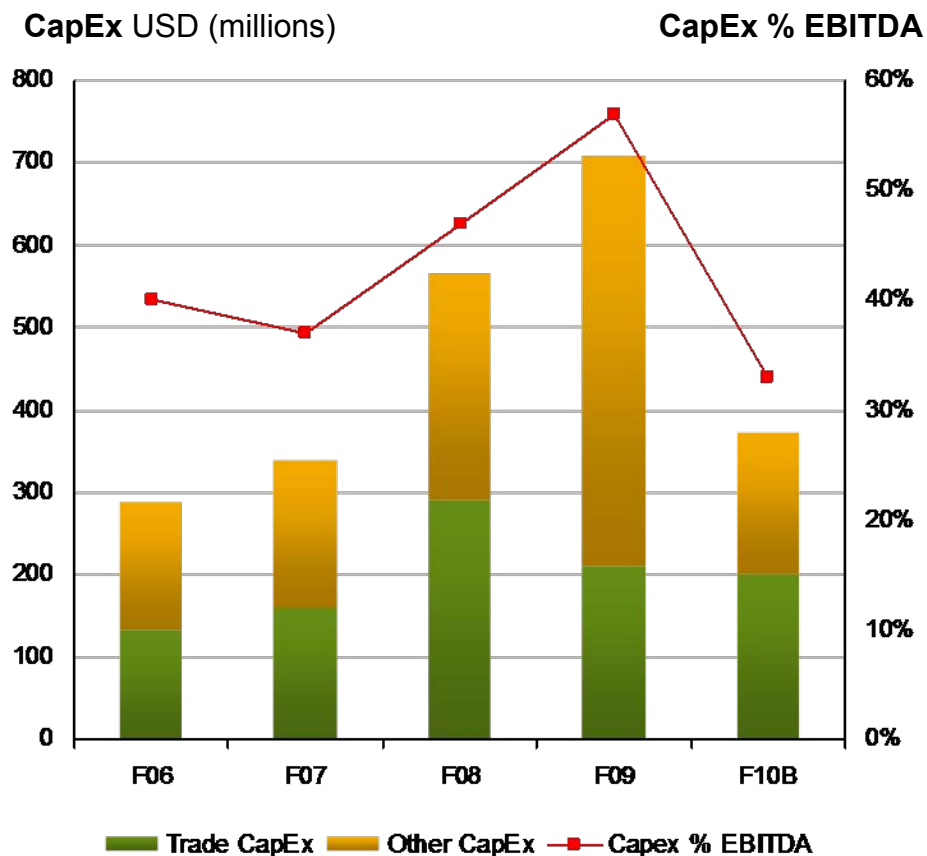
- Input cost management
- Drive productivity
- **Capital expenditure and working capital**





## Volume growth has driven investment

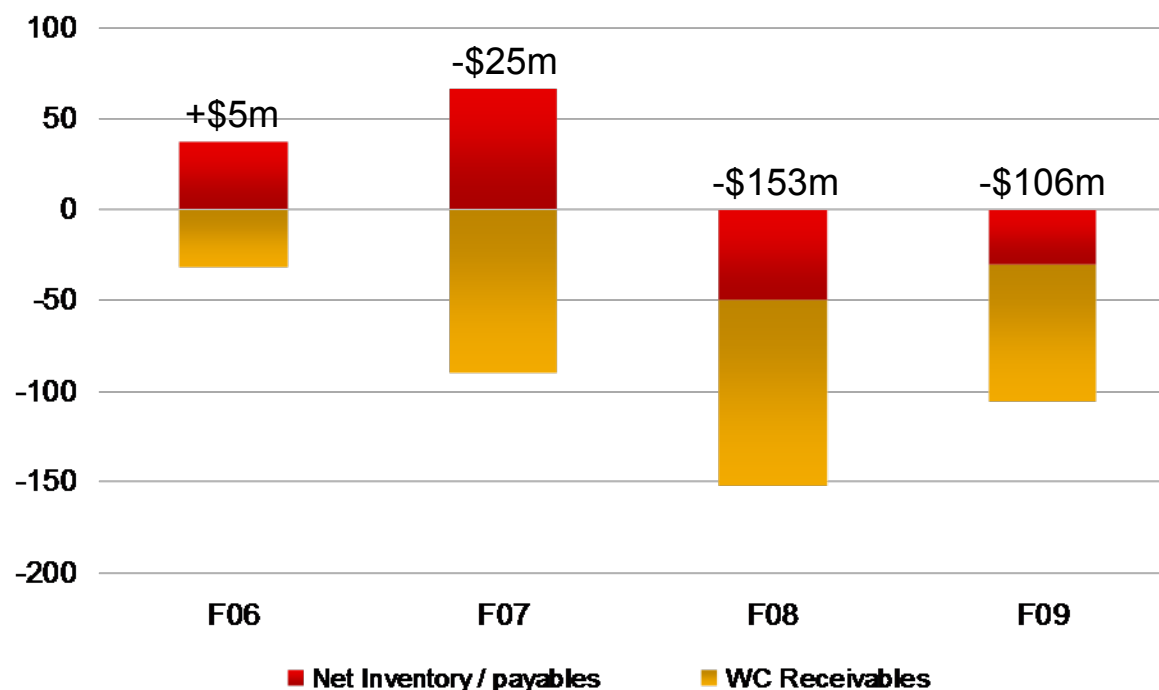
- CapEx peak behind us
  - 2006-2009 average CapEx: 43% of EBITDA
  - 2010: c.35% of EBITDA
  - 2011-2013: c.30% of EBITDA
- Utilisation c.80%
  - Capacity in Russia; some in Poland and Netherlands





## Working capital in focus

### Total average net working capital cash flow, USD

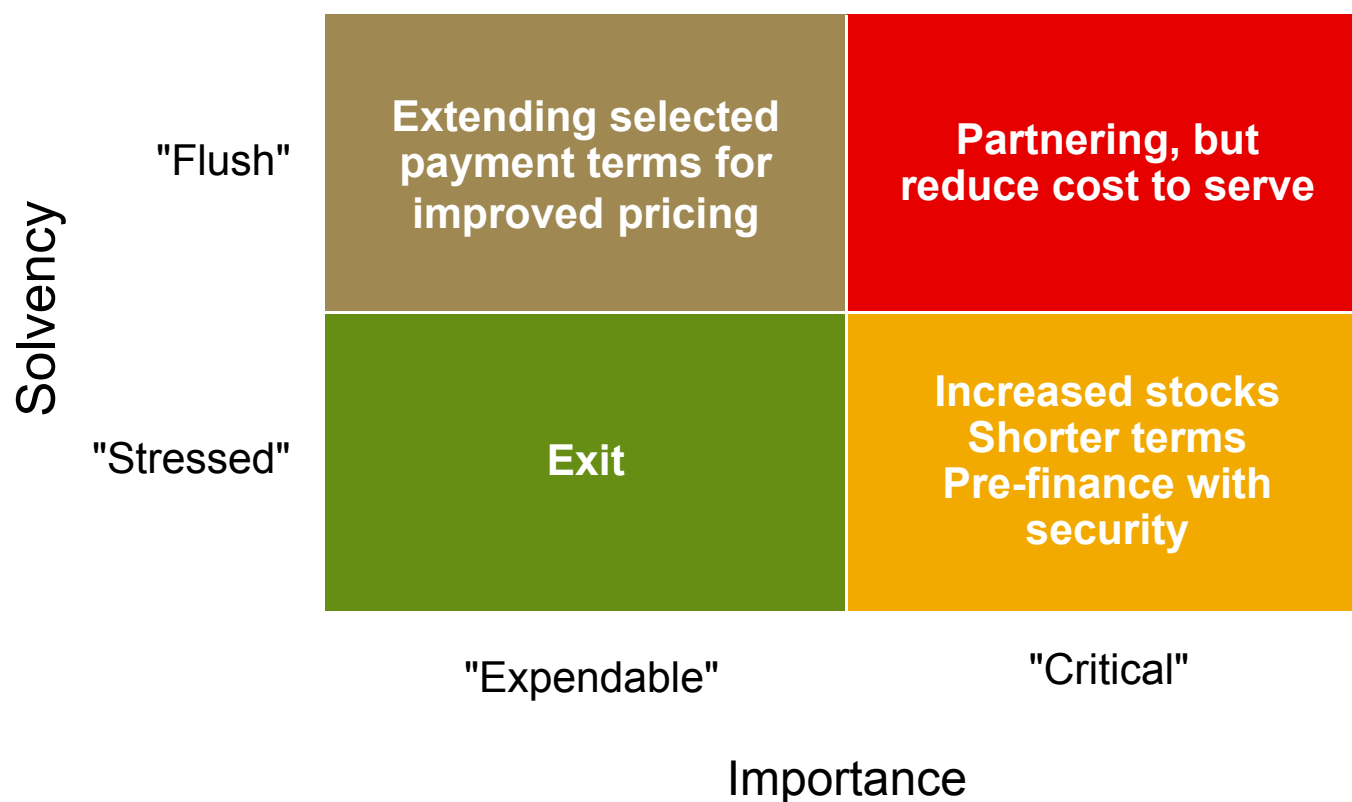


End F09 net working capital was 6% of revenue, 2012 target is 4%



## Working capital risk management

### Counter party risk matrix





# Medium term outlook





# SABMiller Europe

## Medium-term value driver outlook



- Volume growth CAGR  
2-4%
- Revenue per hl CAGR<sup>1</sup>  
to recover local CPI (expected 2-4%) and excise
- EBIT margin  
Impacted by fx hedging, recent M&A and capability builds in F10;  
+30-50 bps per year thereafter

<sup>1</sup> At constant local currency

# Q & A

## SABMiller Europe

