INTB Bulgaria
“The Kamenitza Turnaround”

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INTB Bulgaria

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Prague
## The Bulgarian Beer-Market

<table>
<thead>
<tr>
<th>Size of Market</th>
<th>1999</th>
<th>2002</th>
<th>2003</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.8 MM HI</td>
<td>4.0 MM HI</td>
<td>4.0 MM HI</td>
<td>Quite flat market in general</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Per capita consumption/year</th>
<th>1999</th>
<th>2002</th>
<th>2003</th>
<th>Comment</th>
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<tbody>
<tr>
<td></td>
<td>46 L</td>
<td>51 L</td>
<td>51 L</td>
<td>About the level of Russia</td>
</tr>
</tbody>
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<tr>
<th>Excise evolution</th>
<th>1999</th>
<th>2002</th>
<th>2003</th>
<th>Comment</th>
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<tbody>
<tr>
<td></td>
<td>2.9 EUR/HL</td>
<td>5.6 EUR/HL</td>
<td>5.6 EUR/HL</td>
<td>Today one of the lower rates in CEE, but there will be a 50% increase to 8.4 EUR/HL as of 01/01/05</td>
</tr>
</tbody>
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<tr>
<th>GDP-Level (GDP in EUR/head)</th>
<th>1999</th>
<th>2002</th>
<th>2003</th>
<th>Comment</th>
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<tr>
<td></td>
<td>1427 EUR/head</td>
<td>2116 EUR/head</td>
<td>2317 EUR/head</td>
<td>One of the lowest levels in CEE</td>
</tr>
</tbody>
</table>
The Bulgarian Beer-Market

Ratio Between Off-Trade and On-Trade

Market Segmentation

TOTAL MARKET
- PREMIUM 20%
- CORE 60%
- VALUE 20%

INTB BULGARIA BRANDS
- Stella Artois
- Beck's
- Astika
- Kamenitza
- Burgasko
- Pleven
- Slavena

The World's Local Brewer®
INTB/Kamenitza Has Lost Significant Volume and Share

Dramatic volume loss

-33%

Dramatic share loss

33.8 36.5 45 41.2 42.2 41 45 50.8

21.5 27.4 31.5 36.6 34 31.4 23.1


Winners:
- Regional brands
  - Upgraded packaging/liquid
  - Increased distribution (regional → national)
    - Low retail prices
    - High trade margins

Despite:
- Higher commercial spending
- Price decrease of Kamenitza with 9% in June 2002
Decline Was Caused by Increasing Price in the Face of Increased Competition and a Worsening Environment

- Historical yearly price increases pushed Kamenitza to a premium brand (only for special occasions) without sufficient differentiation
- INTB-trade terms were insufficient and too complex
- Regional competitors strengthened
  - Improved quality
  - Initiated, expanded PET
  - Maintained price gaps
- Decreasing purchasing power – deflation
  - continuous downgrading of beer market
  - highly price sensitive consumers
Kamenitza Continuous Price / Excise Increases
Moved the Brand Out of Core Segment

Retail Price – 50cl Bottle

Price parity with Zagorka

Source: Nielsen
PET Has Grown From 0 to 11% of Total Beer in Bulgaria in One Year (Even During Winter Period)

PET % of total Beer Sales

Dec-Jan '02 1%  Feb-Mar 2%  Apr-May 8%  June-July 10%  Aug-Sep 10%  Oct-Nov 10%  Dec-Jan '03 11%

Source: Nielsen
Two Key Strategies to Address Kamenitza/INTB-Decline

**Regain leadership for Kamenitza**
- Reposition to regain core segment
- Bring excitement, new news
- Improve quality, quality perception

**Reduce cost base in Bulgaria**
- Enable funding of relaunch
- Rebuild income platform
- Ensure business sustainability

**Drive Share**
Phase I of Kamenitza Relaunch Plan Began in November ‘02

Phase 1: November – December 2002

**Decrease Kamenitza price to 45 ct**
- Price cut: –26%
- Index: 102
- Re-enforce quality image

**Launch Kamenitza Extra @ 55 ct, 5.0 % ALC**
- Quality re-enforcement (hops – malt)
- Better offer for same price (index: 122)

**Launch Kamenitza PET in 1.5 liter**
- First core / premium in PET
- Index: 122 vs RGB 50cl and vs market average
Second Pillar of Strategy Is to Reduce Cost Base in Bulgaria


- Phase 1 (03):
  - Mothball 2 bottling lines in Q1 03
  - Re-engineer – productivity improvement project
  - Closure / sale of Burgas plant
Result INTB Bulgaria 2003

INTB volume – MM HI

26% volume growth last year ...

- 2% 1.36 1.34 - 32% 0.91 + 26% 1.15

INTB Market Share

Regained 4% market share in ’03 ...

42% 34% 33% 23% 27%

0% 5% 10% 15% 20% 25% 30% 35% 40% 45%

1999 2000 2001 2002 2003
Kamenitza Today

1. Volumes have considerably recovered by 59% in 2003 vs previous year to 809 KHI

2. Re-strengthened brand-equity allowed first price increase recently by 4%

3. A special efficiency program conducted early 2003 has resulted in lower production costs (savings: 0.8 EUR/Hl for 2003)

4. Further introduction of line-extensions under the Kamenitza-brand umbrella with a 20% premium vs Kamenitza Svetlo took place (Kamenitza Leko, Dark)

5. Q-Pack share for Kamenitza stood at 26% of total Kamenitza volume
Kamenitza Packaging Innovations

Before

0.5L BNR

1.5L PET

1.5L Q-Pack

Football bottle
The Way Forward – Summary
Bulgarian Beer Market

- INTB today again is in a strong #2 position with potential to become the number 1 player in the market (INTB = 30% MS; Heineken = 32% MS)

- Kamenitza built back to Bulgaria’s leading brand (20% market share as a single standing brand), strongly supported by continuous PET-innovation (0.65L PET size, Kamenitza Extra + Dark in 1.5L Q-Pack)

- Great potential in fine-tuning further route to market to increase distribution-levels for each of our brands