



# INTB Bulgaria “The Kamenitza Turnaround”

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# The Bulgarian Beer-Market



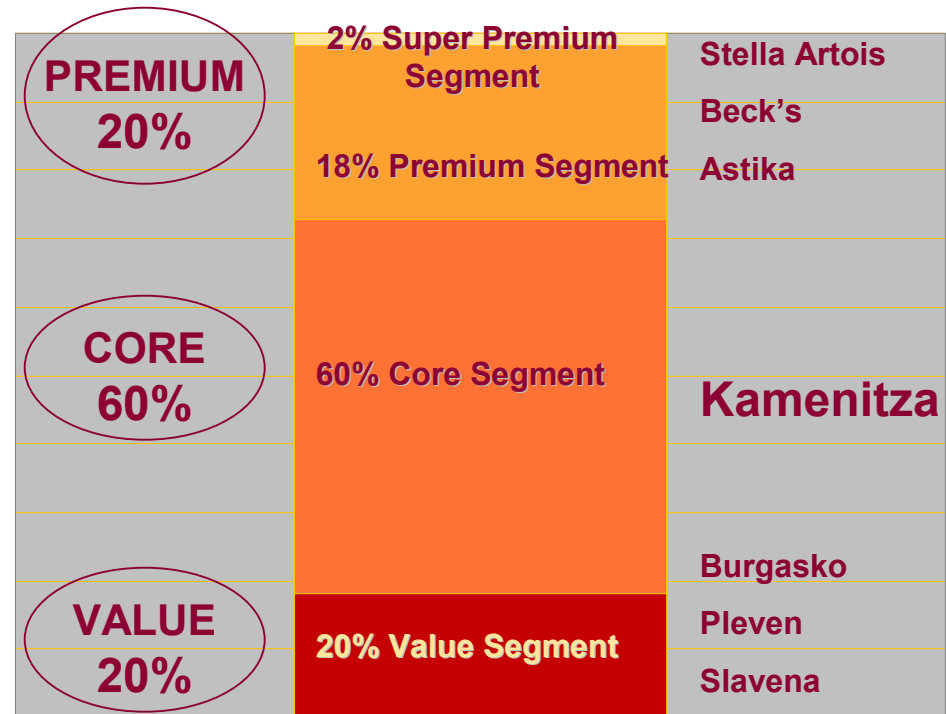
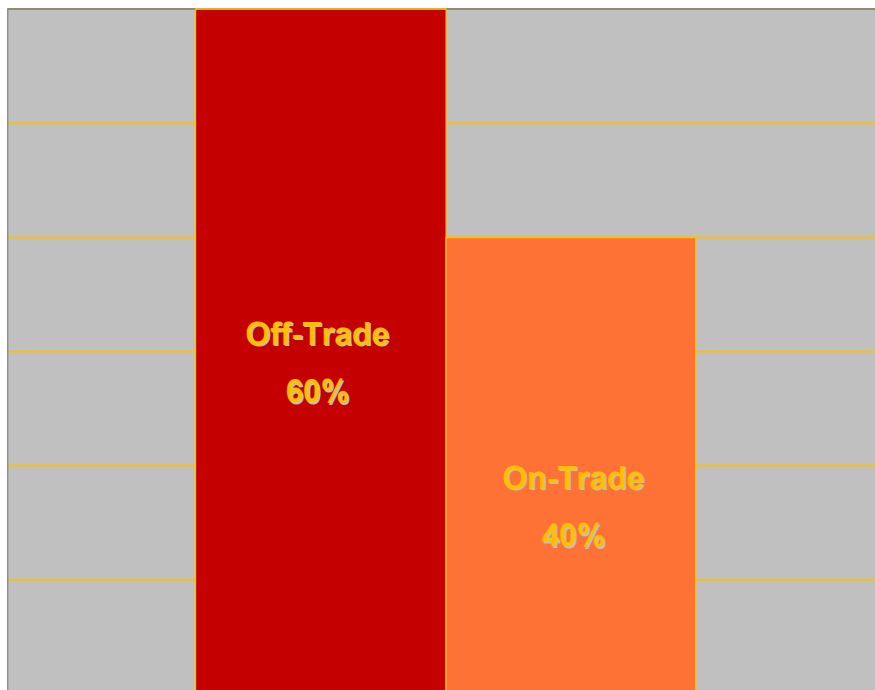
	1999	2002	2003	Comment
<b>Size of Market</b>	3.8 MM HI	4.0 MM HI	4.0 MM HI	Quite flat market in general
<b>Per capita consumption/year</b>	46 L	51 L	51 L	About the level of Russia
<b>Excise evolution</b>	2.9 EUR/HI	5.6 EUR/HI	5.6 EUR/HI	Today one of the lower rates in CEE, but there will be a 50% increase to 8.4EUR/HI as of 01/01/05
<b>GDP-Level (GDP in EUR/head)</b>	1427 EUR/head	2116 EUR/head	2317 EUR/head	One of the lowest levels in CEE

# The Bulgarian Beer-Market



## TOTAL MARKET

## INTB BULGARIA BRANDS

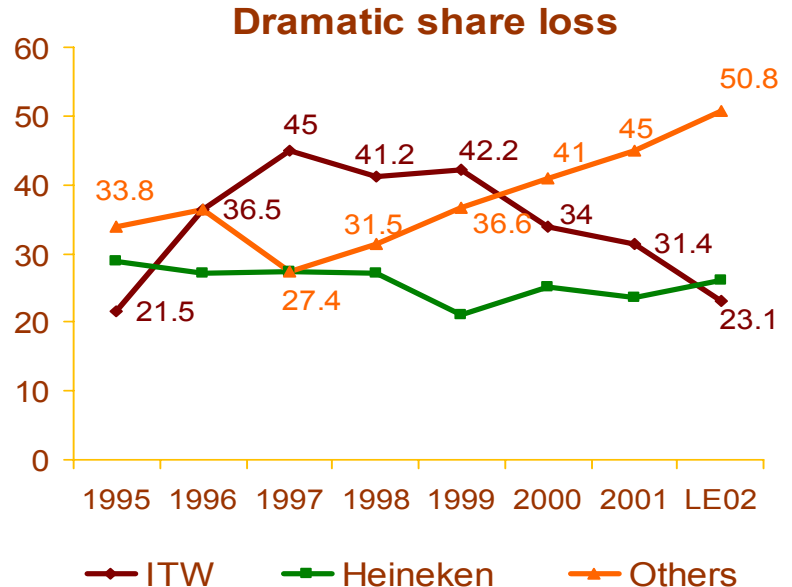
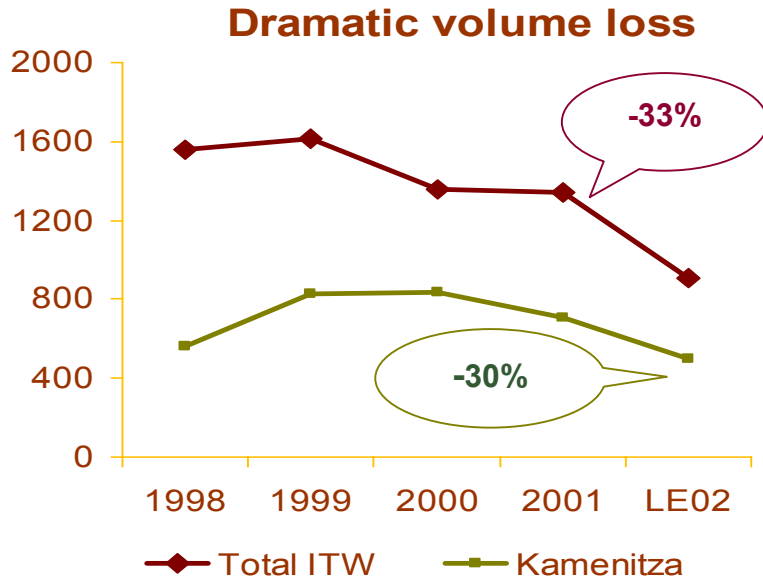


## Ratio Between Off-Trade and On-Trade

## Market Segmentation



# INTB/Kamenitza Has Lost Significant Volume and Share



Despite:

- Higher commercial spending
- Price decrease of Kamenitza with 9% in June 2002

Winners:

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



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## Decline Was Caused by Increasing Price in the Face of Increased Competition and a Worsening Environment

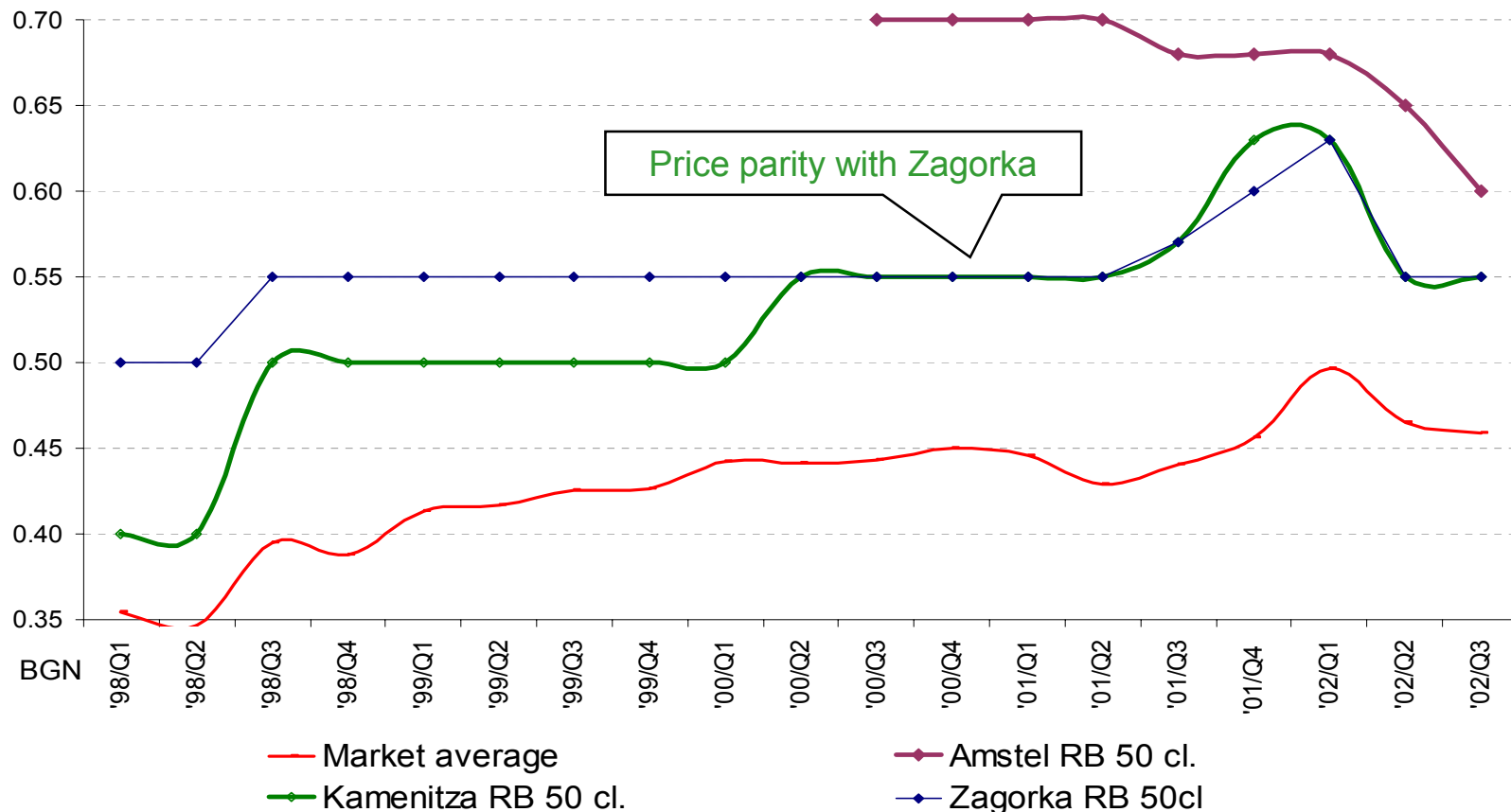


- Historical yearly price increases pushed Kamenitza to a premium brand (only for special occasions) without sufficient differentiation
- INTB-trade terms were insufficient and too complex
- Regional competitors strengthened
  - *Improved quality*
  - *Initiated, expanded PET*
  - *Maintained price gaps*
- 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



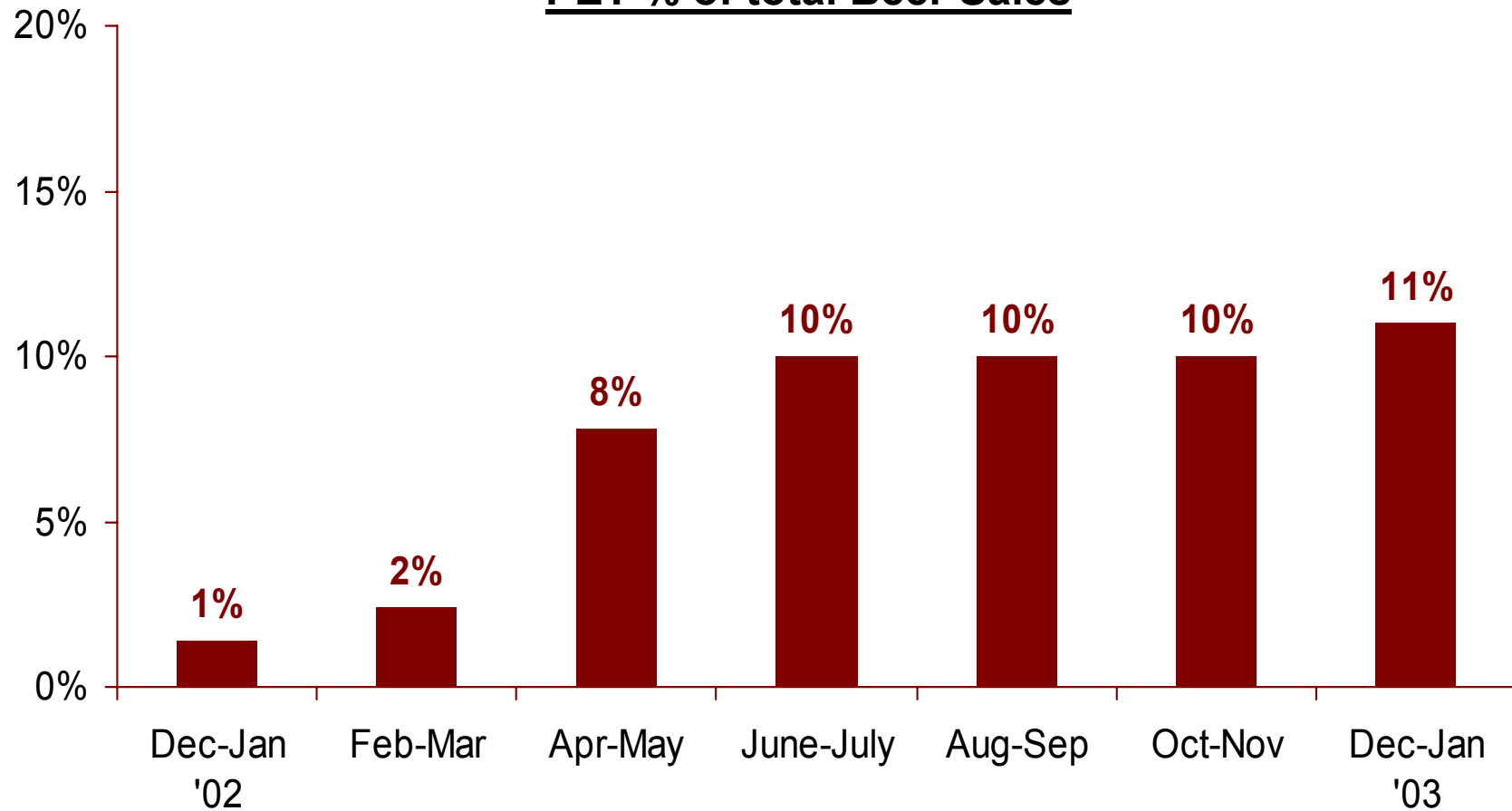
Source: Nielsen



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



**PET % of total Beer Sales**



Source: Nielsen

# Two Key Strategies to Address Kamenitza/ INTB-Divide



## *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***



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# 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



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**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



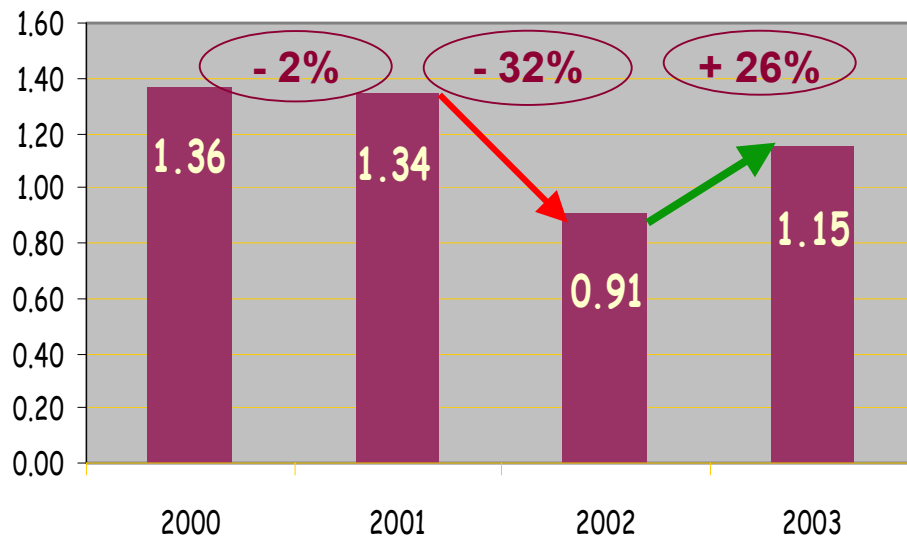
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## Second Pillar of Strategy Is to Reduce Cost Base in Bulgaria



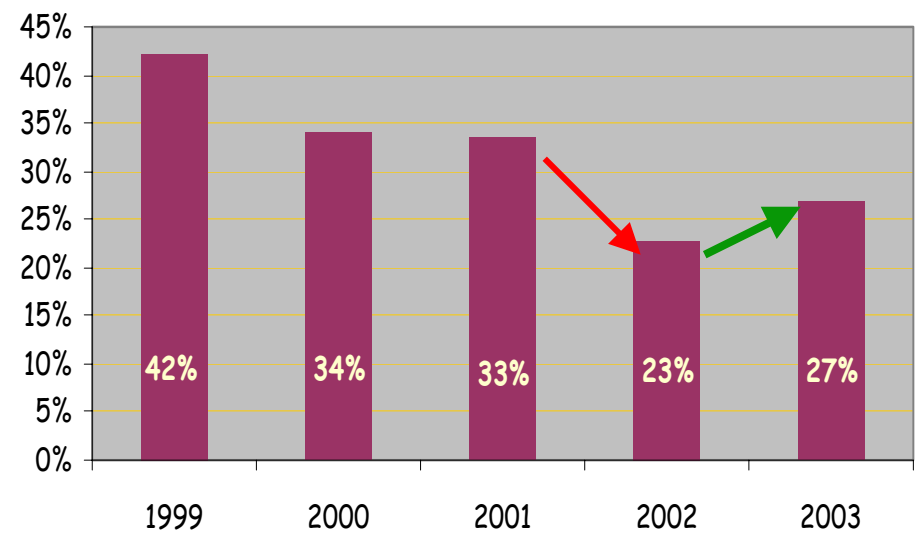
- Reduction of headcount operations from 650 (2002) to 425 (2004)
  - Phase 1 (03):
    - Mothball 2 bottling lines in Q1 03
    - Re-engineer – productivity improvement project
    - Closure / sale of Burgas plant

# Result INTB Bulgaria 2003



**INTB volume – MM HI**

**26% volume growth last year ...**



**INTB Market Share**

**Regained 4% market share in '03 ...**

# 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/HI 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



0.5L BNR

1.5L PET

1.5L Q-Pack

1.5L Q-Pack  
Football bottle

Before



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# 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