

IR presentation 2012

Brewing a success in India



Enter the World of

KINGFISHER

Guido de Boer

CFO United Breweries

UBL: Key facts and figures



- 10** million hectoliters
- 55%** market share, the largest brewer in India
- 1.5** litre per capita consumption
- 18** owned breweries, and 10 contract breweries
- 43%** share for the Kingfisher brand - it is synonymous with Indian beer
- 75%** owned by Dr Vijay Mallya and Heineken





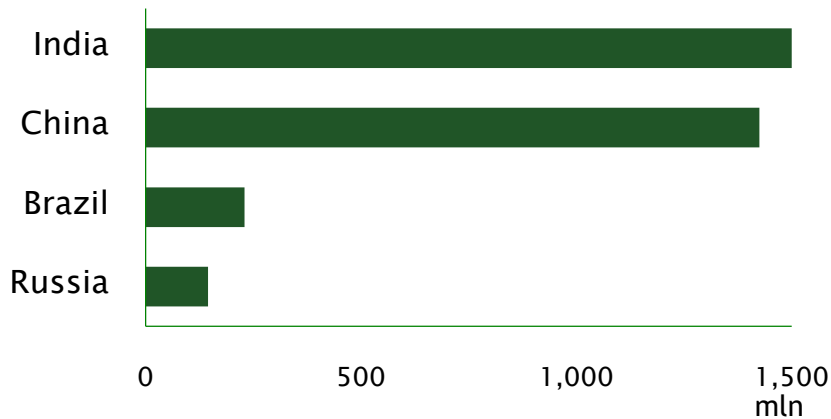
India and the Beer opportunity

Demographic dividend to be reaped

Population increase fuels potential for rapid beer market growth

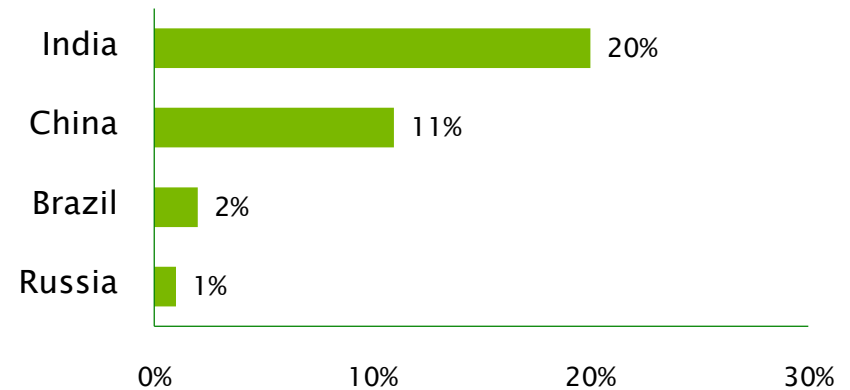


Population in 2030



- India will have the world's largest population by 2025
- In 2030, India will have over 1.5bn inhabitants
- Net increase in working population of 270 million by 2030

Below 25 year olds as % of total population in 2030



- In 2030:
 - 20% of the world's below 25 year olds will be Indian...
...compared with 11% from China
- Significant growth in the legal drinking age population in India

Consumption is set for strong growth

A significant middle class will emerge supporting increased spending power



Household income brackets

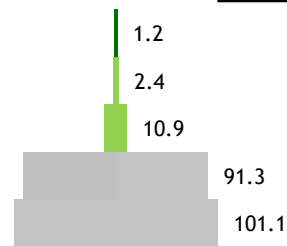
thousand, Indian rupees, 2000

Globals (>1,000)
Strivers (500-1,000)
Seekers (200-500)
Aspirers (90-200)
Deprived (<90)

Number of households

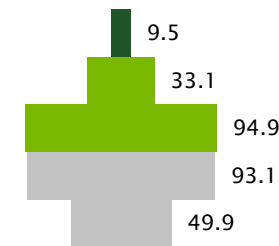
million

2005



+123m

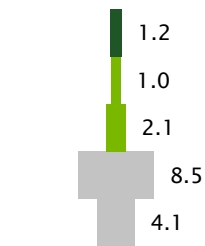
2025



Aggregate consumption

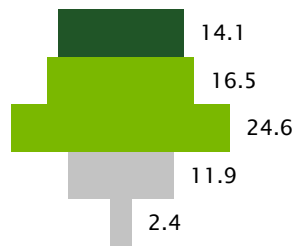
trillion, Indian rupees, 2000

2005



12.5x

2025



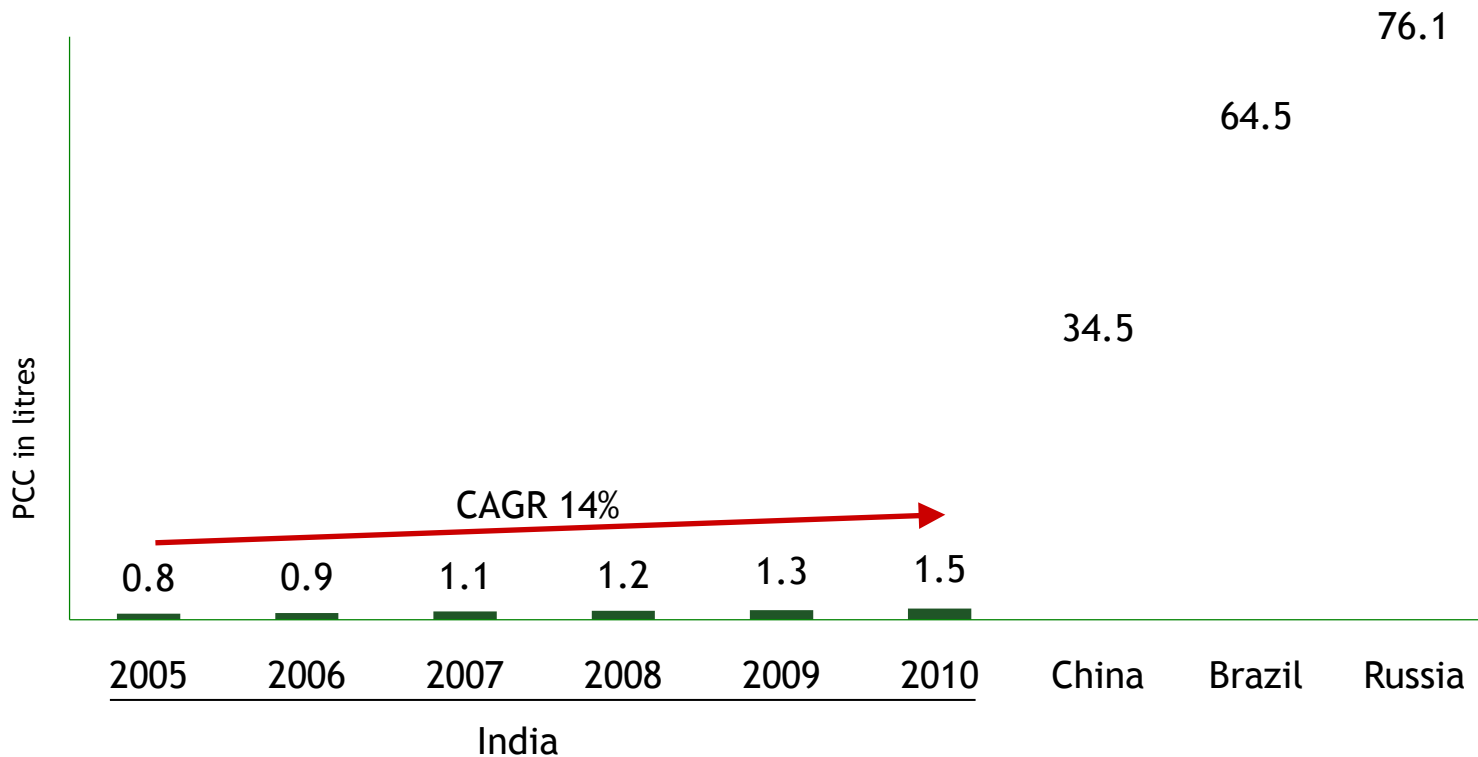
- Beer will become increasingly affordable to a growing number of people in India
- Increase in number of upper & middle class households of 123m by 2025
- Middle and upper class will drive 12.5x consumption growth
- Higher income expected to support significant increase in discretionary spend

Beer consumption in India is well below other 'BRIC' countries



The Indian beer market has grown strongly over the past 5 years from a low base

Per Capita Beer Consumption



Today's beer consumption is very low

India is far below other emerging markets of similar income levels



India

Comparable Markets

Per Capita Beer Consumption at comparable GDP

1.5 liter

20 liter

Share of alcohol consumption



<0.5%

Wine

5%

78%

Spirits

8%

22%

Beer

87%



Two key reasons

High prices & low availability



AFFORDABILITY

- Highest duty in the world
- Duty not set according to alcohol content
- Expensive alcoholic beverage

AVAILABILITY

- 65,000 licensed outlets across the country
- 1 per 18,000 people
- In China: 1 per 300 people

***Beer is not the alcoholic beverage
of the common man***

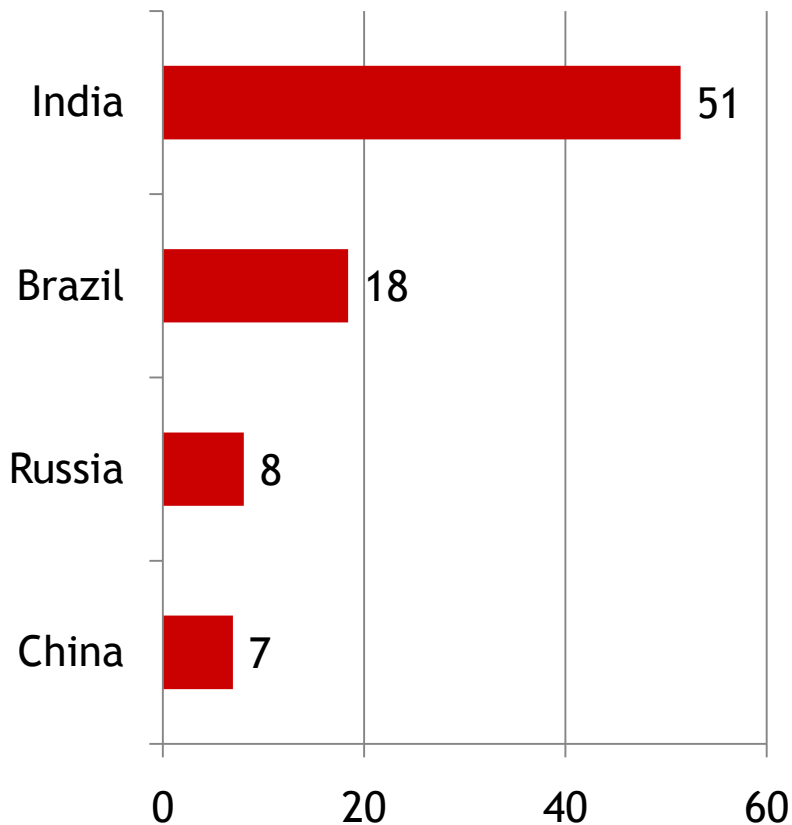
Affordability

Beer prices in India are very high



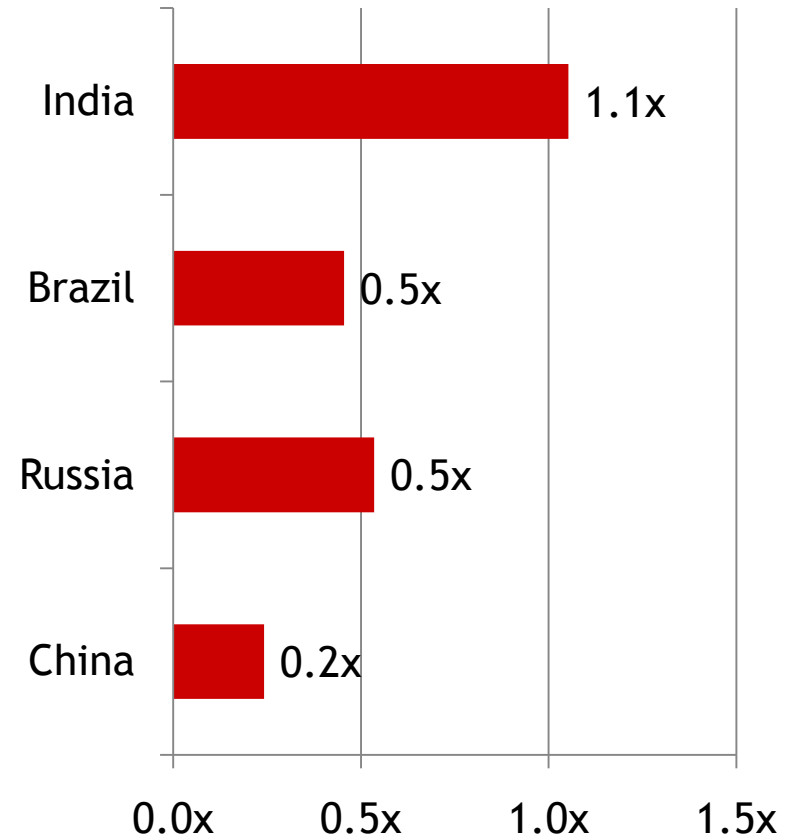
- ▶ An Indian has to work up to 7x as long to afford a beer

Minutes work for a beer



- ▶ India is the only BRIC where a beer is more expensive than a Big Mac

Beer relative to Big Mac



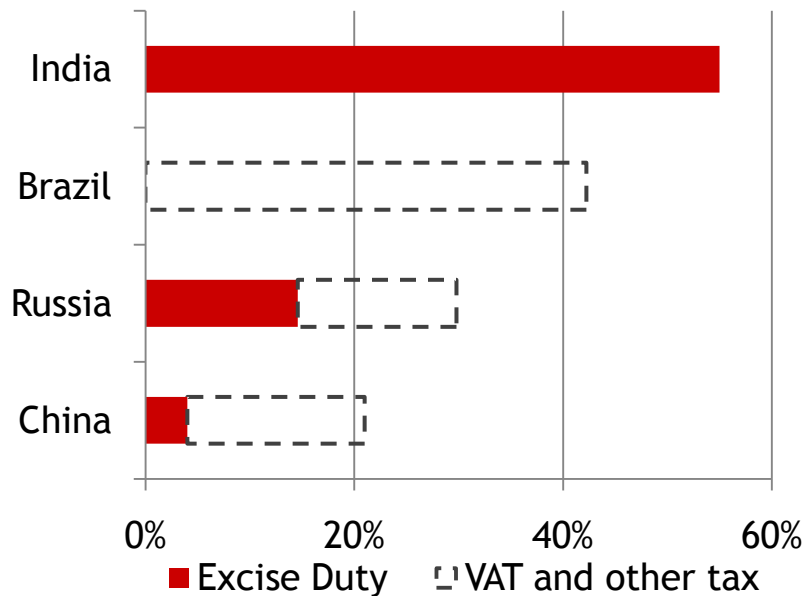
Affordability

Excise is highest among BRICs and drives preference for hard liquor



- ▶ Taxation is significantly higher than other countries

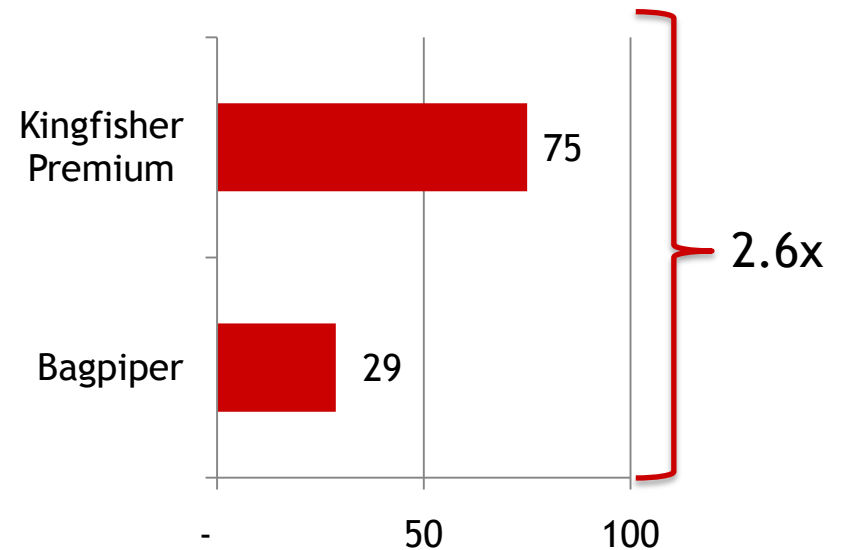
Taxation of Beer



Indicative rates as % of consumer price. VAT is only levied on value added, so effective rate is lower.

- ▶ Beer is taxed significantly higher than hard liquor

Relative pricing vs spirits per unit of pure alcohol



Based on consumer prices in Tamil Nadu

Availability

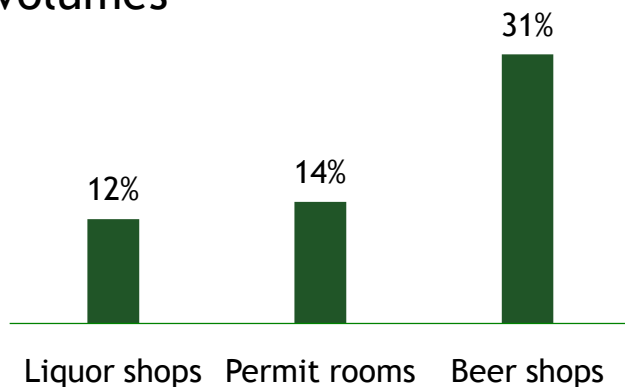
Case Study: Mumbai Beer shops



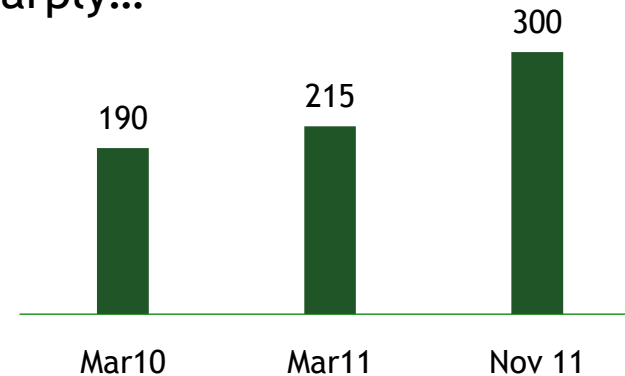
New Policy established

- ▶ Since the 1970's no new licenses have been issued for liquor shops
- ▶ In 2006, the Maharashtra government started to issue 'beer shop' licenses for outlets that can only sell beer and wine, but not spirits

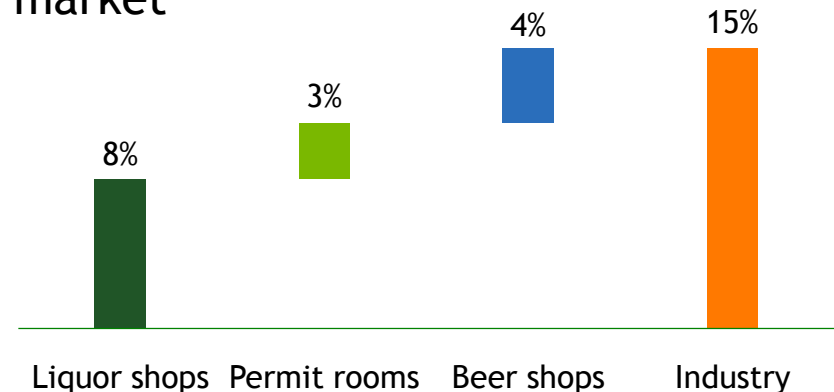
...driving high growth in beer shop volumes



Number of beer shops has increased sharply...



...accelerating growth of the overall market



A highly regulated market

Leveraging the existing framework



▶ Excessive State regulation and intervention

- Route to market
- Economics, need to have a brewery in each state
- Pricing

▶ India is not homogeneous country

- 27 uniquely different states

▶ Ban on advertising alcohol

- Difficult to build new brands

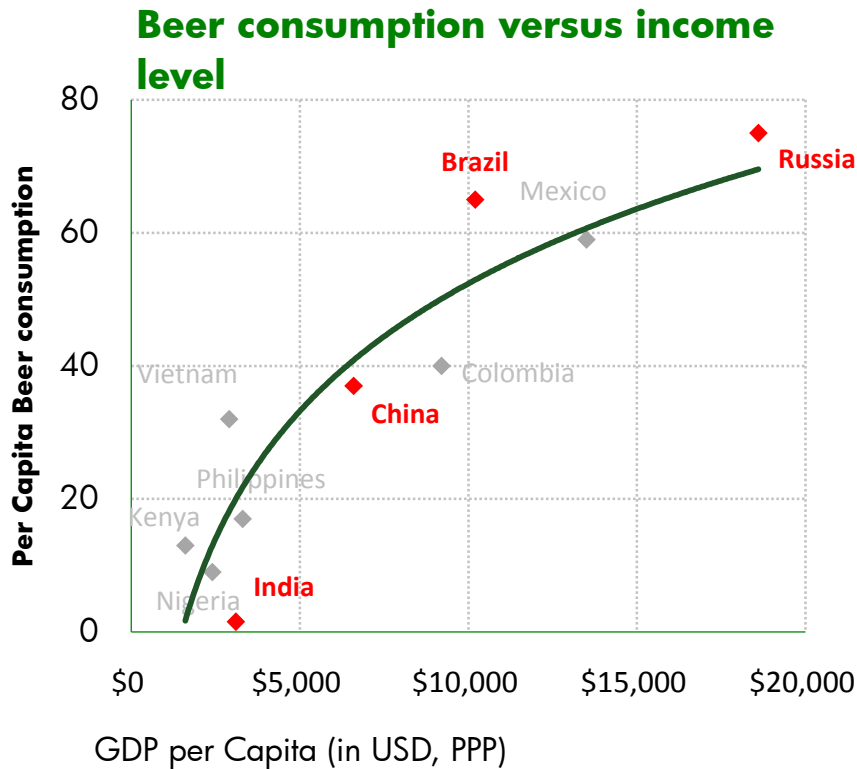
▶ Requires ability to operating in very different structures



India is at the start of the growth curve



Income growth will drive per capita beer consumption



Demographics will fuel further market growth

- ▶ UBL expects to grow volume at an average annual rate of 15% over the next five years
- ▶ By the end of 2015, India is expected to reach 3 liter per capita



Capitalising on UBL's strengths for growth

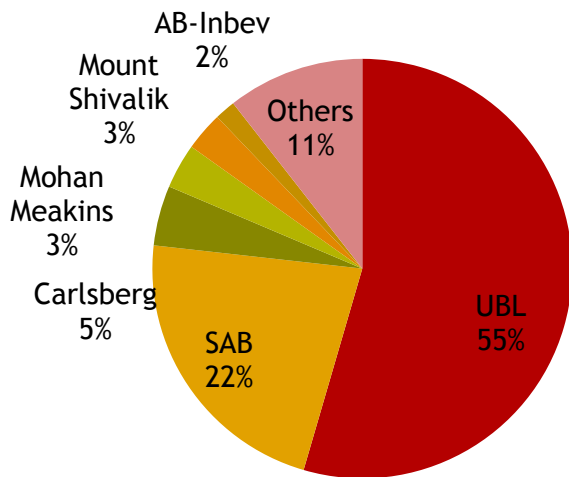
UBL's leadership is undisputed



Market leading position in India

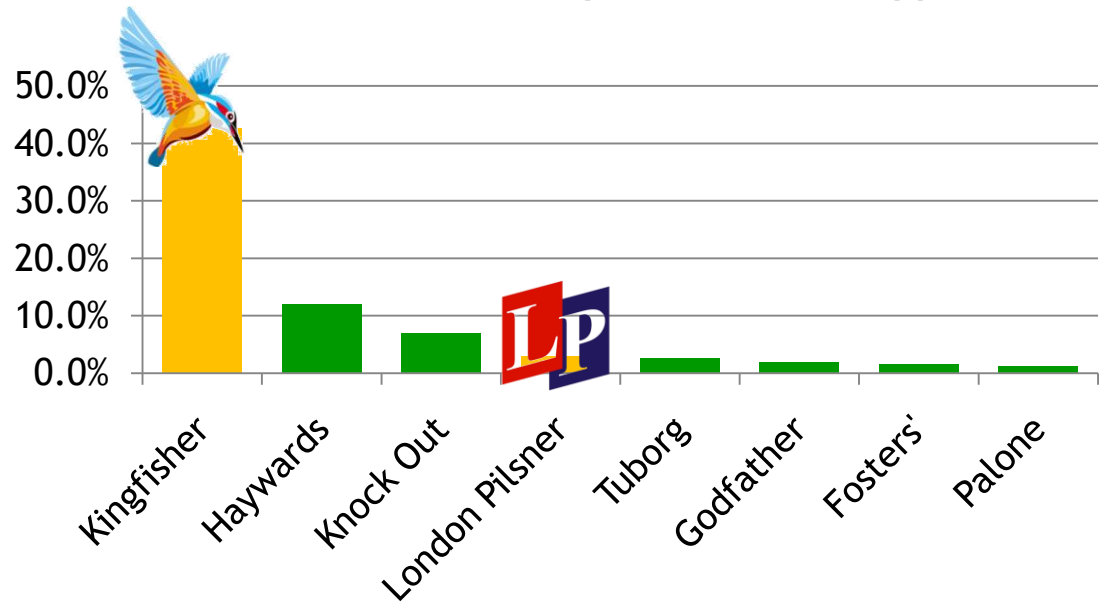
- ▶ Strong market position will continue to drive economies of scale and superior returns
- ▶ All time high market share of 55%

UBL is more than two times its nearest competitor



All-India market share FY12

On a brand basis the leadership is even more apparent

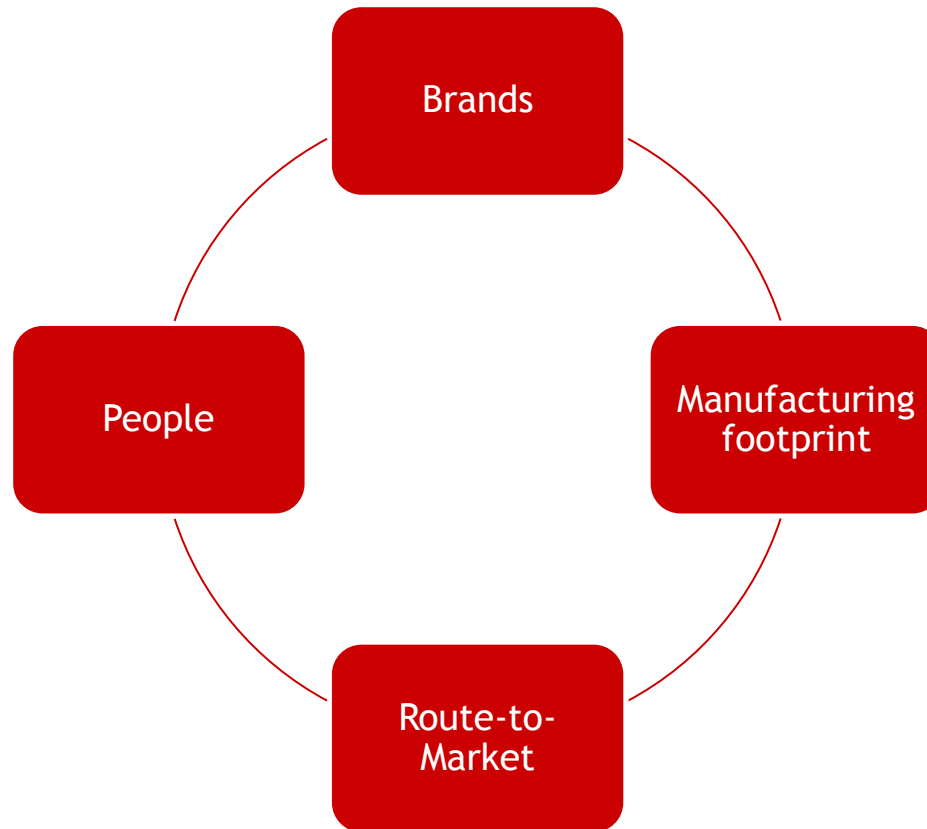


What is this leading position resulting from?

UBL's Competitive Advantages



- ▶ UBL has been able to achieve its market leadership by leveraging four competitive advantages:

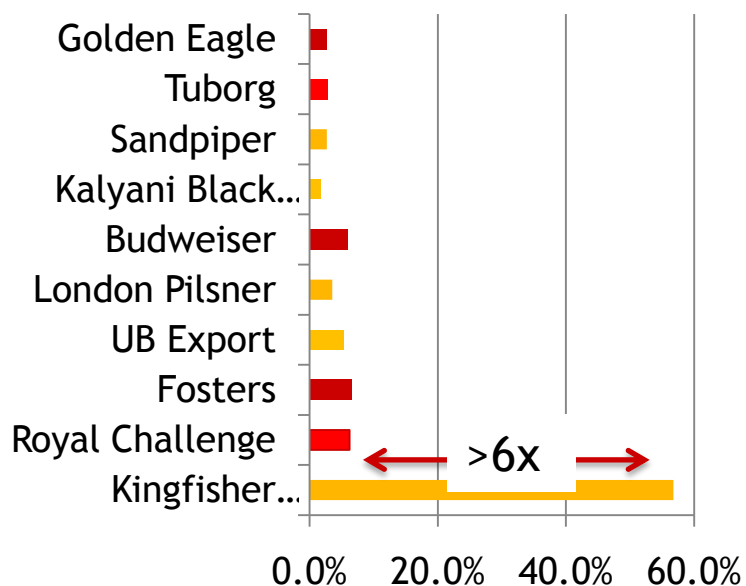


The strength of the Kingfisher Brand is unparalleled



- ▶ Iconic brand - KINGFISHER is synonymous with beer for Indian consumers
- ▶ No other beer brand comes close:

All-India market share Mild Beer FY12



Brands in green are part of UBL portfolio

Brand Equity among young consumers:

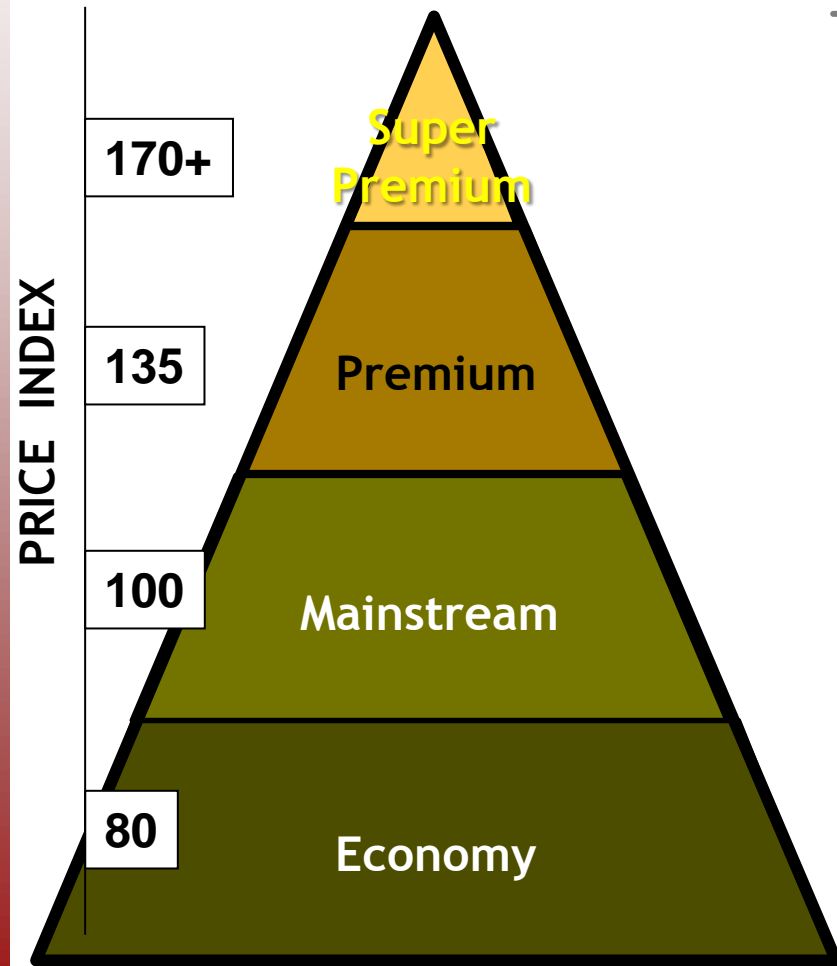
facebook 2,508,800





- ▶ Kingfisher is India's most liked beer brand by far. No.2 has only 172k fans
- ▶ On a global basis, Kingfisher is the most liked alcohol brand after Heineken
- ▶ Leaving all global beers such as Budweiser and Corona, and renowned spirits as Smirnoff and Bacardi well behind it

But it is not only Kingfisher... ...UBL leads across all segments



Mumbai mild beer portfolio Q2FY12



Key brand	Segment share	No.2	Relative share
	65%	Corona	0.25x
	49%	Carlsberg	0.96x
	70%	Fosters	0.23x
	81%	Golden Eagle	0.19x

Investing behind the brand

Leveraging aspirational properties in fashion and sports



Cricket: Indian Premier League



Football: Kingfisher East Bengal



Formula One: Force India



Fashion: Kingfisher swimsuit calendar



Heineken

Building brand equity for the future



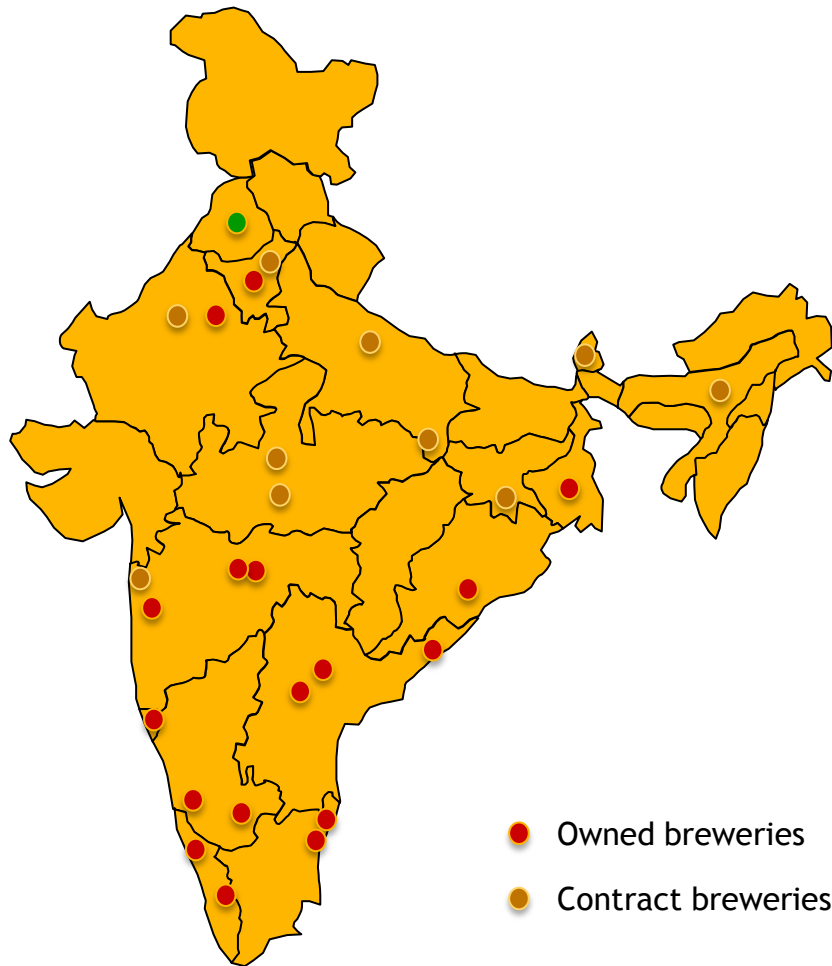
- ▶ Selective launch in key metros: Mumbai, Delhi, Bangalore, Kolkata and Goa
- ▶ Gradual roll-out based on:
 1. Perfect execution
 - ▶ Targeted Distribution
 - ▶ Premium Visibility
 - ▶ Cold & Fresh Stock management
 2. Driving awareness & be part of the conversation.
 - ▶ Strong focus on digital media
 3. Set benchmarks at every touch-point - Quality over quantity
 - ▶ K2 bottles
 - ▶ World class PoS materials
 4. Leveraging UBL strengths in market
- ▶ IPS segment is still a very small part of the overall market



Manufacturing network across all major states



UBL brewery footprint



- ▶ Unique brewery footprint
 - In line with the requirements of a complex regulatory framework
 - 18 owned breweries and 10 contract breweries
- ▶ Closeness to market a critical success factor
 - Freight costs
 - Import and export duties
 - Freshness
- ▶ Ability to manage contract brewers in key states

Best Route to Market

In distribution...



- ▶ India has 27 states that have distinctly different routes to market
 - ▶ Ability to manage this complexity is one of UBL's core strengths

- ▶ Established distributor relationships
 - ▶ Group scale - with 60% share in spirits and 54% in beer - provides significant benefits
 - ▶ Most distributors have been UB Group partners for multiple decades
 - ▶ The best distributors and trade partners aligned with UB Group

Best Route to Market

...as well as in retail



- ▶ Leadership in cold chain management
- ▶ Point of sale visibility
- ▶ Must stock brands provides portfolio benefits
- ▶ Economies of scale





- ▶ Most experienced management in the industry
 - ▶ Customer facing management has been with the group for 20+ years
 - ▶ Very low churn rate
 - ▶ Strong background in dealing with regulatory environment and market complexities
 - ▶ Very difficult for foreign entrants to replicate

- ▶ Chairman's added value
 - ▶ Dr Vijay Mallya provides significant added value as ambassador for the industry's interests and is a member of parliament



UBL has a proven track record



Closing remarks

In Summary...



- ▶ Indian beer market growth opportunity unparalleled in the world
- ▶ UBL is the clear market leader with strong segment leadership positions
- ▶ UBL expects to grow volume at a CAGR of 15% over the next 5 years
- ▶ A superior route-to-market and manufacturing footprint provides consumer reach and scale benefits
- ▶ Strong fundamentals in place to continue strong profit growth



Questions, please?