

TRANSCRIPT OF THE INTERVIEW WITH

Mr. Thapana Sirivadhanabhakdi
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UNITED WORLD: The fundamentals of the Thai economy remain sound at all levels. The World Bank has raised its growth expectations for the Thailand economy from 4.8% to 5% this year. As a Thai businessman, how would you personally describe the current business climate in Thailand?

MR. THAPANA SIRIVADHANABHAKDI: I'm an optimistic person, and I am positive that the Thai business sector can find its own way of flourishing, despite the current situation. Whatever is going on in the political arena somehow affects the many industries; especially the tourism industry.

Thailand, as a country, has much to offer in terms of tourism. We are seen as an exotic destination that offers all sorts of conveniences—from hotels, to resorts, to personal care, etc. I am sure that when the situation is no longer clouded over, we would see a significant improvement in the industry. Our neighbors often travel in and out of the country, and they see that there is really nothing to worry about. All we have are 2 groups with a strong public opinion that have different views on how to manage the country. This has happened before. If anything, they can be assured that things will not get out-of-hand. It is still within parameters where we see the members of each party maintain a level of respect for the other. They are aware that what they do may have an overall impact on the Thai economy. That is why they are firm about resolving things in a peaceful manner. It is agreed that both sides want what is best for the country. There is no violence. There are no riots.

Thailand has managed to weather out the financial crisis in the region. This is a very strong and positive sign about the fundamentals of the economy itself. In terms of agriculture, tourism, industrial-based manufacturing, and the workforce in this region, there are so many things to say about Thailand. If you assess the situation over the past 2 years when there is a change in political hand, it shows our ability to adjust within the system. I am hoping that this short-term problem could be a long-term gain in the future. That is what most of the Thai people believe in.

UNITED WORLD: Thai Beverage Public Company Limited (“ThaiBev”) was incorporated in Thailand in October 2003. It is now Thailand’s largest alcohol beverages producer, and one of leaders in Southeast Asia. What was the story behind the success of the company?

MR. THAPANA SIRIVADHANABHAKDI: It started with the vision of our Chairman, Mr. Charoen Sirivadhanabhakdi. He saw the product’s potential in Thailand. In 2003, the Thai economy was going strong. We were slowly opening up the economy of Thailand by signing the AFTA, actively interacting with the WTO, etc. During the time, all indicators showed that we were leading the economy in the ASEAN. To remain competitive in the international market, we needed to reposition ourselves. We had to do some restructuring and look into the long-term. We wanted to institutionalize our business culture as well as deal

with our trading partners and stakeholders. As a result of that, our Chairman, Mr. Charoen Sirivadhanabhakdi established ThaiBev and consolidated all related businesses that went into the balance sheet into one holding company—spirits, beer, procurement, upstream and downstream, logistic distribution, etc. We were probably the first to position ourselves as a liquor and beer company under the same holding company. We had some synergies and we tried to leverage on the strengths of each of the companies within the same corporation. We look into the shifts in consumer trends and try to make it viable for the company.

When things started to look up for the country in 2006, the company had an IPO to raise more capital to fuel its plans for expansion. Some concerns were raised about the ethics of the products itself, whether it was wise to promote a company that was selling alcohol. In view of this, the government came up with laws and regulations for the alcohol industry. Apart from the ones commonly followed by all the other beverages companies, we have some activities that we have initiated on our own. We developed social programs geared towards safety and responsible marketing. We have the “Don’t Drink & Drive” campaign. Later on in that same year, we listed on the Singapore Exchange (“SGX”). It was the largest listing in Singapore in 10 years. We got a Merit Award from the Securities Investor Association of Singapore (SIAS) in 2006 for being the most transparent new listing as the company. As well as the Best Investor Relations in the Singapore Market By a Thai Company 2006 and the IFR Asia Awards 2006, in that same year.

In 2007, we got the Gold medal from Australian International Beer Awards 2007 for Archa Beer, the award for “Best Investor Relations in the Singapore Market by a Thai Company 2007”, as well as the Best Annual Report by a Newly Listed Company by the Singapore Corporate Award.

This year, we were recognized as one of the "Icons of Whisky". We also received the Gold Medal from Monde Selection Bruxelles – World Selection of Quality 2008 for Chang Beer.

This made us very happy. We feel that all this does not only serve to improve the Thai economy, but it also establishes good relations with other countries. This has positioned us as a regional player. It was a bold move on our Chairman’s part, and it goes in line with his vision of transforming the company into a more professional entity in terms of management, systems and operations. That is where we are today.

UNITED WORLD: Chang Beer, Thailand’s top-selling beer, first started production in March 1995. How is the company positioning itself in the beer industry in Thailand?

MR. THAPANA SIRIVADHANABHAKDI: The beer and spirits, for some reason, is separate in the way the market looks at it. Based on the way we have positioned ourselves, we are the first company to actually break through the market. The Boon Rawd Brewery, which has been here for over 35 years now was the important beer brand back then. Carlsberg

and Tiger have been in and out of the country. Beer was regarded as a highly priced premium product that the average consumer can't buy readily.

We came into the market in 1995 and positioned ourselves as the people's beer. It was the first time that beer was made available to consumers at a more attractive price point. Throughout the years, we have been able to expand the market. Over the span of 10 to 12 years, we have grown from 3 million to 4 million hectoliters of beer to 21 million hectoliters. ThaiBev was the one that expanded its potential in the market.

Chang Beer is our flagship brand. It is positioned as the people's beer. Last year, we launched the new premium beer, Federbrau Beer. Federbrau Beer is positioned as the beer that follows the German brewing process. This involves the purity of the ingredients (i.e., the malt, the hop, the natural water, the yeast, etc.).

With the consolidations taking place in big, multinational companies with one company taking up another brand, you can hardly identify who's who. We are sticking to the original process of brewing German beer for our Federbrau line so that people can enjoy the real thing.

For all our brands, we are giving each a defined position. The consumer now has more choices. Back in the day, we used to work with international brands and for some reason they withdrew from the market. We still see that the premium segment is a very profitable segment. Trade-wise, in terms of working with the agents and the margin of income that we provide to them, we can offer the kind of mix in their portfolios that they would like to have.

Despite all the other factors like the political situation, we still pretty much believe that launching the brand is a pretty good move.

UNITED WORLD: Heineken holds about 70% of the premium category. What are your expectations for Federbrau?

MR. THAPANA SIRIVADHANABHAKDI: The premium segment is only about 4% of the total beer market. The consumers of this segment actually want to experience the kind of beer they are purchasing. There is a level of sophistication and a sense of adventure. That is exactly what we want to tap on with our Federbrau brand.

Because ThaiBev is the leader in the sector it is in, we are confident that we can develop the market for this particular line. We are confident that we are able to offer better products to the consumer base. That's just talking about the beer category.

For the spirits category, we leverage on our expertise because we started from the spirits-making company. We've got a wide range of products. For our rum-based products, we are probably one of the largest net exporters of sugar. We produce a lot of refined sugar. That's

where we get the raw material to producing the rum. Under white spirits, we have Ruang Kao, which is one of the more famous brands in the segment. It is one of the largest selling brands by volume in the world, falling second to the other Korean brand. We sell around 38 million to 40 million cases.

Apart from that, we have what we call the golden spirits, which have a golden amber color. It is rum-based, processed through a unique method of spirits blending. Sangsom and Mekhong fall under this category. Mekhong is the more established brand while Sangsom is just starting to penetrate the rural area and the other markets frequented by tourists. Mekhong was established in 1941 and is well-known inside and outside of the country. It is the only Thai spirits brand that is widely recognized by the common people. We offer a unique taste and experience to our consumers worldwide.

Apart from the more known Chang and Federbrau beers, we have Archa Beer which is a smooth beer with lower alcohol content, made from fine quality malt, rice, and hop, with natural water, and selected yeast.

Right now, we are focusing on exporting our brand to the European and American markets. We founded a company called International Beverage Holdings Limited (“IBHL”), which is focused on promoting Chang Beer and Mekhong in the American, European, and Australian markets. We see a lot of opportunities for Thai companies like us. As you know, the US is the largest alcoholic beverage market in the world. We would like to tap into that. We are looking to use the F&B channel to offer our brand of beers and spirits in restaurants and bars in the US. By far, Thai restaurants are among those on the top tier with a wide range of coverage next to the Chinese and Japanese restaurants. In terms of Thai F&B, we are trying to create a fusion of the modern and exotic flavors. This is becoming increasingly interesting to Westerners who are looking to have a taste of the East. Ours is a combination of cultural heritage and a history of making the spirits. At one point, we exported a lot of spirits to Okinawa, Japan. We had what was called Awamori and it evolved into a product line of its own. This is where you see culture and heritage come into play because even now that 300 to 400 years have passed, the Okinawans still import the sticky rice from Thailand.

We are also looking into expanding into whiskies produced in Scotland through our subsidiary, Inver House. We have invested in 5 malt distilleries in Scotland. There is a lot of synergy towards that.

UNITED WORLD: Apart from its alcoholic drinks, ThaiBev also boasts of a growing non-alcoholic portfolio. Recently, the company signed an MoU to acquire a 43.9% stake in Oishi Group. It also acquired the energy drink and ready-to-drink coffee assets from Wrangyer Beverage Co., Ltd. Can you tell us more about this?

MR. THAPANA SIRIVADHANABHAKDI: In the domestic market, we are looking into diversifying into the non-alcoholic beverages category. We plan to leverage on our

distribution channels and capabilities. We have functional drinks, as well as health-centered, new age drinks. We're expanding our portfolio to cover green tea, ready-to-drink coffee, and the energy drink. You probably heard about the history of Red Bull. It originated here in Thailand. They found a strong partner that is capable of building the brand for the Western markets. Thailand is probably the second country familiar with, or learning about the energy drinks. With the first-year launch of Lipovitan B, one of the Thai companies imported the brand. Back then, it wasn't just an energy drink, but a sort of vitamin drink. It shifted a bit in terms of the function of the drink itself and created its own category.

If you are talking about the energy drink market, it's very interesting. Looking at the domestic market, you can see that we pretty much cover the categories related into the beverages business. In terms of our international portfolio, we are diversifying our line of premium products. With regards to Mekhong, we are in the process of repositioning the brand and the rejuvenating the packaging. We are giving the brand a whole new look (i.e., packaging, design, etc.) while retaining the high quality of the drink itself to meet international standards. This, in turn, will be promoted by our international sales arm, IBHL. It is a very interesting starting point towards the company's internationalization. We are learning about the real world economy, and looking into areas where we can play a part.

UNITED WORLD: What has brought you the greatest satisfaction in this endeavor?

MR. THAPANA SIRIVADHANABHAKDI: We are a very unique company that produces alcoholic and non-alcoholic beverages. We are working on having a complete portfolio that we can offer to the market. The trade system itself has shifted. We have the modern retail outlets, the supermarkets, TESCO, etc.—all these are changing a lot in terms of the regional market. That is one of the strengths that we can offer, working with our distributors and our partners throughout the value chain. We see that coming on a larger scale. The market in Japan is trying to protect its own traditional trade. In the olden days, you would see shops exclusively selling liquor or cigarettes. Now, that has changed. Shops want to offer more varied products. This is the trend in the trade system itself. This is largely because of the developments in our generation, the technologies, etc. Overall, we see ourselves as a company with a unique positioning and a unique location. Being in Thailand, we have one of the largest beverage markets in the region. We are able to expand into the ASEAN and ASPAC markets. There are a lot of things that we can tap into.

UNITED WORLD: What message would you like to leave to the readers of USA Today?

MR. THAPANA SIRIVADHANABHAKDI: Looking at the overall picture, Thailand has strong economic fundamentals. We have a solid agro sector and a lot of that has shifted towards alternative energy as well. This pours over to commodities and the increase in world demand. We have a very attractive tourism industry. We are in a unique position to provide an entirely different experience to travelers. This affects all the other related industries,

including F&B, entertainment, properties, etc. We have a firm manufacturing base and the capacity to develop a highly skilled talent pool. Because of this, we can offer more value added services and products throughout the region. Furthermore, the cost of living in Thailand is highly attractive. Our inflation is still lower compared to our neighboring countries. Exports continue to be promising. Things can only get better and the people know it. It's a long-term game. Despite certain drawbacks over the past 2 years, we have shown some positive results in terms of exports, tourism, and the other sectors. I believe in the economy of the people (we have about 600 to 700 million). If we can draw up a synergy within the region like the EU, it would work well for us. We can leverage on our strengths and position ourselves as one of the largest economies in the region. We have strong ties with the US, and this has been going on for 175 years. We are the first Asian country to establish diplomatic links with the US. That is still going strong. Over the years, we have adopted the lifestyle, the culture and the systems of the US. This makes trade and other exchanges easier between our 2 countries.

UNITED WORLD: Thank you very much for your comments.

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