

INDUSTRY OVERVIEW

*This section contains information relating to our markets. Certain facts, statistics and data presented in this section and elsewhere in this document have been derived, in part, from various publicly available government and official sources, industry statistics and publications. We also commissioned an independent industry consultant, GlobalData, to prepare an industry research report (the “**GlobalData Report**”) upon which this Industry Overview section is based. Unless otherwise indicated, all historical and forecast statistical information, including trends, sales, market share and growth, is from the GlobalData Report. See “– Report Commissioned from GlobalData.”*

While we have taken all reasonable care to ensure that the relevant official facts and statistics are accurately reproduced from these sources, such facts and statistics have not been independently verified by us or the Relevant Persons. Although we have no reason to believe that such information is false or misleading in any material respect, or that any fact has been omitted that would render such information false or misleading in any material respect, we make no representation as to the accuracy or completeness of such information, which may not be consistent with other information available. Accordingly, you should not place undue reliance on such information or statistics.

REPORT COMMISSIONED FROM GLOBALDATA

We commissioned GlobalData, an independent market research and consulting company, to conduct an analysis of, and to prepare an industry research report on, the Asia Pacific beer market for the period from 2013 to 2023. The report prepared by GlobalData for us is referred to in this document as the GlobalData Report. We agreed to pay GlobalData a total fee of USD0.2 million, which we believe reflects market rates for reports of this type. The payment of such fee was not contingent on the success of our [REDACTED] or the results of the GlobalData Report. Except for the GlobalData Report, we did not commission any other industry research report in connection with the [REDACTED].

GlobalData was formed in 2016 following the consolidation of several data and analytics providers. GlobalData has a team of industry consultants, market research analysts, technology analysts and economists globally. It conducts industry research among other services. GlobalData covers the Asia Pacific market from its offices in Singapore and Hong Kong. Its industry coverage in Asia Pacific includes all alcohol and non-alcohol beverage categories and brands across various key markets.

We have included certain information from the GlobalData Report in this document because we believe this information facilitates an understanding of the Asia Pacific beer market for prospective investors. The GlobalData Report includes information on the Asia Pacific beer market, with additional information on our principal markets within the region, such as China, Australia, South Korea, India and Vietnam, as well as other economic data, which have been quoted in this document. GlobalData’s independent research consists of both primary and secondary research obtained from various sources in the Asia Pacific beer industry. Primary research involved in-depth interviews with leading industry participants and industry experts in China. Secondary research involved reviewing company reports, independent research reports and data based on GlobalData’s own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. On this basis, our Directors are satisfied that the disclosure of future projections

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and industry data in this section is not biased or misleading. We believe that the sources of this information are appropriate sources for the information, and we have taken reasonable care in extracting and reproducing this information. We have no reason to believe that this information is false or misleading in any material respect of that any fact has been omitted that would render such information false or misleading in any material respect. Our Directors confirm, after taking reasonable care, that there is no material adverse change in the overall market information since the date of the GlobalData Report that would materially qualify, contradict or have an adverse impact on such information.

Except as otherwise noted, all of the data and forecasts contained in this section have been derived from the GlobalData Report, various official government publications and other publications.

In compiling and preparing the research, GlobalData assumed that the economies of the relevant countries are likely to maintain steady growth in the next five years (the “**forecast period**”), the social, economic and political environment in the relevant markets is likely to remain stable in the forecast period, and market drivers such as consumers’ rising purchasing power, consumers’ upgrading consumption and other key drivers are likely to drive the Asia Pacific beer market during the forecast period. In addition, according to GlobalData, the bases and assumptions used for the preparation of the report mainly include the following:

General Bases and Assumptions

- **Asia Pacific region** (or the “**region**”) is defined as China, Australia, South Korea, India, Vietnam, Hong Kong, Taiwan, Japan, New Zealand, Indonesia, Malaysia, Singapore, the Philippines, Thailand, Myanmar, Cambodia, Laos and Sri Lanka for computation of Asia Pacific beer market size. Asia Pacific macroeconomic indicators are for the entire region as stated by International Monetary Fund (“**IMF**”)
- “**Principal markets**” are defined as the key markets in Asia Pacific that the Company operates in, namely China, Australia, South Korea, India and Vietnam
- “**Rest of Southeast Asia**” (or the “**SE Asia region**”) is defined as Indonesia, Malaysia, Brunei Darussalam, Singapore, the Philippines, Thailand, Myanmar, Cambodia and Laos
- “**Price categories**” of beer defined in this report are based on an index value assigned by GlobalData, based on retail pricing of beer. The methodology assumes the retail (off-premise) price of the leading brand in the most popular pack type as the standard (assigned 100 on the index), with all other brands indexed against this brand/pack type. Brands with an index of 115 to 150 are classified in the **premium category**, brands with an index in excess of 150 are classified in the **super premium category**, brands with an index of below 90 are classified in the **value** or **discount category** and brands with an index of 90 to 114 are classified in the **mainstream category**
- **RSP (“Retail Selling Price”)** is defined as the price of products sold to the end users for consumption
- **Value market size and shares** are based on average off-premise RSP sales

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- **PCC (“Per Capita Consumption”)** is defined as beer per capita consumption in terms of liters per year, based on total beer industry volume per unit of total population

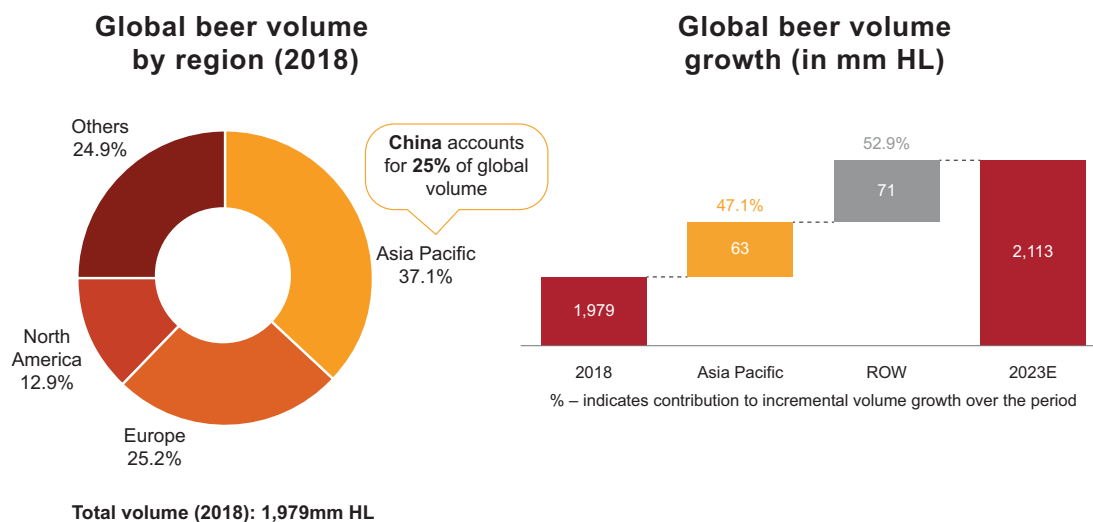
OVERVIEW OF THE ASIA PACIFIC BEER MARKET

We operate in Asia Pacific, with products primarily catering to the beer markets across various countries. We have a broad portfolio of over 50 brands and are well positioned to capture the beer consumption trends, including premiumization and trading up, across Asia Pacific. The following section provides an overview of the beer industry in the region, with a focus on our principal markets of operation, which are China, Australia, South Korea, India and Vietnam.

Summary of the overall Asia Pacific beer market

Asia Pacific is the largest beer consumption region by volume and value and one of the fastest growing beer consumption regions globally as of 2018. It accounted for 37% of the global beer consumption volume in 2018 and is also expected to contribute 47% to the incremental growth in beer consumption volumes globally from 2018 to 2023.

The following charts illustrate the current share of global volumes and incremental global beer volume growth over the forecast five years, represented by the Asia Pacific beer market.



Source: GlobalData

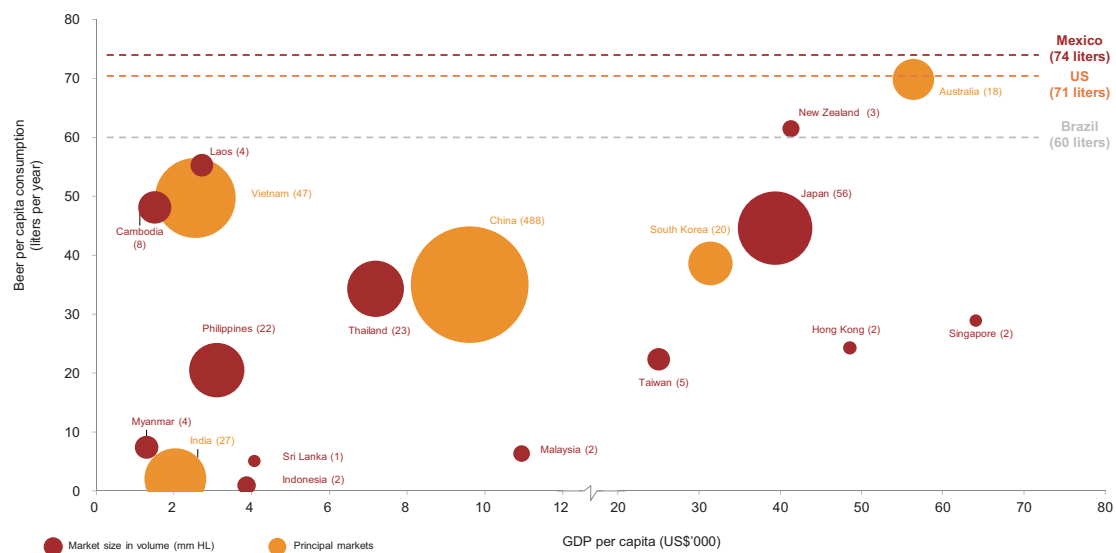
Within Asia Pacific, beer comprises the largest volume share among alcohol drinks (“**share of throat**”), and its share is expected to remain relatively stable over 2018 to 2023. Beer consumption in Asia Pacific is also underpinned by highly favorable macroeconomic and demographic factors relative to other regions in the world. With a total population of 4.2 billion, Asia Pacific accounted for approximately 57% of the global population in 2018. The region is also expected to contribute around 46% to global population growth over 2018 to 2023. This large consumer base in Asia Pacific is relatively young, increasingly residing in urban centers and has growing spending power.

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In addition to the large population base, urbanization is also driving the growth of consumption in Asia Pacific. As an illustration, according to the National Bureau of Statistics for China, China’s urban population has grown at a CAGR of 2.6% over 2013 to 2018, adding around 100 million to the urban population over the period. Urban population growth also outpaced the overall population growth, which grew at a CAGR of 0.5% over the same period. Average per capita disposable income for China’s urban population is estimated to be approximately three times higher than that of China’s rural population as of 2018. This indicates a considerable potential for consumption growth, including for beer.

The aggregate PCC for beer in Asia Pacific is also significantly low (around 20 liters in 2018) compared to global benchmark markets (such as the US at 71 liters, Brazil at 60 liters and Mexico at 74 liters in 2018). This is illustrated in the following chart that maps the various regional beer markets by PCC and GDP per capita. The current low beer PCC level in Asia Pacific indicates significant growth headroom for beer markets in the region.

PCC vs. GDP per capita for Asia Pacific beer markets

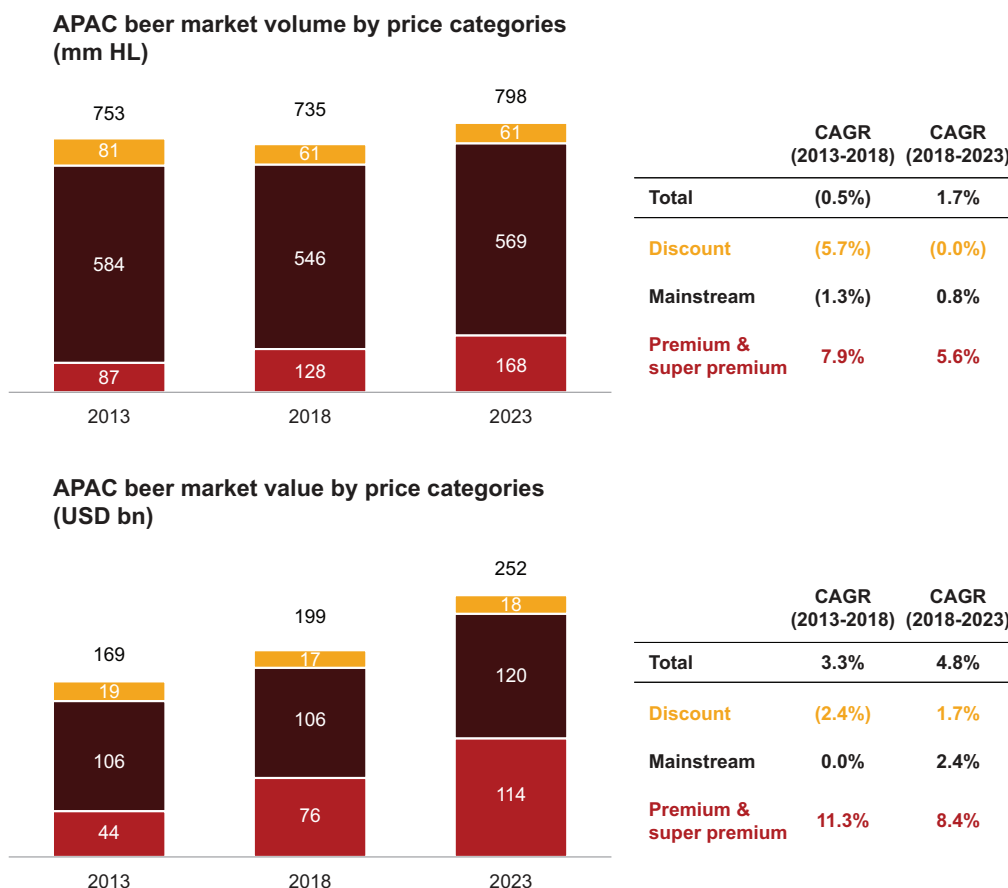


Source: GlobalData for beer market volumes, IMF for GDP and population data

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Premiumization and trading-up are structural trends in beer across Asia Pacific. While the premium and super premium beer categories are relatively underdeveloped in Asia Pacific relative to other markets globally, they are anticipated to grow significantly faster than the overall beer market in the region. The following charts illustrate the historical evolution of the beer market by price category in Asia Pacific over 2013 to 2018 and the anticipated evolution over 2018 to 2023, by volume and value, illustrating the regional premiumization trend in beer.

Evolution of overall beer market in APAC



Source: GlobalData

Additionally, value growth across beer price categories is expected to continue to be higher compared to volume growth over 2018 to 2023. This indicates an overall continuation of an established trading-up trend and price increases within categories. The shift in mix towards premium beers is also expected to drive higher value growth versus volume growth over 2018 to 2023. The overall value growth in the beer market in Asia Pacific is expected to be 4.8%, as compared to expected 1.7% volume growth over the 2018 to 2023 period.

The following sections provide an overview of the beer industry in our principal markets of operation.

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SUMMARY OF THE CHINA BEER MARKET

China’s beer market is the largest globally. GlobalData estimates the total beer market volume in China to be 488 million HL in 2018. However, included in this total is an estimation of unreported volumes by a large number of smaller scale regional brewers. According to the National Bureau of Statistics for China, the total beer market volume was 381 million HL in 2018 (reflecting the national production volume of brewers above a designated size), and we believe this is a more appropriate indication of the beer market size and our addressable market. China accounted for a 25% share of global beer volumes. China is also the largest beer market in the region by volume and value, accounting for an approximately 66% and 41% volume and value share, respectively, in 2018. Despite its large aggregate size, beer consumption in China continues to remain relatively low on a PCC basis, at 35 liters per capita in 2018, indicating a significant potential for growth in beer consumption (compared to other benchmark markets such as the US, Brazil and Mexico, which are at 71 liters, 60 liters and 74 liters, respectively).

Return to growth – Following declining volumes over 2013 to 2018, the beer market in China is expected to return to growth over the forecast period of 2018 to 2023 driven by multiple macroeconomic and industry specific factors. Key macro drivers include a recovery in overall economic growth, a reduction in sales taxes (from 17% in 2017 to 13% in 2019) and growth from lesser developed inland regions. Additionally, the beer industry as a whole is shifting its focus from gaining market share through higher volumes to providing consumers with better quality products across a broader portfolio range. This has resulted in an overall increase in the level of potential volume and value growth and a shift in the beer category as a whole, with an increased focus and ability to generate value from premiumization. Consumption of other alcohol drinks such as spirits is also slowing due to a reduction in corporate entertaining and gifting in the Chinese business culture.

Within the overall Chinese beer market, the premium and super premium categories have emerged as growth engines, both historically (over 2013 to 2018) and in the forecast period (over 2018 to 2023), outperforming overall beer market growth. The premium and super premium categories have also been more resilient to the recent moderation in economic growth as consumers seek out products that offer more in terms of flavor, strength and variety. The premiumization trend in beer is also significantly more pronounced in China versus the other principal markets that we operate in with the price of super premium beer in China nearly 11.6 times that of value beer, compared to a difference of 6.1 times in India and 1.6 times in Australia in 2018.

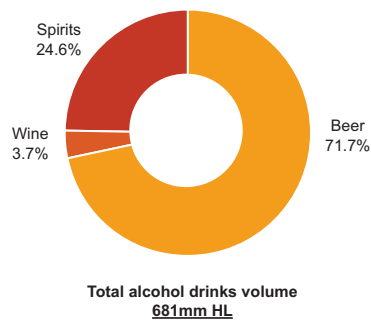
The premiumization momentum in the Chinese beer market can be seen as the share of the premium and super premium categories increased from 10.9% in 2013 to 16.4% by volume in 2018 with this trend expected to continue. Despite the recent strong growth, the share of the premium and super premium categories remains significantly lower than that of key benchmark developed/mature beer markets (versus 42.1% for the US) implying significant headroom for growth for the premium and super premium categories as the economy continues to develop.

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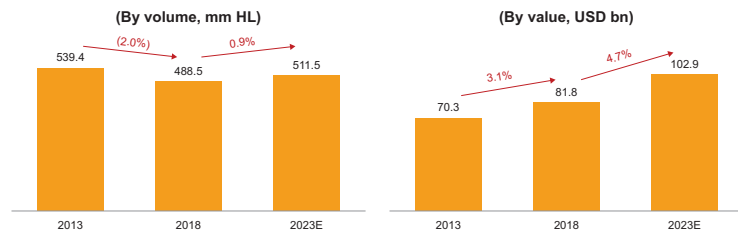
The historically large mainstream, or what the Company refers to as “Core,” category is also evolving, with the emergence of the higher growth “Core+” (upper mainstream) category, which comprises the higher priced beer brands and variants within the broader mainstream category, also illustrating the broader premiumization trend in beer.

The following charts show the key statistics of the beer market size in China according to the GlobalData Report.

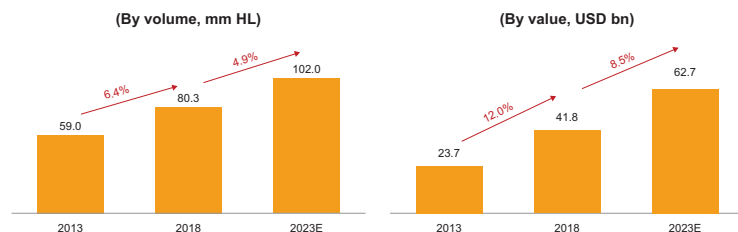
Beer vs. other alcohol drinks in China (2018, by volume)



Overall beer market size in China



Premium and super premium categories in China



Source: GlobalData

In addition to premiumization, growth drivers and trends in the Chinese beer market include:

Consumption trends driven by evolution of tastes and preferences

While lager continues to be the leading style in the Chinese beer market, new styles and types of beers are gaining popularity, including draft and ice beers, flavored beers, and speciality beers such as wheat beers and dark beers. Such new consumption trends are largely led by evolving consumer tastes, drinking habits and preferences and increasing urbanization and growing household spending, resulting in consumer openness to a wider variety of beer types and an ability and willingness to pay more for niche brews such as craft beers.

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Growth in the Core+ category

Consumers continue to trade-up to higher priced beers within the broader mainstream category, resulting in the emergence of the high growth Core+ category that comprises higher priced beers at the upper end of the mainstream category. We are actively focused on growing in the Core+ category through our brand Harbin and its variants. Other brands in the market in this category include Tsingtao Classic and Snow Adventure.

Emergence of craft beer

Craft beer has been gaining popularity in China. The category has largely been focused around Beijing, Nanjing and Shanghai; however, it is increasingly popular with younger consumers and is penetrating new markets in second tier cities such as Hangzhou, Wuhan and Xi'an. In 2017, we acquired Boxing Cat, a major craft brewer established in 2008 in Shanghai, and we are actively promoting our Goose Island brand in upscale metropolitan outlets. Moreover, we opened a craft brewery in Wuhan producing the Boxing Cat, Kaiba and Goose Island brands.

Broadening of consumption occasions

Brewers are targeting existing or new product offerings at new consumption occasions. Examples of new consumption occasions include in-home beer consumption and more easy-drinking occasions that involve men and women (compared to the traditionally male dominated drinking occasions). Western influence on consumer preferences and behaviors in urban centers has also resulted in changes in alcohol consumption habits (e.g., increased social consumption of premium and super premium beers).

Evolution in distribution and route to market, including e-commerce

The overall routes to market for various products in China are undergoing changes on account of growth in modern trade, increase in on-premise beer consumption and growth in e-commerce. On-premise consumption offers a significantly higher average selling price (“ASP”) and resulting profitability, which is expected to increase overall industry profitability along with the broader premiumization trend. The on-premise channel is also highly relevant in the distribution and sale of premium and super premium beers.

Overview of the Chinese beer market by regions

China represents a large, diverse collection of regions with differing beer market characteristics. This has resulted in slightly varied beer market growth and premiumization opportunities as relatively less wealthy regions (such as the West) move up the GDP per capita curve to similar levels as more developed regions (such as the South).

On account of macroeconomic development factors and historical foreign influences, consumption of premium and super premium beers is strongest in the South and East, while relatively weaker in the West. However, the West has witnessed the strongest growth in beer consumption since 2013.

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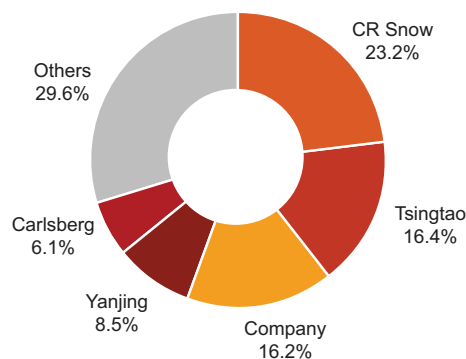
Beer brand preferences in China also vary by geography. While Snow and Tsingtao are large national brands, other brands such as Yanjing have a strong concentration in certain regions, such as the North (in Beijing and Inner Mongolia) and South (in Guangxi). While international brands such as Budweiser (licensed to us under a long term licensing agreement from our parent company, AB InBev) and Carlsberg are gaining popularity in the market, regional brands continue to remain relevant, with notable examples being our Harbin and Sedrin brands (strong positions in the North and South, respectively). Budweiser has a strong nationwide presence but is particularly strong in the South, East and Southeast.

China beer market competitive landscape

The beer market in China has transitioned from being highly fragmented to relatively consolidated, with the top five brewers (CR Snow Breweries, Tsingtao, our Company, Yanjing and Carlsberg) accounting for 70.4% of the total beer market by volume in 2018. This consolidation has been achieved primarily through acquisitions of smaller local breweries, with regional brands sometimes being displaced by larger national brands.

The following charts provide an overview of the beer competitive landscape in China with market shares according to GlobalData’s view of the total China beer market volume (488 million HL in 2018).

Market share by volume in China (2018)



Total volume (2018): 488mm HL

Source: GlobalData

Market share evolution of top five players in China (by volume)

	2013	2018
CR Snow	20.4%	23.2%
Tsingtao	15.4%	16.4%
Company	12.9%	16.2%
Yanjing	10.6%	8.5%
Carlsberg	5.9%	6.1%
Total of top five	65.2%	70.4%

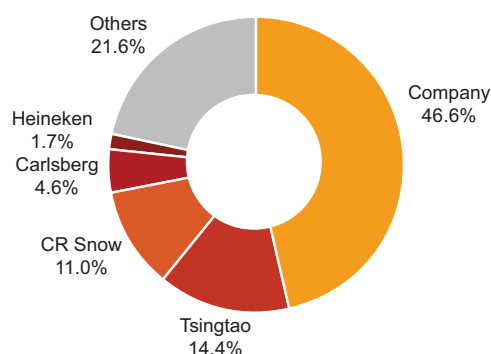
The competitive landscape in the beer market in China varies significantly by volume and value. By volume, CR Snow Breweries is the market leader, followed by Tsingtao and our Company in 2018. However, on a value basis, we are the market leader, followed by CR Snow Breweries and Tsingtao. Our portfolio has two of the top five brands measured by market share of retail sales value, with Budweiser being the largest brand and Harbin the fourth. We also have a successful track record of market share gain over 2013 to 2018 by volume in China.

According to GlobalData, we are also well positioned in the premium and super premium categories with a combined 46.6% market share by volume in 2018, having registered over 6% market share gain since 2013 with a portfolio of iconic brands such as Budweiser, Stella Artois, Corona and Hoegaarden. We believe that our leading portfolio of brands will favorably position us to continue to capture the higher growth potential in these categories.

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The following charts provide an overview of the beer competitive landscape in China in the premium and super premium categories.

**Market share by volume in China
Premium and super
premium category
(2018)**



Total volume (2018): 80mm HL

Source: GlobalData

**Market share evolution of
top five players in China
(by volume)
Premium and super
premium category**

	2013	2018
Company	40.2%	46.6%
Tsingtao	16.1%	14.4%
CR Snow	13.0%	11.0%
Carlsberg	4.9%	4.6%
Heineken	1.7%	1.7%
Total of top five	75.9%	78.4%

According to GlobalData, we are the only brewer among the top five in the premium and super premium categories to have increased our share by volume substantially over 2013 to 2018. Budweiser (licensed to us) is the leading brand in China in the premium and super premium categories by volume. The super premium category is mostly made up of imported brands as well as local specialties and the nascent craft category. Corona (licensed to us), Heineken, Carlsberg and Blue Girl are the leading brands in the super premium category.

Overview of beer distribution/channel landscape in China

Beer distribution in China is done mainly through distributors or direct delivery to key accounts. The relatively fragmented distributor segment is made up of many small operators with relatively small geographic footprints.

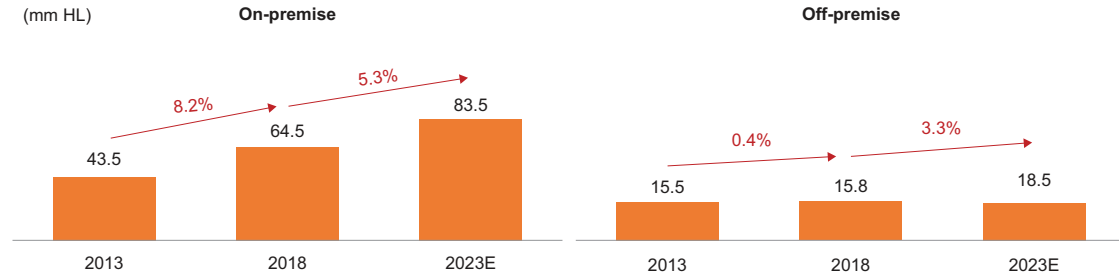
With the growth in more premium beers in China, distribution capabilities that have access to relevant points of sale have become a critical success factor for brewers. Brewers that target the premium and super premium categories in particular need a well-established distribution and sales force to ensure connectivity with the right consumers through the right channels. The on-premise channel, which has a higher growth rate than the off-premise channel in terms of value from 2013 to 2018, is also highly relevant for premium beers, as the majority of premium and super premium beers are consumed on-premise. The off-premise channel, which has historically catered to distribution of value and mainstream beer categories, is also expected to grow over 2018 to 2023 driven mainly by increasing premium and super premium beer volumes.

Beer distribution through e-commerce continues to grow, with many brewers having their own online shops on Tmall (part of Alibaba) and JD.com. Smaller retail outlets, restaurants and also consumers increasingly leverage B2B e-commerce.

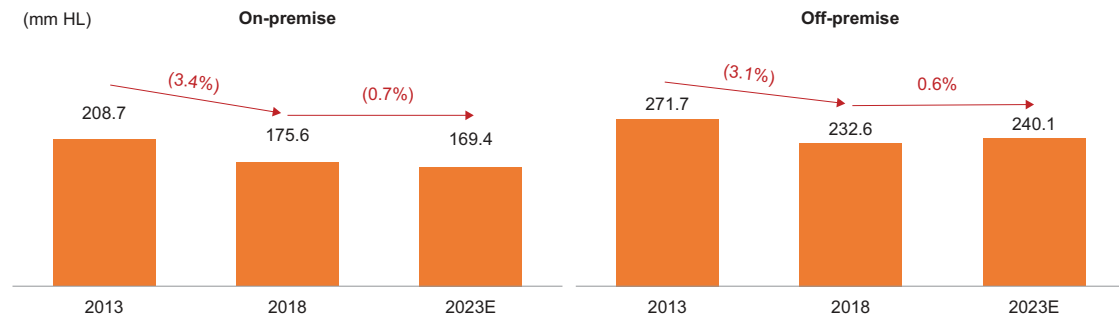
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The following charts show the on-premise and off-premise consumption by volume in China across price categories, for the periods specified.

Premium and super premium beer volume by channel in China



Value and mainstream beer volume by channel in China



Source: GlobalData

Key considerations and takeaways

The beer market in China has historically been a high volume market, with lesser focus on value growth. The industry has been characterized by multiple regional operators, with relatively older and inefficient production infrastructure and limited product innovation. Challenges in transport connectivity in parts of China, especially away from the large city centers, are responsible for the large numbers of breweries needed to achieve national distribution coverage, also resulting in high operating costs. While the premium and super premium beer categories are becoming popular, greater competition is also expected in these categories following the merger of CR Beer and Heineken.

Companies that have a wide range of global and local brands, particularly in the more premium categories, well invested and efficient manufacturing facilities and established route to market capabilities that are suited to distribution and execution of premium and super premium beers should be well positioned to capture sustained volume and value growth in the Chinese beer industry. Overall, the market is expected to return to moderate volume growth in the future taking into account that the PCC level for beer remains relatively low and favorable demographic and macroeconomic development is expected to continue.

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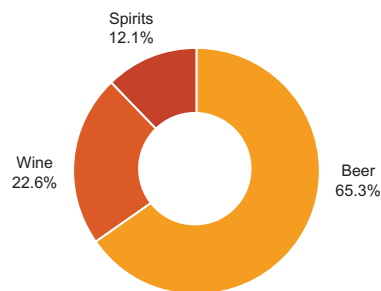
SUMMARY OF THE AUSTRALIA BEER MARKET

Australia’s beer market is relatively large, stable and is considered relatively mature based on a beer PCC of 70 liters and overall macroeconomic development factors such as GDP per capita. It is also one of the most profitable beer markets globally, with a relatively high value per hectoliter consumed.

The beer industry volumes over the period from 2013 to 2018 have been relatively flat, however the premium and super premium beer categories have continued to show robust growth, driving overall industry volume and value growth over the historical 2013 to 2018 period and also the forecast 2018 to 2023 period.

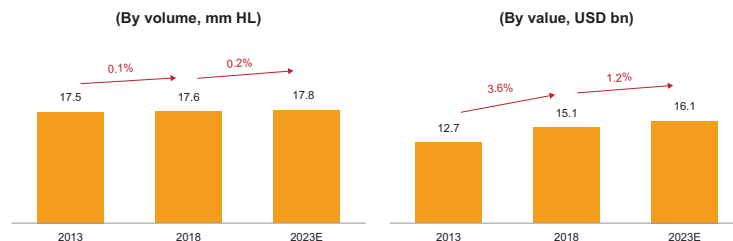
The following charts show the key statistics of the beer market size in Australia.

Beer vs. other alcohol drinks in Australia (2018, by volume)

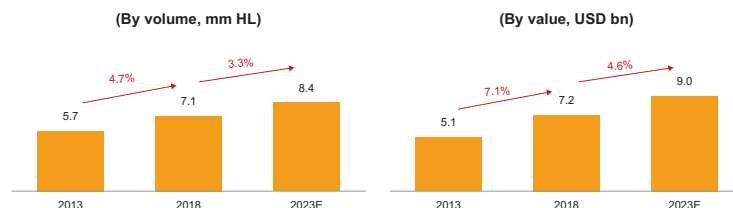


Total alcohol drinks volume
27mm HL

Overall beer market size in Australia



Premium and super premium beer categories in Australia



Source: GlobalData

The key growth drivers and trends in the Australian beer market include:

Consumers shifting towards higher priced beers

Consumers are increasingly shifting to higher priced premium and super premium beers. This is evidenced by the higher growth rates in the premium and super premium beer categories by volume and value from 2013 to 2018, while the overall market remains flat. This shift to premium is also expected to drive overall value growth in the beer market over the 2018 to 2023 forecast period.

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Growing consumption of lower calorie and healthier beers

Australian consumers are increasingly health conscious, focusing on attributes such as weight management and reduced sugar consumption. This trend is more prevalent among younger consumers, who prefer lower calorie and low alcohol beers. Leading players in the market, such as our Company, are launching low- and no-alcohol beers that are considered healthier alternatives to regular beer, and we believe that we are already well positioned in this category with the leading lower calorie beer offerings such as Pure Blonde and no alcohol offerings such as Carlton Zero.

Craft beer and cider continue to gain popularity

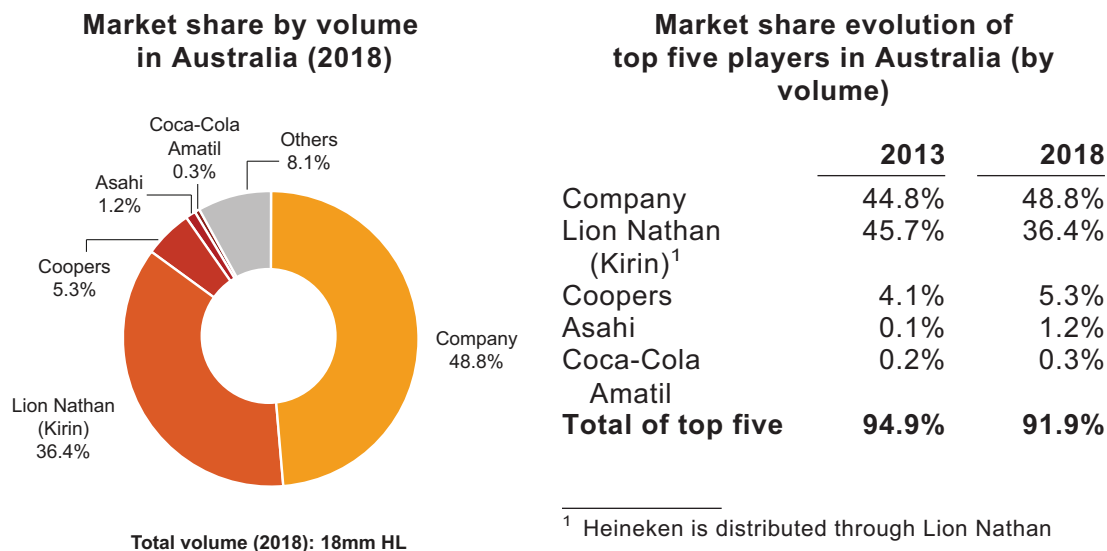
Consumer tastes continued to shift towards locally produced beer from craft breweries. These craft beers are considered artisanal products, perceived to be “hand crafted” using the best ingredients available locally. This shift towards craft beer is also part of the broader premiumization trend in the beer market. According to GlobalData, we are well placed to participate in the craft beer category with our Yak Ales craft beer brand, and also through the acquisition of leading craft brewers 4 Pines and Pirate Life. Ciders continue to remain a popular category and are expected to grow at a 5.1% volume CAGR over 2018 to 2023 with the Company holding the number one market position by value in 2018 with a strong portfolio of brands including, Strongbow, Bulmers, Pure Blonde Cider and Mercury.

Preference for flavored beer, ale and wheat beers

Flavored beer consumption is on the rise, with the category appealing largely to younger and first time beer consumers. In addition to flavored beers, consumers also prefer other types of beer such as ales and wheat beers, with our brand Hoegaarden driving the growth in wheat beer consumption.

Australia beer market competitive landscape

The following charts provide an overview of the competitive landscape in Australia for beer.



¹ Heineken is distributed through Lion Nathan

Source: GlobalData

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Our Company and Lion Nathan (owned by Kirin) represent a significant majority of the beer market in Australia, with a combined market share of over 80% in 2018, both by volume and value. The Australian beer market is relatively consolidated between our Company and Lion Nathan with a structured modern trade, efficient route to market and strong retailer relationships providing sources of relative competitive advantage for us.

We have a leading portfolio of brands, most notably since AB InBev’s acquisition of SAB and combining the legacy portfolio of Carlton & United Breweries (“**CUB**”) with that of AB InBev’s global brands (most notably Corona). Our portfolio has four of the top five brands measured by market share of retail sales value, with Great Northern now being the most favored brand in the market with rapid growth over the last few years. Carlton, Corona and Victoria were our other leading brands in 2018. We believe that the success of establishing and growing the Great Northern brand in the market is a testament to our ability to capture organic growth through innovation. The success of our brands has also helped us to further increase our market share by volume over 2013 to 2018.

Key considerations and takeaways

Australia is a large, stable and highly profitable beer market, with high beer PCC. The overall trend in beer consumption has been shifting towards moderation and responsible drinking, where consumers prefer beers with lower alcohol content. Consumers, including young consumers, also increasingly prefer easy drinking beers, more premium beers and craft beers.

Companies that can cater to these consumer preferences are well positioned to succeed in the market. This can be demonstrated through the considerable growth of our Great Northern brand. Companies that have the ability to innovate and provide consumers with products such as low- and no-alcohol alternatives should also enjoy a competitive advantage. Iconic global brands (such as Budweiser and Corona), craft beer and cider portfolios will remain essential to capturing future growth in the more premium categories. Relationships with and the ability to leverage the modern trade retailers for consumer insights will also add to a company’s competitiveness.

SUMMARY OF THE SOUTH KOREA BEER MARKET

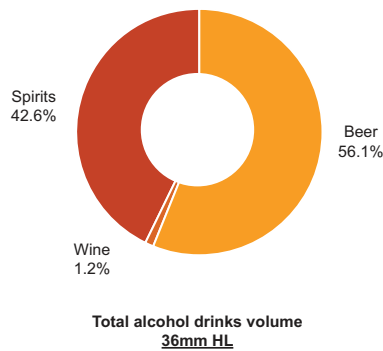
South Korea’s beer market shares some similar attributes with that in Australia, in terms of level of maturity. It is also characterized by strong GDP per capita, two large industry players in the beer market and high profitability, with a high value per hectoliter of beer consumed.

According to GlobalData, the beer market in South Korea is expected to return to growth at 2.0% CAGR over the forecast period 2018 to 2023. Growth in the premium and super premium beer categories is expected to lead this return to growth with significantly higher growth than that of the general market, with volumes expected to grow at a CAGR of 12.3% over 2018 to 2023.

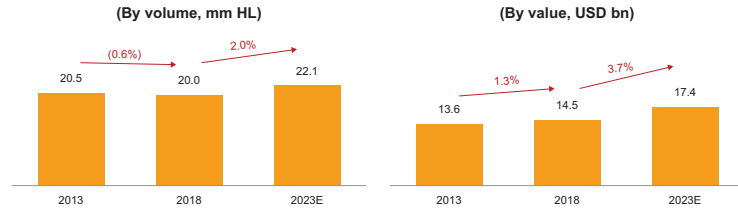
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The following charts show the key statistics of the beer market size in South Korea.

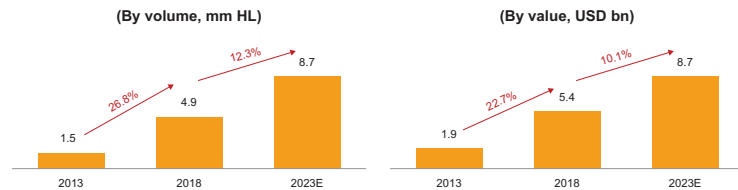
Beer vs. other alcohol drinks in South Korea (2018, by volume)



Overall beer market size in South Korea



Premium and super premium beer categories in South Korea



Source: GlobalData

The key growth drivers and trends in the South Korean beer market include:

Strong premiumization trend

The beer market in South Korea is witnessing a strong premiumization trend, with consumers increasingly preferring premium and super premium beers in a market that was historically a mainstream beer category market, primarily as a result of steady GDP growth and higher levels of disposable income.

Growth in imported beer

Imported beer brands are accounting for an increasing share of the overall beer consumption in South Korea as consumers seek a wider variety that is not offered by the conventional domestic beer brands.

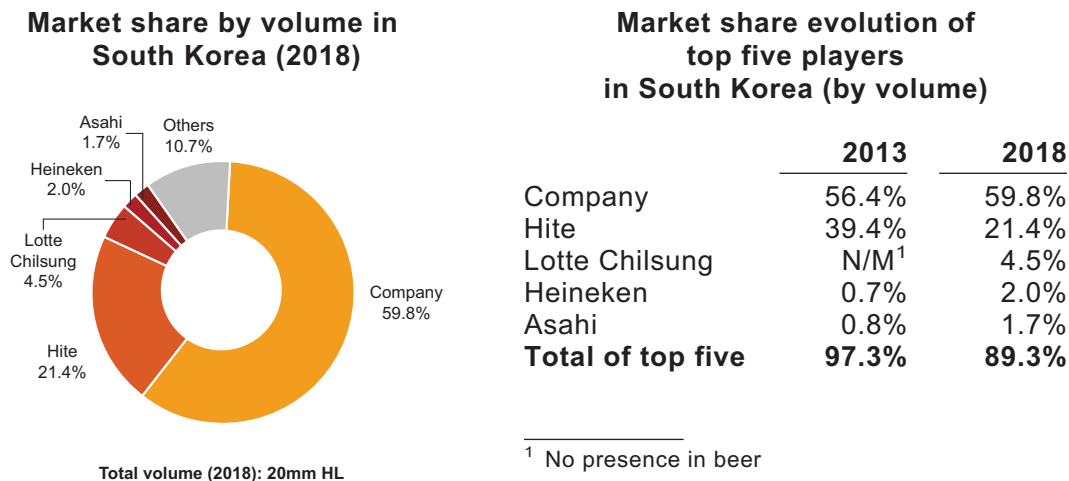
Growth in craft beer

The craft beer category in South Korea is currently small but high growth, with a volume CAGR of 25.8% over 2013 to 2018, as consumers increasingly seek premium offerings and are willing to pay higher prices for beer.

INDUSTRY OVERVIEW

South Korea beer market competitive landscape

The following charts provide an overview of the beer competitive landscape in South Korea.



Source: GlobalData

¹ No presence in beer

We were the significant market leader in the beer market in 2018, both in terms of volume and value, strengthening our position since 2013 with Hite Brewery the second largest player on both measures. Other brewers in the market include Lotte Chilsung, Heineken and Asahi. Our market share has continued to remain stable, and even marginally grew over 2013 to 2018 by volume, on the back of the strength of our brands, such as Cass. Brands such as Budweiser (licensed to us) also grew significantly over the past five years, growing market share in the premium category. Other players such as Heineken that cater to the premium category have also grown over the past three to four years but remain small on a market share basis.

Key considerations and takeaways

The South Korea beer market is gradually shifting from domestically produced brands to imported brands with some of the domestic brands in the mainstream category losing share to imports. The distribution of beer is also undertaken only by distributors.

Companies that have brands with strong equity, such as Cass (owned by us), and those that are well positioned in the growing premium beer categories should remain competitive. Strong relationships with distributors also remain essential for brewers to have visibility over points of sale and consumer preferences.

SUMMARY OF THE INDIA BEER MARKET

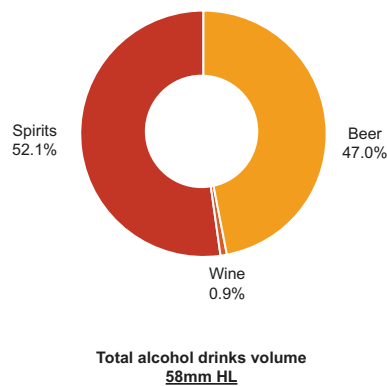
India is one of the largest and fastest growing beer consumption markets in the region, with a young population and growing middle class. While India has historically been mainly a spirits consumption market, beer has emerged as a growing alcohol drink category in recent years. The Indian beer market is currently underdeveloped compared to regional and global benchmarks, with a beer PCC of only 2 liters. The low PCC indicates significant headroom for growth in beer consumption versus other alcohol drinks.

INDUSTRY OVERVIEW

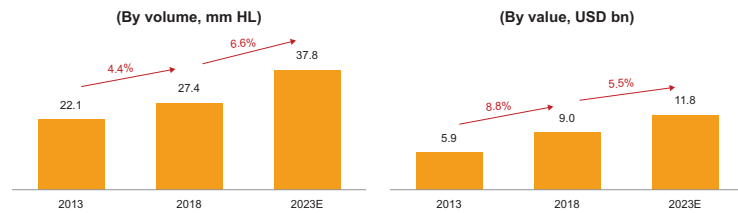
The value and mainstream categories have been popular historically, with consumer preference for beers with higher alcohol content by volume (“**strong beers**”). While the premium and super premium categories currently remain relatively underdeveloped, they have grown at a robust volume CAGR of 24.6% over 2013 to 2018, with this high growth forecast to continue with a projected volume CAGR of 12.9% over 2018 to 2023.

The following charts show the key statistics of the beer market size in India.

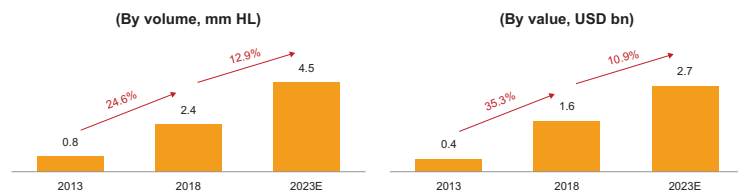
Beer vs. other alcohol drinks in India (2018, by volume)



Overall beer market size in India



Premium and super premium beer categories in India



Source: GlobalData

The key growth drivers and trends in the Indian beer market include:

Rise of easy drinking culture

Consumers have traditionally preferred strong beers, however this preference is shifting towards lower alcohol, more easy drinking beers. Beer consumption is also replacing spirits with an increasing culture of social drinking, as beer is considered a safer drink versus other alcohol drinks among young consumers.

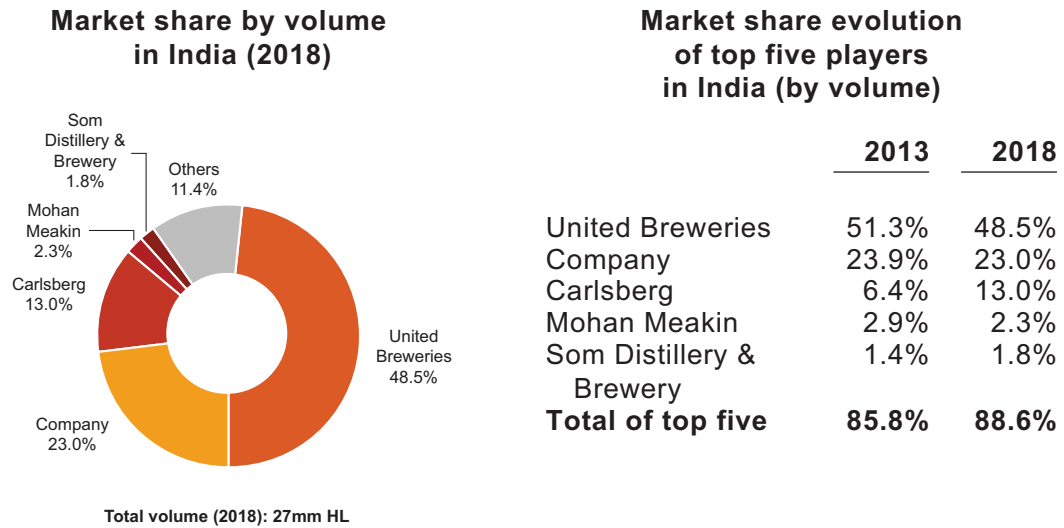
Premiumization with growing preference for wider variety of beer types

There is a growing preference for premium beers, especially among urban, middle class consumers that are increasingly influenced by western culture. Additional demand momentum from the opening of pubs, bars and microbreweries is also driving demand for premium beers. International brands such as Budweiser (licensed to us) are gaining popularity. Consumers are also beginning to shift from traditionally popular beer styles, such as lagers, to move innovative and differentiated beers.

INDUSTRY OVERVIEW

India beer market competitive landscape

The following charts provide an overview of the beer competitive landscape in India.



Source: GlobalData

United Breweries (“**UB**”) has historically been the market leader in the Indian beer market by volume and value, through their brand Kingfisher, followed by the Company and Carlsberg.

We are well positioned within the Indian beer market with a top two market share position coupled with a brand portfolio that is well positioned to capture the higher growth premium categories going forward. Companies such as Carlsberg are also becoming more competitive and gaining market share driven by brands such as Tuborg. Heineken is a large shareholder of UB, and UB brews the flagship Heineken brand domestically. Premium beer brand Bira 91 (B9 Beverages) has shown strong growth in the premium category. Budweiser (licensed to us) was the leading brand in the premium and super premium categories by volume and value in 2018.

Key considerations and takeaways

India remains a relatively complex market, with a state level regulated alcohol drinks industry. Recent changes in regulations around advertising and sale of alcohol drinks in proximity of state highways is a consideration.

Companies that will be able to differentiate themselves based on brand equity and image, product offering range and ability to connect with the growing middle class should enjoy a strong competitive advantage. As alcohol taxation and distribution is state specific, companies with manufacturing facilities across multiple states are also positioned favorably. Overall, the market will benefit from favorable demographic and macroeconomic forecasts and is expected to grow significantly given its currently low PCC level.

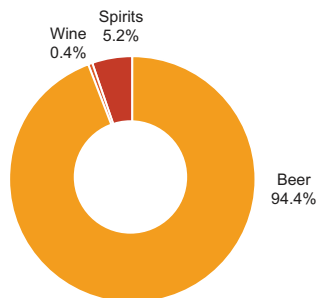
INDUSTRY OVERVIEW

SUMMARY OF THE VIETNAM BEER MARKET

Vietnam has been one of the largest and fastest growing beer markets in the region with a volume and value growth rate of 6.6% and 8.9%, respectively, over 2013 to 2018. Consumers have a strong preference for beer among other alcohol drinks, with beer capturing a nearly 95% share of throat by volume among alcohol drinks in 2018. Despite the relatively high PCC level of 50 liters, the beer market in Vietnam is expected to continue growing at a CAGR of 3.9% by volume and 9.0% by value over 2018 to 2023. According to GlobalData, favorable demographics (young, growing population, urbanization) and macroeconomic factors are expected to continue to support robust growth in beer consumption.

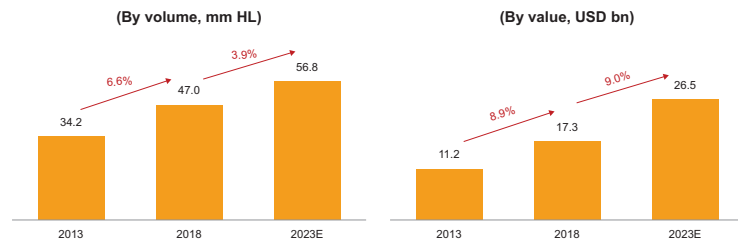
The following charts show the key statistics of the beer market size in Vietnam.

Beer vs. other alcohol drinks in Vietnam (2018, by volume)

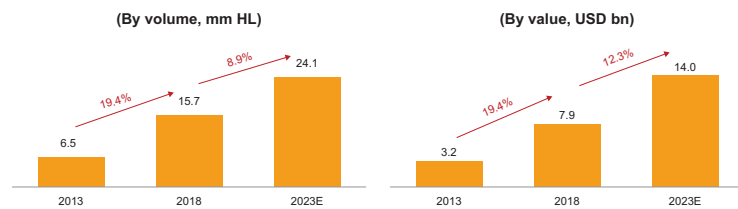


Total alcohol drinks volume
50mm HL

Overall beer market size in Vietnam



Premium and super premium beer category in Vietnam



Source: GlobalData

The key growth drivers and trends in the Vietnamese beer market include:

Growth in premium categories

The premium beer categories are growing on the back of economic development, growth in household spending and also evolving consumer preferences.

Growing distribution reach through beer club chains

Beer availability is expected to grow primarily driven by increasing penetration of beer club chains in large cities.

Increasing participation of foreign brewers

Increasing participation of foreign brewers (both regional and global) is expected to continue to expand the availability and popularity of new beer styles and low- and no-alcohol products in the beer market.

INDUSTRY OVERVIEW

Vietnam beer market competitive landscape

The following charts provide an overview of the beer competitive landscape in Vietnam.



Two brewers, Saigon Alcohol Beer and Beverages Corporation (“**SABECO**”) and Heineken (through Vietnam Brewery), represent a significant majority of the Vietnamese beer market on a combined basis. Hanoi Beer Alcohol and Beverage Corporation (“**HABECO**”) is the other large player. Beer market volumes in Vietnam largely comprise beers from the mainstream category, however the premium and super premium categories have grown, and are forecast to continue to grow, at a faster rate than the overall beer market.

The Company has a growing position in the overall beer market with an overall market share of less than 1% by volume in 2018. Currently, we operate largely in the premium and super premium categories ranking second by sales value share in 2018. With further integration of the legacy SAB portfolio (Zorok brand in the mainstream category) with our global premium portfolio, we believe that we are well positioned to capture future growth and market share in the market.

Key considerations and takeaways

Vietnam has a challenging geography from a logistics perspective, with pan-country distribution reach remaining difficult to establish in beer and other FMCG categories. Consumer tastes and preferences are also varied across the North and South of the country.

Companies that are able to access the right distribution channels enjoy a significant competitive advantage. Having a portfolio of brands across a broad price spectrum will also be essential to ensure coverage of a wide (urban and rural) consumer base in the country, ensuring longer term competitive success in the market.

INDUSTRY OVERVIEW

SOUTHEAST ASIA BEER MARKET

Rest of Southeast Asia also comprises attractive beer markets with a large and growing population and also consumption levels. The Company’s current markets of operation in Rest of Southeast Asia include Indonesia, Malaysia, Singapore, Brunei Darussalam, Philippines, Thailand, Myanmar, Cambodia and Laos.

The beer markets in the SE Asia region are generally comprised of large regional brewers that have a strong market share in specific countries. The premium and super premium categories comprise a relatively small but growing share of the overall beer market, with growth in these categories driven largely from an increasing number of urban consumers, presenting a significant growth opportunity for the Company.

OVERVIEW OF RAW MATERIALS

The main raw materials used in our beer production are malted barley, hops, yeast and water and our key commodities primarily include malted barley and aluminum. The supply and prices of our raw materials can be affected by a number of factors beyond our control including, but not limited to, crop yield, regulation, market demand and political environment. We source certain of our raw materials from suppliers through AB InBev’s procurement services with the remainder sourced directly from other third party suppliers. Our pricing strategy takes into account a variety of factors (for more information see “*Business – Branding and Marketing*”), one component of which is the costs of raw materials and packaging materials. In general, we seek to pass on increases in cost of raw materials to our customers if such increases affect our business operations and profit margin in the long term.

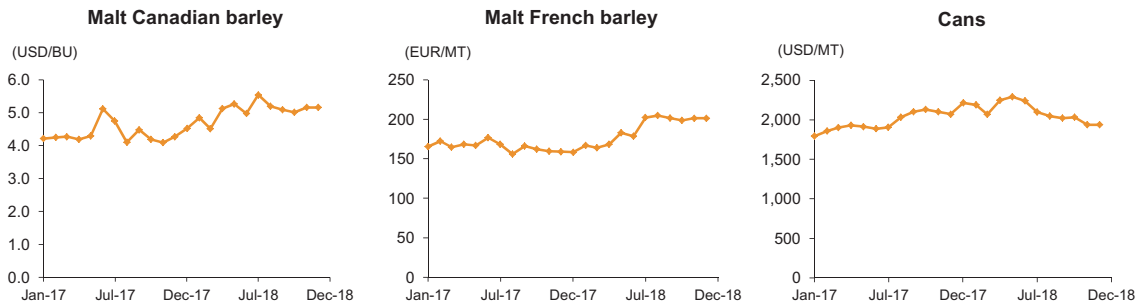
To minimize our exposure to commodity price volatility in the short term, we use both fixed-price purchasing contracts and commodity derivatives when practicable. Whilst prices do fluctuate, our hedging policy provides visibility on potential impacts in the future which provides the Company the opportunity to offset (partially or fully) the impact as necessary.

We manage the risk of price fluctuations and improve malted barley landed prices through diversifying price fluctuation risks by splitting the time windows of purchases, and using the global footprint of AB InBev and the Company’s product experience to assist local suppliers in identifying and delivering potential areas of cost reduction.

Global aluminum prices increased in early 2018. We consider that it was due to supply issues in Brazil and Australia and also as a result of US sanctions. Prices have since declined in January 2019.

INDUSTRY OVERVIEW

The following charts provide a summary of price indices of some of our key raw materials.



Source: Bloomberg

In general the Company expects the price of malted barley and aluminum to remain relatively stable in 2019 with some potential uptrend risk due to supply and demand dynamics.