

Heineken-APB China: Capturing the significant growth potential in premium beer

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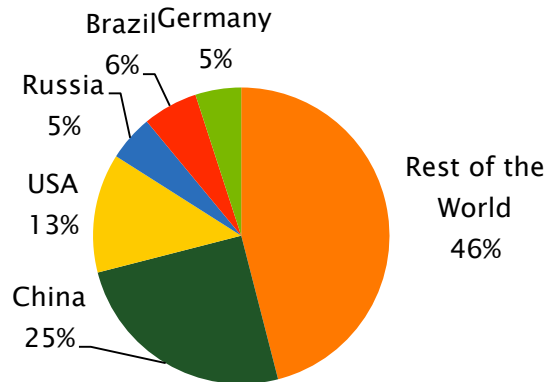
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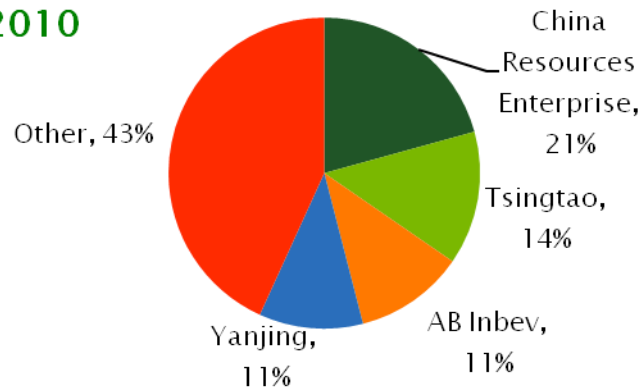
- 1 Overview of the international premium beer segment in China**
- 2 Future growth drivers of premium beer
- 3 Heineken-APB China

China: The world's largest beer market

Beer volume share by market: 2010



China beer volume share by brewer: 2010

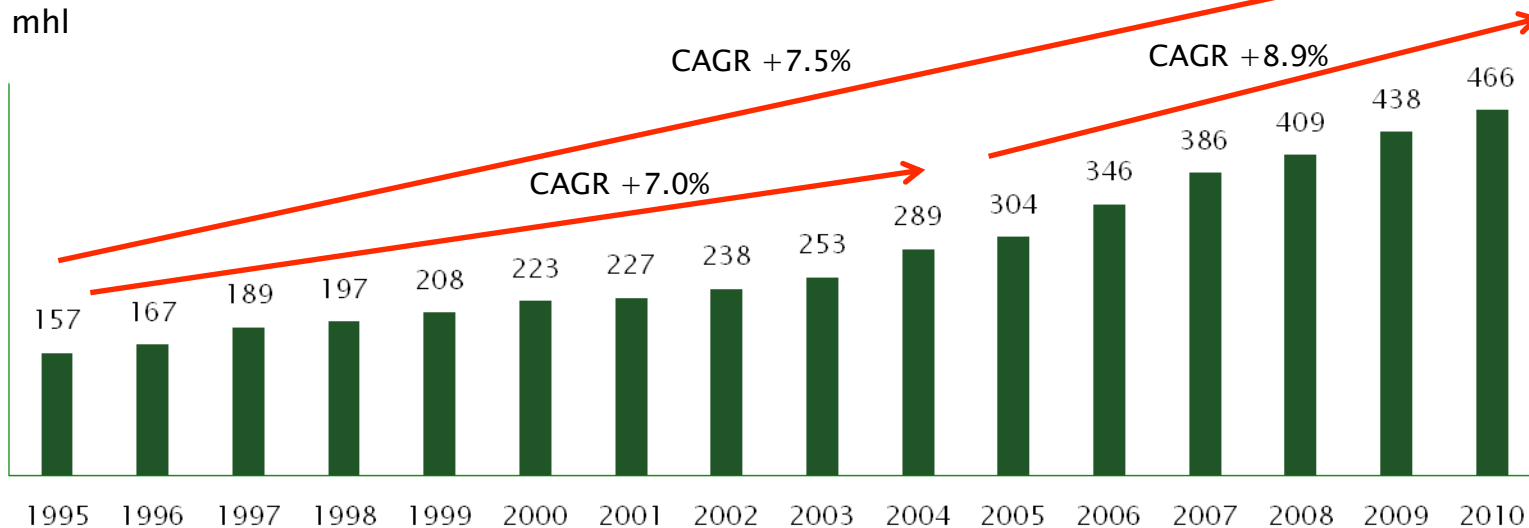


- ◆ World's largest beer market at 466 mhl in 2010
- ◆ China accounts for 25% of the world's beer volume
- ◆ Fragmented beer market with top 4 brewers accounting for 57% of volume
- ◆ Numerous regional & local breweries

Chinese beer market has experienced consistently high volume growth

- ◆ Chinese beer market has grown three-fold since 1995, at a CAGR of 7.5%
- ◆ Market growth rate has accelerated since 2005, to a CAGR of 8.9%
- ◆ Growth driven by strong GDP growth, modest population growth and a rise in per capita consumption from a low level

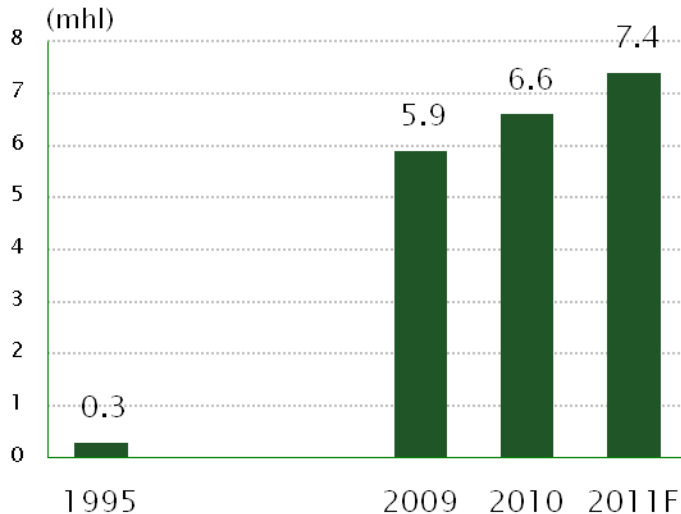
Chinese beer market volume: 1995–2010



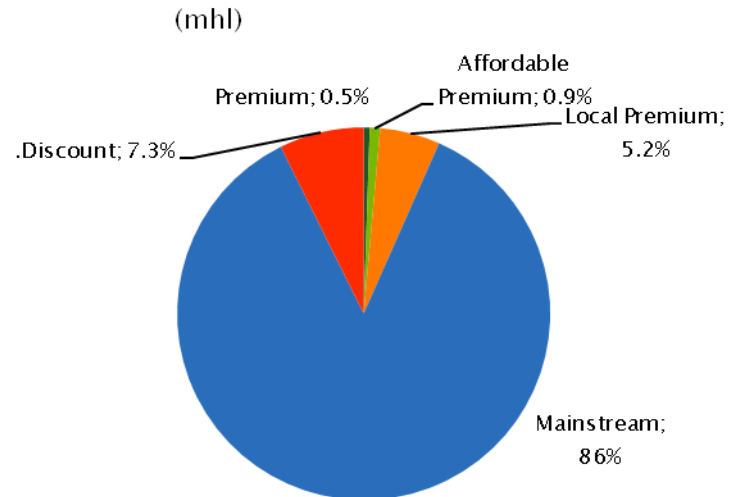
International premium beer is a small but increasingly attractive segment in China

- ◆ Premium and Affordable Premium segments make up the IPS in China
- ◆ IPS has grown by nearly 25 times since 1995
- ◆ IPS represented around 1.5% of the total beer market in China at the end of 2010
- ◆ IPS segment forecast to reach 7.4mhl by the end of 2011

China IPS volume: 1995–2010



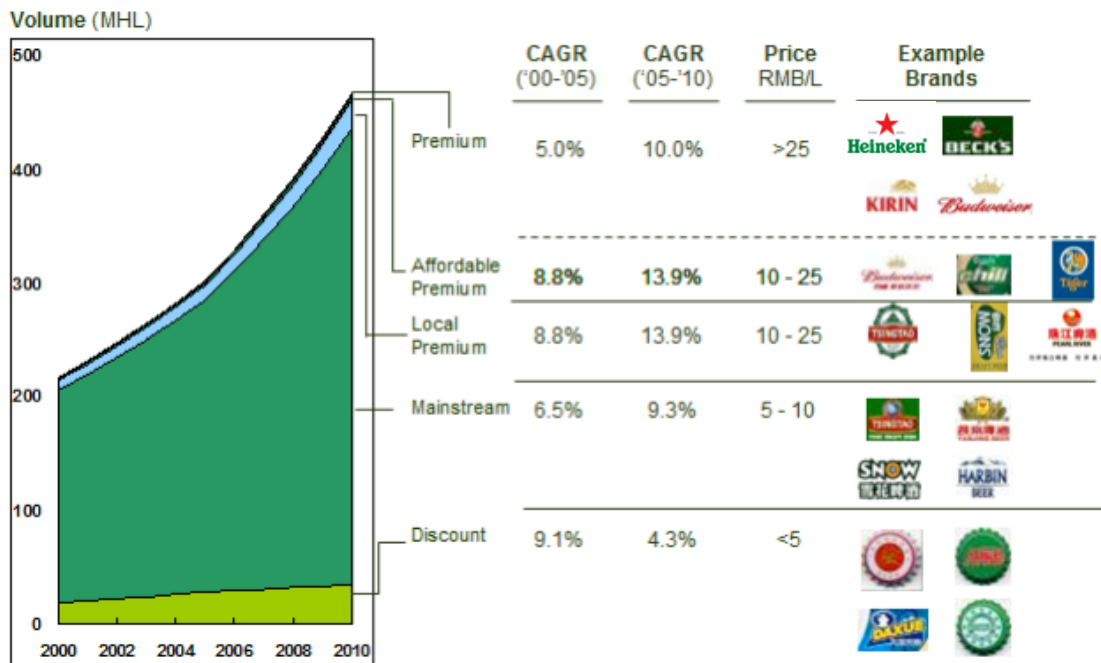
China by segment: 2010



IPS growth has accelerated over the past 5 years

Evolution of beer market segments in China: 2000–2010

Evolution of Beer Market Segments¹ (2000-2010)



International Premium Segment (IPS) = Premium + Affordable Premium

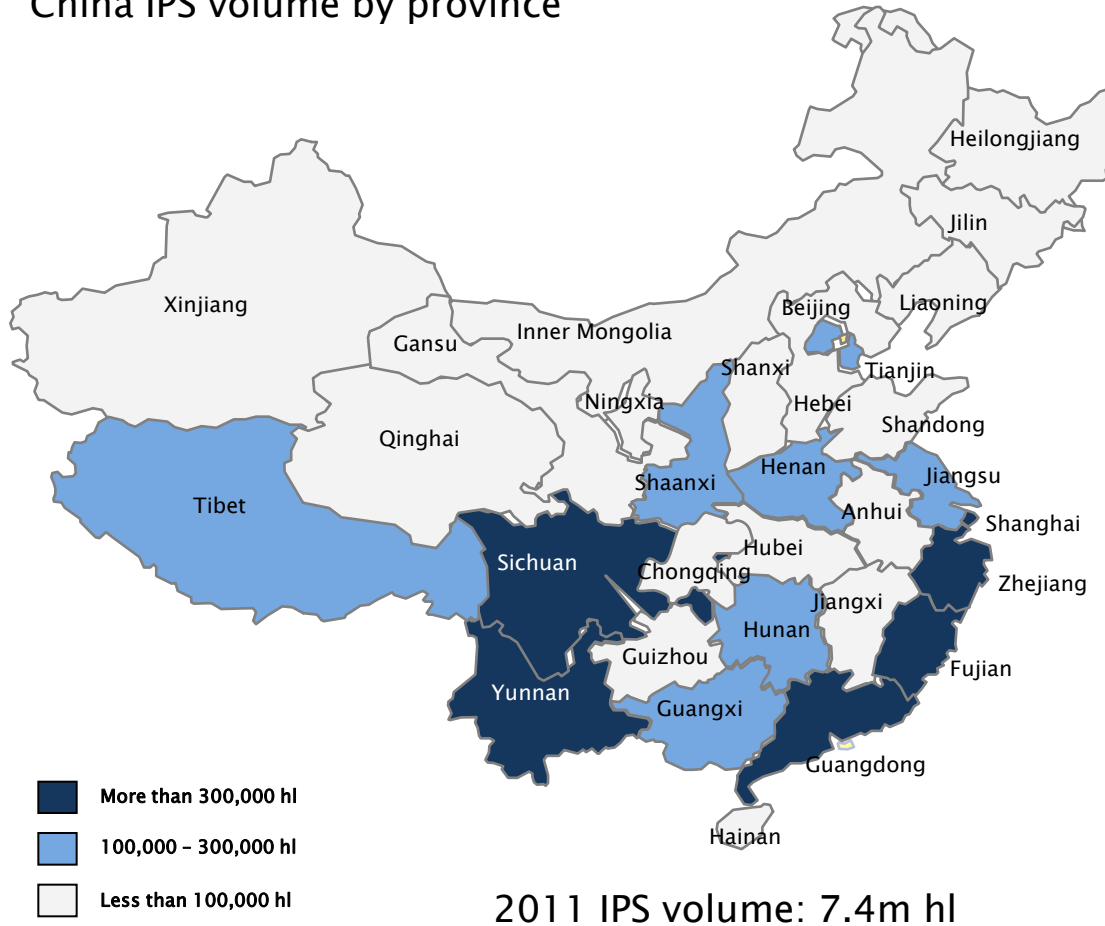
IPS has grown at a CAGR of 12.4% over the past 5 years:

- ◆ Premium +10% CAGR
- ◆ Affordable Premium +13.9% CAGR

Heineken® price premium around 30% above competition in the Premium segment

IPS volume concentrated in South China

China IPS volume by province



Top 3 Chinese provinces for IPS (in volume terms):

- 1 Guangdong
- 2 Shanghai
- 3 Fujian

Coastal regions remain the largest volume drivers

Inland regions are rapidly growing

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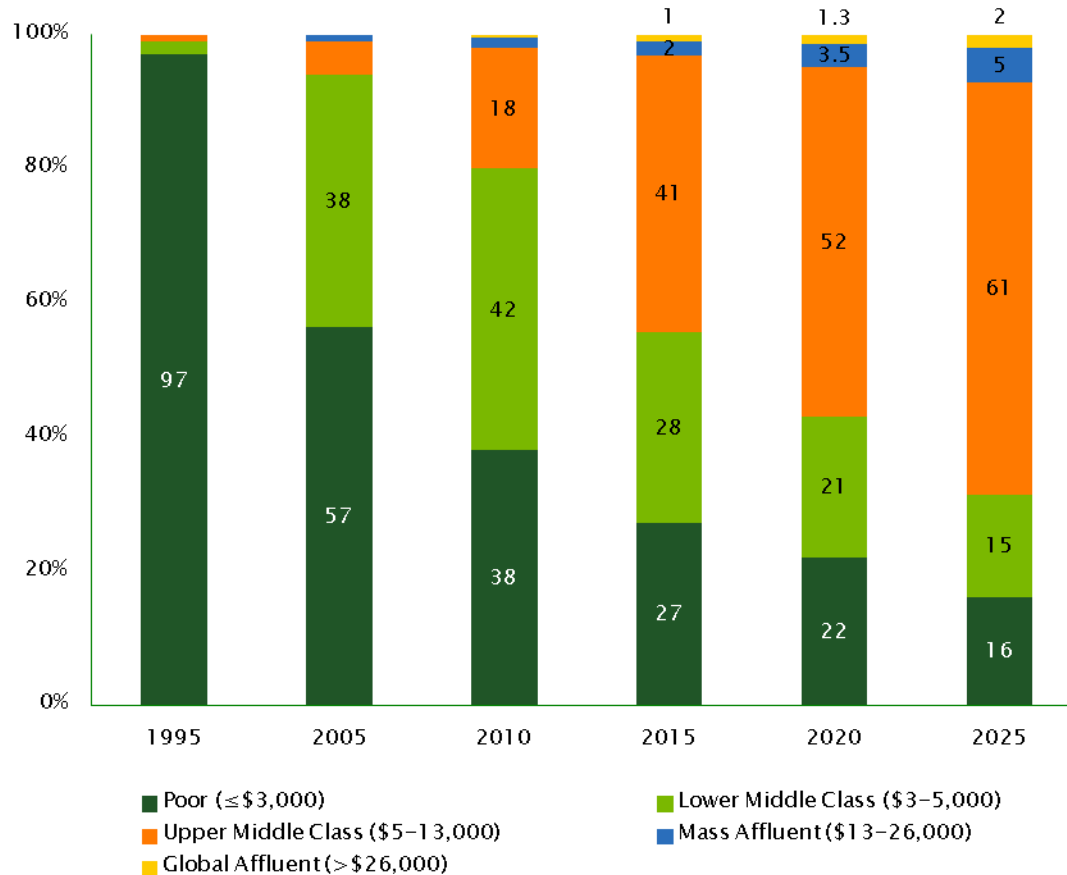
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A growing middle class will support demand for premium beer

Share of Urban Households by income Class

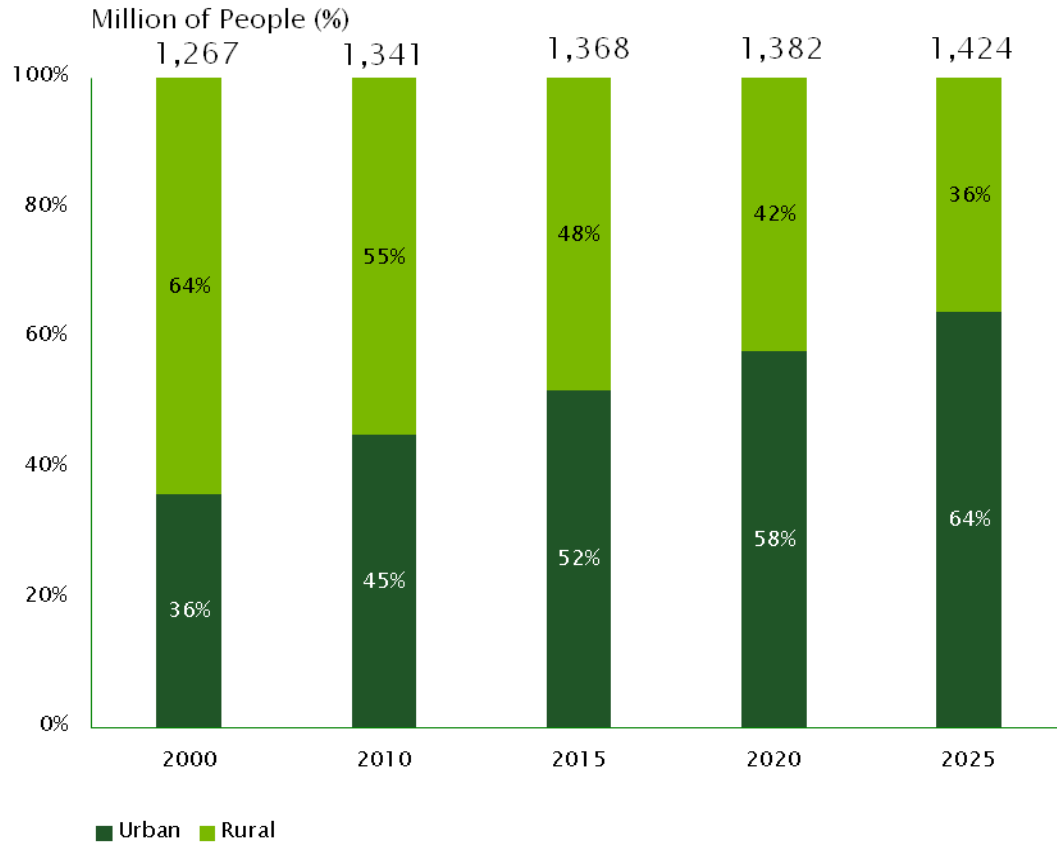
Million of Urban Household



- ◆ Middle class in China is projected to expand very rapidly over the next 15 years
- ◆ Will generate a significant pool of consumers with an increased propensity to spend on premium brands

Urbanisation expected to provide access to a larger consumer base in China

China population: Rural vs Urban development



- ◆ Growing urbanization will enlarge the consumer base for premium beer
- ◆ Growing demand in on-premise entertainment channels
- ◆ Provides increased consumer and outlet reach opportunities

A changing retail landscape expected to drive on-premise consumption

- ◆ On-premise channel expected to outpace off-premise:
 - ◆ Beer is increasingly seen as a lifestyle enjoyment product
 - ◆ On-premise prices are on average 65% higher than off-premise prices
- ◆ Development of various entertainment formats
- ◆ Increase in night entertainment outlets



Chinese consumers are showing a growing appeal to international brands

Chinese consumers are very receptive to global media, foreign ideas and international trends/fashion:

- ◆ Increasing popularity of the internet
- ◆ Development of Groupon, Twitter, Facebook equivalents in China

Strong preference for global events:

- ◆ Huge popularity of international sporting events (UEFA Champions League – Football, ATP – Tennis)
- ◆ International pop culture (Hollywood movies, Western pop music)

Chinese consumers are increasingly expected to become less nationalistic in brand consumption



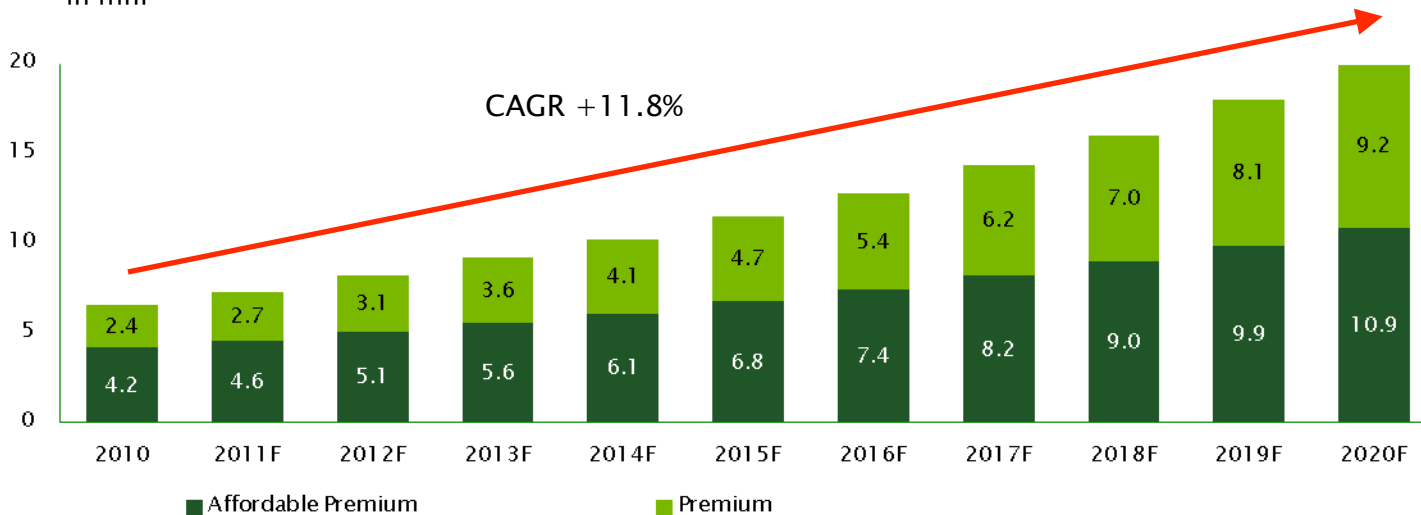
Rapid growth projected for international premium beer in China

- ◆ Chinese beer market expected to grow at a CAGR of 4.3% over the next 10 years
- ◆ IPS forecast to grow at a CAGR of 11.8% through to 2020, reaching 21mhl by 2020
- ◆ IPS expected to represent 3% of Chinese beer market by 2020

China beer segment growth: 2011-2020 CAGR	
Premium	14.4%
Affordable Premium	10.0%
Local Premium	10.0%
Mainstream	3.7%
Discount	3.7%

IPS (Premium+Affordable Premium) Segment: 2010

in mhl

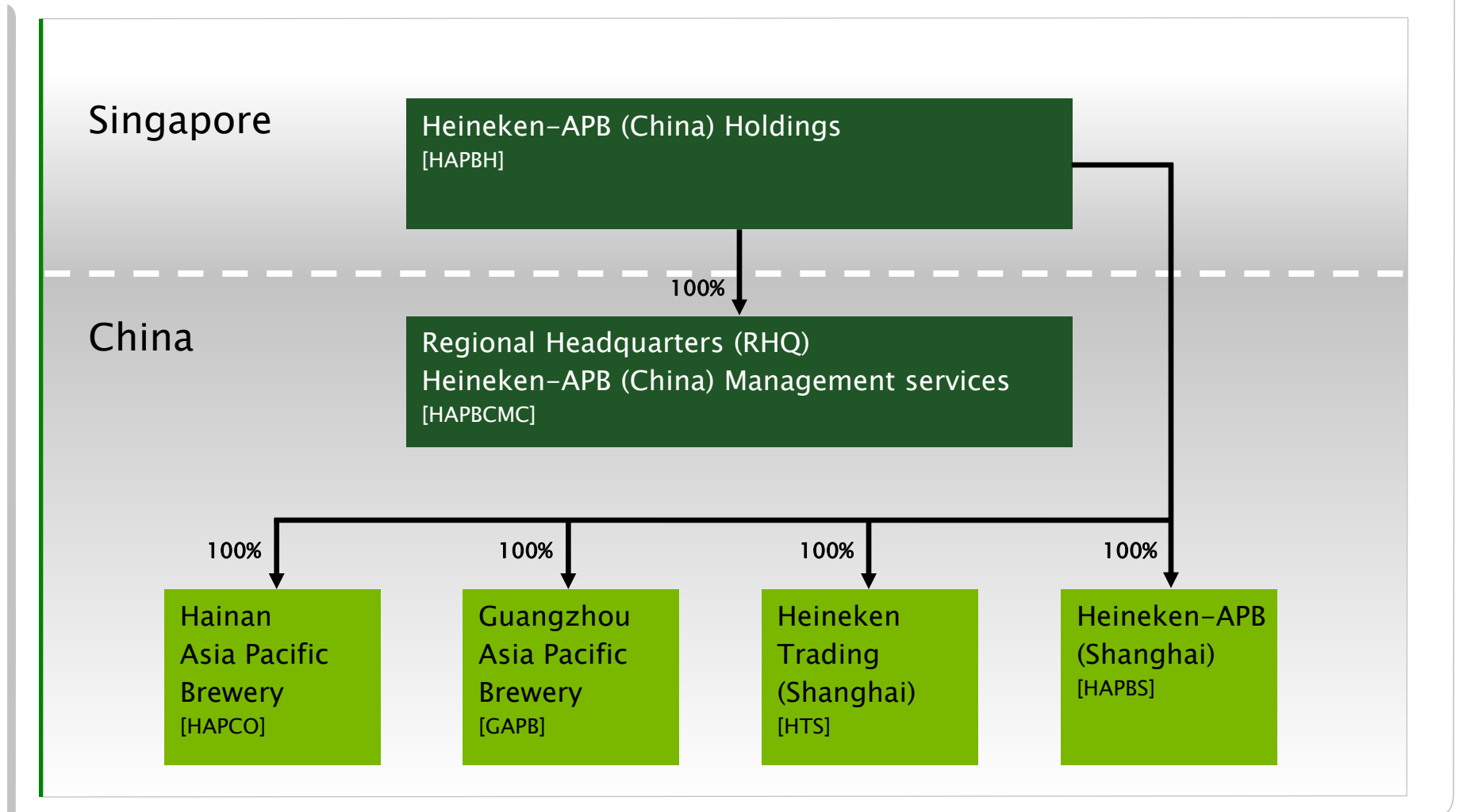


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Organisational Chart



Heineken-APB China's existing brewery and regional structure



Capacity expansion plans to address increased consumer demand

Guangzhou



- ◆ Commissioned in 2011
- ◆ 1mhl capacity today
- ◆ Expanding capacity to 1.5mhl in April 2012

Hainan



- ◆ Commissioned in 1997
- ◆ 1.3mhl capacity today
- ◆ Expanding capacity to 1.6mhl in April 2012

A premium portfolio targeting varying price points and consumer tastes

Premium portfolio

Lager

Super Premium



Affordable Premium



Non-Lager

Dark Beer



Mainstream



Specialties



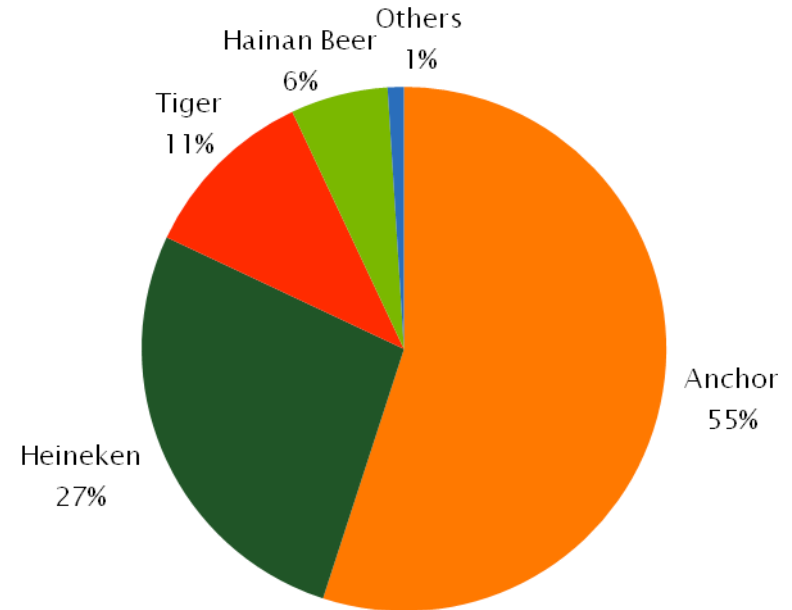
Cider



Discount

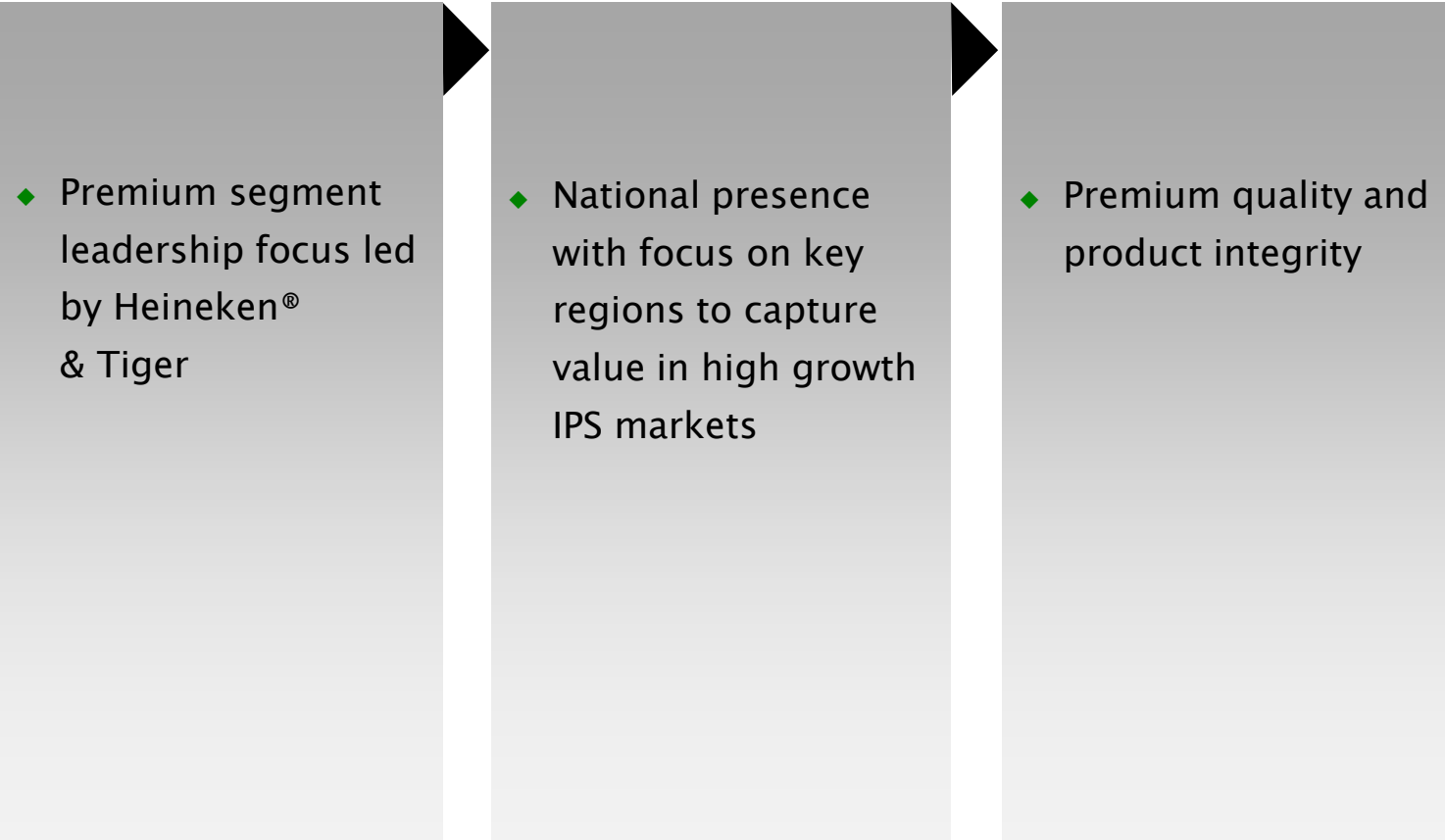


Volume contribution by brand: 2011F volume



Heineken-APB China strategy

Vision: To be a leading international premium brewer in China



- ◆ Premium segment leadership focus led by Heineken® & Tiger

- ◆ National presence with focus on key regions to capture value in high growth IPS markets

- ◆ Premium quality and product integrity

Leveraging our leadership position in Hainan to exploit the IPS opportunity

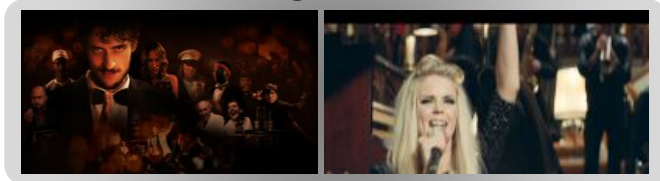
- ◆ Market leadership with a full portfolio catering to the full spectrum of the market.
- ◆ Distribution strength enables us to build IPS category in an otherwise mainstream market
- ◆ IPS category has doubled in size in the last 2 years with Tiger and Heineken occupying the number 1 and number 2 position in the IPS segment



Commercial initiatives supporting Heineken® brand building efforts

- ◆ Sustained brand building through national & regional advertising
- ◆ Utilising innovation to delight both consumers and trade
- ◆ Leveraging on sponsorship of international events including Shanghai ATP, UEFA Champions League and Rugby World Cup

Global Campaign



International Sponsorships



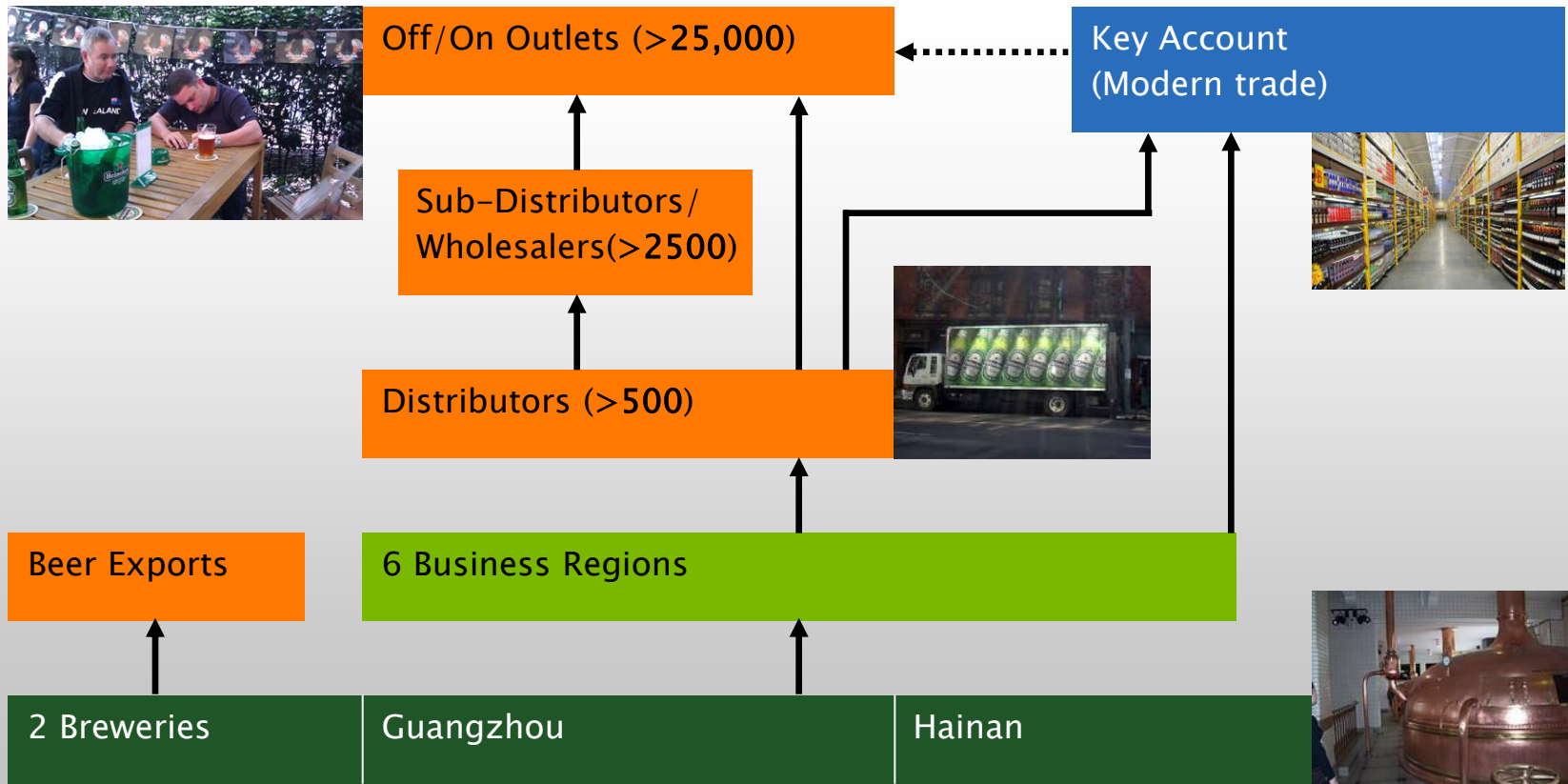
Innovation



Print



Continually strengthening our Route-to-Market capability in a vast geographical market



Summary

- ◆ Clear strategic focus in China on achieving leadership in highly profitable premium beer segment
- ◆ A rapidly growing middle class and urbanisation will support increased consumer demand for premium beer in China
- ◆ IPS expected to significantly outpace overall beer market growth over next 10 years
- ◆ Heineken-APB China well positioned to exploit premium beer opportunity through Heineken® & Tiger brands and business capabilities



Questions please



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