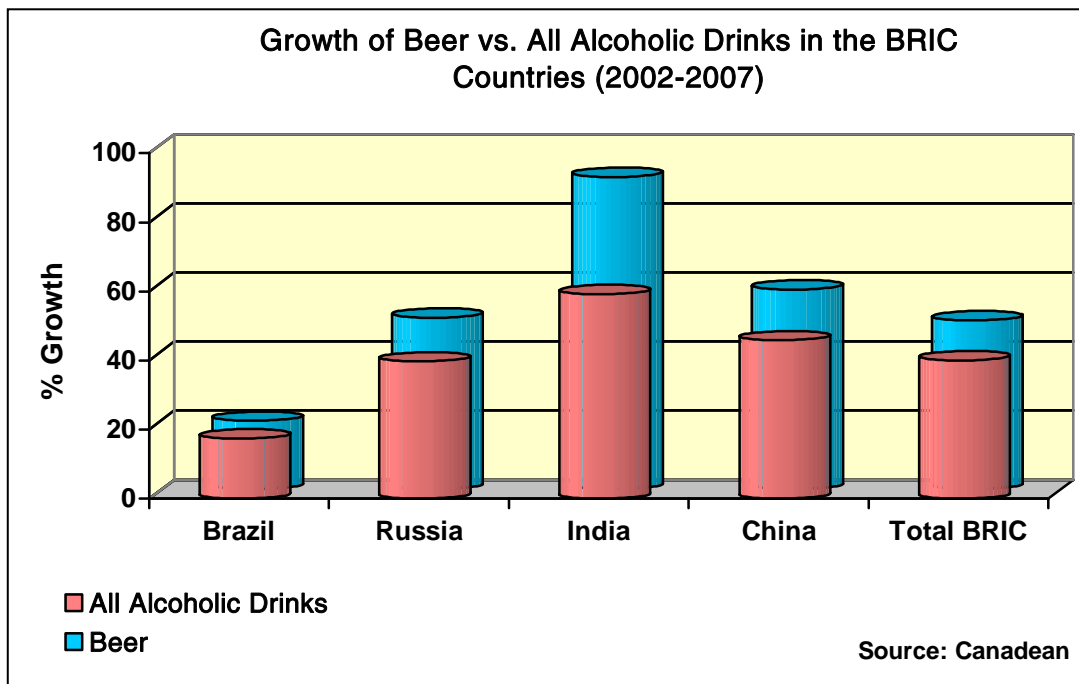


NEWS from Canadean

BEER BOOMING IN 'BRIC' COUNTRIES

In the rapidly developing BRIC countries (Brazil, Russia, India and China), consumption of Beer is outpacing that for Alcoholic drinks overall.

According to a series of new reports from leading beverage industry analysts Canadean, the huge populations and thriving economies of Brazil, Russia, India and China have helped Beer to grow dynamically in recent years. Indeed, between 2002 and 2007, total consumption across the four countries increased by almost 50%!



Furthermore, the potential of the BRIC countries is huge. China and India are tipped to become the leading global suppliers of manufactured goods while Brazil and Russia are expected to assume a similar status in raw materials. With this natural fit, there is every reason to expect that the BRIC countries will become strong future trading partners. Although a formal alliance has yet to be forged, political co-operation between the nations is already increasing.

Brazil...

Brazil is the world's fifth largest country and accounts for around 40% of all Beer consumed in South America. It is also the fourth biggest global producer of Beer with an industry employing some 429,000 people.

Last year, volumes rose by almost 8%. Increasing consumer confidence and disposable incomes played a part but Beer's real advantage lies in the fact that it presents the huge lower income consumer base with an affordable alcoholic beverage.

Brazil's dynamic growth and significant future potential have proven highly attractive to the major brewers. Leading players such as InBev, Heineken, Carlsberg and Mexico's Fems Group all have a presence and their investment has hastened the modernisation of breweries.

InBev has achieved market-leading status through local operator AmBev and core Skol, Brahma and Antarctica brands. The company is already responsible for over 70% of the market and continues to strengthen. In April, annual capacity was increased by three million hectolitres following the acquisition of Cintra Brewery. Meanwhile, Fems looks ideally placed to exploit on-premise sales having purchased Kaiser.

Looking forward, competitive pricing, marketing and packaging innovations are likely to be key drivers and consumption is expected to increase by around 4% during 2007.

Russia...

In Russia, the healthy economy, increasing incomes and warm weather were responsible for Beer's exceptionally strong 2006 performance. Consumption grew by 12% - twice the rate seen in the previous twelve months. The leading international brewers were the main beneficiaries, all progressing at the expense of the older, medium sized breweries.

Baltic Beverage Holdings (BBH) remains the leading player. Last year, BBH integrated its breweries into one holding company. Strong distribution, improved logistics, reduced transportation costs and increased sales are among the resulting benefits. The

Company also plans to build a new brewery in Novosibirsk and merge Vena and Zolotoy Ural.

Demand for Beer has also been buoyed by the shift away from strong alcoholic beverages. Although still minor, the Discount segment is in the ascendancy and is making inroads into the Mainstream market. The new larger 250cl and 500cl PET bottles introduced by the leading brewers have helped to drive sales of Discount Beers particularly in those regional markets traditionally dominated by affordable local offerings.

Despite the success of PET, Glass is still widely used and in the Urals and Siberia, demand is outstripping supply. As a result, 2006 heralded significant investment into three new bottle plants. Czech glass maker Sklostroj has entered into joint ventures with ZAO Klin-Steklotara and OOO PO Stalko whilst Rasko plans to build a new facility in Novosibirsk.

In the short-term, growth of between 3 and 5% per annum is predicted. Already dominated by the six leading brewers, the market should consolidate further as the acquisition of the smaller players continues.

India...

As an economic force, India is believed to hold the potential to grow faster than any other BRIC country over the next thirty to fifty years. The sub-continent's Beer market has been equally dynamic, growing by almost 90% since the turn of the Century.

Exceptionally high growth was generated in the northern states of Punjab, Haryana and Rajasthan which took full advantage of reduced taxes and improvements in the distribution policy.

In contrast to Russia, consumers are displaying a distinct preference for Strong Beer which has gained market share steadily in recent years and now accounts for almost 70% of total volume. Kingfisher Strong replaced Kingfisher Premium as the leading Beer and the Kingfisher brand overall now holds a commanding position.

Interestingly, international brands have made little impression in India. The only real success story has been Foster's whose Indian operation was acquired by SABMiller in September 2006.

China...

Onto China which remains the World's largest Beer market both in terms of production and consumption. This said, the huge population and racing economy offer significant potential for yet more growth. So much so that the leading brewers are viewing China as a key growth market particularly given the fact that Europe and America are flat or in decline. InBev, Anheuser-Busch, Carlsberg and Suntory have already invested heavily.

Despite the incredibly strong potential, more than half of China's 500 breweries are unprofitable. Although there are around 1,500 brands, low retail prices and high transportation costs have imposed geographical restrictions. As a result, only Tsingtao, Yanjing and Snow are really sold nationally. This said, Harbin, Zhujiang and Guangdong Brewery are committing resources in a determined effort to make their brands available throughout China.

With an eye firmly on the relatively untapped rural market, many brewers are also taking steps to develop sales outside of the main cities. With the 2008 Olympics looming, China's Beer market should withstand the expected price increases to grow by more than 9% over the next two years.

The 2007 Beer Service Annual Reports from Canadean - for Brazil, Russia, India and China provide 72, 105, 73 and 147 pages of analysis respectively. The reports include a wealth of data by segment, brand, pack type and distribution channel alongside profiles of the leading brewers. For further details, please contact Kevin Baker on Tel: +44 (0) 1256 394218, email: kevin.baker@canadean.com.

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