

Impacts of the Evolving Beer Industry on the Hop Market

2017 American Hop Convention

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Global Procurement

Current State of the Beer Business

The new “normal” in the beer industry is constant innovation and change

- Rapid increase in the number of craft breweries
- Consumer interest in new and unique beers
- Large brewers breaking out of the “light lager mold” and producing interesting new beers
- Continued consolidation of large brewers

There is an increased consumer awareness and excitement about beer

- This is positive for the whole beer industry’s competition wine and spirits
- Our brewers love it; they can be creative and have fun

Impacts of these changes

- Need for capital in both the brewing and hop industries for expansion
- Cost management is important to enable growth
- Proliferation of brands and companies adds complexity to the hop supply chain
 - Increased number of hop varieties
 - More companies contracting and holding inventory

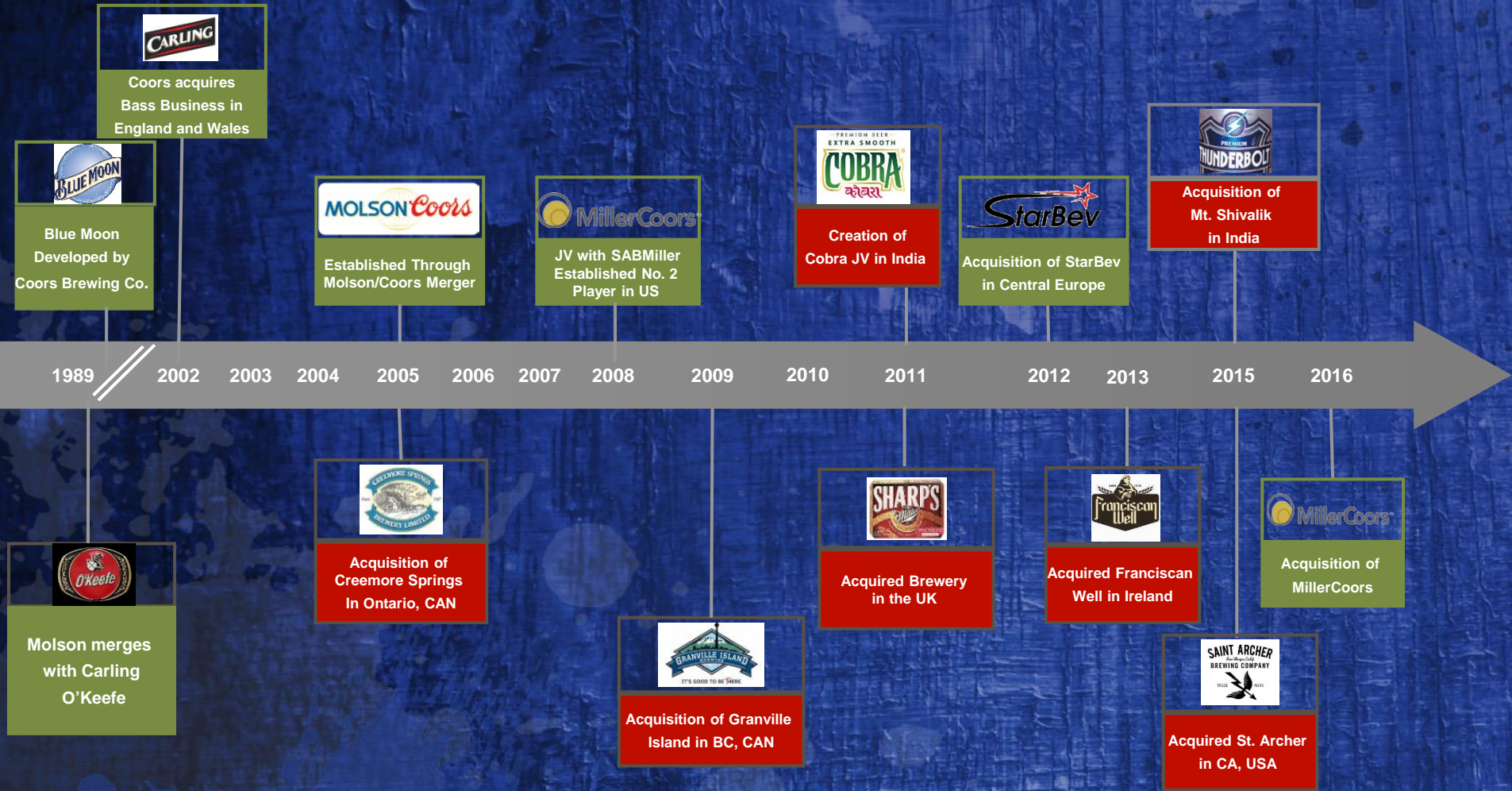
In October 2016, Molson Coors acquired the 58% share of MillerCoors to give us full ownership of the US Business



- 3rd largest brewer in the world
- HQ in Denver, CO
- 18,000 employees
- 28 breweries worldwide
- Purpose: to DELIGHT THE WORLD'S BEER DRINKERS
- Ambition: to become First Choice for Consumers and Customers.
- PEOPLE are at the center of it all.
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MOLSON Coors

Molson Coors Milestones



Transformative
 Bolt-on

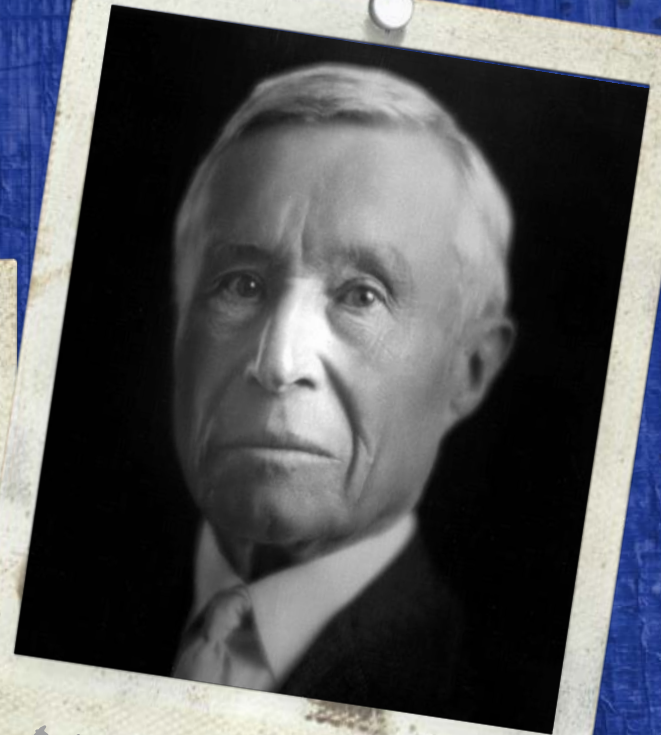
Shared Pioneering Spirit and Family Brewing Heritage



*Frederick Miller
1824-1888*



John Molson 1763-1836



Adolph Coors 1847-1929

Our Structure and Governance



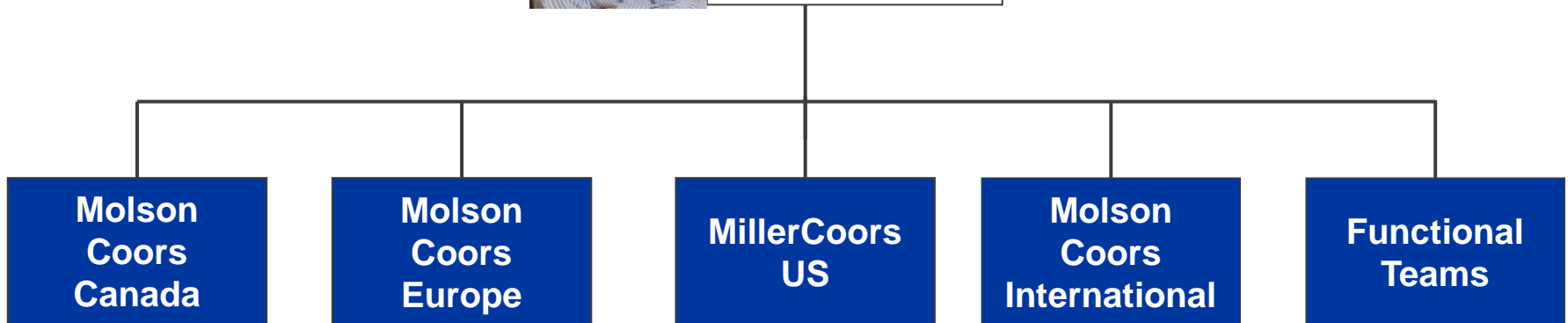
Geoff Molson
Chairman



Pete Coors
Vice-Chairman



Mark Hunter
*President &
CEO*



OUR BREWERIES



- MillerCoors
- Molson Coors Europe
- Molson Coors Canada
- Molson Coors International



Accelerating Brand Performance

Building An Extraordinary Brand Portfolio



The Leading Global Craft Portfolio

#1 CRAFT Brand in Most of Our CORE MARKETS

Supplier Partnerships at MolsonCoors

Supplier partners are key to a successful integrated supply chain. We focus on those relationships in each region by having dedicated supply managers for two-way interaction

Our philosophy centers around five principles:

- Service
- Quality
- Cost
- Innovation
- Corporate and Social Responsibility

We have a constant drive to improve efficiency and generate excitement in our business

US Business: Farm to Kettle

High quality barley and hops are critical to the success of our company as they ensure our ability to produce high quality products that meet the expectations of our consumers.

Our company has long history of vertical integration in barley and hops and a deep understanding of these key ingredients.

- Direct barley purchasing program began in 1954
- Direct hops purchasing began in the 1980's

The US Business has invested heavily in downstream processing which has provided an excellent return on investment

- The Golden Maltings
- Watertown Hop Company

Hops are the spice of beer, critical to the quality and distinctive taste of each of our brands.



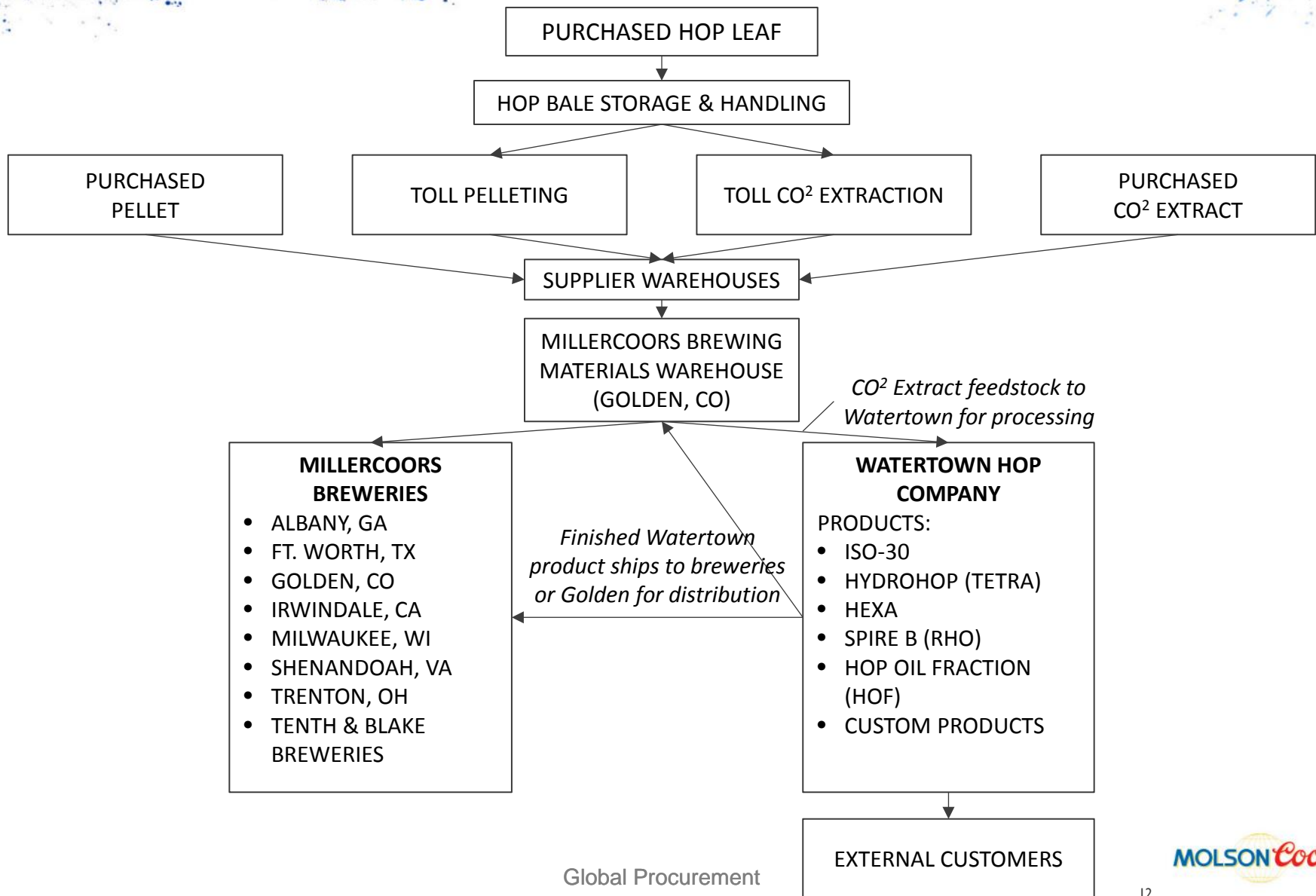
Key Elements of Molson Coors Hop Business

In order to ensure supply, maintain high quality and manage cost, Molson Coors manages an end-to-end hop business within our company.

Key elements of this business are :

- 1) Cross-functional team
- 2) Direct hop grower procurement program (Washington State, Oregon & Colorado)
- 3) Hop dealer relationships worldwide
- 4) Procurement supply, demand & inventory management
- 5) Corporate Procurement Warehouse in Golden for central distribution
- 6) Watertown Hop Company production of advanced hop products

MillerCoors Hop Supply Chain Overview



Hop Team

The Molson Coors Hop Business is managed cross-functionally and participates in:

- Testing and approval of recipe changes & new hop products
- Review of new hop varieties and single hop test brewing
- Fall hop selection

Coors Hop Selection 1977



“Fun Facts” from 1977-1978

- Coors Light was introduced as a 19 IBU beer
- Coors Banquet was a 24 IBU beer
- Both were hopped with > 80% Cascade hops
- Only baled leaf hops were used by Coors

Hop Grower Direct Partnership Program

MillerCoors purchases approximately 50% of its hops directly from growers

- MillerCoors hop grower base:
 - Pacific NW: WA State – 6 growers; Oregon – 3 growers
 - Colorado: 9 growers (supports Colorado Native brands)
- We place a high value on our direct growers relationships focus on balanced partnerships

Benefits to Hop Growers

- Consistent acreage and multi-year contracts for our largest varieties
- Shared information about the beer industry
- Brewer to grower discussion of hop supply & demand and market pricing
- Direct discussion about quality requirements and investment in hop facilities

Benefits to MillerCoors

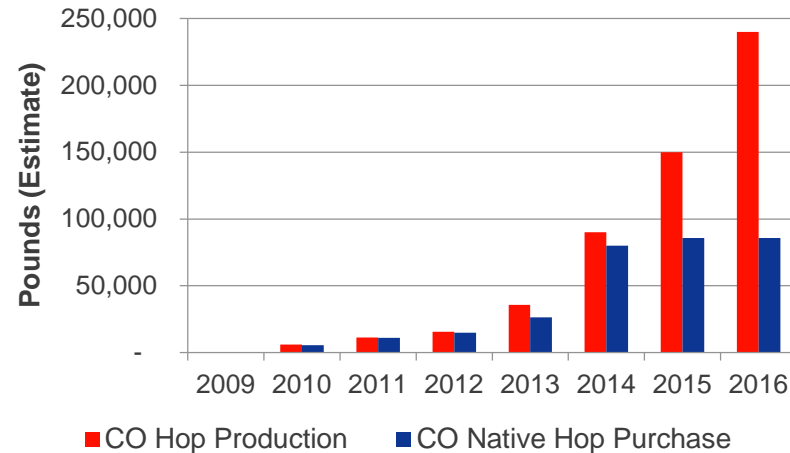
- Ensure quality
- Manage cost
- Reduce supply risk
- Understand environmental impacts
- Drives a deep understanding of the agricultural supply chain

Colorado Native Brand

In 2009 MillerCoors began working with New Hop growers in Colorado to begin development of a supply of hops for a new brand with Colorado only produced ingredients that launched in 2010.



Colorado Hop Production



MillerCoors Hop Research & Development Focus

- A key focus for our U.S. Business is identifying new hop varieties to replace older, less efficient varieties
- MillerCoors key desired attributes of new varieties are similar to industry goals:
 - Superior agronomics (increased yield, decreased water consumption, favorable picking windows, etc.)
 - Disease resistance
 - Unique aromas to create new, interesting beers
 - Replacement of less efficient varieties
 - Key quality parameters that determine suitability for replacing existing varieties are:
 - Alpha, Beta, CoH
 - Aroma / flavor match
 - Oils
- Molson Coors is not in the business of hop variety development, instead focus is on supporting public variety development and working with private breeders as this is more efficient for us and the industry

Watertown Hops Company (WHC) Overview



Description:

Hop processing facility in Watertown, WI employing patented technology to produce refined hop products derived from CO₂ Hop extract.

Plant Facility:

- 32,100 sq. ft. facility on 20.5 acre site
- Built in 1987 / 88; 1st production 1989
- ISO 9001:2008 and FSSC 22000 certified

The Watertown Advantage:

- 2+ decades of applied brewing experience
- Custom hop product formulation capabilities
- State of the art facility

Ownership: Wholly-owned subsidiary of Molson Coors

Employees: 13 (Accounting, Engineering, Legal, Raw Material Purchasing, Sales and Research/QA services provided by MillerCoors Corporate)

Business Scope: Production and sale of refined hop products for MillerCoors, Molson Coors & external sales

Process Design: Facility is designed for “batch process” production of advanced hop extracts using CO₂ hop extract as the direct feed material.

Beer & Hops: Inextricably Linked

The hop and brewing industries cannot exist without one another

All of us – Growers, Brewers and Dealers – have a vested interest in keeping the hop and beer industries healthy. Crucial to this is:

- Providing a clear and up to date demand forecast
- Open communication and moving excess supply quickly

We have a responsibility to work together to reduce the severity of future market volatility and ensure quality and availability of the hops that we all need.

Thank You!!

Our team is available to visit with you:

- Bill Dempsey, Molson Coors Chief Procurement Officer
- Donnell Berg, U.S. Regional Director, Brewing Materials Procurement
- Dennis LaPointe, Sr. Manager, Molson Coors Global Hop Procurement
- Haley Oser, U.S. Supply Manager, Hops and Fruit Products
- Tim Koel, General Manager, Watertown Hop Company