



華潤啤酒(控股)有限公司
China Resources Beer (Holdings) Company Limited



H1 2017

Financial and Operational Review



Investor Presentation
21 August 2017



Part I

Performance Review



Beer (No.1 brand by volume in the world since 2008) 雪花

- Growth through: Solidifying market leader position and upgrade of product mix

	H1 2017 RMB m	H1 2016 RMB m	change
Sales volume (million kl)	6.306	6.128	+3%
ASP (in RMB/kl)	2,501	2,483	+1%
Turnover	15,774	15,213	+4%
Gross profit	5,282	5,120	+3%
EBIT	1,687	1,657	+2%
<i>GP margin</i>	33.5%	33.7%	-0.2% point
<i>EBIT margin</i>	10.7%	10.9%	-0.2% point

Increase in turnover helped to absorb the surge of certain cost, in particular to packaging material costs, such that gross profit margin maintained at similar level.

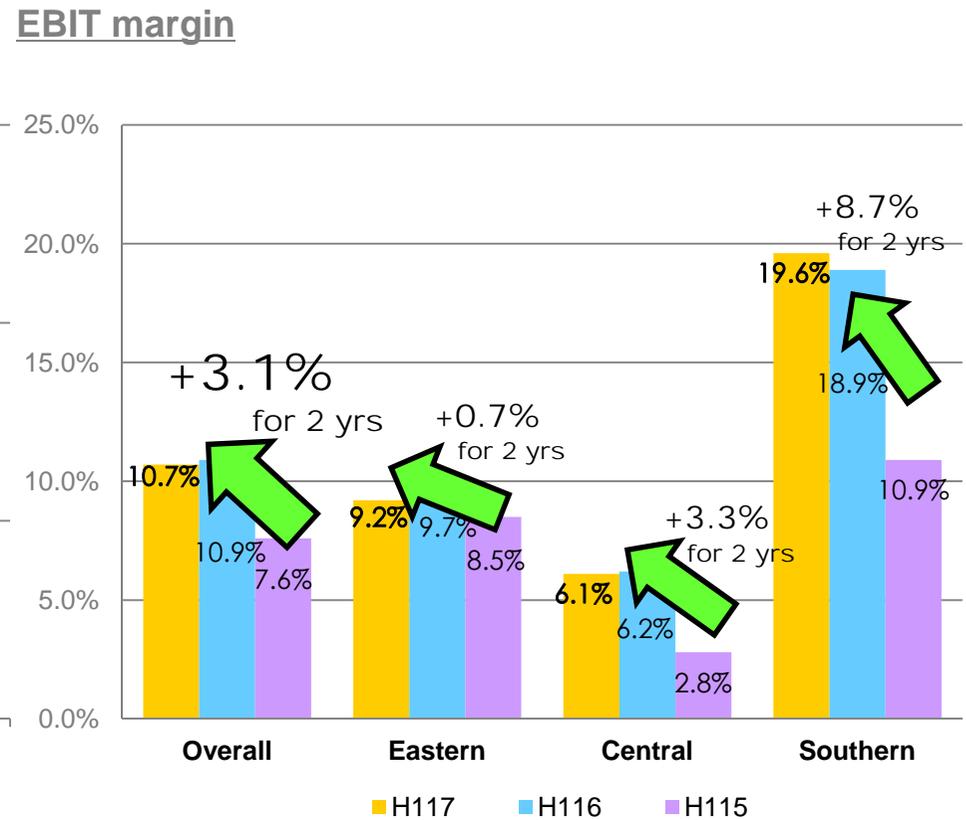
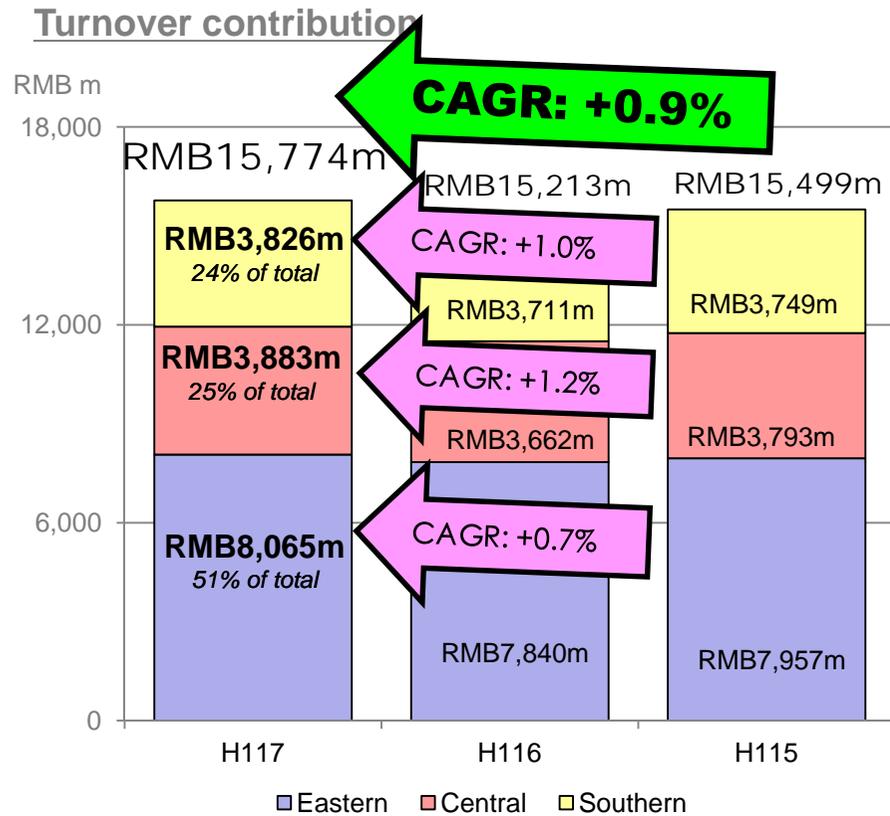


"Various experiences across SNOW"



Beer (No.1 brand by volume in the world since 2008) 雪花

Segment results



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Beer (No.1 brand by volume in the world since 2008)

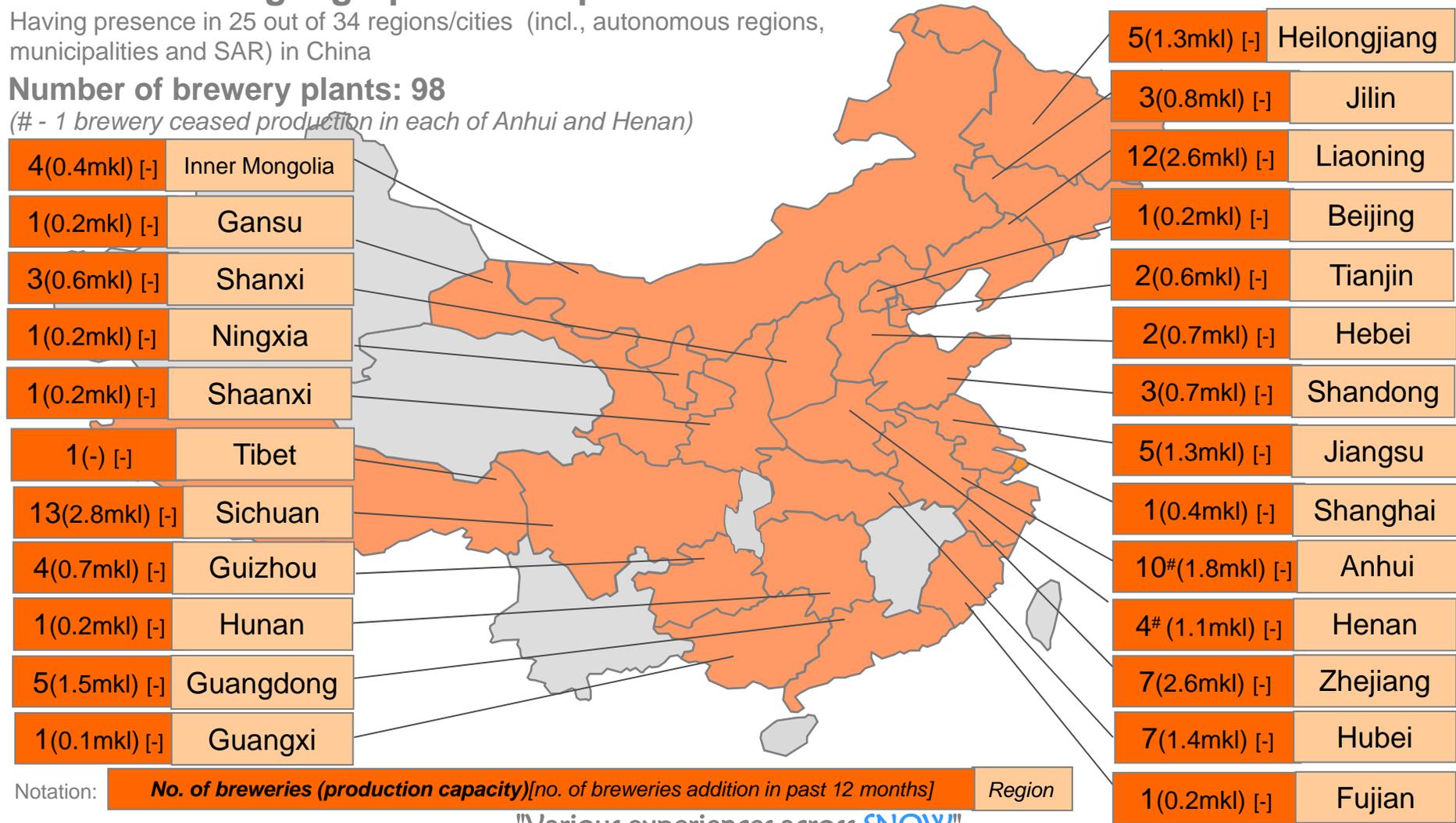


▪ Nationwide geographical footprints

Having presence in 25 out of 34 regions/cities (incl., autonomous regions, municipalities and SAR) in China

Number of brewery plants: 98

(# - 1 brewery ceased production in each of Anhui and Henan)



Notation: **No. of breweries (production capacity)**[no. of breweries addition in past 12 months] **Region**

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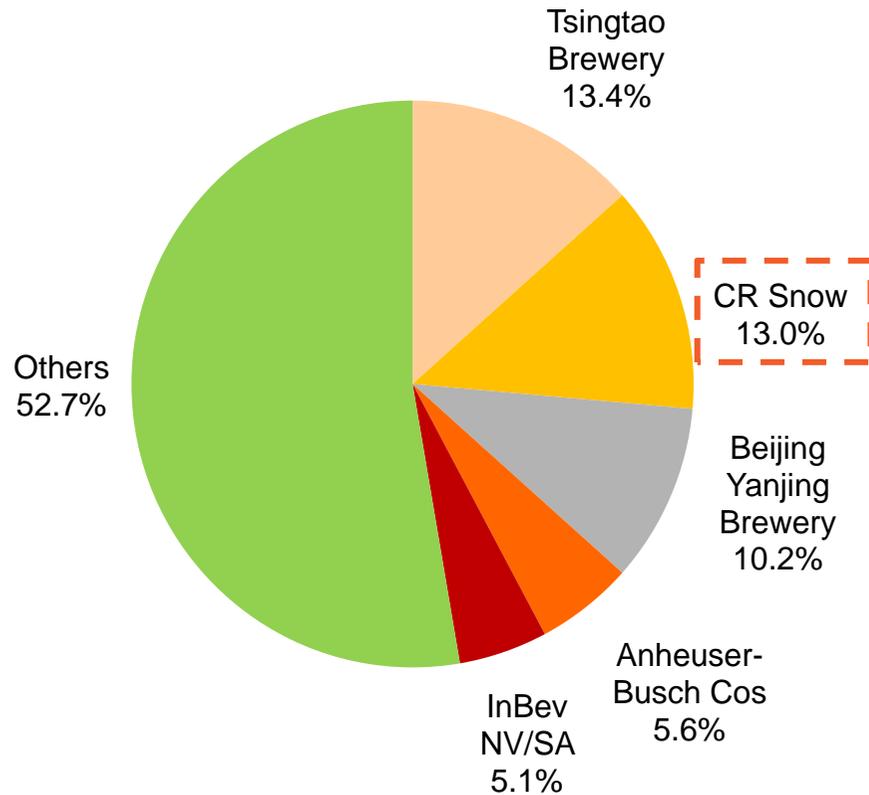


Beer (No.1 brand by volume in the world since 2008) 雪花

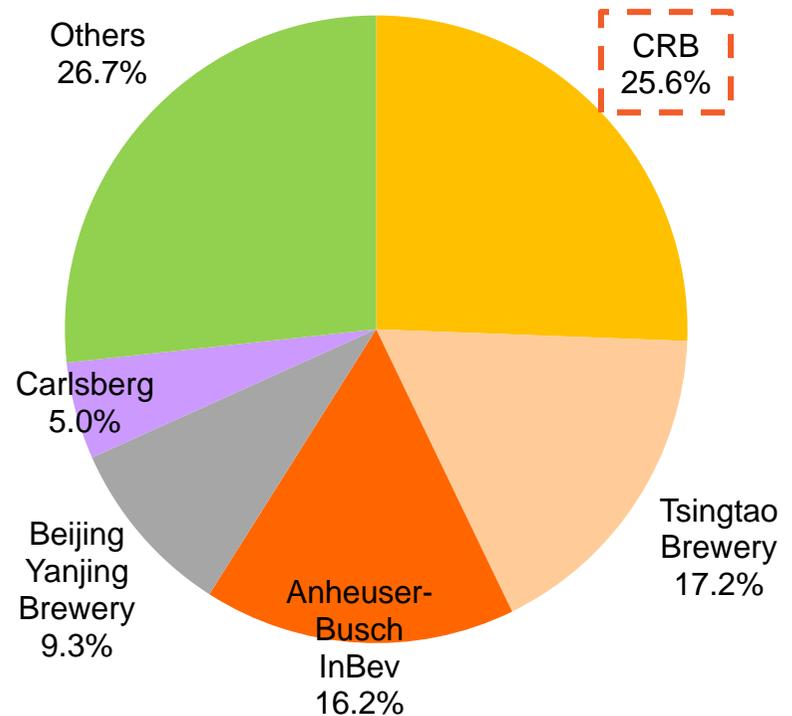
Market share distribution

China beer market competitive landscape by volume

2005 Top five market share = 47.3%



2016 Top five market share = 73.3%



Source: Euromonitor International, www.ifooday.cn and Company information

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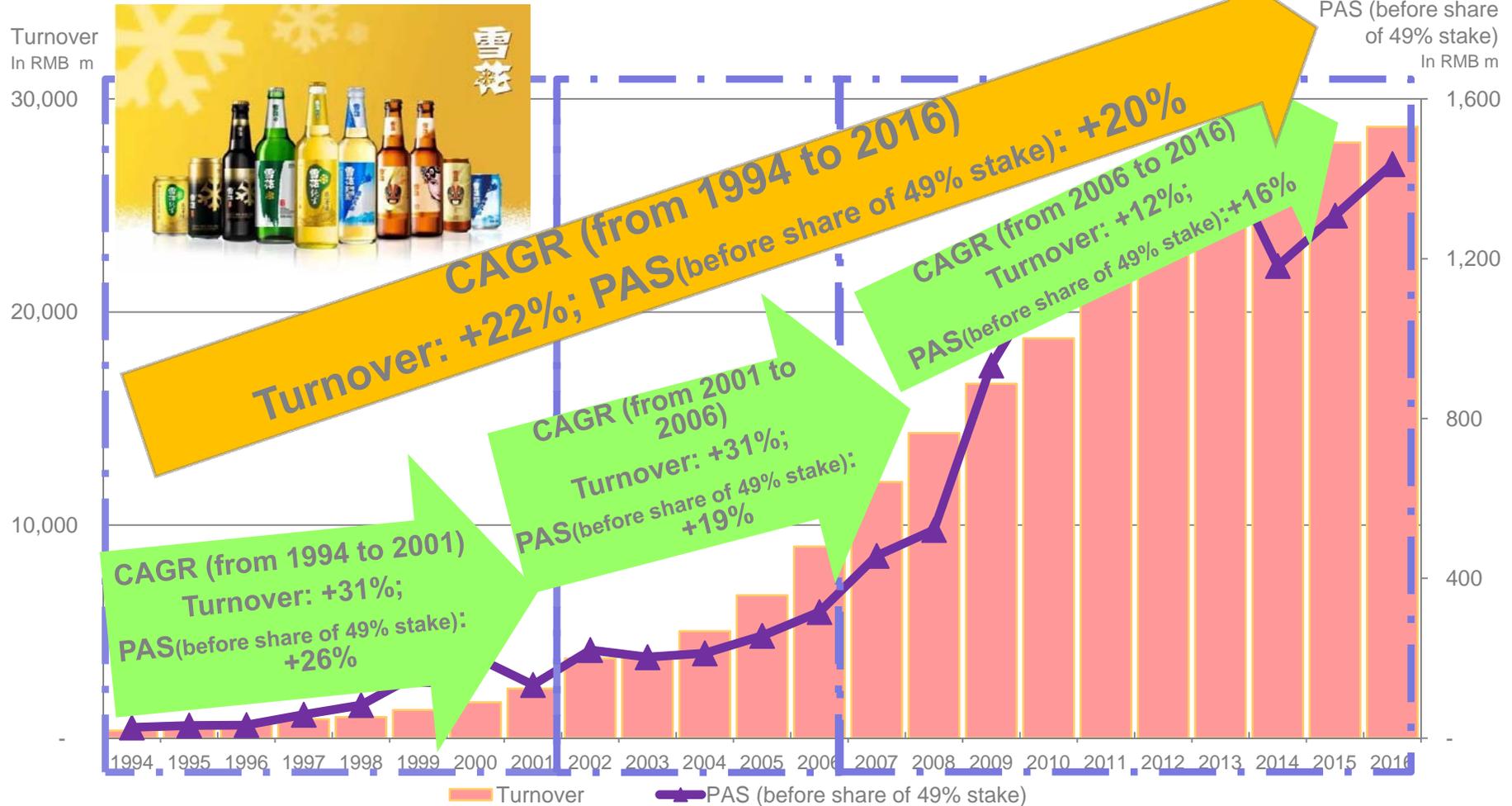




Beer (No.1 brand by volume in the world since 2008)



Proven growth track records



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Part II
Others

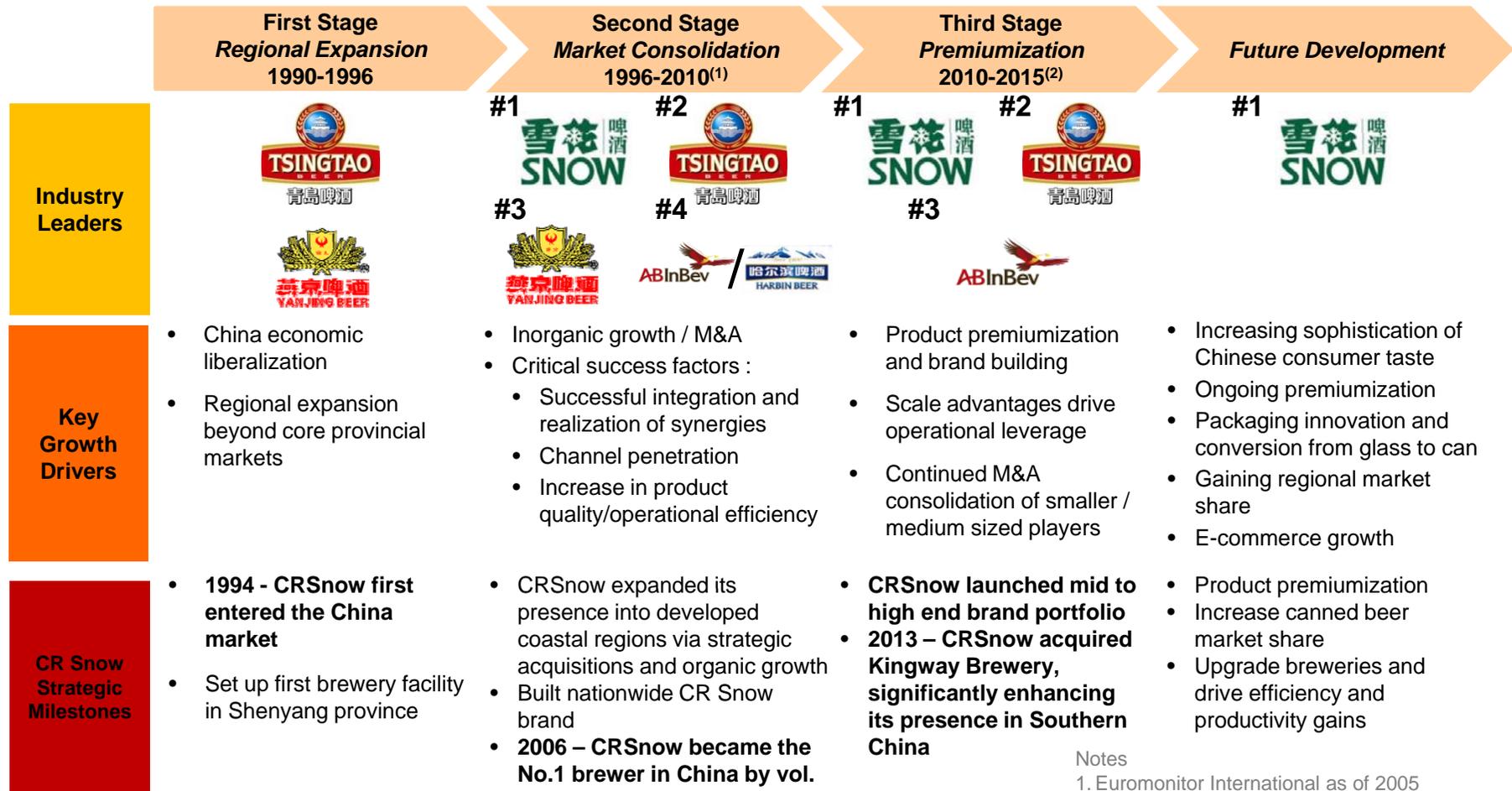




Beer (No.1 brand by volume in the world since 2008) 雪花

Evolution of the China Beer Market Over the Past 3 Decades

CR Snow has been at the forefront of evolution, effectively positioning itself to capture outsized growth



Notes

1. Euromonitor International as of 2005

2. Euromonitor International as of 2015

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Beer (*No.1 brand by volume in the world since 2008*)



▪ CRB: Pure beer business

1 The Undisputed Leader in World's Most Attractive Beer Market

- China is the largest¹ and most attractive beer market globally
- CRE is the #1 brewer in China for the past 11 years with 25.6% market share¹ vs. 17.2% for the next player in 2016

2 Irreplaceable Heritage Brands That Resonate Nationwide with the Local Consumer

- Snow (“雪花”) is the world's largest selling beer brand by volume since 2008
- Portfolio of 30+ sub-brands and products catering across the entire consumer spectrum
- Nationwide presence operating 98 breweries in 25 out of 34 provinces in China

3 Proven Track Record of Double-Digit Growth Through Premiumization and Innovation

- Successful track record of growth through increasing volumes and ASPs
- Sales and PAS (before share of 49% stake) CAGR of 22% and 20%, respectively since inception in 1994
- Increasing focus on premiumization of mid-end to high-end products

4 The Leading Platform for Industry Consolidation

- Leading market consolidator with successful acquisition and integration of domestic breweries in the past
- Track record of M&A with 20+ acquisitions over previous years

5 Consistent and Proven Management Leadership

- Experienced management team members who works in CR Snow for many years
- Sponsorship from one of the leading SOEs in China

6 Full ownership with faster response

- Shareholders will enjoy full economic benefit of future earnings growth
- Will enable faster responses to the dynamics of current beer market

Note

1. By volume according to www.ifooday.cn

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Beer (No.1 brand by volume in the world since 2008) 雪花

- Differentiated sales channel strategy with unique on-the-ground capabilities
Distribution strategy focused on professionalism, exclusivity and flatness of network

Urban markets

High end on-trade channel	<ul style="list-style-type: none"> □ Specific sales force to target on-trade customers such as high-end restaurants and night clubs to promote sales of mid to high-end products □ Build and maintain a strong channel and customer relationship
Other on-trade channel and traditional retail channel	<ul style="list-style-type: none"> □ Established a flat distributor network by dividing targeted markets into smaller areas which eliminates layers of distributors □ Allows for higher profitability, closer proximity to end customers and better management of distributors and retailers
Modern retail channel	<ul style="list-style-type: none"> □ Sales team at headquarters covers and negotiates with nationwide retailers directly □ Regional sales teams coordinate negotiations with regional retailers and provide comprehensive sales support and monitor performance
E-commerce channel	<ul style="list-style-type: none"> □ Sales on e-commerce platforms such as T-mall □ Flagship stores on platforms such as Yihaodian, JD.com □ Establishing own e-commerce platform to directly interact with end customers and consumers

Regional markets¹

<ul style="list-style-type: none"> □ Maintain long standing relationships with local distributors to broaden coverage and penetration
<ul style="list-style-type: none"> □ Flat distribution model through careful and finer division of regional markets
<ul style="list-style-type: none"> □ Utilize secondary distributors to supply to rural areas

Regional markets in smaller towns and rural areas



Beer (No.1 brand by volume in the world since 2008)

▪ Future growth strategy

1

Expand “Snow” with ongoing premiumization

- Focus on premiumization to drive sales and profitability growth
- Grow higher-priced and higher margin brands and products

2

Strengthen our regional presence through organic growth and acquisitions

- Continue to grow market share on a regional basis both organically and through acquisitions
 - Focus on expanding and upgrading current breweries in regions
 - Ongoing evaluation of acquisition targets that can help strengthen regional presence

3

Continue to optimize utilization of existing production plants

- Continue to improve efficiencies of the breweries to best-in-class operating standards



Part III

Appendix

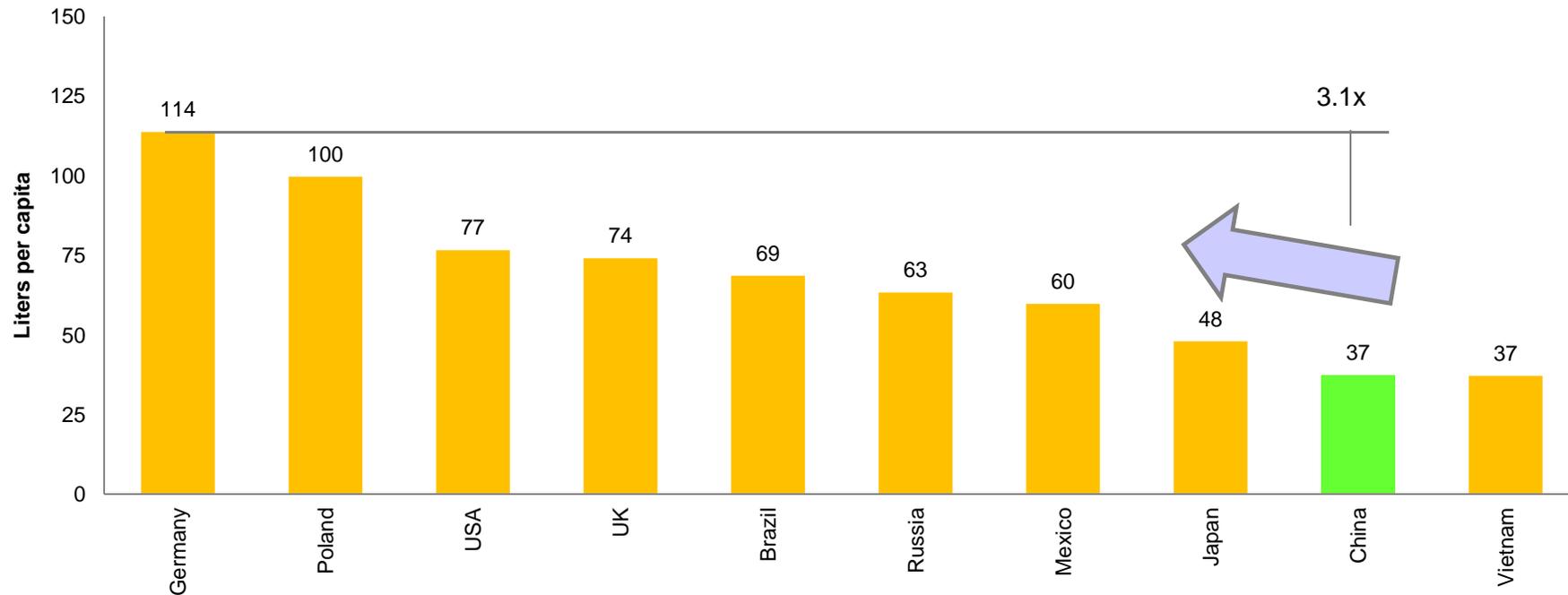




Appendix I – Global beer consumption summary

Long term potential on market volume growth

2014 Top ten beer markets per capita volume consumption



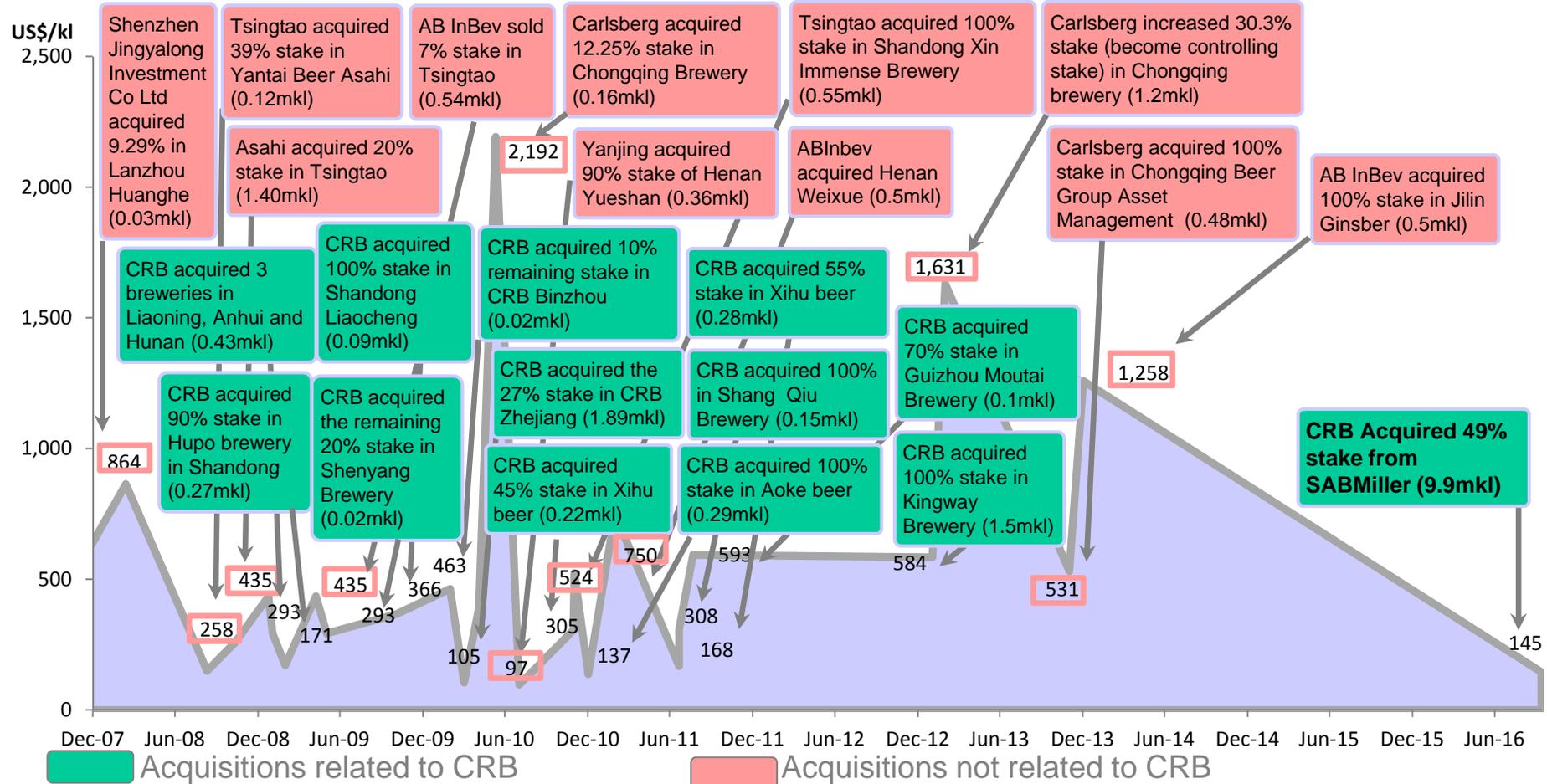
Source: Euromonitor International

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Appendix II – Historical major M&As in beer business

Lower acquisition cost on M&A



Source: Deutsche bank and Company data

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Appendix III – Major awards (Cont'd)



■ Highlights of accolades received

<i>China Financial Market</i>	2017	<i>Most Valuable Brand Award</i> in China Financial Market Listed Company Awards 2016
<i>HKIRA</i>	2015-2017	<i>Best IR company – Mid-cap (2015-2017), Best IRO – Mid-cap (2015), Best IR presentation collaterals – Mid-cap (2016/2017)</i> in HKIRA Investor Relations Awards
<i>The Asset</i>	2009/ 2010/ 2012-2016	<i>Platinum award: 2009/2010/2016</i> <i>Gold award: 2012-2015</i> in The Asset Corporate Awards
<i>Ta Kung Pao</i>	2011/2014/ 2016	<i>Best Investor Relations Company (2016); Best Corporate Governance for Listed Companies, Best Information Disclosure for Listed Companies (2014); Best Management Team Award (2011)</i> in Golden Bauhinia Award
<i>Forbes</i>	2011-2016	Ranked number 981/861/800/1067/1200/1628 in Global 2000
<i>Fortune China 500</i>	2011-2016	Ranked number 39/46/37/40/38/194
<i>Economic Digest</i>	2005-2016	Named one of <i>Hong Kong Outstanding Enterprises</i>
<i>HKIFAPC</i>	2013-2016	Award for <i>Outstanding Listed Company of the Year</i>
<i>Yazhou Zhoukan</i>	2010, 2012- 2016	<i>"Outstanding Performance Award" (2010,2012) , "The Largest Conglomerates Company Award" (2013-2015) , "The Largest Food and Beverage Company Award" (2016)</i> in <i>Global Chinese Business 1000</i>
	2011	<i>"The Largest Capitalization Company Award"</i> in Mainland Enterprises Listed in Hong Kong Ranking

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Appendix III – Major awards (Cont'd)

■ Highlights of accolades received

<i>MerComm, Inc.</i>	2010-2017	<p>Total 47 awards received</p> <p><i>7 Gold Awards:</i> covering Traditional Format, Interior design, Printing & Production, Overall Presentation in Beer, Food and Supermarket Category (2013-2016)</p> <p><i>11 Silver Awards:</i> covering Annual Report Overall Presentation, Traditional Format, Cover Photo/Design, Annual Report, Interior Design in Beer, Food and Retail Category (2010-2017)</p> <p><i>20 Bronze Awards:</i> covering Traditional Format, Printing & Production, Other and General, Non-Traditional Annual Report, Annual Report Overall Presentation, Traditional Annual Report, Interior Design, Cover Design in Food, Supermarket and Convenience Stores Category (2011-2016)</p> <p><i>9 Honors Awards:</i> covering Traditional format, Interior Design, Annual Report, Annual Reports Covers (Special Treatment), Non-Traditional Annual Report, Annual Report (Unique Presentation) in Multi-Industry, Food, Supermarket, Consumer Goods Category: (2011, 2013-2016)</p>
<i>League of American Communications Professionals LLC</i>	2014-2017	<p><i>Gold:</i> Consumer Staples; Consumer –Food/Beverages/Tobacco category (2014/2015); Retailing – Multi-line Retail category (2014),</p> <p><i>Silver:</i> Consumer Consumables category (2016), Retailing – Multi-line Retail category (2015); Retailing – Food and Specialty category (2014/2015)</p> <p>Ranked 65th in Top 80 Winners Reports – Asia Pacific (2016); and Top 40 Chinese Reports (2016) in Vision Awards Annual Report Competition</p>

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