



華潤啤酒(控股)有限公司

China Resources Beer (Holdings) Company Limited



H1 2018

Financial and Operational Review

Investor Presentation
17 August 2018





Part I

Performance Review

Overall Results Summary



	H1 2018 RMB m	H1 2017 RMB m	<i>change</i>
Turnover	17,565	15,774	+11%
EBIT	2,064	1,687	+22%
EBIT excl. impairment loss recognised	2,330	1,709	+36%
Profit attributable to shareholders (PAS)	1,508	1,170	+29%
EPS (RMB)	0.46	0.36	+28%
DPS (RMB)	0.09	0.07	+29%
Dividend payout ratio (Proposed dividend/PAS)	19%	19%	-
ROE *	7.9%	6.5%	+1.4% point
Additions to non-current assets	1,060	685	+55%
Net assets	19,739	18,633	+6%
Net cash	3,378	476	+610%
Cash ratio	17.1%	2.6%	+14.5% point

Notes:

* ROE = PAS / Average of Equity attributable to shareholders of the Company

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



▪ Innovative Development, Transformation and Upgrade, Quality Growth

	H1 2018 RMB m	H1 2017 RMB m	change
Sales volume (million kl)	6.213	6.306	-1.5%
ASP (in RMB/kl)	2,827	2,501	+13.0%
Turnover	17,565	15,774	+11%
Gross profit	6,323	5,282	+20%
EBIT	2,064	1,687	+22%
EBIT excl. impairment loss recognised	2,330	1,709	+36%
GP margin	36.0%	33.5%	+2.5% point
EBIT margin	11.8%	10.7%	+1.1% point
EBIT margin (excl. impairment loss recognised)	13.3%	10.8%	+2.5% point

Increase in turnover drove the improvement in gross profit margin and EBIT margin (excl. impairment loss recognised).



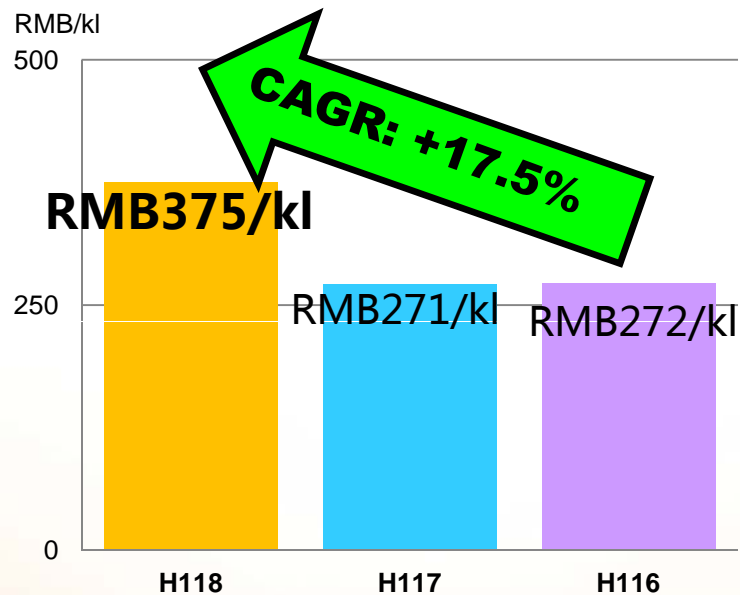
Beer (No. 1 brand by volume in the world)



▪ EBIT (excl. impairment loss recognised)

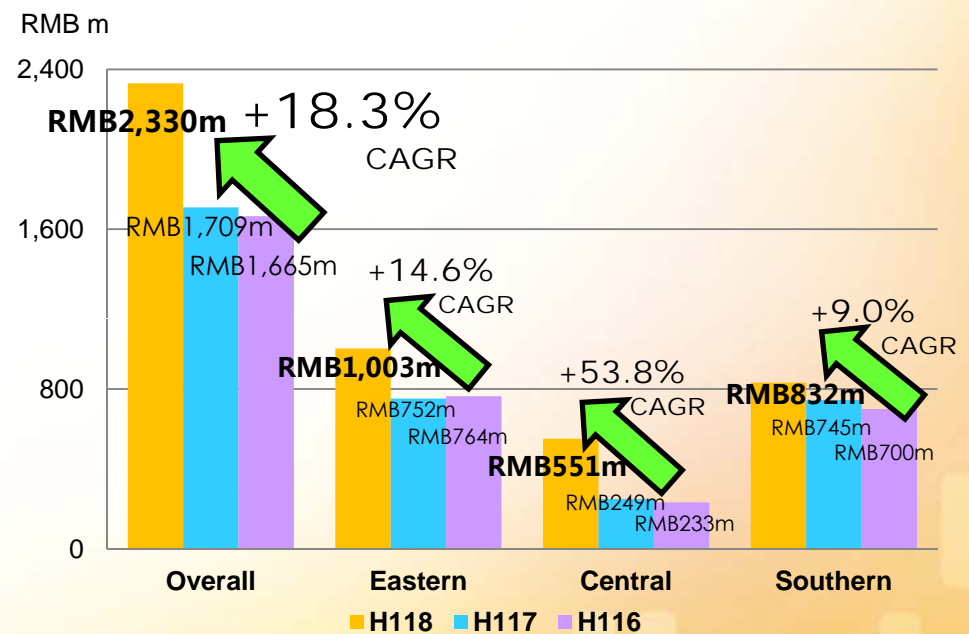
EBIT/kl

(excl. impairment loss recognised)



EBIT by segment

(excl. impairment loss recognised)



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

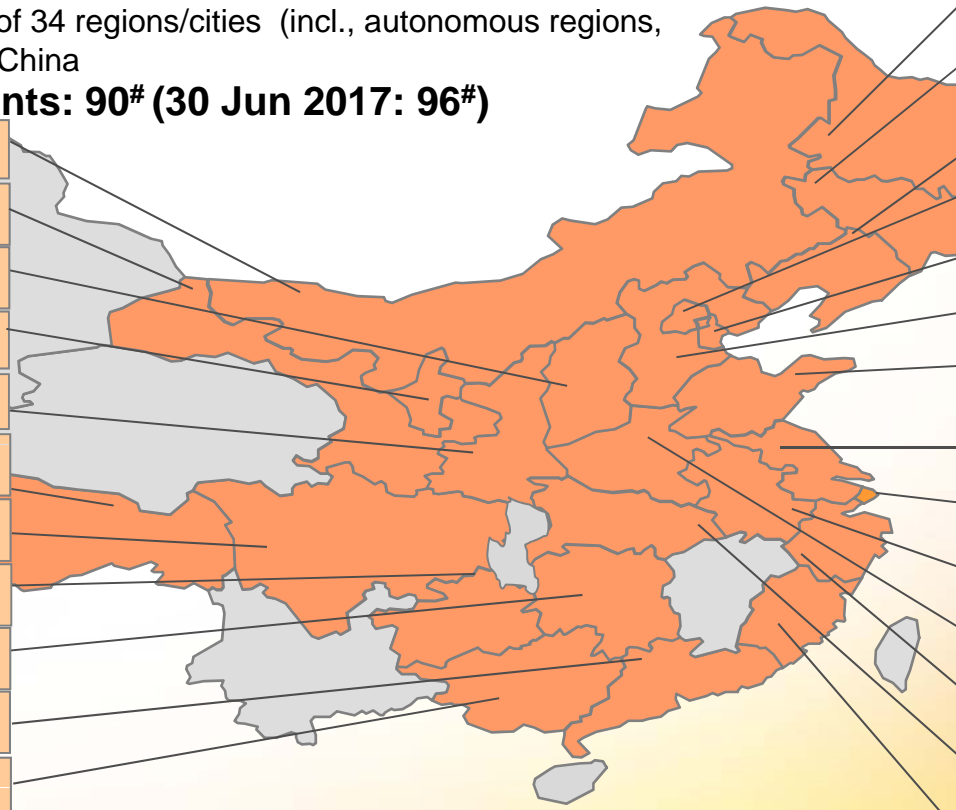


▪ Nationwide Geographical Footprints

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

Number of brewery plants: 90# (30 Jun 2017: 96#)

4(0.4mkl)[-]	Inner Mongolia
1(0.2mkl)[-]	Gansu
2(0.4mkl)[-1]	Shanxi
1(0.2mkl)[-]	Ningxia
1(0.2mkl)[-]	Shaanxi
1(-)[-]	Tibet
11(2.5mkl)[-2]	Sichuan
4(1.0mkl)[-]	Guizhou
1(0.2mkl)[-]	Hunan
5(1.5mkl)[-]	Guangdong
1(0.1mkl)[-]	Guangxi



4(1.3mkl)[-1]	Heilongjiang
3(0.8mkl)[-]	Jilin
12(2.5mkl)[-]	Liaoning
1(0.2mkl)[-]	Beijing
2(0.6mkl)[-]	Tianjin
2(0.8mkl)[-]	Hebei
3(0.8mkl)[-]	Shandong
5(1.3mkl)[-]	Jiangsu
1(0.4mkl)[-]	Shanghai
8(1.4mkl)[-1]	Anhui
3(1.1mkl)[-]	Henan
6(2.6mkl)[-1]	Zhejiang
7(1.8mkl)[-]	Hubei
1(0.2mkl)[-]	Fujian

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

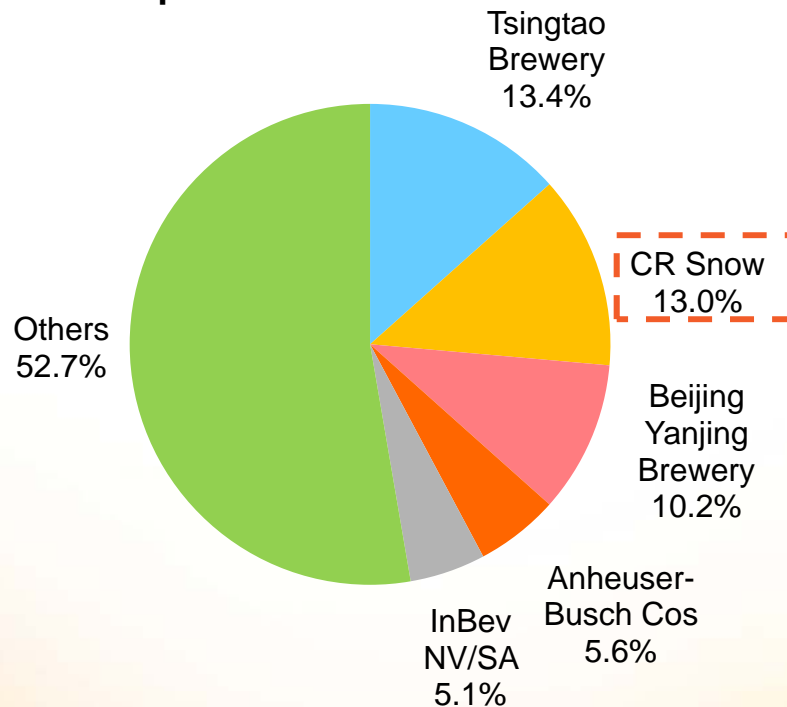
Excluding those breweries ceased operation and determined by management to be closed

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



▪ Market Share Distribution (by volume)

2005 Top five market share = 47.3%



2017 Top five market share = 77.2%

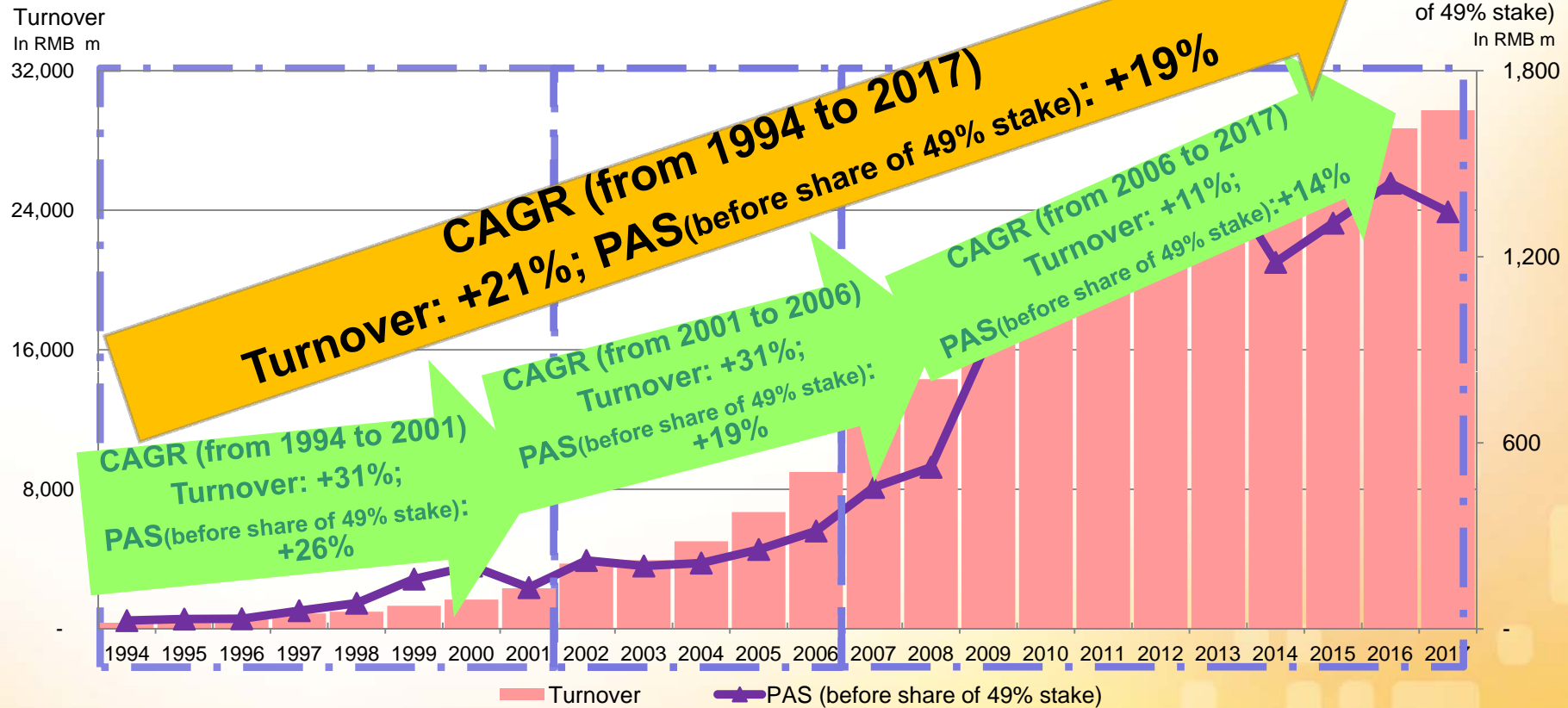


Source: Euromonitor International, CICC and Company information

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



Proven Growth Track Records





Part II

Others

Long Term Strategic Collaboration with Heineken



▪ Complementary Strengths to Win in the Premium Beer Segment



- Strong local team with extensive industry and domestic experience
- Market leading position and well-known product portfolio
- Best-in-class, nationwide distribution network
- 90 breweries with nationwide coverage best positioned for growth
- Deep understanding of China and strong supports from China Resources Group



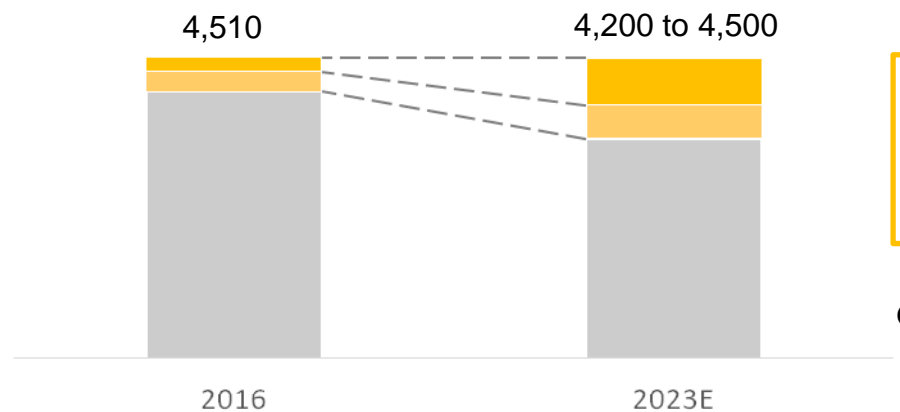
- Established in 1864 by the Heineken family
- No. 2 brewer in the world with distribution in over 190 countries
- Leading developer and marketer of premium beer and cider brands
- Committed to innovation, long-term brand investment
- Currently owns the only brewery in Hainan Province

Long Term Strategic Collaboration with Heineken



- Value expected to be driven by attractive growth in premium segment

China beer volume by segment
(in million kl)



	CAGR (10–16)	CAGR (16–23E)
Total market:	~0%	~ -1 to 0.5%
Super Premium & Premium	11%	16%
Affordable Premium	9%	8-12%
Others	-1%	-3%

Premium share
of total volume

11%

25%

Rough price reference
of segment

 Super Premium & Premium >1 time of price x	 Affordable Premium price x – 1 time of price x	 Others price x
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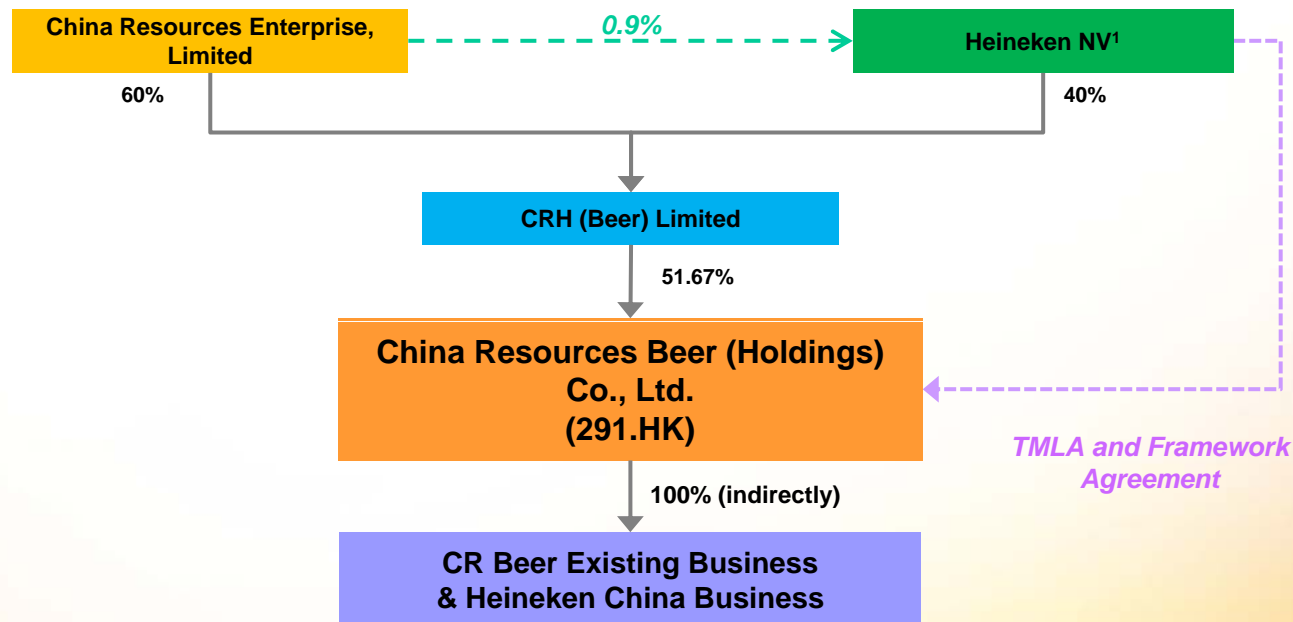
Source: Heineken investor presentation at 3 August 2018
and Company information

• Savour •

Long Term Strategic Collaboration with Heineken



▪ Post-Transaction Shareholder Agreement and Licensing Agreements



Note:

1. As disclosed in the joint announcement at 3 August, to the best of the directors' knowledge, information and belief having made all reasonable enquiry, the relevant Heineken Group entities and their ultimate beneficial owner(s) are third parties independent of CR Beer and its connected persons.

Long Term Strategic Collaboration with Heineken



▪ Transaction Highlights

Summary

- CR Beer has, on 3 August, 2018, entered into non-legally binding Heads of Terms, TMLA Term Sheet and Framework Agreement Term Sheet with the Heineken Group for establishment of long-term collaboration

TMLA Term Sheet

- Heineken Group will license, and CR Beer (through itself or other members of the Group) will be licensed, the right to use the Heineken® brand on a long-term and exclusive basis in China, Hong Kong and Macau (or the Exclusive Territory)

Framework Agreement Term Sheet

- Both parties will enter into a framework agreement in which other brands owned by the Heineken Group (currently over 300 brands) may be licensed by Heineken to the Company for use in the Exclusive Territory
- Allows CR Beer to leverage on Heineken's global distribution channels to support and accelerate the international growth of the Company's Snow® brand and its other Chinese beer brands to become the Chinese beers of Choice

Combination with Heineken China

- Heineken will, by way of sale of shares, contribute its current operations in the Exclusive Territory (including three breweries) and combine them with the Group's operations in China
- Subject to any adjustments from due diligence to be conducted by the Group, the cash consideration will be approximately HK\$2.35 billion (assuming debt-free and cash-free at completion)

Long Term Strategic Collaboration with Heineken



▪ Next Steps

- Due diligence
- Further negotiations and entering into binding agreements¹
- Further announcements will be made as and when appropriate
- If parties reach agreement on definitive terms, completion will be subject to customary and applicable (including regulatory) approvals

Note:

1. As at the date of this presentation, the terms and conditions of the definite agreement(s) have yet to be agreed or entered into. As such, the transactions may or may not proceed.

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



▪ Evolution of China Beer Market in 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. Company information

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



▪ **Competitive Advantage**

The Undisputed Leader in World's Most Attractive Beer Market

- 1 • China is the largest¹ and most attractive beer market globally
• We are the #1 brewer in China for the past 12 years with 26.8% market share¹ vs. 18.1% for the next player in 2017

Irreplaceable Heritage Brands and Well-recognized international brand

- 2 • Snow (“雪花”) is the world's largest selling beer brand by volume
• Will form a strategic collaboration with the Heineken Group (subject to finalize) to expand into China's premium market
• Nationwide presence operating 90 breweries in 25 out 34 provinces in China

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

- 3 • Turnover and PAS (before share of 49% stake) CAGR of 21% and 19%, respectively since inception in 1994
• Increasing focus on premiumization of mid-end to high-end products

Proven Management Leadership

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

Full ownership of the beer business with faster response

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

Leading Platform for Industry Consolidation

- 6 • 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

Note

1.By volume according to CICC

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



- **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

- Maintain **long standing relationships** with local distributors to broaden coverage and penetration
- **Flat distribution model** through careful and finer division of regional markets
- Utilize **secondary distributors** to supply to rural areas

Regional markets in smaller towns and rural areas

Source: Company Filings, Company Information

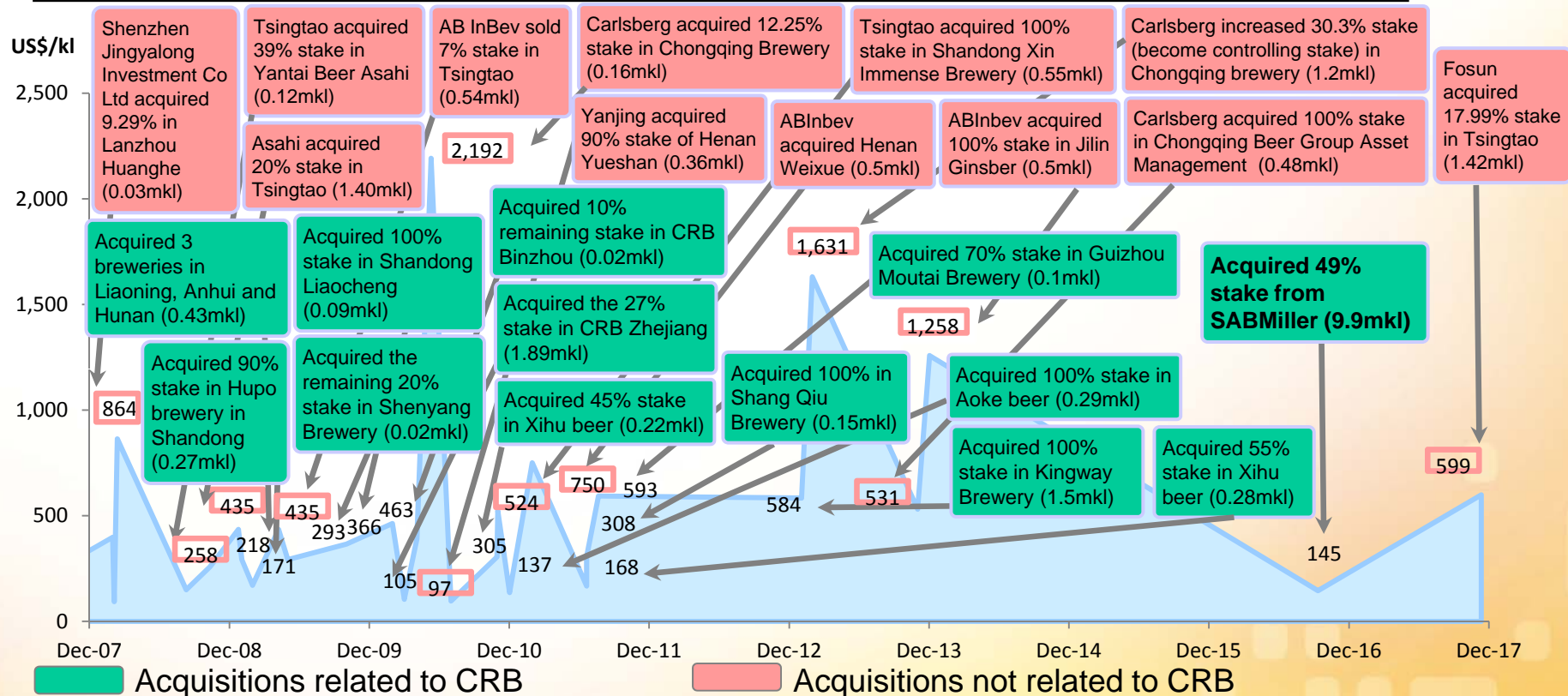


Part III

Appendix

Appendix I – Historical Major M&As

Lower acquisition cost on M&As



Source: Deutsche bank and Company data

Appendix II – Major Awards



▪ Highlights of Accolades Received

Hong Kong Institute of Directors	2006/2010/ 2012/2014/ 2016	Honored as one of the awardees in the <i>Board Category for "Listed Companies (SEHK-Hang Seng Index Constituents)"</i> in "Directors Of The Year Awards"
Institutional Investor	2012/2013/ 2016/2017/2 018	<p>Consumer staple</p> <p><i>Best CEO</i>: First in Overall (2018), First in Buy Side (2018), First in Sell Side (2013/2016/2018), Second in Buy side (2016), Second in Sell Side (2012)</p> <p><i>Best CFO</i>: First in Overall (2016/2018), First in Buy side (2016), First in Sell Side (2012/2013/2016/2018),</p> <p><i>Best Investor Relations Professional</i>: First in Overall (2018), First in Buy side (2012/2013/2018), First in Sell Side (2012/2013/2017/2018), Second in Overall (2016/2018), Second in Buy side (2016), Second in Sell side (2013/2016), Third in overall (2017), Third in Buy side (2017),</p> <p><i>Best Investor Relations Program</i>: First in Overall (2016/2018), First in Buy side (2016/2018), First in Sell side (2016/2018), <i>Best IR Companies</i>: First in Buy (2013) and Sell Side (2012/2013), <i>Best Corporate Governance</i> (2018), <i>Best ESG SRI Metrics</i> (2018), <i>Best Analyst Days</i>: (2016/2018) and <i>Best Website</i>: (2016), One of Asia's Most Honored Companies (2016/2017/2018) in The All-Asia Executive Team Survey</p>
HKIRA	2015-2018	<p><i>Best IR company – Large Cap</i> (2018), <i>Best IR company – Mid-cap</i> (2015-2017), <i>Best IR by CFO – Large Cap</i> (2018), <i>Best IRO – Large Cap</i> (2018), <i>Best IRO – Mid-cap</i> (2015), <i>Best Investor Meeting – Large Cap</i> (2018), <i>Best IR presentation collaterals – Mid-cap</i> (2016/2017), <i>3 years IR Awards Winning Company</i> (2017) in HKIRA Investor Relations Awards</p>

Appendix II – Major Awards (Cont'd)



▪ Highlights of Accolades Received

Corporate Governance Asia	2010/2013-2017/2018	Asia's best CEO (Investor Relations), Asia's best CFO (Investor Relations), Best Investor relations professional, Best Investor Relations Company (2013-2018), Asia's Best Corporate Social Responsibility (2013 – 2016) and Best Environmental Responsibility (2010, 2013 - 2015)
	2010-2017	Asian Corporate Directors: Mr. Chen Lang (2010-2013, 2015-2017), Mr. Hong Jie (2014)
	2006-2014, 2017	Asia's Icon on Corporate Governance, Asia's Best Companies for Corporate Governance, The Best of Asia (China)
	2013-2014	Asian Company Secretary of the Year
IR Magazine	2012-2014	Best in Sector – Consumer Goods & Services, Investor Relations by a Hong Kong Company (2012, 2013) and Investor Relations Officer (Hong Kong) (2012)
	2013/2014	Global Top Mid-Cap (2013) and ranked 19 th in Global Top 50 Gold (2013), Global Top 50 Silver (2014)
	2017	Best overall investor relations, Best in sector – Consumer staples, Best in country – Hong Kong, Best IR by sector management team, Best investor relations officer (large cap)
Oxfam	2017	Oxfam Corporate Donor Award in Corporate Donor Programme 2016-17
Tsinghua SEM China Business Research Center and National Business Daily	2018	Top 100 in Chinese Listed Companies By Brand Value 2018

Appendix II – Major Awards (Cont'd)



▪ Highlights of Accolades Received

<i>MerComm, Inc.</i>	2010-2017	<p>Total 56 awards received</p> <p><i>9 Gold Awards:</i> covering Traditional Format (“TF”), Interior design (“ID”), Printing & Production (“PP”), Cover Photo/Design (“CP/D”), Overall Presentation in Beer/Wine/Spirits, Food and Supermarket Category (2013-2017)</p> <p><i>13 Silver Awards:</i> covering Traditional Annual Report (“TAR”), Annual Report Overall Presentation (“AROP”), TF, CP/D, PP, Annual Report, ID in Beer/Wine/Spirits, Manufacturing & Distributing, Food and Retail Category (2010-2017)</p> <p><i>22 Bronze Awards:</i> covering CP/D, TF, PP, Other and General, Non-Traditional Annual Report (“NTAR”), AROP, TAR, ID, Cover Design in Manufacturing & Distributing, Tobacco, Food & Beverage, Food, Supermarket and Convenience Stores Category (2011-2017); and</p> <p><i>12 Honors Awards:</i> covering Infographics, ID, Printing, TF, AR, Annual Reports Covers (Special Treatment), NTAR, Annual Report (Unique Presentation) in Manufacturing & Distributing, Beer/Wine/Spirits, Beverage, Multi-Industry, Food, Supermarket, Consumer Goods Category: (2011, 2013-2017)</p>
<i>League of American Communications Professionals LLC</i>	2013-2017	<p><i>Gold:</i> Consumer Staples; Consumer –Food/Beverages/Tobacco category (2013-2015/2017); Retailing – Multi-line Retail category (2013),</p> <p><i>Silver:</i> Consumer Consumables category (2016), Retailing – Multi-line Retail category (2014); Retailing – Food and Specialty category (2013/2014)</p> <p>Top80 Winners Report – Asia-Pacific Region (2017), Ranked 65th in Top 80 Winners Reports – Asia Pacific Region (2016); Top 60 Chinese Reports (2018), Top 40 Chinese Reports (2016) and Technical Achievement Award (2018) in Vision Awards Annual Report Competition (not only Annual Report, but also ESG report for 2017 awards)</p>

Appendix II – Major Awards (Cont'd)



▪ Highlights of Accolades Received

HKIFAPC	2013-2018	Award for <i>Outstanding Listed Company of the Year</i>
<i>The Mirror Monthly Magazine</i>	2012-2018	Received <i>Outstanding Corporate Social Responsibility Award</i>
<i>Fortune China 500</i>	2011-2018	Ranked number 39/46/37/40/38/194/222/252
<i>China Financial Market</i>	2017	<i>Most Valuable Brand Award</i> in China Financial Market Listed Company Awards 2016
<i>Hong Kong Economic Journal and PR Asia</i>	2017	<i>Listed Company Award of Excellence (Main Board – Large Market Capitalization)</i> in <i>Listed Company Award of Excellence</i>
Asiamoney	2010/2012	Overall <i>Best companies in Asia for Corporate Governance</i> , <i>Best awards in Asia region (ex-Japan) for disclosure and transparency, responsibilities of management and the board of directors, shareholders' rights and equitable treatment</i> , <i>Best for Investor Relations</i> (2012) <i>Best awards in Hong Kong region for overall corporate governance, disclosure and transparency, responsibilities of management and the board of directors, shareholders' rights and equitable treatment, investor relations and investor relations officer</i> (2010)
	2011	<i>Best awards: Investor relations, Investor relations officer</i> <i>Ranked second: Best for overall for corporate governance, disclosure and transparency, responsibilities of management and the board of directors and shareholders' rights and equitable treatment in Hong Kong region</i>

Appendix II – Major Awards (Cont'd)



▪ Highlights of Accolades Received

<i>Economic Digest</i>	2018 2005-2016	Outstanding ESG Award Named one of <i>Hong Kong Outstanding Enterprises</i>
<i>Yazhou Zhoukan</i>	2010, 2012- 2016 2011	"Outstanding Performance Award" (2010,2012) , "The Largest Conglomerates Company Award" (2013-2015) , "The Largest Food and Beverage Company Award" (2016) in <i>Global Chinese Business 1000</i> "The Largest Capitalization Company Award" in Mainland Enterprises Listed in Hong Kong Ranking
<i>Forbes</i>	2011-2016	Ranked number 981/861/800/1067/1200/1628 in Global 2000
<i>The Asset</i>	2009/ 2010/ 2012-2016	<i>Platinum award</i> : 2009/2010/2016 <i>Gold award</i> : 2012-2015 in The Asset Corporate Awards
<i>CAPITAL and CAPITAL Weekly</i>	2011-2015	Awarded as one of the companies receiving the commendation in Corporate Social Responsibility Award
<i>Ta Kung Pao</i>	2011/2014/ 2016	<i>Best Investor Relations Company</i> (2016); <i>Best Corporate Governance for Listed Companies</i> , <i>Best Information Disclosure for Listed Companies</i> (2014); <i>Best Management Team Award</i> (2011) in Golden Bauhinia Award
<i>CAPITAL</i>	2010- 2014	"CAPITAL Outstanding China Enterprise Award-Consumer Goods" in The CAPITAL Outstanding China Enterprise Awards

Please refer to our company website, www.crbeer.com.hk, for further details of others awards received.

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