



華潤啤酒(控股)有限公司

China Resources Beer (Holdings) Company Limited



FY 2019

Financial and Operational Review

Investor Presentation

20 March 2020

Part I

Performance Review



Overall Results Summary



	H2 2019	H2 2018	change	FY 2019	FY 2018	change
	RMB m	RMB m		RMB m	RMB m	
Turnover	14,365	14,302	-	33,190	31,867	+4%
EBIT	(469)	(599)	+22%	2,163	1,465	+48%
EBIT excl. special items *	835	781	+7%	4,041	3,366	+20%
Profit attributable to shareholders (PAS)	(559)	(531)	-5%	1,312	977	+34%
EPS (RMB)				0.40	0.30	+33%
DPS (RMB)				0.165	0.120	+38%
- Final				0.045	0.030	+50%
- Interim				0.120	0.090	+29%
Dividend payout ratio (Total dividend/PAS)				41%	40%	+1% point
ROE **				6.8%	5.2%	+1.6% point
Additions to non-current assets				3,871	2,089	+85%
Net assets				19,727	18,910	+4%
Net cash				1,897	1,212	+57%
Cash ratio				9.7%	6.4%	+3.3% point

Notes:

* Total special items amounted to RMB1,878m (FY18: RMB1,901m), including (i) impairment loss on fixed assets and stocks of RMB1,052m (FY18: RMB1,301m); (ii) compensation and staff settlement expenses related to production capacity optimization and organizational restructuring of RMB826m (FY18: RMB483m); and (iii) one-off annuity provision of its staff cost for 2017 in FY18 of RMB117m.

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

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Beer



▪ Innovative Development , Transformation and Upgrade, Quality Growth

	H2 2019 RMB m	H2 2018 RMB m	change	FY 2019 RMB m	FY 2018 RMB m	change
Sales volume (million kl)	5.059	5.072	-0.3%	11.434	11.285	+1.3%
ASP (in RMB/kl)	2,839	2,819	+0.7%	2,903	2,824	+2.8%
Turnover	14,365	14,302	-	33,190	31,867	+4%
Gross profit	5,101	4,875	+5%	12,226	11,198	+9%
EBIT	(469)	(599)	+22%	2,163	1,465	+48%
EBIT excl. special items*	835	781	+7%	4,041	3,366	+20%
GP margin	35.5%	34.1%	+1.4% point	36.8%	35.1%	+1.7% point
EBIT margin	(3.3%)	(4.2%)	+0.9% point	6.5%	4.6%	+1.9% point
EBIT margin (excl. special items*)	5.8%	5.5%	+0.3% point	12.2%	10.6%	+1.6% point

Increase in turnover and improvement in cost efficiency drove the improvement in both gross profit margin and EBIT margin.



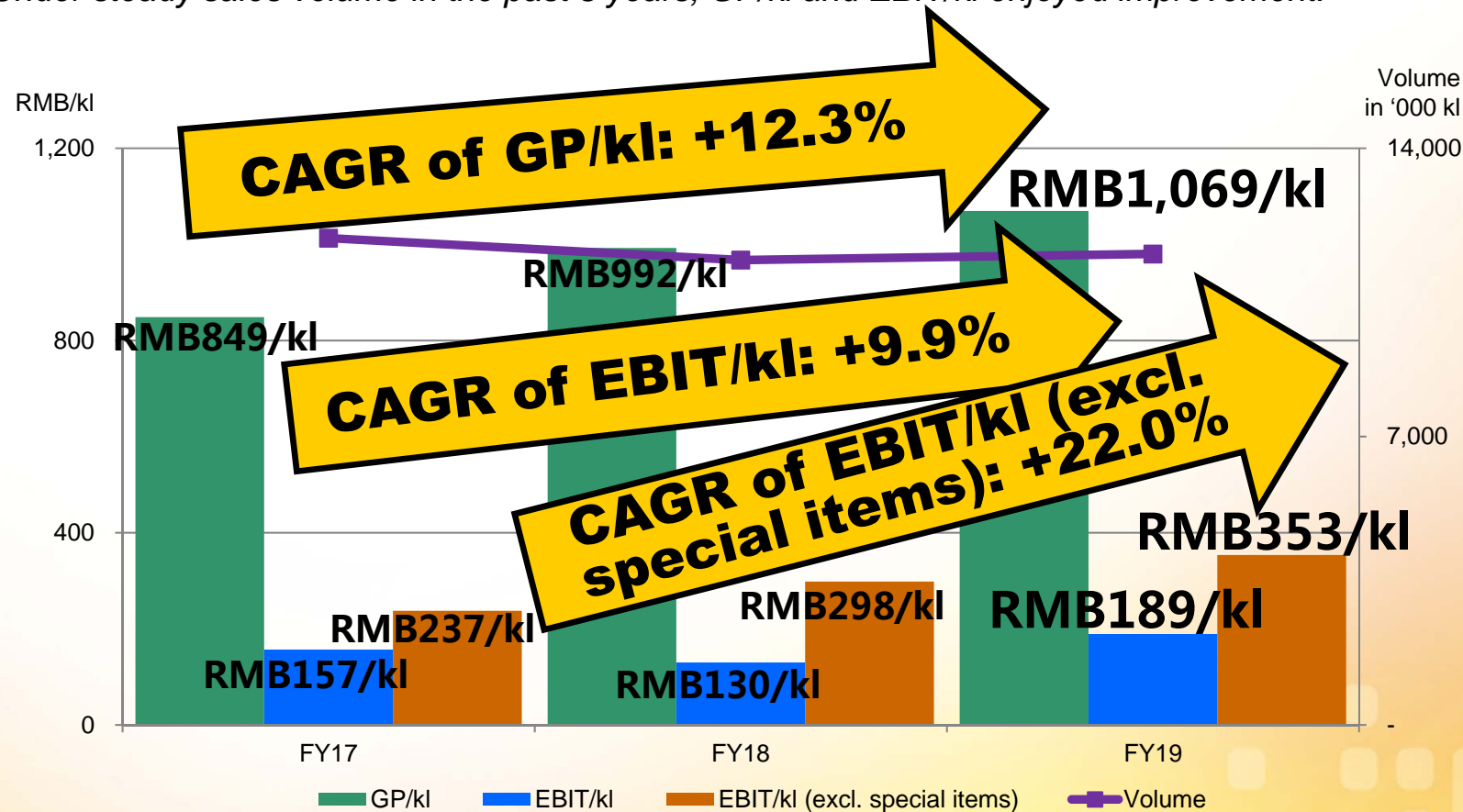
* please refer to page 3 for details of the special items

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Improvement in GP/kl and EBIT/kl



Under steady sales volume in the past 3 years, GP/kl and EBIT/kl enjoyed improvement.



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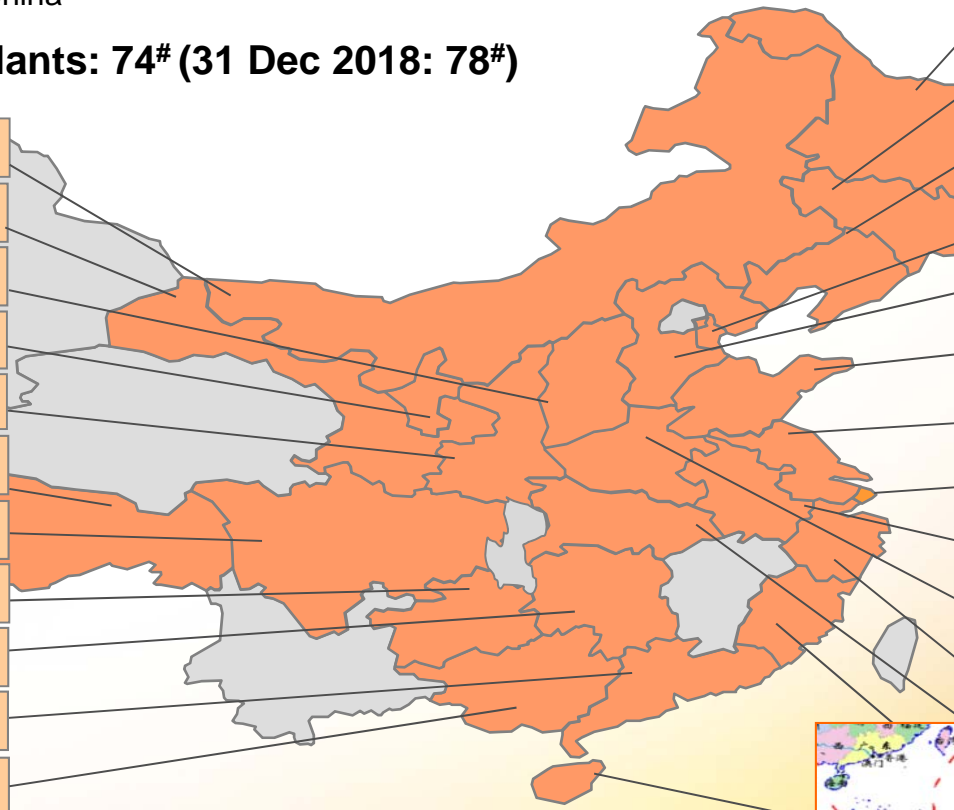
Nationwide Geographcial Footprints

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



Number of brewery plants: 74[#] (31 Dec 2018: 78[#])

2(0.3mkl)[-1]	Inner Mongolia
1(0.2mkl)[-]	Gansu
2(0.3mkl)[-]	Shanxi
1(0.2mkl)[-]	Ningxia
1(0.2mkl)[-]	Shaanxi
1(-)[-]	Tibet
9(2.2mkl)[-1]	Sichuan
3(0.8mkl)[-1]	Guizhou
3(0.5mkl)[-]	Hunan
4(1.1mkl)[-]	Guangdong
1(0.1mkl)[-]	Guangxi



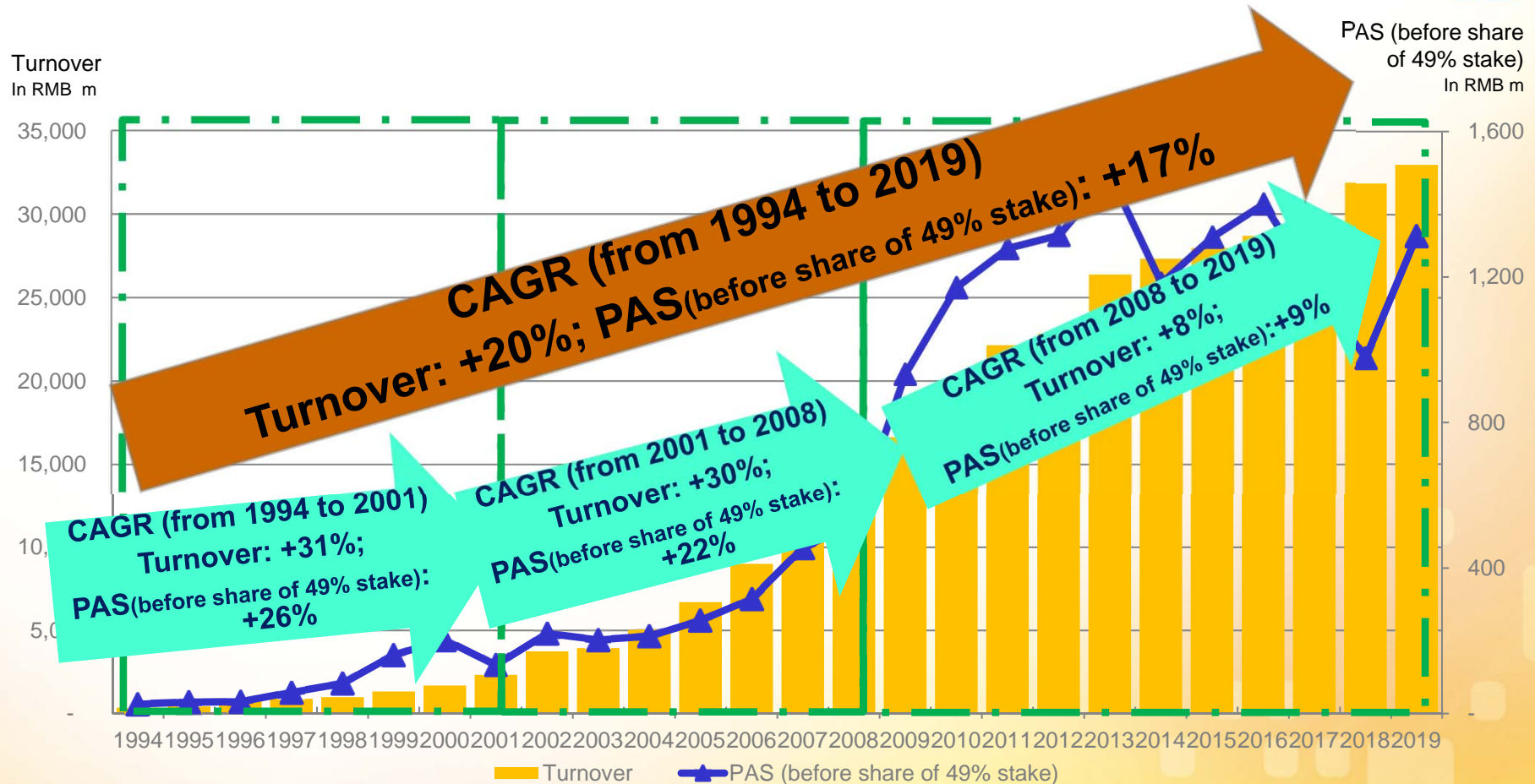
3(1.3mkl)[-1]	Heilongjiang
2(0.7mkl)[-]	Jilin
9(2.3mkl)[-]	Liaoning
1(0.3mkl)[-1]	Tianjin
2(1.2mkl)[-]	Hebei
3(0.7mkl)[-]	Shandong
5(1.3mkl)[-]	Jiangsu
1(0.4mkl)[-]	Shanghai
6(1.3mkl)[-1]	Anhui
3(1.0mkl)[-]	Henan
6(2.6mkl)[+1]	Zhejiang
3(1.2mkl)[-]	Hubei
1(0.2mkl)[-]	Fujian
1(0.1mkl)[+1]	Hainan

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

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Proven Growth Track Records



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Part II

Others



Long Term Strategic Collaboration with Heineken



▪ Complementary Strengths to Win in the Premium Beer Segment



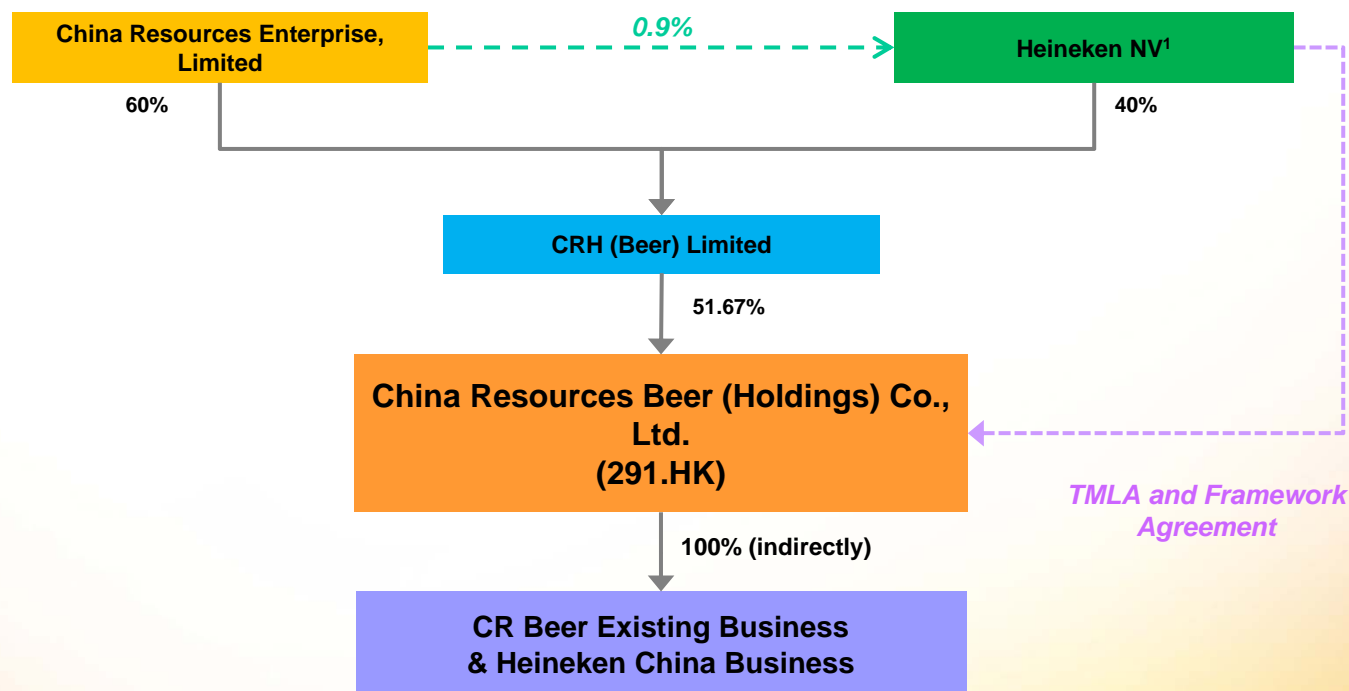
- Strong local team with extensive industry and domestic experience
- Market leading position and well-known product portfolio
- Best-in-class, nationwide distribution network
- Nationwide coverage best positioned for growth
- Deep understanding of China and strong supports from China Resources Group



- 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

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Long Term Strategic Collaboration with Heineken



Note:

1. As disclosed in the joint announcement at 3 August 2018, 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.

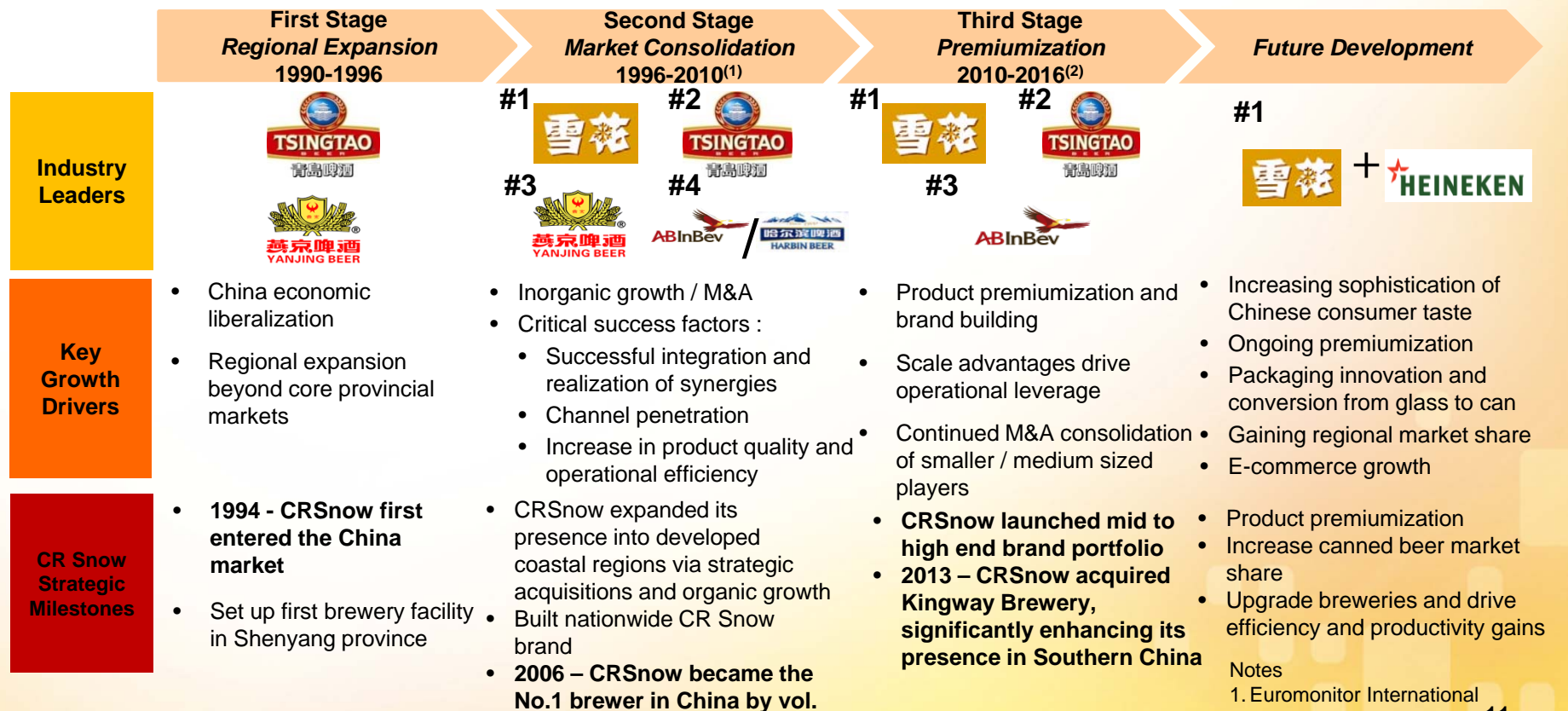
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Evolution of China Beer Market



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
2. Company information

Competitive Advantage



The Undisputed Leader in World's Most Attractive Beer Market

- 1
 - China is the largest¹ and most attractive beer market globally
 - Our sales volume achieved over 11 million kl since 2013

Irreplaceable Heritage Brands and Well-recognized international brand

- 2
 - Snow (“雪花”) brand has the sales volume of more than 10 million kl
 - Strategic collaboration with the Heineken Group to expand into China's premium market
 - Nationwide presence operating 74 breweries in 24 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 20% and 17%, 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

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Sales Channel Strategy



- **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

Source: Company Filings, Company Information

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Part III

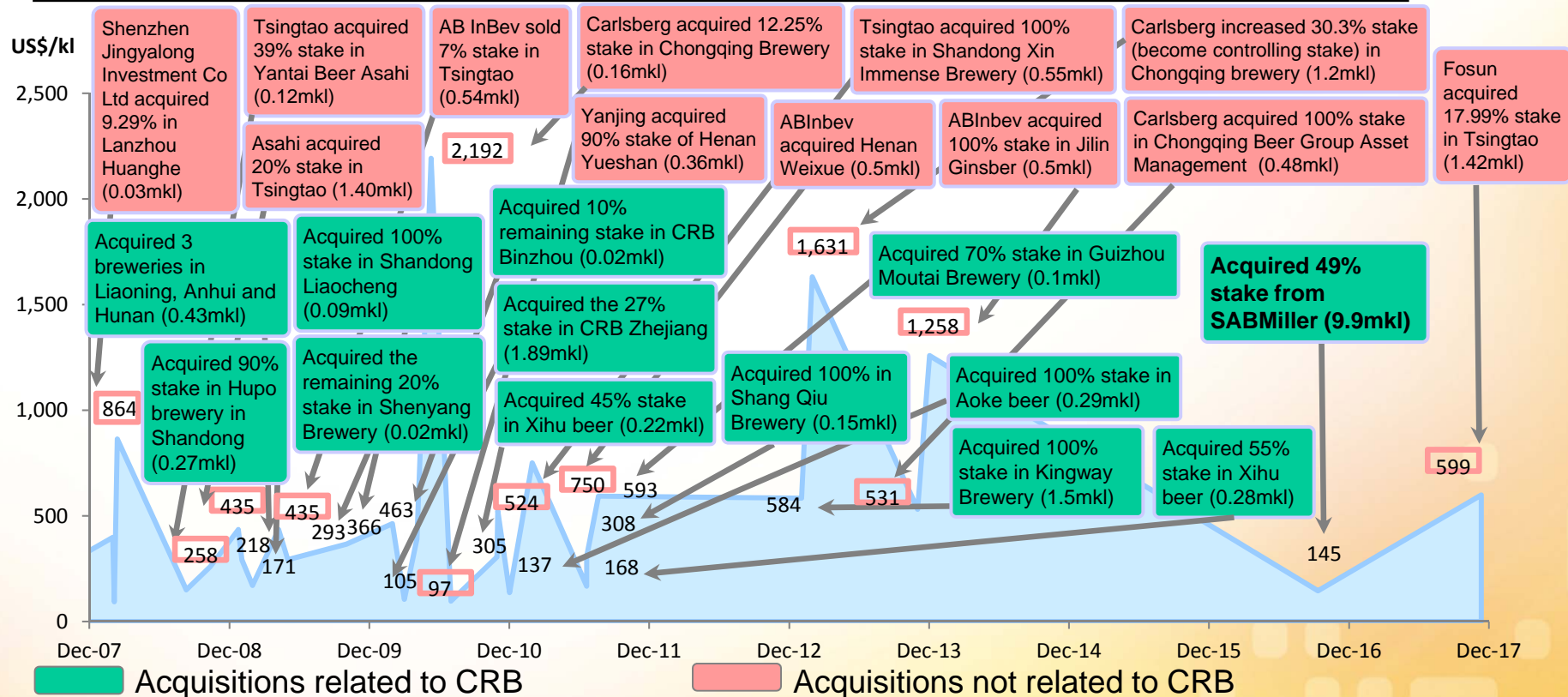
Appendix



Appendix I – Historical Major M&As



Lower acquisition cost on M&As



Source: Deutsche bank and Company data

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Appendix II – Major Awards



▪ Highlights of Accolades Received

<i>Hong Kong Institute of Directors</i>	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"
<i>Institutional Investor</i>	2012/2013/ 2016-2019	Consumer staple <i>Best Investor Relations Program</i> : First in Overall (2016/2018/2019), First in Buy side (2016/2018/2019), First in Sell side (2016/2018/2019), <i>Overall Best Corporate Governance</i> (2019), <i>Best Corporate Governance</i> (2018/2019), <i>Best ESG SRI Metrics</i> (2018/2019), <i>Best IR Companies</i> : First in Buy (2013) and Sell Side (2012/2013), <i>Best Analyst Days</i> : (2016/2018) and <i>Best Website</i> : (2016), One of Asia's Most Honored Companies (2016/2017/2018/2019) in The All-Asia Executive Team Survey
<i>HKIRA</i>	2015-2019	<i>Best IR company – Large Cap</i> (2018,2019)/ <i>Mid-cap</i> (2015-2017), <i>Best Investor Meeting – Large Cap</i> (2018,2019), <i>Best IR in Corporate Transaction – Large Cap</i> (2019), <i>Best Investor Presentation Material – Large Cap</i> (2019), <i>Best Annual Report – Large Cap</i> (2019), <i>Best IR Team – Large Cap</i> (2019), <i>Best IR presentation collaterals – Mid-cap</i> (2016/2017), 3 years <i>IR Awards Winning Company</i> (2017) in HKIRA Investor Relations Awards

Appendix II – Major Awards (Cont'd)



▪ Highlights of Accolades Received

<i>Corporate Governance Asia</i>	2010/2013-2019	<i>Best Investor Relations Company (2013-2019), Asia's Best Corporate Social Responsibility (2013 – 2016) and Best Environmental Responsibility (2010, 2013 - 2015)</i>
	2010-2018	<i>Asian Corporate Directors</i>
	2006-2014, 2017, 2018	<i>Asia's Icon on Corporate Governance, Asia's Best Companies for Corporate Governance, The Best of Asia (China)</i>
	2013-2014	<i>Asian Company Secretary of the Year</i>
<i>IR Magazine</i>	2012-2014, 2018-2019	<i>Best in Sector – Consumer Goods & Services, Investor Relations by a Hong Kong Company (2012, 2013)</i>
	2013/2014	<i>Global Top Mid-Cap (2013) and ranked 19th in Global Top 50 Gold (2013), Global Top 50 Silver (2014)</i>
	2017	<i>Best overall investor relations, Best in sector – Consumer staples, Best in country – Hong Kong, Best IR by sector management team (large cap)</i>
	2018	<i>Best corporate governance & disclosure</i>
<i>Oxfam</i>	2017	<i>Oxfam Corporate Donor Award in Corporate Donor Programme 2016-17</i>
<i>Tsinghua SEM China Business Research Center and National Business Daily</i>	2018, 2019	<i>Top 100 in Chinese Listed Companies By Brand Value 2018, 2019</i>

Appendix II – Major Awards (Cont'd)



▪ Highlights of Accolades Received

<i>MerComm, Inc.</i>	2010-2018	<p>Total 65 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>24 Bronze Awards:</i> covering CP/D, TF, PP, Other and General, Non-Traditional Annual Report (“NTAR”), AROP, TAR, ID, Cover Design, Annual Report – Print (“ARP”) in Beer Manufacturing, Sales & Distribution, Beer/Wine/Spirits, Manufacturing & Distributing, Tobacco, Food & Beverage, Food, Supermarket and Convenience Stores Category (2011-2018); and</p> <p><i>19 Honors Awards:</i> covering Infographics, ID, Printing, TF, TAR, AROP, Annual Reports Covers (Special Treatment), NTAR, Annual Report (Unique Presentation), Overall presentation and Cover Design, ARP in Food/Packaged Goods, Manufacturing & Distributing, Beer/Wine/Spirits, Beverage, Multi-Industry, Food, Supermarket, Consumer Goods Category: (2011, 2013-2018)</p>
<i>League of American Communications Professionals LLC</i>	2013-2018	<p><i>Platinum:</i> Consumer Staples; Consumer –Food/Beverages/Tobacco category (2018)</p> <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>Ranked 45th in Top100 Winners Report – Worldwide (2018), Ranked 22th/44th/65th in Top 50/80 Winners Reports – Asia Pacific Region (2016-2018); Top 80/60/40 Chinese Reports (2016-2018), Most Creative Report in Asia-Pacific Region (2018) and Technical Achievement Award (2018) in Vision Awards Annual Report Competition (Annual Report and ESG report for 2017 awards)</p>

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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>	2011-2019	Ranked number 39/46/37/40/38/194/222/252/274
<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) in Listed Company Award of Excellence</i>
Asiamoney	2010/2012	Overall Best companies in Asia for Corporate Governance, Best awards in Asia region (ex-Japan) for disclosure and transparency, responsibilities of management and the board of directors, shareholders' rights and equitable treatment, Best for Investor Relations (2012) 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 (2010)
	2011	Best awards: Investor relations, 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

Appendix II – Major Awards (Cont'd)



▪ Highlights of Accolades Received

<i>Economic Digest</i>	2019	Outstanding Enterprise Award, Excellence Award
	2018	Outstanding ESG Award
	2005-2016	Named one of <i>Hong Kong Outstanding Enterprises</i>
<i>Yazhou Zhoukan</i>	2010, 2012-2016, 2018	"Outstanding Performance Award" (2010,2012) , "The Largest Conglomerates Company Award" (2013-2015) , "The Largest Food and Beverage Company Award" (2016,2018) in <i>Global Chinese Business 1000</i>
	2011	"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
	2019	Excellence Performance 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.

Disclaimer



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