

## **HEINEKEN and China Resources sign non-binding agreements to join forces in China**

Amsterdam, 3 August 2018 – Heineken N.V. ('HEINEKEN') (EURONEXT: HEIA; OTCQX: HEINY) today announced that it has signed non-binding agreements with China Resources Enterprise, Limited ('CRE') and China Resources Beer (Holdings) Co. Ltd. ('CR Beer') to create a long-term strategic partnership for Mainland China, Hong Kong and Macau (together 'China'). In the context of this partnership, HEINEKEN will become CRE's 40% minority partner in holding company CRH (Beer) Limited ('CBL'), which controls CR Beer, the undisputed market leader in the world's largest beer market, China.

As part of the strategic partnership, HEINEKEN China's current operations will be combined with CR Beer's operations and HEINEKEN will license the Heineken® brand in China to CR Beer on a long-term basis. Together, HEINEKEN, CRE and CR Beer are perfectly positioned to win in the rapidly growing premium beer segment in China.

### **Strategic rationale**

China's beer market, the world's largest beer market by volume, is now the second largest premium beer market globally and is forecast to be the biggest contributor to premium volume growth in the next five years, driven by its rapidly growing middle class. Profitability of the Chinese beer market is expected to improve significantly, driven by premiumisation, demand for international beer brands and cost optimisation.

The combination of HEINEKEN and CR Beer in China is highly complementary. CR Beer has a best-in-class route to market (RTM) network, a wide brewery footprint and a deep understanding of the Chinese market. HEINEKEN has proven premium brand building capabilities and a world-class international brand portfolio, led by the iconic Heineken® brand for which it has built strong equity over the years in China.

HEINEKEN, CRE and CR Beer are convinced that their strategic partnership will drive growth for their businesses. The partnership will enable CRE to advance its premiumisation strategy and it will help HEINEKEN to significantly expand availability of the Heineken® brand in China to fully leverage the brand's potential.

### **Other brands**

Under the strategic partnership agreement, HEINEKEN will be CRE's exclusive partner for international premium lager beers in China. HEINEKEN and CR Beer will investigate which other premium brands from HEINEKEN's portfolio can be licensed to CR Beer in China.

HEINEKEN and CRE will also investigate if the Dutch brewer's global presence and marketing capabilities can be leveraged to support and accelerate the international growth of CR Beer's Snow® brand and its other Chinese brands to become the Chinese beers of choice.

**Chairmen statements**

Commenting on the strategic partnership, HEINEKEN Chairman of the Executive Board & CEO Jean-François van Boxmeer said: “We very much look forward to joining forces with CRE and CR Beer, the undisputed market leader in China. We believe that our strong Heineken® brand and marketing capabilities, combined with CR Beer’s deep understanding of the local market, its scale and best-in-class distribution network will create a winning combination in the growing premium beer segment in China. We look forward to working together with CRE’s leadership in our newly formed Strategic Advisory Council, and supporting CR Beer in its ambition to internationalize.”

Chen Lang, Chairman of CRE, said: “We are very excited about this partnership and see immense potential in the combined strengths of CR Beer and HEINEKEN. With HEINEKEN’s long heritage and world-class iconic brand portfolio, along with our leading presence and deep understanding of China, we believe we can win together in this new era of the Chinese beer market, in which the premium segment will become increasingly important. In HEINEKEN we have found the perfect partner to achieve our ambitions in China and – as an international partner – to support us in growing our business outside China.”

**Terms of the non-binding agreements**

The geographical coverage of the strategic partnership with CRE and CR Beer is China. Under the non-binding agreements, HEINEKEN and CRE or CR Beer (as applicable) will enter into the following transactions to be completed simultaneously:

- 1) HEINEKEN will acquire a shareholding of 40% in CBL and CRE will own the other 60% in CBL. The Partnership will be governed by a shareholders agreement. CBL holds a controlling interest of 51.67% in CR Beer, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, operating the beer business in China. Post completion of the transaction, HEINEKEN will have an effective 20.67% economic interest in CR Beer (see appendix for shareholder structure overview) and will get representation on the board of CBL and nomination rights to the board of CR Beer. HEINEKEN will invest a total amount of HK\$24.3 billion in CBL, which translates into an implied purchase price of HK\$36.31 per share in CR Beer.
- 2) CRE will acquire 5.2 million Heineken N.V. shares (equivalent to a 0.9% shareholding in Heineken N.V.) which are currently held in treasury for a total consideration of €464 million or €88.66 per share.
- 3) HEINEKEN will contribute its operating entities in China, including three breweries, into CR Beer for a total consideration of HK\$2.4 billion, through a share sale transaction.

Combined, these transactions will result in a net investment of €1,948 million (at current exchange rates) by HEINEKEN.

4) HEINEKEN and CR Beer will enter into a Trademark License Agreement (TMLA) for the Heineken® brand in China. HEINEKEN and CR Beer will also sign a Framework Agreement to allow CR Beer to leverage HEINEKEN's global distribution channels to support and accelerate the international growth of CR Beer's Snow® brand and its other Chinese brands, as well as to govern the use of other premium brands owned by HEINEKEN which may be licensed to CR Beer in China.

Upon completion HEINEKEN's pro-forma net debt/EBITDA (beia) ratio is expected to slightly exceed the target of 2.5x. HEINEKEN remains committed to return to the long-term target of below 2.5x. The transaction will be immediately accretive to margins and accretive to EPS in the near term.

**Next steps**

The Strategic Partnership between HEINEKEN, CRE and CR Beer and the Company Transactions are subject to, among others, due diligence and further negotiations and entering into definitive, binding contractual agreement(s). As at the date of this announcement, the terms and conditions of the definite agreement(s) have yet to be agreed or entered into. As such, these transactions may or may not proceed. If parties reach agreement on definite agreement(s), completion will be subject to customary and applicable (including regulatory) approvals in Mainland China and Hong Kong. Further announcements will be made as and when appropriate.

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**Conference call details**

HEINEKEN will host an analyst and investor call in relation to the announcement today at 11:00 am CET/ 10:00 am BST/ 5:00 pm HKT. The call will be audio cast live via the company's website: [www.theheinekencompany.com/investors/webcasts](http://www.theheinekencompany.com/investors/webcasts). An audio replay service will also be made available after the conference call at the above web address. Analysts and investors can dial-in using the following telephone numbers:

**Netherlands**

Local line: +31(0) 20 794 8426

National free phone: 0800 022 9132

**United Kingdom**

Local line: +44 (0) 20 3003 2666

National free phone: 0808 109 0700

**United States of America**

Local line: +1 646 843 4608

National free phone: 1 866 966 5335

**Hong Kong**

Local line: +852 5808 3370

National free phone: 800 900 476

Participation/ confirmation code for all locations: Heineken

**Editorial information****About HEINEKEN**

HEINEKEN is the world's most international brewer. It is the leading developer and marketer of premium beer and cider brands. Led by the Heineken® brand, the Group has a portfolio of more than 300 international, regional, local and speciality beers and ciders. We are committed to innovation, long-term brand investment, disciplined sales execution and focused cost management. Through "Brewing a Better World", sustainability is embedded in the business and delivers value for all stakeholders. HEINEKEN has a well-balanced geographic footprint with leadership positions in both developed and developing markets. We employ over 80,000 employees and operate breweries, malteries, cider plants and other production facilities in more than 70 countries. Heineken N.V. and Heineken Holding N.V. shares trade on the Euronext in Amsterdam. Prices for the ordinary shares may be accessed on Bloomberg under the symbols HEIA NA and HEIO NA and on Reuters under HEIN.AS and HEIO.AS. HEINEKEN has two sponsored level 1 American Depositary Receipt (ADR) programmes: Heineken N.V. (OTCQX: HEINY) and Heineken Holding N.V. (OTCQX: HKHHY). Most recent information is available on HEINEKEN's website: [www.theHEINEKENcompany.com](http://www.theHEINEKENcompany.com) and follow us on Twitter via @HEINEKENCorp.

**About China Resources Enterprise, Limited**

Founded in 1992, China Resources Enterprise, Limited is the Hong Kong flagship subsidiary of China Resources (Holdings) Company Limited in the comprehensive consumer goods and retail services businesses. The Company focuses on three businesses: beer, food and beverage.

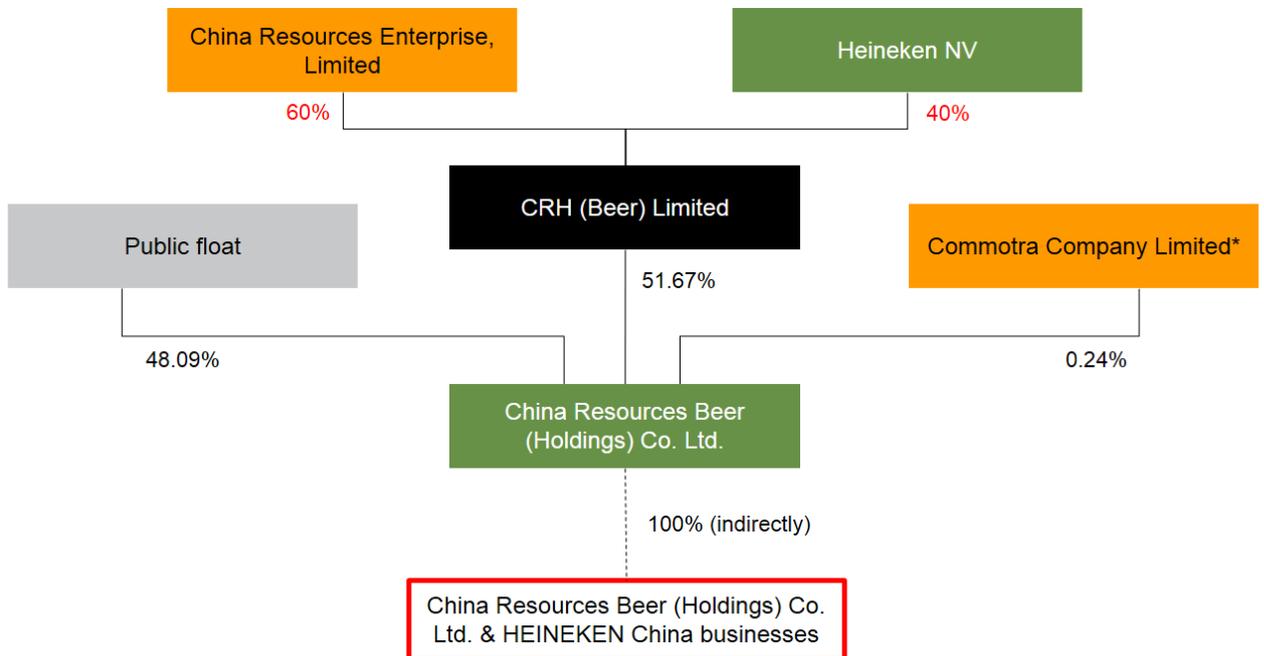
For the beer division, China Resources Beer (Holdings) Company Limited is listed on the Hong Kong Stock Exchange under the stock code 291.HK. It is the parent company of China Resources Snow Breweries Limited, the largest beer manufacturer, seller and distributor in China. Since 2008, "Snow" has become the world's best-selling single beer brand by volume.

**Market Abuse Regulation**

This press release may contain inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

Appendix

**CBL Shareholder structure after transaction**



\* Commotra Company Limited is beneficially wholly-owned subsidiary of China Resources (Holdings) Company Limited