

SNOW BEER

BEER SECTOR

China Resources Snow Breweries (CRSB)

Wuhu, Anhui, China

Group: SABMiller

- 2 wrap-around casepackers
Smiflexi WP 800



VIDEO



GEO LOCATION

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For three years, the best-selling beer in the world has been the Chinese branded “Snow Beer” that even topped the American legendary “Bud Light” thanks to the exponential increase in the consumption of this beverage in China.

To cope with the high demand from consumers, the producer of “Snow Beer”, i.e. China Resources Snow Breweries or CRSB (joint-venture between SABMiller Group and China Resources Enterprise) has had to increase its production capacity tenfold in a very short time, by investing considerable capital in expanding existing facilities and opening new ones, also in view of having to export its products worldwide.

Thanks to these investments, the sales of the Chinese company in 2011 exceeded 100 million hectoliters.

CRSB’s production expansion plans also include the recently installed Smiflexi WP 800 wrap-around casepacker in the Wuhu plant, used for the end of line packaging of the 40,000 bottles/hour system, which makes wrap-around cardboard boxes for the packaging of 0.58 and 0.5 liter glass bottles in 3x4 collation.

The same type of machine was chosen by CRSB even for the “Snow Beer” bottling plant of Shangqui, where the new Smiflexi system will be installed by mid-2013.



Snow Beer sales in
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IT'S CALLED "SNOW"

IT'S CHINESE AND IS THE BEST SELLING BEER IN THE WORLD

Since 2010, the name of the best selling beer in the world has been probably still unknown to many: it's called "Snow", is produced in China and, with the Chinese market's 10% increase of beer

consumption per year, will keep record sales volumes for many years to come. Although less known than other brands on the local market when launched in 1994, "Snow" beer has grown exponentially over the years through

the purchase of production facilities of other companies and the opening of new ones throughout China. Suffice it to say that CRSB started its business with only three breweries, while the current production can count on more



than 80 active breweries across the country; these plants produce both the "Snow Beer" brand and 30 other regional brands of beer. If you think that the volumes of "Snow" beer produced six years ago were only 1/10 of the current ones, the huge leap forward made by this producer seems even more incredible; today "Snow" beer is available throughout China and is the only national brand of beer in a market that is notoriously fragmented at regional level.

"Snow Beer" today is only a local "phenomenon" and, therefore, known and consumed only within the country where it is produced, with some important exceptions such as Hong Kong, where this beer is not yet available.

Some industry analyses already anticipate an even brighter future for this brand, which, according to CRSB development plans, could soon become one of the major players even in foreign markets.



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HIGH EFFICIENCY with Smiflexi wrap-around casepackers



collisions between the cardboard blank and the containers during the box-forming stage, excellent stability of the pack during palletization, the packages' facilitated logistics management and their remarkable properties of customized graphics for the marketing of the product.

The Smiflexi WP 800 wrap-around casepacker installed by SMI in the China Resources Snow Breweries of WuHu is an automatic machine ideal for the packaging of many types of trays and corrugated cardboard boxes that come in many shapes, are innovative and can be customized to market the product.



Specifically, the packaging machine installed at the WuHu plant packs 0.58 and 0.5 liter "Snow Beer" glass bottles in 3x4 collation inside wrap-around boxes.



Thanks to the wrap-around packaging system, the WP 800 forms the pack in a continuous mode without making any machine stops; as such, the Smiflexi casepacker can reach the maximum speed of 80 packs/minute, all to the advantage of the efficiency of the entire production line.

Besides the fluidity of the packaging process and to the high efficiency of the WP series Smiflexi casepackers, they are characterized also for their wide flexibility of use, absence of





How "Snow Beer" was born

China Resources Snow Breweries was founded in 1994, headquartered in Beijing, for the production, sale and marketing of beer on the Chinese market. Shareholders are China Resources Enterprise Limited, which owns 51% of shares, and SABMiller Asia Limited, subsidiary of the Anglo-South African SABMiller Plc, which owns the remaining 49%. The success of "Snow Beer" begins immediately after the formation of the joint venture when, during a competition among the various Chinese brands of beer, the then-unknown "Snow Beer" won the first prize, beating far better known products in the Asian market. The credit for this success can be attributed mainly to this beer's rich head, as white as snow (hence the name) and also to its unmistakably delicate, fresh, light taste and the brand's strong personality.





What's the secret of "Snow Beer"?

The answer is simple: it's all in its alcohol structure.

Assuming that most Chinese consume beer to accompany many of their meals, the "Snow" beer was created to meet the need for a fresh, pleasant and light beverage, characterized by low alcohol content (4% Vol.) and an "American" flavor: that's what made it an immediate hit with consumers.

A perfect mix, for a not-very-alcoholic beverage with an intense flavor, which works well with the Chinese palate.

The head of SABMiller Asia, partner of the joint venture that produces this beer, said: "Chinese still see beer mostly as an accompaniment to their meal.

In fact, half of all beer sold in China is drunk in restaurants to accompany spicy food".

By 2013 the target of 2 billion hectoliters of beer will be exceeded.



According to the latest "Global Beer Trends" report, by market research company Canadean, beer consumption is growing around the world with an average annual rate of +2.8% between 2009 and 2015. In 2011, 1.9 billion hectoliters of beer were consumed (a 2.8% rise on 2010)

and it is estimated that this figure will surpass 2 billion hectoliters in 2013, although even this product has been affected by the economic crisis that began in 2008. However, the overall figure masks significant differences at macro-region level: The Asian and African markets should have a 5% average annual increase in consumption between 2009 and 2015, the Middle East market 5.5%, Latin America 3% and Eastern Europe only 1.5%. The worst area seems to be Western Europe, where the Canadean report expects a marginal drop. However, the Asian continent will get the lion's share in the coming years, for which a 38% of the total beer consumption is expected in 2015; the greatest growth should be recorded in the Chinese market, which is expected to soon absorb over 25% of beer produced worldwide.



SMI is constantly committed to ensuring its Chinese customers fast and efficient local support, able to respond adequately to the specific demands of a rapidly evolving market. SMI's decision to further strengthen its direct presence in China came from this commitment through which it has expanded by establishing a new company in the city of Beijing called SMI Machinery Beijing Co. Ltd. that now is also in charge of the two representative offices of Nanjing (Nanking) and Guangzhou (Canton), whose business and after-sales began more than 10 years ago. Therefore, SMI's new operational structure in China consists in three multi-purpose centers operating in three of the country's major industrial centers, with the aim to continuously improve its technical and sales service offered both to its many existing customers, who already own more than 500 SMI packaging machines, and potential ones (even more numerous).





THE SABMILLER GROUP

SABMiller Plc is one of the world's largest beer producers, with interests and distribution in 75 countries on six continents.

Six of the company's trademarks rank among the fifty best beer brands in the world.

The broad product portfolio includes over 200 global brands including Pilsner Urquell, Peroni Nastro Azzurro, Miller Genuine Draft and Grolsch as well as many leading brands in local markets such as Aguila, Castello, Miller Lite, Snow and Tyskie.

Furthermore, SABMiller is also one of the world's largest Coca-Cola bottlers. The British company is listed on the London Stock Exchange (LSE) and is part of the FTSE 100, which includes the top one hundred companies in the world by market capitalization.

In the year ended 31 March 2012, the SABMiller Group, which employs over 70,000 people, reported revenue of US\$ 33.4 billion, with a sales volume

of 229.3 million hectoliters of beer.

Originally founded in South Africa in 1895 as Castle Breweries and then renamed South African Breweries (SAB), until 1990 the company's operations were limited to the area south of the African continent; in the following decades production and marketing expanded rapidly throughout the world, also thanks to the acquisition of local brands and bottling plants in Europe, Asia and America.

Among SAB's first investments in Europe there was, in 1990, the acquisition of a stake in "Compañía Cervecería de Canarias SA", operating in the Canary Islands; then, in 1999, the Anglo-South African company acquired the Miller Brewing Company of Milwaukee, Wisconsin, USA, and changed its name to "SABMiller".

After the group's reorganization, the major acquisitions of the beer multinational were, in 2003, Bavaria



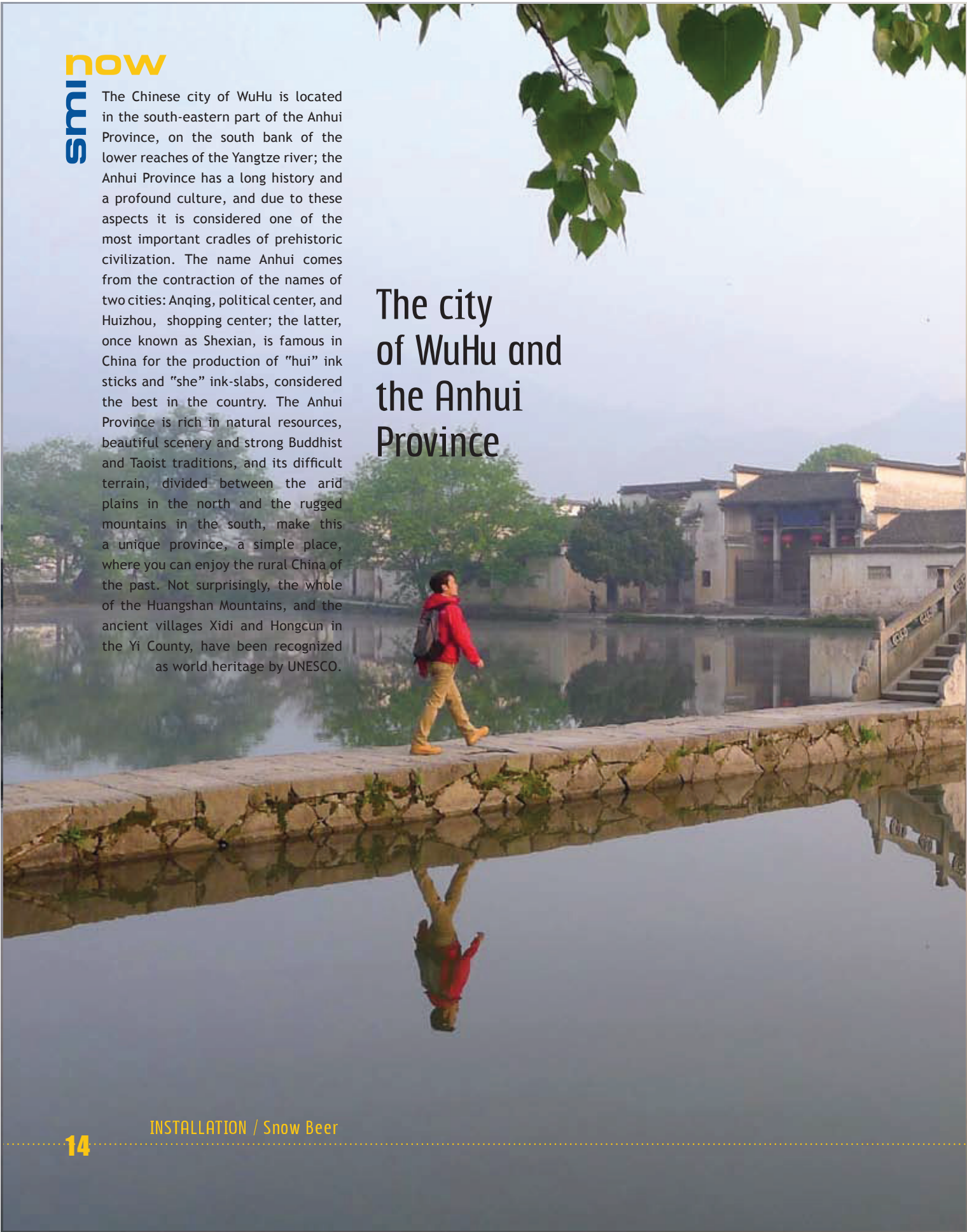
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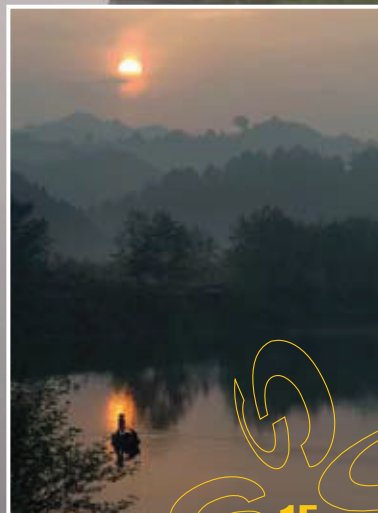
S.A., the second largest brewer in South America, and Harbin Brewery, the oldest brewery in China; in 2005, even the Italian Birra Peroni brand entered the SABMiller Group.



The Chinese city of WuHu is located in the south-eastern part of the Anhui Province, on the south bank of the lower reaches of the Yangtze river; the Anhui Province has a long history and a profound culture, and due to these aspects it is considered one of the most important cradles of prehistoric civilization. The name Anhui comes from the contraction of the names of two cities: Anqing, political center, and Huizhou, shopping center; the latter, once known as Shexian, is famous in China for the production of "hui" ink sticks and "she" ink-slabs, considered the best in the country. The Anhui Province is rich in natural resources, beautiful scenery and strong Buddhist and Taoist traditions, and its difficult terrain, divided between the arid plains in the north and the rugged mountains in the south, make this a unique province, a simple place, where you can enjoy the rural China of the past. Not surprisingly, the whole of the Huangshan Mountains, and the ancient villages Xidi and Hongcun in the Yi County, have been recognized as world heritage by UNESCO.

The city of WuHu and the Anhui Province





THE WORD TO THE CUSTOMER

Interview with Yu Jianguo, Managing Director of CRSB Anhui, and Zhou Jaxiang, General Manager of CRSB WuHu



From the left:

Yu Jianguo, Managing Director of China Resources Snow Breweries Anhui Regional Headquarters Co. Ltd, with Joseph Chen, Sales Area Manager of SMI Machinery Beijing Co. Ltd.

CRSB is the largest brewer in China. What do you ask packaging machine suppliers in terms of operating flexibility?

"As the largest company in the industry operating at regional level, China Resources Snow Brewery of Anhui Co. Ltd. has invested hundreds of millions of RMB in the purchase of equipment to be used for expanding and modernizing its production facilities.

This investment has helped to improve industrial processes by reducing costs, always in full compliance with the quality and safety standards laid down by SABMiller.

Thanks to these efforts of continuous improvement and development, now an integral part of our business for the past 10 years, CRSB won the leading position in the densely populated



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Chinese provinces; leadership that should be considered in terms of market shares, product satisfaction and brand performance".

Which are the main objectives of the beer industry today? In a dynamic market like China, what are the main challenges?

"The continued growth in demand for beer in the domestic market has convinced CRSB to achieve also in 2012 significant investments in new production facilities.

In the factory of Wuhu, a city south of Anhui, we have further increased the production capacity with latest generation machinery commissioned at the beginning of 2013.

In Shangqiu, Henan Province, the most populous of China, we developed a brand new factory, which is expected to be commissioned by the end of the year, which will supply even the central regions of China with the "Snow" beer".

What role does the partnership with SMI play in the success of your products?

"SMI earned the trust of CRSB by demonstrating its ability and expertise to effectively manage the production expansion projects we involved it in and which led to the purchase of two Smiflexi WP 800 wrap-around casepackers for the WuHu and Shangqiu plants for secondary packaging high speed operations. Like all the major brewers in China, China Resources Snow Breweries (Anhui) also has high expectations from advanced technology bottling & packaging machines

and systems proposed by European suppliers, especially as concerns process flexibility and reliability. The products of our suppliers must not only satisfy the needs of current and future outputs efficiently, but should be able to easily adapt to new, changing and often unpredictable market demands; to this you must add an excellent after-sales technical service, provided by local staff in a timely and efficient manner. Yu Jianguo - Executive General Manager of CRSB - has great respect for the work performed by staff of the SMI branch in China and for its organizational system. In fact, for our company it is of fundamental importance to be able to count on immediate technical assistance in case of emergency and a fast delivery service of spare parts".

How important is it to CRSB that SMI be present in China with a local staff?

"During the recent visit to the Executive General Manager of the CRSB plant in Wuhu, the Nanjing Branch Office Manager of SMI Machinery (Beijing) Co., Joseph (Xiaofei) Chen, was able to see for himself how the "Snow Beer" brand has ragingly grown in recent years to gain the leadership of the Chinese beer market; a remarkable achievement, made possible by the willingness of our company to provide only high-quality products on a large scale and use technologically advanced machinery.

Future competition among beer producers will be comprehensive and will involve more and more important aspects such as capital, brand and technology.

An old Chinese saying goes: "it is always better to wait and open your field of vision".

Yu Jianghou, CRSB General Manager in Anhui, thinks that suppliers should have a long-term strategic vision to make them aware of the fundamental importance of the quality of service assured locally to its customers.

Also, packaging machine and equipment manufacturers should approach the customer-user in a flexible and pro-active manner, offering mutually beneficial solutions and harbingers of winning results".

