AB InBev Investor Seminar

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Good morning – welcome again

These five topics will be the content of my presentation over the next 45 minutes: Why Asia Pacific? What is the ABI journey here in Asia Pacific and what is our dream for the region? Why China specifically? What are the trends that we see in China and implications on ABI's China performance? We will have Q&A after the presentations where I will be more than happy to answer any doubts or questions that you might have.

Our first topic is why APAC? Why are we so focused on Asia? Imagine you draw a circle around where we stand today – a circle with a 1,000 mile radius out of Guangzhou. You will find that there are more people living inside this circle than outside of it. Simply put, as a matter of demographics, we must focus on Asia.

Today, 53% of the global population lives inside Asia Pacific. But that is only speaking of today's population. Looking at expected population growth for the next 10 years, 46% of the world's total population growth is also forecast to be in Asia.

And what does that mean for us as a beer company? Today Asia Pacific makes up 34% of the total global beer volume. However, according to the forecasts, Asia Pacific is expected to make up 53% of all global growth over the next ten years.

On top of that volume growth, Asia Pacific also represents an untapped growth opportunity for ABI, not only because of its size, but also because of our footprint expansion opportunities, and also because there is the lack of a clear No. 1 player in the region. We see tremendous growth opportunity in Asia Pacific.

So, please allow me to share with you our journey in Asia Pacific and how dynamic life has been for us here. Our journey started more than 30 years ago when Interbrew first entered into China, right here in Guangzhou in a J-V with Zujiang Brewery. From that moment on, we have been evolving our business as Interbrew and Inbev at the same time that Anheuser-Busch was also developing their market in China. Until the moment in 2008 when the combination of A-B and InBev created a unique opportunity for us in China.

What is that opportunity? We combined the two companies, gaining access to a better brand portfolio, bigger scale and a bigger pool of talented people. After the integration, a much stronger company was poised for growth. Since then we have been pursuing organic and inorganic opportunities in China and expanding our vision to include Korea, Vietnam and India. And our journey is to be continued.

Moving from facts to data, let me share our journey in another way in terms of numbers. First, looking at volume our volume has increased by 13.2% over the last 5 years on a 5 year CAGR basis. Second, looking to top line growth, we have grown top line by 30%. Third, our EBITDA has increased by 38.4%

At ABI, we really believe in this formula:

One --- Volume growth ahead of the industry

Two ---- Top line growth ahead of volume growth

Three ---- EBITDA growth ahead of top line growth

We at ABI have a very strong culture. And at its core, we have the concept of Dream. Let me share with you our dream for Asia. We want to be the number 1 player in Asia. And we believe we will get there by:

- Building Strong and Relevant Premium Brands
- Accelerating Top Line Growth
- Leading Super Premium & Premium segments across Asia-Pacific
- Building leadership in Market Share
- Constantly pursuing Operational Efficiencies as a way of connecting top-line to EBITDA growth

That is our dream for Asia.

Now, we move from talking about Asia as a whole to focusing on China specifically.

China is central for us to be able to achieve our Asia Pacific Dream.

Why? Because:

- China represents 37% of Asia's population
- China is the largest economy in the region, and
- China accounts for 66% of Asia's beer industry.

As you know, China is today the world's biggest beer market. Estimates of the increase in global beer volumes indicate that, even at a lower pace, China will continue to grow beer volumes far more than any other country over the next ten years.

So we believe China is incredibly important. Let's have a look at the trends that impact this industry. Moreover, let's go beyond the overall trends and talk about what is happening beyond the averages.

As we all know, in the short term, there has been a lot of turbulence in China – especially in recent months. There are many different factors that have led to this turbulence, but in the end, we believe it is primarily a shift in growth from an export model to an internal consumption model. We all know that, in the long-term, there has been a correlation between beer industry growth and GDP growth, and this correlation has been reliably true in China in recent years.

China has seen an amazing growth story over the long term, even though the story of China's growth does not adhere to a one-variable model tied only to GDP growth.

The China growth model has primarily been based on exports and government investments. However, the Chinese Central government, in its most recent five Year Plan, set up a vision to change this growth model towards a more internal consumption model. As we know, whenever we have a shift of this magnitude in the underlying structure of an economy, not everything will happen smoothly or as a straight line.

When we look at this shift in the model, we are optimistic about the future because we do not brew for export. We brew for internal consumption. ….Here …In China.

And we believe that this shift in the Chinese growth model could have a positive impact for us over time.

To understand this, we might take a closer look at the variables – other than GDP growth – to understand what is impacting the beer industry in the short-term. In the short-term, the beer industry is not only impacted by overall GDP, but also by:

1. The speed of urbanization,
2. The increase in real income,

3. Overall weather conditions and,

4. Very importantly fixed asset investments.

Looking forward, our view is that most of the indicators will continue to impact the beer industry positively and some – like weather conditions – will bounce back to normal.

But, when speaking about China, there is one key message that I would like you to take away today: China is too big and too complex to be understood with averages.

So, from now on, let's look beyond the averages. We look beyond the averages to understand how we can select and focus on:

One --- the right geographies…Two --- the right segments and Three --- the right channels to win where the growth will be.

Let's start by looking at China and its provinces. Because of its size, averages can be misleading in China. Have a look at the map. Each province in China can well be compared with some of the countries we are more familiar with in terms of GDP. We can go from anywhere like Switzerland to Libya. Clearly taking the average of these two countries means nothing.

By looking at this economic diversity, we can conclude that even though China per capita consumption is "on average" already close to the average of its Asian peers, there still exists a huge per capita consumption opportunity in several provinces in China, each of which have far lower per capita consumption even than the China average.

Therefore, it is critical for us to decide where to place our bets, where we see the growth coming from and where we will win. In reality – and I will not take the time to go in-depth into the specifics here – but the analysis requires even more granularity than we discussed.

City-level review is also required, particularly in a country that is increasingly urbanizing. But we have a lot of ground to cover today, so I will turn from geographies to consumers. Here too, we want to avoid viewing consumers in China by averages.

Where is the biggest change for consumer good segments in China expected in the coming years? Right here – in the more affluent sectors of the economy. 150 million new households are expected to become part of the middle, upper-middle and affluent classes by 2030.

By knowing that, instead of looking at the industry as a whole, we break down the industry in China into different segments. From this perspective, we can see that the growth of disposable income will drive a huge transformation in the industry where the majority of core and core+ volumes will be traded up to core+, premium and super-premium. Just to give you an idea, the projected premium and super-premium industry in China by 2025 is expected to be the equivalent of 3 times the total industry volume in Canada today. But, the best part of that projection is that net revenue and gross margin are substantially better in the premium and super-premium segments.

As you can see on the right part of the chart, premium net revenue is 3 times core while premium gross margins are 5 times core. And with super premium, net revenue is 7 times core and gross margins are 9 times core.

We at ABI are not only well positioned to win in these segments, but we are also strengthening our brand portfolio for the future. We are investing today for the future and building up our RTM capabilities.

As a proof of just how important it is to look beyond the averages, we can see that even in an environment of overall industry decline during the past turbulent 18 months, for example, the segments of super-premium, premium and core+ continued to steadily increase.

And if we look at ABI performance, we are outperforming the industry in those three segments.

Turning then to the third area: --- channels. Again, we find that averages are not particularly meaningful for China. Modern channels are growing faster than traditional channels. And we are outperforming industry growth in the key channels. Look at Night Life, for example. The beer industry is growing by nearly 10% in this channel. ABI is growing approximately twice as fast as the industry in that same channel. And if you look at each of the key channels that are growing in China, you see that ABI is outperforming industry growth.

Simply stated, we at ABI are relentless in improving performance in the right channels, the channels that are growing.

To state our strategy, we strongly believe in the growth potential within China because we look beyond the averages to win with the winners. China is simply too big and too complex to use averages. So we look beyond the averages to win where the winners are expected to be: in Geography…in Segments, and in Channels

Urbanization is driving per capita consumption growth in the provinces that have per capita consumption below the China average.

Growth in households in the middle class, upper-middle class and affluent class is expected to drive growth in the most profitable segments (Super Premium and Premium). And modern channels are growing faster than traditional channels. This is where we are focusing our efforts to win where the growth is expected to be.

Keeping that vision in mind, I would like us to look at ABI performance and to share with you some of our key metrics in China.

One of the key metrics is volume. In China, we have been increasing our volumes at a rate of 9.2% over the past five years. During this same period, our top-line growth grew by 21.7% and our EBITDA has grown by 25.1%. Let me pause there and state it another way. When looking at our top-line, we grew by 21.7%. And when we compare that top-line improvement to gross profit, we see that gross profit actually grew 1.1 times what our top-line grew.

So, are these results only due to the overall market in China?

No, our estimated market share has also been increasing steadily over the past 5 years and this chart reflects that growth, including the results of our M&A activities. In the first half of this year, for example, our estimated market share reached 18.3%, continuing our expansion trajectory.

We also continue to expand our share of the EBITDA pool in China where we became the Number 1 player last year. We estimate that we now make up almost 30% of the total EBITDA pool in China.

Our EBITDA margin reflects this evolution, as well as the strength of our brands and our focus on operational efficiencies.

And the same trend can be seen in our EBIT margin. Looking forward, we would expect EBIT margin to increase as we drive operational efficiencies.

As we can see from the map, the journey in China has been one of expansion in many different provinces. And it's worth highlighting, that we have been investing for the future in order to build our footprint and our innovation capabilities.

This investment of course has an impact in the short term on depreciation, even as it has a much bigger and long-term impact on our ability to increase our efficiencies and to grow top-line.

To summarize the key points, here is what I would like to leave you with today:

Asia Pacific is the largest beer industry in the world and is expected to be responsible for 53% of the industry growth in the next ten years. Our dream is to be number 1 in Asia. To achieve this dream, we must win in China. We must look beyond the averages in China ---- in geography, in segments and in channels

We plan to win in the areas where the winners are.

- Leading the way in Super Premium, Premium and Core+
- Expanding our footprint in sizable and fast growing provinces
- Winning in the fastest growing channels

ABI is developing insights, refining our strategy, Route-to-Market and portfolio, and building the people pipeline to win in China. The combination of leading brands driving top line growth and operational efficiencies is our plan for driving improvements in profitability. This is our strategy for Asia and China. This is how we will realize our dream to become the number 1 player in Asia Pacific.

To connect my presentation on our dream and our strategy with the presentations to come, let me lay out the main priorities we have for China.

Number 1 ---- Building winning brands. Our understanding of building winning brands is to have fast growing brands that connect with consumers and bring them unique and relevant experiences, becoming their number 1 choice.

Number 2 – Replicable Models. We strongly believe in our ability to scale up initiatives and to focus on the right choices to make us even more efficient.

As a consequence, Number 3 --- operational efficiencies are a key part of our priorities.

Number 4 --- People and Better World. Everything we have been talking about will only happen if we can bring people together and engage them in building a better company and a better world.

I would like to take this opportunity to introduce you to several members of my team who will explain how we execute this strategy in China. Can I please ask my team to stand up briefly? To help guide you in the next sessions, we translate this strategy into execution pillars. My team will share with you during the next 2 days how we connect the dream and the strategy with the daily execution.

And with that, I would like to introduce you to Jean Jereissati who is the China President and who will introduce you to the China top-line strategy.