

AB InBev Investor Seminar

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Bruno Cosentino, Director Super Premium Brands

Good afternoon.

Let's now talk about the Super Premium segment in China. Trading-up is the biggest trend in terms of bonding with consumers and that's how a focus on Super Premium connects to our strategy here in China.

First of all, let me introduce myself. My name is Bruno Cosentino, and I have had the pleasure of working in this company for the last 18 years. Prior to coming to China, I worked in several roles in sales and marketing in Brazil, Peru and Ecuador, leading our expansion in Latin America countries and more recently the World Cup project with Brahma in Brazil. These commercial experiences are what brought me here to help the company tackle the Super Premium segment by building this concept of a company within a company. We believe this approach gives us more flexibility to try different things until we find replicable model that can be scaled. This is very, very exciting.

But let's talk about super premium. Globalization is not a new trend, and certainly not new in China. Over 90 million Chinese citizens have traveled overseas and are becoming more and more familiar with new global trends. On top of that, we have over 20 cities in China with more than 5 million citizens. Chinese consumers, like consumers globally, are interested in brands with authenticity and heritage.

There are also new channels developing with huge promise for Super Premium. Western channels and bar streets are becoming more relevant, and of course we continue to see the development of hotels and airports, especially lounges and restaurants in each of these. We also cannot forget e-commerce, which is also a huge opportunity.

As Michel and Jean pointed out, the Super premium segment is currently very small, representing less than 1% of the total market. However, the super premium industry CAGR is significantly ahead of the total industry, with high double digit growth, and on top of that, the segment is much more profitable. As you can see in the chart, the Super Premium segment's gross profit is 9 times larger than the core and value segments. As a result, it is critical that we have a plan to capture a big portion of this new segment.

The first step in building a plan was to define the key urban centers that we wanted to focus on, meaning those cities that represent the majority of the super premium market and also are influential cities in the country in terms of urbanization and trends. We looked at population growth, GDP, and cities with "Western" development, and have chosen to focus on Shanghai, Beijing, Chengdu, Guangzhou, Shenzhen and Hong Kong.

Taken together, these cities represent a "country" of 70 million people. In each of these cities we have made higher than average investments in each of the strategic pillars, including Knowledge and Insights, putting in place a Dedicated Sales Team with the right people profile, specialized RTM and distribution, focus brand equity and trade activation, and off-trade category management. These investments have been made not just to support growth and drive results, but also to learn and develop a replicable model that can be rolled out for other cities.

Our strategy can be summarized in three key pillars: Focus brands where we will put the majority of investments; Specialized Route to market to deal with the new channels and competitive set; and Digital / Social Media as the key brand building engine, generating consumer reach, engagement, and contributing to sales.

Let's dig into the first point: strong brands. Our number one priority is Corona. Corona is a brand that is closely associated with the beach atmosphere and the mood shift that that atmosphere brings. Corona also allows us to play differently in the Super Premium category with its unique lime ritual, which is part of the heritage and reminds us of its origin, from Mexico and more importantly, from the beach.

We have developed a toolkit for on-trade POCs, bringing the beach experience to all hot spots. We have defined the preferred areas for brand activation activations, such as the entrance and the main bar, and also

the alternative areas, such as the stage and outdoor areas, to generate visibility and call consumers' attention.

For in-home occasion, we activate the off-trade channel throughout the shopper journey into the store. From the moment they enter the store, we try to follow their steps through the buying decision and the payment, ensuring the premium nature of the experience all along the way. Convenience stores are also a big opportunity in the off-trade and are a big part of our distribution and activation plan.

Also related to in-home occasion, e-commerce plays a big role. It is a huge channel where we are ahead of the market. We are present in all major e-commerce portals, including Tmall, Yihaodian, and JD. For all the players we have monthly and annual calendars to define the main activations and explore important dates related to the brand. It is something relatively new to the category in China, but we believe is a big opportunity. E-commerce is already one of our most relevant channels for Corona sales, reaching more than 10 million consumers every month, generating sales and building brand equity.

We also plan to continue offering consumers unique Corona experiences. These events, which we call "sunset sessions" are bringing unique beach experiences to the POC level with a yearly calendar. There is unique decoration, live bands and DJs, tattoos, Maya dancers, and a sunset parade. The POC owners love the benefits that these events bring to them, bringing more people to their POC and enhancing the overall consumer experience. Most importantly, this all is incremental, because these types of POCs usually do events of this nature for hard liquor, not for the beer category. Let's take a look at a video interview with a POC manager.

Now I want to say a few words about Stella Artois. Stella is a sophisticated lager beer, with strong heritage, from 1366 in Belgium. A beer that pairs well with food, but is also about savoring, and taking your time in very special occasions. Stella's association with the chalice is a unique consumer experience in the beer category, served perfectly through its 9 step pouring ritual.

Last but not least, let me cover Hoegaarden. This is a very interesting brand, because of its unique taste profile of wheat beer with orange peel which is very refreshing. The brand also has a lot of heritage dating from 1445 and it offers a casual, sophisticated, and yet modern brand. Specifically here in Guangzhou, you will see Hoegaarden all over the bar street, during tonight's market visit, a special activation for this brand which is trending in this region. Hoegaarden does well in this setting because it is a different brand, but also due to its taste profile that goes well with spicy food, which is an important aspect of Cantonese cuisine.

In addition to the unparalleled portfolio of brands I have mentioned, we have defined clear execution guidelines to deal with the additional complexity. So we know which cities to activate and which channels matter the most. Once the channel is defined, we determine which execution standard to use including which types of material to use in specific areas considering consumer journey and POC needs. We also consider which unique consumer experiences we can offer, such as the Corona sunsets event that I mentioned.

Looking forward, we must continue to explore new opportunities including franchise stores, branded stores, and innovation. Franchise stores are a different distribution model inspired by our experience in other AB InBev markets, such the express draught in Brazil, or the Belgium Beer Café in Leuven. Branded stores offer a more intense brand driven execution experience and generate consumer insights while driving consumption. We also have opportunities to drive innovation through a range of new SKUs and products to explore specific channels and occasions.

In terms of results, we still are in the early stages, but early results are very good and exciting. Topline for the Super Premium segment is growing more than 120% versus last year, and when we consider the exceptional margins mentioned earlier, we see that this segment contributed 8% to total topline growth. In a nutshell, Super Premium is a growing trend with profitable margins.

We have a diverse and unique portfolio, Corona, Stella, Hoegaarden, which requires new capabilities, especially for the new channels that are developing. And despite the fact we are still very early days, we are generating very positive results.

Let's GROW! Thank you very much. Now I would like to welcome Joseph to the stage to talk about Harbin.