

AB InBev Investor Seminar

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YJ Cheng, VP Supply & Logistics APAC

The following presentation will focus on how AB InBev APAC Supply and Logistics are making the difference in “Operational Efficiencies”. My Name is YJ Cheng. I have been involved in the beer industry for over 33 years. I started my career in Tsingtao and served as Vice Chairman of the Board and Chief Brew Master of Tsingtao Brewery Co. In 1996, I joined AB in Saint Louis as Brew Master. In 1997, I moved back to China, and worked as GM of AB WuHan, then VP of Production & technology, AB-China. From 2005-2007, I was CEO of Harbin Brewery Group. Since 2008, I have been leading AB-InBev Supply & Logistics.

APAC Supply and Logistics’ team dream is to be the best supply chain zone in ABI and TOP 3 of Brewery Excellence Program every year. Our WuHan Brewery was awarded as Global Number 1 in 2013. Today, AB-InBev APAC has 49 breweries (excluding 6 JVs), with production volume close to 91 Million HL. Our operational capacity utilization is 80%. Our footprint covers 8 regions and 4 countries in Asia, including China, Korea, India and Vietnam.

APAC has more small volume breweries than other zones mainly due to considerations around seasonality and logistics cost efficiency. Meanwhile, we are continuously optimizing our footprint. In the past 7 years, we have constructed 11 Greenfields, relocated 4 breweries and did 9 expansion projects. The newly built Greenfields have larger capacity, higher efficiency and increased productivity. To maintain a high efficiency performance organization, we integrated operational routines into VPO/DPO, which is the standard way of working at AB-InBev.

We run our operations with a “Unified Process System”, from suppliers to customer service, across APAC. We focus on “Safety First, Quality Always, People Efficiency and VPO/DPO Forever”. In 2015, we implemented “Safety Behavior”, promoting good behavior and eliminating hazards, which fully drives company Safety Culture and decreased injury rate. We implemented Quality 3Y Plans to keep our products at highest quality standard. In 2013, we reduced consumer complaints through EBI & FBI installation and process improvement. In 2014 we improved quality consistency through checklists and monitored PI & KPIs across all breweries. In 2015, we are upgrading beer sensory equipment.

Our brewmasters brew beer with knowledge, experience and passion. We do centralized tasting and ring testing to ensure we keep a single high standard. Since 2010, APAC Budweiser volume has almost tripled. We now have 18 breweries in APAC producing Budweiser with one single standard. FoShan Brewery, one of our Greenfields in Southern China, is the largest producer of Budweiser volume globally. We have a saying: “Time is money and Efficiency is life”. Our productivity has maintained a two digit improvement year over year – but we still have room to improve and catch up with global rankings.

We also put a big emphasis on VPO/DPO – in fact, this is the only way of working. At the end of 2014, we had 43 breweries VPO certified. Through VPO/DPO implementation, we share best practices between breweries and countries and we are continuously delivering sustainable results. All of our main KPIs have improved year over year increased their rankings globally. Some KPIs still have gaps which we will focus on improving.

White Beer, Budweiser Super Premium, Mixxtail, Apple Cider, are all recent innovations launched to support topline growth. A great team leads us today. We have a strong people pipeline across the different levels in the organization. We have developed a variety of training programs to train our people with the best knowledge and professional skills to prepare for a rapid expansion in Asia Pacific.

To summarize: We keep very high standards around routine; we seek to optimize the APAC footprint and renovation capabilities; and we aim to scale up innovation to fully support our company’s dream. It is a long journey and we are never satisfied with our results. We are continuously looking for ways to improve year over year. “Safety first, Quality always, People Efficiency and VPO/DPO forever”!