

Investor Seminar

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Thank you, Fabricio.

Good afternoon! I am excited to share with you some Trade Marketing and Trade Solutions that we have been developing for China.

Trade Marketing today is a team of 135 members, 95% of them in the field, working very close to Shoppers. We are part of the Sales Machine and volume uplift is in the core of everything we do. But we also have a dotted line reporting relationship to our Marketing VP, Huang Wei, which means that our team has a voice in all our Trade Solutions to support our Brand Strategies in the Trade.

So let me introduce myself. I am descendant of Chinese parents but I was actually born and raised in Sao Paulo, Brazil. I guess my passion was always around consumers so in 2002, I joined the Ambev Management Trainee Program. There, I did all of the rotation assignments always gravitating towards Sales and Marketing. In 2007, after my MBA, I arrived in China to find a very different company from what you see today. We were InBev at that time and we had about a 3% market share back then. You can imagine the transformation that this operation has gone through since then and the changes that I have witnessed along the path to our current market share of almost 19%.

Before we jump into the Trade solutions piece, let me share with you a bit about the Chinese beer shopper. One important point is that today, in China, most drinkers are not yet 100% loyal to one brand. I am not saying they do not care about a brand. They do! But within the basket of brands they consider, many of them are switchers. Which means they will ultimately decide what to drink in the last mile... In front of the shelf, in front of the menu, talking to the waiter.

In China, there are a lot of things we can do to win this fight in the moment of truth. Here are a list of factors that can impact a shoppers' decisions (see slide). From our name, you might think that Trade Marketing is responsible just for the posters we stick on the walls. But the scope is actually much larger. Anything that is in our power to make our products turn inside the retailer is within our scope...and there is something we can do on each and every one of these levers. Trade Marketing leads our Retailer execution, our Promoters' team, we pilot and calibrate the roll-out of innovations, we develop national consumer promotions, we have Trade Programs and we work with topics around availability in coolers, shelf space and the like.

One of the key aspects of building a strong Trade Team is being able to truly leverage our scale, both in terms of costs but also in terms of the quality of what we do. Let me give you some examples. Before, our Consumer Promotions were developed in each region and we did not have enough scale to change the package, to announce the promo on TV, etc. Back then we bought more than 3,000 different merchandising material items, while today we have simplified the menu down to 150 items that we buy with much bigger scale. This might sound straightforward but it represents a huge competitive advantage that we have. We can also leverage regional benchmarks, accelerate our knowledge of trends and address them through what we call National Trade Programs.

So what exactly is a Trade Program?

A Trade Program is something we have developed to fix a specific Shopper and Trade opportunity. It's a packaged solution that must meet the following five criteria (see slide). Of course these criteria do not come from chance, we follow a rigorous process and framework to develop these ideas. It is a funnel and with each idea that is implemented in the field, there are many others that are dropped during the process.

Another competitive advantage we have, something that differentiates us from other players, is our relentless efforts to track and measure execution and results. Today, we have in our back-office more than 100,000 pictures of Retailers demonstrating their execution and compliance to the Trade Programs.

So with this great platform, we are on a journey. This is a concept that is here to stay and part of our strategy. Every year, we are able to convert investments without a direct counterpart towards one of our well planned Trade Programs.

I also want to point out that we don't settle for "one size fits-all" solutions. For each channel and each sub-channel we have a different solution. And many of them are like an umbrella. It's a package of intangible benefits that we offer. Think of it like selling a car, each of the Trade Programs have some "optional features", some "Add-ons".

So allow me to give a few examples. In the KTV channel, we developed a solution called "UP". This is intended for KTVs that are a little tired, that don't have the look & feel and energy of a Night Life Venue. For them, we help with some consulting and we sponsor the remodeling of their Self-Service Store, where most of the beer consumption decisions are made. Let's take a look at this video!

One more example of a program we just developed and we are scaling-up is our "DaPaidang Fun" project. Dapaidang is a channel particular to China. Mostly in the summer we have restaurants that put out plastic tables on the sidewalk at night. This is the "bar" for group night out. Consumers go there not only for a regular meal, but for a bite with friends, for a late hour snack... in other words, it's an informal beer garden. We researched the shoppers, the journey and what they want out of this occasion. What we found was a need for entertainment. The dream of every Dapaidang owner was to transform their venue into a mini Beer Festival. I have a very short video just to give you a better idea of this concept. Again, a great example of advantages to the shopper, to the consumer, to ABI. This is something that only a player with scale can provide.

I also wanted to share that we are always piloting new solutions. Connecting to what Jean said earlier, it is important that we stay ahead of the trends, that we always look forward. Each year, we organize a large workshop with the best and the brightest of the company. We do consumer safaris, to understand our shoppers, we interview retailers, and we do a lot of benchmarking. We are always in search of the emerging trends and barriers for consumers. We brainstorm ideas, we prioritize, we fund investments. We take a venture capital type approach in that we select some projects and we provide them an incubator and funds to kick-start.

These are the most important points to share with you about Trade Solutions in China. I am sure you would much rather go to where the action really happens and experience some of the Trade Executions yourself! It's my honor that I will have the chance to do this with you all tonight!!

I would like to hand back to Graham, who will lead our Q&A session.