

AB INBEV'S INVESTOR SEMINAR 2018

JOHANNESBURG, SOUTH AFRICA

WEDNESDAY, 8 AUGUST 2018

VP OF SUPPLY AFRICA – TREVOR SANDERSON

SLIDE 2

Good day everyone! My name is Trevor Sanderson.

I am the VP of Supply for the Africa Zone. It is a pleasure to present to you today.

I was born in Zimbabwe and spent my boyhood in Malawi, before coming to South Africa and completing my secondary and tertiary education.

I joined SAB in 1995 and have worked in various roles in Supply; including as Manufacturing Director of the Soft drinks business in South Africa (from 2003 to 2008), as Technical & Supply Chain Director of SAB Africa (from 2009 to 2016) and most recently as VP Supply of AB InBev Africa.

What I'm most proud of is the legacy of excellence and job-creation I have been part of as a result of the breweries we have built and operate across Africa.

Today I would like to share with you the journey we have gone through since the Integration and how our new operating model and ways of working are delivering significant value to the business in Africa.

SLIDE 3

Let me start my story with the integration.

I was deeply involved in this and was very impressed with the manner in which the process was handled.

From the moment Brito and his management team visited us in Africa to meet the leadership team (and get a sense of who we were and what we were doing) to the dedicated team of deep experts that worked on the Supply work stream – AB InBev exceeded my expectations in all respects.

It was apparent that there was a desire to learn from SAB and not only capture financial, but also intellectual synergies.

We visited Brazil and were introduced to the AB InBev structures and ways of working, which assisted us in mapping the way forward.

Zone structures and initial reporting requirements were clearly defined and value opportunities mapped.

More complicated issues such as; defining the Africa Supply strategy, organizational structures and brewery management systems were tackled during the course of the first year.

This allowed for proper analysis and the capturing of the “Best of Both” opportunities.

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In the first year after integration, we developed our Supply 2020 dream of “Sustainable Operations in Africa”.

Our Supply dream is fully aligned to both the Global Supply and Africa Zone dream.

We have also developed 10 strategic platforms that support this dream and underpin everything that we do in Supply, based on “Best of Both”.

These platforms can be seen on this slide. It is not my intention to cover these in detail now, suffice to say that we have an integrated plan and many of these platforms will be covered later in the presentation.

I would however like to emphasize the first 3 platforms, which form the heart of our Supply Mantra: “Safety First, Quality Always, VPO forever” .

SLIDE 4

Let's talk about structure.

SAB was a country-led Model, and effectively had two African Zones: South Africa and the rest of Africa, and ran a decentralized model, where each country operated as an independent entity.

Each country had a Managing Director with full profit and loss accountability.
All functions reported directly into the country with dotted line reporting into the Hub or Zone.

The purpose of this was to drive local ownership, and resulted in decision-making and optimization taking place at a local level as opposed to a regional level.

While this had benefits from a commercial and corporate affairs perspective, it had many disadvantages from a Supply perspective.

Challenges included inconsistent standards and slow adoption of best practices, resulting in pockets of excellence and underperformance.

In many cases we had a duplication and ineffective use of resources, resulting in inefficiency. We now operate as one Zone and have aligned to the AB InBev operating model.

We are much more centralized; based on the premise of optimization of the profit and Loss at the Zone.

Country and Business Unit presidents continue to focus on the commercial agenda to drive top line growth. Non-commercial functions such as Supply report directly into the Zone.

There are many advantages to this in Supply.

The Global, Zone and Brewery structures and processes are more standardized, facilitating the rapid adoption of best practices.

The Zone focuses on strategic and systemic issues such as the introduction of new products, technology and systemic capability building across the continent, while the breweries focus on execution.

We have lean organizational structures, higher levels of specialization in the Zone, higher levels of support to breweries in need, faster innovation, and much higher levels of productivity and consistency of performance.

SLIDE 5

Voyager Plant Optimization, otherwise known as VPO, is the AB InBev way of operating our plants. VPO incorporates 7 Pillars.

The purpose of VPO is to share best practices and create a culture of continuous improvement, resulting in higher levels of performance and improving customer service.

In SAB the management system for breweries was known as the Manufacturing Way, or the Global Evaluation of Manufacturing, and had similar objectives but in a less structured manner.

In 2017 we took the best of the AB InBev VPO system and the SAB processes and combined their strengths into a Best-of-Both VPO model.

With AB InBev, the strengths are strong management practices. VPO forums are held bi-annually where the plan is communicated, performance evaluated and training conducted for Supply Leadership.

All VPO routines and standards are described in a series of VPO Handbooks.

Plant management routines are well-entrenched on a shift, daily, weekly and monthly basis.

The organization structures are carefully designed, with a Zone VPO team of Pillar experts supporting implementation across all sites.

The key to success is a strong link between the means and the results, linking inputs to outputs.

In the SAB model, the strengths were at a shop-floor level in daily routines focused on the Operator.

Autonomous Operations involved operators taking care of basic maintenance, cleaning and quality analysis, ensuring quick and effective process control.

There was a strong focus on effective operator problem solving.

Finally, Maintenance activities were integrated into line functions, through self-supporting teams, to achieve high levels of Machine and overall efficiency.

VPO Best of Both has combined the best of both companies, creating a clear, standardized and robust process to manage our plants across the business enabling us to continuously improve our performance in a sustainable way.

SLIDE 6

In order to show the benefits of VPO I have picked an example of improvement in safety performance.

People and their safety is the most important aspect for us, entrenched in our principles.

Through the implementation of the VPO Safety Pillar in 2017 we saw a 38% reduction in lost-time-injuries compared to the prior year under SAB processes.

(These are injuries which meant that our people, both permanent and contractors, would miss their next shift.)

As safety behaviors have continued to change in 2018 we have seen a continued decline in lost-time-injuries, showing a further 46% reduction as we work towards our dream of making our breweries injury-free.

Some examples of VPO in action in our plants in Africa can be seen in this and the next few slides

SLIDE 7

We always start with our Dream and bringing it alive for our people.

Each plant has its own dream, connected to and aligned with the Zone Supply Dream, but specific to the needs of the Plant.

The Dream provides a good challenge or stretch for the facility, with a few key performance indicators that are tangible, measurable and achievable over 3-5 years.

SLIDE 8

An example of Best of Both is the operator workstation, which is a best practice that originated in SAB.

The Operator Workstation is a deliberately designed space within or adjacent to the immediate work area of an Operator.

It includes all the tools an Operator needs to perform his or her role effectively and enables Operators to be motivated, engaged and empowered in order to enhance performance.

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Another example of Best-of Both in the breweries is the team room.

This is a space in close proximity to the production area where the team can gather to share and analyze the necessary information for effective problem-solving to drive continuous improvement in both process and key performance indicators.

SLIDE 10

SAB had a strong quality ethic underpinned by a Brewing Philosophy governed by 10 principles, which guided our decision making.

It is thus very pleasing for me that at AB InBev, we have now articulated our own 10 Brewing principles as presented by Pete Kraemer yesterday.

These entrench and safeguard brewing principles to which we have been committed in Africa for many years, and - in many cases – go over and above previous standards.

SLIDE 11

In AB InBev we have raised the bar when it comes to the quality of our beers across Africa.

We never compromise on quality and are more consumer-centered with our “Quality Always” vision.

This is underpinned by a very strong Quality Pillar in our VPO process, based on “Best of Both”.

Our sensory or taste program ensures that we have fresh beers in the market and the sensory feedback allows us to optimize our brewing and packaging processes in the brewery.

We have a deeper level of granularity in our Food safety program, a more comprehensive non-conformance program to deal with out-of-specification product and a more rigorous complaints and escalation process.

Finally, we have implemented a very strict liquid and packaging governance protocol at the Zone and global level.

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Continuously innovating for our future is fundamental to our success.

We have a strong collaboration process between the Global and Zone teams to deliver on winning innovations for our business.

AB InBev's Global Innovation team, is well established, and works on long-range strategic initiatives, with a 3 to 5 year window.

The Zone Innovation team, works with the Global team to ensure delivery and roll-out of the longer-term initiatives, as well as developing shorter term initiatives for the African market.

Although we had innovation teams at SAB, these were country-based. Since the combination, we have created a team of Specialists in the Africa Zone.

The innovation team focuses primarily on two areas:

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1)Top line Commercial innovations aimed at the introduction of new products and packaging to our consumers

2)Bottom line Technical innovations aimed at advancing our quality, efficiency and better world agenda.

This focused approach allows us to deploy innovations more rapidly and successfully than before.

I will elaborate on these in the next few slides

SLIDE 13

We have been busy over the past 18 months in Africa post-combination delivering fantastic innovations to our consumers

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In the premium segment: Budweiser has been produced in South Africa and Nigeria, and Stella Artois in South Africa.

In the core lager category, we introduced the 1L bottle in South Africa, the first significant innovation in the industry in the bulk format in over a decade.

Our new Impala brand extension in Mozambique has proved to be very successful, brewed with local maize at 3.5% Alcohol by Volume.

Working with the expertise of our Global Innovation team we developed and launched a no alcohol Castle Free in South Africa.

The Castle Lite 910ml bottle, was launched two months ago. It is the first re-sealable returnable beer bottle in Africa and is proving to be a winner with consumers.

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Within our Technical Innovation space, we focus our efforts on initiatives delivering advancements in four key areas, namely:

- Better World – aimed at reducing our impact on the environment
- New technologies and processes to improve our Quality
- Unlocking capacity through initiatives aimed at eliminating constraints in our breweries, which we call debottlenecking
- And Cost Optimization supporting our affordability agenda

Today I would like to share two examples of this, one from “Better World” and one from “Cost Optimization”:

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Pete Kraemer touched on this yesterday, but I want to highlight this African innovation that we've shared with the world.

The brewhouse kettle boil process is the single biggest thermal energy user in the brewery.

In South Africa, in 2014, we developed an innovative technique, called Simmer and Strip, which makes the brewing process greener.

This technology has now been implemented across Africa.

Not only does this technology make our beers fresher, but we have reduced brewery energy consumption by 10% and have saved over 100 million liters of water and 9 million kg of Co2, annually.

We have shared this patented technology for free with small brewers.

Larger breweries pay a fee, which we reinvest 100% in ecological research and development applications.

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Consumption across Africa is still dominated by informal alcohol.

Many of our consumers have to work ‘hours’ to earn enough money to buy a beer, compared to minutes in first-world countries.

Making beer more affordable while retaining our quality credentials is therefore critical to driving growth across Africa.

Our Affordable technical strategy focuses on advances in brewing technology coupled with sourcing of local raw materials to significantly reduce the price of beer.

We have developed the capability to work efficiently with traditional and non-traditional local material, such as Sorghum and Cassava.

This, in combination with our effort to increase local farming, has enabled us to use more local materials.

Uganda as an example now only imports 15% of the raw materials needed, and we are proud to say we brew with cassava in four countries across Africa.

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Given the high growth rates in Africa, we continue to invest significantly in Capital. We have increased our total annualized spend by 10% since the acquisition.

Approximately two-thirds of this spend is on new production facilities and returnable glass bottles and crates.

The remaining third is spent on sustaining and improving existing operations and on Consumer Capex for new and innovative products.

We pride ourselves on being highly efficient in our Approach to spending capital.

We have a rigorous one and three-year planning cycle, which reviews regions that are capacity constrained.

Our first objective is Avoidance, where we consider debottlenecking opportunities that can deliver extra Capacity with little or no Capex spend.

The Projects that make it through the Planning Cycle follow a process of technical and commercial Optimization to ensure they make good business sense prior to approval.

We have a structured Implementation approach.

Project management is tightly controlled and all large projects are Zone-led and executed by a skilled team that focuses on repeatable designs that capture best practices from past projects.

The smaller, “portfolio projects”, such as energy and water savings initiatives, are centrally developed and then rolled out to multiple sites.

The non-routine, innovation projects, defined by new technologies and improved operating processes, are led by the Zone Innovation and Technology team as discussed earlier.

We measure our Outputs to ensure that we step-change our performance in line with our Zone dream.

We measure outputs such as the \$ per hectoliter of incremental capacity to meet our growth, improved key performance indicators to improve efficiency, safety and our workplace and the impact on the environment through improved water, energy and carbon emissions.

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This is an image of our new Greenfield Brewery in Nigeria.

It shows the dream we had of building the brewery in June 2017 and how we have realized that dream and commenced with saleable production in June 2018.

The brewery employs 250 people, has best in class technologies and will make a large contribution to meeting the high sales growth requirement in Nigeria.

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At the end of the day, one of our main objectives is to deliver great financial results.

In AB InBev we achieve this through a productivity improvement program we call Champions – a concept you were introduced to yesterday.

Champions is a structured process and a mind-set that brings functional experts from around the world together to share best practices and value opportunities in a unique and collaborative way. SAB had similar programs, but these were regional.

The Champions process relates to all the areas of Supply and covers three work streams:

- 1)Operational improvements driven by strong technical work programs supported by VPO
- 2)Step change opportunities driven by capital expenditure and technical innovations
- 3)And cost savings driven by strong procurement rigor, where we leverage our scale and expertise, and manage costs tightly.

This has enabled us to step change our achievements in Africa, where we have more than doubled our annual cost savings in production.

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For us in Supply, this is not the end, it's just the beginning.

It has been an exciting journey.

We have captured best of both learnings, resulting in a well-organized structure with rigorous and clearly-defined management processes.

We continue to invest in the future and are delivering great results and making the highest quality beers.

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After all is said and done..... “we’re here for the beer”.

Thank you.