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Q & A

LAUREN ABBOTT: I'd like to invite today's presenters up to the stage – Brito, Anne Miguel, David Almeida, David Kamenetzky, Tony and Pete please. Thank you. And just for Q & A please everyone, keep your questions to one per person and then we will head to the happy hour.

QUESTION 1: I have a question about the growth champions. Pete kindly shared with us that there are 400 supply chain champions with 8 000 initiatives. When you think about the category expansion model and the growth champions, how many growth champions are there, and how many gaps are there? And then the second part to that question is, when you take a step back and look at the various gaps, where are the big gaps? Is it really around core lager, differentiating the classic and the easy drinking, or is it around other parts of the category expansion model?

ANNE STEPHENS RESPONDS: So in growth champions we phased the interaction, we didn't get all 400 people to one place at the same time. We did it through market maturity because you would note the opportunities are different by market maturity. So we had 300 people in the commercial sector and they came in three batches and then in terms of the opportunities, so at a high level the opportunities are four or five per market maturity, but we will take an opportunity like premiumization and we would expand it dramatically. So part of the growth champions exercise, is for us to talk to each other about what the nature of a premiumization opportunity might be and what might hold us back, so that we developing the commercial tool kits to address what's happening in local markets. So it's a pretty fluid conversation, to make sure that not only are we presenting our best practice, but that we're having conversations about how we're solving and addressing problems across markets and we're also hearing first-hand from the markets, what the issues might be and forcing that back into our tool kits so that it's a learning system. I don't know if that answers your question, does it make sense?

DAVID ALMEIDA COMMENTS: I would like to add to that, we've had commercial strategies in the past. What's really great about this model and the discipline we're bringing, we're borrowing the champions name, this idea of the tool kits, the discipline to follow by. Anne mentioned we had 300 people, in three different modules but different from the past we said in order to close these gaps by cluster, what are the tool kits that need to be there? Therefore we've been collecting the existing tool kits and working on trying to solve them. The system is going to become richer and richer as we prove the success of tool kits and as we add to them over time. So it's going to become a more rich library kind of practice. And at first when you embark on something like this, people's initial reaction is, is this really time well spent? But I think on champions, the teams that were involved in spending the time, were really super excited to be a part of this, to learn from their colleagues and to be able to use the learnings in their own markets. So this is one practice that didn't take a lot of convincing to get people on board and the enthusiasm in the commercial organization behind growth champions, was very high.

MIGUEL PATRICIO ADDS: Complimenting what David was saying, this was the first year that we did growth champions, some of these tool kits we still don't have, or we have them but we know they're not perfect. The beauty of this is that, this transformed into targets for people to provide the answers, testing targets throughout the world, so it's a continuous learning process and that is super exciting.

ANNE STEPHENS COMMENTS: And if we're falling over ourselves to continue to answer this question then I just also want to emphasise that growth champions are not only about the long term. It was remarkable that most markets found two or three things that they could apply immediately to help change the growth trajectory. So our view is that this is going to be a continuous improvement process, but that we're going to start seeing the fruits of this next year, not in five years' time or so.

QUESTION 2: Miguel may I ask yourself and Anne about the challenge of trying to grow a brand that's 18% share in the United States - Bud Light, and are you hopeful that that is a reality, a possibility or do you think about the other brands there that are going to offset declines, and is there a level at which a brand's just too big to grow? Because, you know, is that 5% or 6% of a market just because the world of fragmenting desires?

MIGUEL PATRICIO RESPONDS: So let me answer this question in two parts. The first one is to say yes I believe we can grow a share of a brand that has 18% share because it belongs to a segment that is close to half of the market. So if you look at core brands or premium brands in equal quality in the United States, if you put together Budweiser, Light, Miller Light, Bud Light, it's a big chunk of the market, the majority. If you ask me if I believe that the segment will continue growing, my belief is probably not. I think that premium will grow exponentially and will continue to grow exponentially. So yes, it's our ambition to grow share with Bud Light in the United States, it's my belief that premium will continue growing as a segment in the United States. Does that answer your question?

ANNE STEPHENS ADDS: In addition to what Miguel is saying, you can see from the recent launches that we are expanding the value of the franchise through extensions. And so Bud Light is re-energised through the flavoured variants, they've done well in the United States market. My view is that we need a balanced portfolio in every market, I think that's what we're all striving for, that's why we keep talking about the category expansion model. And so I think there are opportunities all over.

DAVID ALMEIDA: Just one thing I want to add, I think for people that follow us for a long time, a lot of our DNA and we've always been focusing on the problem, focusing on the gaps right, very much an engineer mentality and spending a lot of focus on it and I think we've got the right people to focus on to drive Bud Light, but what category expansion has told us is the idea of the portfolio, right, and also the ability not to be ashamed to bid on the winners, right. So if we're supporting Bud Light at the expense of Michelob Ultra for example by not providing the adequate resources to drive it that's a problem right, so we have the balance of both, play a portfolio game and also put as much energy in accelerating the brands that have more momentum as opposed to kind of exclusive energy behind the brands that are, you know, challenged.

DAVID KAMENETZKY: I agree with that, two years ago coming from other categories, I think the obsession of analyst community and the media with Bud Light is a bit curious because of course what is happening in the category in the United States is massive premiumization. As you see top line overall value growing, you see profitability growing, so you see a very healthy industry. And I think what is very important for us is that we keep Bud Light relevant, we keep it a healthy brand, but the growth in premium is super attractive in the category. And I think it's a bit disappointing, it's interesting looking at this coming from the pet food category, the chocolate category and the coffee category, all these categories have gone through premiumization, beer is now doing this and it's actually very good for the industry participants, for the scale participants. And so what is happening in the United States is an adjustment, then I think ultimately it will be actually very positive for the industry, which is obviously what you should care about. What is relevant is that we don't make the mistake to leave the brand behind. So the brand needs to stay relevant in the consumer's eyes and I think the investments are relevant. But I think at the same time there's a massive opportunity in the United States.

<u>QUESTION 3:</u> A lot of the questions touched on the point that the company is becoming a lot more data driven. So I'm just curious, what's the data telling you about cannabis potentially taking consumption occasion away from beer? And also we've seen three of your peers announcing projects in that area, I just want to understand how ABI is thinking about it?

<u>CARLOS BRITO RESPONDS:</u> Well cannabis for sure is something we have to follow, especially in the United States and Canada. Other countries this conversation is non-existent but of course the United States drives a lot of what other countries all talk about in the next few years for sure. We're now following, trying to understand what the effects are on our business, on our consumers, on our occasions because some of the occasions are similar. We're also looking in a very detailed mode, we did it first in Canada and now in the United States, at the regulatory framework that will govern this kind of new industry and at this point the data is still very early to tell in terms of cannibalization. Some people say the biggest cannibalization will come from the illegal cannabis market. Some people say this will cannibalize beverages as well, alcohol beverages, so we will see. What we see is in the States they have legalised it three or four years ago like Colorado, because of so much influx of people searching that experience. It's very hard for you to isolate all the noise and really try to drive a conclusion. For sure there will be interference but for now we're just trying to understand how consumers will interact with that, following the regulatory framework very closely under which this business will operate. Eventually nationally or in some states of the United States, in Canada for sure nationally, but for now we're focused on our business and will continue to do so.

QUESTION 4: Just in the category expansion framework, how much of it is cannibalization of existing beer at the moment as opposed to spirits? So how much of the growth that you are seeing is actually just coming from the beer and not from other beverages at the moment and how do you address that and measure it and all these sacrifices that you're willing to make within beer, may be ahead of going after other categories? How do you plan that?

ANNE STEPHENS RESPONDS: So I think we do see as we develop the portfolio reasonably high degrees of cannibalization, but the value of putting in overlapping propositions is that they also develop and grow the category. So for example we can put in multiple premium brands but they do cannibalise from each other, they also bring up from the core so they increase our revenues and margins and in addition what they do is develop that premium segment of the market. So we have to accept reasonable degrees of cannibalization and in effect some of those make the impact on portfolios viable for retailers. So we also have to bear in mind that retailers need to make a margin and the combination of cannibalization from higher margin propositions and cannibalization from lower margin propositions, more likely within beer, makes the net effect positive for them. So the cannibalization is not all negative, there's actually quite a strong positive component to it.

CARLOS BRITO: I will say two things in complementing what Anne said. First I mean, when she says premiumization, as we've said here before, those are margin equative opportunities. So if they cannibalize our beer with a better margin, so be it. If we can avoid it, great, if it can all be incremental, but at least if it's cannibalizing, at least there's a higher margin. If it's coming from below in terms of affordability, that's why the local crop beer alternative exposed in tomorrow's presentation is a great proposition because you see in the presentation of Mozambique and Uganda that because of the tax breaks we get from local governments for developing local crops, turning subsistence farmers into commercial farmers in collecting taxes and things that were before all totally informal, is something that allows us to practice a lower out of pocket price to consumer, but it's to have a margin that's comparable to our mainstream business. So it's a way to tap into that without sacrificing the necessary margin. So you have the high end that's equative and the other one that might be slight discount in some countries, even the at the same average margin of the portfolio. And the other thing, if you look at the example of Argentina, that will come Thursday in the booths, you will see that's an amazing thing because for the last three or four years in Argentina we've been losing share in one specific occasion in Argentina that's called the "pre-party" occasion. Parties for young adults in Argentina, like in Brazil but even later than in Brazil, starts at like 02:00 am. And people normally gather in somebody else's house for the pre-party at 23:00 and then they'll go to the party at 01:00 am or 02:00 am. And in that occasion beer will be losing big time for Fernet - a vermouth that gets mixed with Coke or Pepsi and ice and you can have different blends and different techniques to blend that and it's very simple because you need one bottle of Fernet, one big bottle of coke a bag of ice and you can entertain twenty people, and beer was losing big time on that. We tried with different options in trying to get to that same type of occasion by designing products that were similar to the Fernet but we failed. We had Mixxtail that at first competed well but then it was not good at mixing and the whole thing was, ritual was about mixing. Then when we applied the category framework and tried to understand better occasion and consumer needs, we saw that the biggest barrier for beer, after you say it's kind of obvious, it was the packaging limitation that we had. Beer in Argentina is 90% plus sold in returnable glass, one litre or one point two litre bottle, which is a huge bottle. So for you to go to a friend's house with a whole bunch of those heavy bottles that needs to be returned afterwards, so what are you going to do once you go to the party, I mean that creates a problem as opposed to being part of the solution. So we went to the can alternative and designing multi-packs of cans and that solved the problem by itself. So the moment the design were designed for the occasion as opposed to just designing for the average of the occasion, we conquered back the share throat we had lost and today if you look in Argentina Fernet is losing big time in that occasion, because we dressed our offering to that occasion by understanding what consumers wanted, what the pain points were and we offered a solution as opposed to an average package that for 90% of the occasion are fine but for that occasion is totally inappropriate. So, that’s an interesting thing that you will see tomorrow.

QUESTION 5: Just coming back the category expansion, and clearly it’s been at the centre, who is accountable for the implementation of the category expansion at the local level and how do you think the capabilities of category expansion compare between ABI and SAB?

ANNE STEPHENS RESPONDS: Local market implementation is up to local market management and I think you're going to see that in a presentation tomorrow from the zone president, the full Mancom take responsibility for the development of the commercial practices that are required for category expansion. So it's part of our normal business planning process, it is not a separate intervention because it is the way that we are going to operate our portfolios for growth. And so the capabilities that are required focus on execution and delivery is embedded in our system, we have talented marketers because Miguel has been working on increasing creativity for a long time within the organization and David showed you the route to market development capabilities. So the organization morphs and learns so quickly across businesses, but it's embedded in the day to day of our organizations, it's not an intervention or a separate person in a business.

CARLOS BRITO: And this is just a complement, two things, there's a sentence that I like a lot that sometimes you see in innovation type conversations, which is the worst thing is to have a solution in search of a problem. So you like a pet project, you decide to invest in it because you think it's so cool, no consumers want it, because there's no pain points from consumers that that solution is going to solve the problem. When we saw the categoric expansion framework in the early days, and David was leading that effort along with us some other people on the commercial front, we identified that as being a solution that would solve a problem we had, a gap we had, and that gap was not only understanding the category but also finding a common language for the company to use. Because prior to that we had a lot of languages trying to do the same, but the whole company would say “no” this is marking language, no need for us to speak this language, that’s only for the marketing guys. The category expansion framework was so simple in a way, what's behind it is more complex but the way it expresses itself with the clusters, L1, L2, L3, it’s so simple and it makes so much sense and it came to solve a problem of common language that was adopted from day one very quickly. So today if you talk to procurement, supply, commercial, sales, market, everybody understands L1, L2, L3, that their function plugs into that occasion or need or consumer need that we're trying to solve for. So the language being unified was a big enabler for better conversations and more relevant questions, also to avoid the silo thinking. Because now people can connect easy because the language is the same, so that was a big thing. And the other thing of course is, and said before, is that in our company we believe a lot is centralization for the right things. So when we saw that model, that had been in the making for eight years or so, understand a category and the drivers in the clusters and how to grow adjacencies, but it was as Anne said sometimes on shelf, ready to be used but only a shelf, because the zones in the other company could opt out. When we saw that, we gently forced that through our zones. But because it was a solution to solve an existing problem, everybody adopted that because somebody said “I understand this, it’s easier, we remember it”. And I know my stake on this, I know what I can do from supply to help all that because I understand what we’re trying to solve.

DAVID ALMEIDA: I think one thing that’s very powerful as well, like when we first, every year we get our senior leaders together and eighteen months ago, right after the SAB integration, we organize a whole senior leadership convention around the kind of expansion model clusters and one of the big proof points is we had business units who had succeeded within each cluster sharing with us the best practice that helped them get there. So if you have a business unit that's presenting in a cluster and talking about for example the beer made with Cassava and how they help expand per capita by making affordable beer at a decent margin, that gets buy-in immediately. Everybody else in the same cluster as well, I want that because I saw the results, right. So we had brought models from each cluster to present and you get immediate buy-in because our people want to win. And when they see something good they embrace it because it is they who want to see how can it help them reach the results.

QUESTION 6: In terms of cluster three countries, where you have expanded category and product, have you seen any examples where in terms of cost efficiencies or working capital efficiencies, due to product expansion those ratios have weakened as you expand into new zones?

CARLOS BRITO: No quite the opposite, because when you think about it, what happened in Australia for example, was about resource allocation. It was all about you look at your portfolio today, where it sits, you look at where consumers are going in occasions of developing, you project two/three years to say this portfolio is not going to win two/three years from now. So in order to win two years from now given where things are going, I need to start making decisions and planting seeds today in shifting resources from Victoria Bitter, into Great Northern. Sometimes the money is the same, it’s just a question of you having the courage to allocate resources from something that will still be relevant in your portfolio but smaller to something, as David said, it could be a winning horse in the future but it needs some support and tender loving care. So it’s not necessarily new money, it could be new money as well, but it’s first and foremost about the portfolio choices and the resourceful allocation that follows. That’s the key discussion.

QUESTION 7: Maybe just to expand, so if you have more product category, it would be fair to assume the average stock turn would be slower for the retailer?

ANNE STEPHENS: It's not that we weren't seeking growth, so therefore we were proliferating our portfolios as was the competitors in our category. So that was already happening and you will notice the increase shown in the presentations. So it's not like we weren't adding SKUs, it's just that because they didn't have such differentiated jobs to do they weren't expanding the category. So the point actually is category expansion offers us the opportunity to focus on fewer things and drive them to medium level scale, which is really the sweet spot for profitability rather than to continue to keep trying, but overlaying things that do the same job. So it gives us the confidence to do what Brito says, which is pick our investments and focus on where the growth is going to be.

QUESTION 8: I'm looking at your press release on the different market managers who've moved around, changes to your leadership team, and I get the feeling that there's a lot of movement, rotation and I was wondering if you could just justify that frankly. I mean there's probably a case to be had you know, you can plot out certain learnings from one market and apply it to another one, but at the same time that may lead to short termism where a manager really wants to execute in the first one or two years rather than maybe the next five or ten years in that market. And also just the learnings that takes place. I mean Ricardo, it feels like he only just got here right, two years ago, it took him, I'm sure it took him a little while to ramp up that learning curve so why is only two years the right time for him and for your other managers? Does it really make sense to rotate people so quickly or is the right strategy? So why? Thanks.

CARLOS BRITO: Thank you. A couple of things, one of the things that we didn't mention is that one of the bi-products of this framework is that our three year plan process became more strategic as it should be. In the old days, our three year plan was really more like a budget process times three. And now with the category expansion framework, and this is the idea of portfolio management, where is it today as where it should be three years from now? The level of questions and the quality of discussions got much better and with that the plan that was established for one region is not subject to change every time. We saw that in the last two years. So the three year plan we did this year, was just an update of the last year's three year plan and that was the first time we did it. And the one year plan we did this year is the natural evolution of the first year of the three year plan, that was already an evolution from last year's three year plan. So things start connecting as opposed to starting from zero and now I have a roadmap to what I expect from that region because that region is in a cluster, that country is in a cluster and that cluster is in a mission and that cluster has specific KPIs and gaps that we are trying to close and no matter who the leader is today, I have a roadmap that guy is going to have to follow. Of course the new guy will have a different way of leading the team, will have a different opinions and make decisions slightly different, but now at least the road map's set. In the past the risk was much bigger because before, we had one year plans, when somebody new got there, we didn't have much of a framework to judge if that was a good idea or a bad idea. Of course common sense and judgement was always there but we didn't have the framework like we have today. So I think it's better. In terms of two years I recognize it's not ideal, on the other hand because the combination as we said here was going so well and because all the learnings we had, we felt it was time to streamline processes. We created three zones for integration, we felt the three zones were not needed any more so we went back to six management zones. And we also, we're always fighting this idea of bureaucracy, because we created this company being an insurgent. When we started with this business we were not market leaders anywhere. We're even, in Brazil for example where I started, we were a distant number two thirty years ago. Then we became market leaders, then we joined with somebody else and so on and so forth and we expanded. But even the markets we expanded, we were there with zero market share, with 3% market share and then we started and grew and sometimes acquired market leaders, so in today because we're market leaders in many of the main markets, we are always battling that we don't become incumbent, a typical incumbent with all the shortfalls that goes with that, we'd rather continue to be an insurgent in the mindset and this whole thing of fighting bureaucracy, taking people out of their comfort zone from time to time as part of their idea of continuing to be an insurgent, because that's how we built the company. And today that's something that's always top of mind. Bureaucracy is one of those things, I was going to say like hair but that doesn't apply to me, so like nails, it grows every day. So bureaucracy is one of those things that as a company grows, as complex it kicks in because of the footprint and all that, you have to watch it every day because it's one more report, one more meeting, one more this, one more level of approval, we take this opportunity now that the integration, which again is as I've mentioned the most complex one we've ever done, which forced us to create zones and all of that which we've never done in the past, now it's time to streamline it again and why wait another year? If we feel we are ready for it and we're excited about so many things that simplistic can bring to us, so we decided to go ahead and do it. Like anything in life it's never perfect, has always trade-offs, but the net benefit of that we bet is going to be very positive. Great question.

<u>QUESTION 9:</u> Just question for David Kamenetzky, about your tax policy, you put up the argument, it's almost a quarter of your gross revenue and I guess the three arguments you've had up there is the same ones the brewers have had the last twenty years more or less. And frankly the brewers aren't winning, even in markets where you are politically connected like South Africa, Brazil, it's been the last decade ahead of inflation, spirits companies are winning the equivalence arguments the WHO and IMF have their agenda in the emerging markets which are against your agenda. So what are you going to do differently that is actually going to influence these parties? So you are doing NABLAB but that's just going against the tide that is against you at the moment.

<u>DAVID KAMENETZKY:</u> Brewers have I would say, we haven't been very well organized in the last decade because of the competitive spirit in the industry. I think before, ten

years ago it was probably better. The last ten years the liquor manufacturers have been more focused on the equalization argument in United States for example. On South Africa, we're getting better organized as global brewers, we've had some wins for example in the United Kingdom, you see in the United Kingdom is the lower alcohol segment growing very fast because the United Kingdom has differentiated the alcohol taxation regime, we are engaging much more with health authorities around the whole topic of illicit alcohol, it’s getting, our feeling is it’s getting traction, but it’s true, we’re somewhat coming from behind. The industry woke up to this probably a little bit too late but we are trying to catch up. The arguments are very clear, so illicit alcohol has been enabled by very strong barriers. When you look at markets like India you see that, you see that in markets like here, it’s not good for health, so that’s an argument actually to reduce taxation or the starting point of taxation because you don’t want that segment to further grow. And then the WHO last year actually embraced the whole point of different shades of taxation as the WHO for the first time last year acknowledged that beer should be taxed lower than liquor so we’re trying to leverage that in our conversations and make that a part of our holistic strategy and also try to organize better as brewers, as part of all the elevating reputation of the category. But it’s very clear when it comes to category management the liquor players have been extraordinarily focused on this the last decade, while beer hasn’t been and so one of the big opportunities is for beer to turn that tide and try to regain ground in that area.

QUESTION 10: Do you believe the other brewers are in line with your thinking? Is it happening actually? It’s always been talked about and you have them all coming together once...

DAVID KAMENETZKY: We believe the other brewers are in line, absolutely. We believe the other brewers are in line with the thinking, at least we’re working on it. We think it’s a big opportunity, we’ve recreated the World Brewers Alliance, I don’t know if you’ve heard about it but it’s meeting again, it’s one of the key topics and we believe we have traction. I think differentiation will be a big topic generally, just talking about entering contentious territory but when you look at the rise of cannabis, it's also there, beer differentiation is going to be very important topic. And so generally between these categories as they are emerging, so be it beer, liquor, cannabis, ours is regulated from a health perspective, what claims can you make, taxation. These topics are going to be extraordinarily important for beer in general as cannabis is rising, as liquor's been trying to use this. So I think there's a lot of motivation for the global brewers to engage in the debate, especially now because of the cannabis conversation.

QUESTION 11: I have two questions, one is the 20% revenue for lower alcohol, no alcohol, how much is that organic or non-organic? And my second question is when I'm looking at the slides on the high end portfolio, I don't see the brand Beck's anymore and I used to see Beck's all the time on the presentation slides. So have you decided something which we are not aware of?

CARLOS BRITO: No Beck's, it's because we portrayed here in the high end, the global brands, which Beck's is not a part of, and the speciality brands, which also Beck's is too big to be a part of. So Beck's is what we call an international brand like other brands are. Like Brahma is in Latin America, it's an international brand locally, like Castle is here in Africa, it's a regional/international because it's sold in many countries but it doesn't constitute a global brand like others because it just doesn't have the same appeal to consumers around, many countries. So we have global, international and local. That's why it was not displayed here. The other question was about the 20%. So the 20% by 2025 NABLAB commitment that we have is organic or non-organic? The way we're going to measure it is the way we measure it today and I think it's seen in one of the presentations when we set this objective. 5% volume that we set out the objective we had in our portfolio 5% of the volume was NABLAB, today is more like eight and we will continue to evolve that and today we have five countries that are already between 20% and 50% of their portfolio and we named the countries here, it was Colombia, Panama, Ecuador, Australia and China. So those are the five countries that have already got to the commitment and even beyond that commitment.

DAVID KAMENETZKY: On the topic of cannibalization that was part of your question, what we've seen in Europe for example with the launch in Belgium is that 50% of the volume of alcohol now comes from beer drinkers and 50% from soft drinks. So going back to the point of occasions that zero beer suddenly is actually acceptable in soft drink occasions, so 50% we source there because you see it's relatively low in calories, has no added sugar, so it competes quite well against soft drinks.

DAVID ALMEIDA: And again if you go back to the cluster two gap that Brito talked about which is frequency right, 0.9 to you know 1.9 times per week, one of the big drivers there other than in home consumption, which cans are a big part of, is easy drinking beers. Right? So in order to get expansion without getting to a precise number of cannibalization, it is a driver of increase per capita as you bring more women in and more co-ed occasions into the category to drive beer growth. So easy drinking beers are a huge part of that and NABLAB helps the business at higher margins.

DAVID KAMENETZKY: It's the key power growth behind our business in the United Kingdom on our opening slide the business in the United Kingdom is very vital and very vibrant because you have Bud Light, Bud Prohibition, Corona, these are all lighter beer brands.

QUESTION 12: Just a quick question on category framework and how adaptable it is within markets because clearly parts of a market or a city develop at a different rate in the country overall. You talk about how you can push that down and you can develop specific cities within a country relative to looking at a single country?

ANNE STEPHENS RESPONDS: So we do that in big markets where a city strategy makes perfect sense. But I want to emphasize that there is definitely a national dimension to portfolio development. So it's a combination of having the right national portfolio and then playing it correctly depending on the maturity of the individual geographies. So we see markets, Brazil for example and definitely China, that stretch all the way across the maturity levels, but you need a national portfolio that can help you stretch and diversify it so more variety in the high end and some affordability products that might be geographically constrained.

MIGUEL PATRICIO RESPONDS: You are right – for example the Northeast of Brazil is L1 while Sao Paulo is L3. We try to have a national strategy and then adapt to the cities where necessary.

DAVID ALMEIDA RESPONDS: One of the beauties of the model is that we can based on what we know and we've seen happen, for example on L3 models, we can make sure that as markets develop from L1, L2, they develop in a way that's favorable to us. So for example a chart that we showed for example the craft breweries, you know, we saw what happened with specialities in craft in the United States and other markets we were able to anticipate those trends, went out and acquired multiple you know, craft breweries and really positioned ourselves to if that wave comes, we're in a great position to take advantage of that, So that's one of the big things. For example we know the future is here, just unevenly distributed. So Nigeria for example, it's a C1 market, but still the high end there, we have an opportunity to shape the high end, it's a segment that exists. So even to see the market we're still going to take advantage of our brand portfolio to develop it but it's not going to be potentially our number one priority, we have priorities before that.

QUESTION 13: Just a question on David's presentation on the sales and distribution side. Does this sort of efficiency and digitization mean that you can reduce the number of sales guys, the actual guys that are customer facing? Is that some kind of efficiency you can get? And maybe a follow up to that would be in your experience with SAB, big SAB markets like SA and Colombia, do you think they would, think they had too many sales guys?

DAVID ALMEIDA: Actually, if you look at South Africa and Colombia, SAB really inspired us. We had begun thinking about telesales and moving forward, we're in a way very much wedded to a model from the past that got us to where we are. The traditional sales rep, for those of you that went to visit the market in Brazil, the morning meeting, the sales rep visiting, right, we fell in love with that and the world was evolving around us, we were starting to move but as we saw integration we went to Colombia for example, we saw the CIC and for example that was the first CIC within SAB, the first telesales operation, so they actually inspired us to take the risk and move forward, South Africa and Colombia have been moving very quickly since we accelerated our plans as a result of what we saw at SAB. Now on the total cost, the total cost package is more cost effective, so you basically have telesales or able to call on more POCs per day for the transactional activities you may have BDR's for example to the sales reps who maybe visit fewer accounts but they could be supplemented for example by merchandisers who go and do the merchandising activity. So net-net by segmenting the process and having telesales operators who are doing the brunt of the calls and really taking the orders and taking B2B for example, really simplifying the orders, in the end you can have a total cost package which is much more effective than our old model.

QUESTION 14: Coming back to the commercial strategy, the short one which you or the quick one which you describe are in terms of the pack in Argentina. I'd imagine there are quite a few of those around, but for the longer term success of the category expansion framework and building brand equity, pulling brands apart, does it mean that you need to firstly adjust KPIs to allow for slower and more medium term measures to come in? And then related to that, does it mean that you need to have better commercial talent in countries if you need to execute these things on a national basis rather than a cluster or a zone or something like that?

CARLOS BRITO: Those are all good questions and very relevant because one of the things now because of the clusters we have, we'll now have what we call entity targets that before were like the same for all countries. Now we have segmented by cluster. So depending on the mission of the cluster, I expect in terms of targets different things. So that's already a reflection we have in different clusters. The other thing is that, and David touched on it as well, as we understand the drivers in each cluster, so affordability, availability, cooler placement, those will, then you go country by country in that cluster and within those drivers of affordability, availability and cold beer, you see where the country is, where the average of order and the best in class in that cluster, you establish a gap to be closed using a tool kit that's available, derived from the best in class in that cluster did and learnt and that's going to be part of the targets for the commercial people in that market for example. So that's the way to segment things so that they're more relevant to that cluster, to that mission, and to the time in terms of maturity that that market is at as opposed to doing something on average that could make more sense here but no sense there. So that for sure is part of it. The other question you asked is, that with this reorganization that we're doing, in some key markets we're creating the commercial leader for the market, which connects sales, marketing, high end and corporate affairs in that market, but only for the main markets. because we think that gives a lot of agility speed, it gets a decision making closer to the action and that's one of the things we're promoting that's not as visible in the communication but something that's been promoted as, in this reorganization we announced. As we take the zones down they're going to be bigger, so the Zone President will have different roles and the BU leaders will be in the commercial and will have more of a commercial role.

QUESTION 15: Brito, can you talk more about within all these strategies in terms of expansion and category framework and portfolio management, about the differences in implementing this in the market like the United States where you only have 10% distribution and you have to go through wholesalers, and then in Brazil and Mexico where you have distribution of 85% or so. The reason I ask is because you talked about Montejo a while ago, with Estrella Jalisco, and nothing happend in the Mexico portfolio in the United States. And the reason I ask is that Molson Coors now has Sol, a product which to be honest when they announced it I laughed, and now I see the brand in quite a few places and they're sharing distribution with Constellation and Heineken with Tecate and here they are getting pretty good distribution so talk about how aligned is your wholesale in the United States and how difficult, if there is difficulty, is implementing all these initiatives in that type of structured market?

CARLOS BRITO RESPONDS: Wholesalers are never a barrier when you have good ideas. Whenever you have good ideas, wholesalers are totally into it because our interest are totally aligned. When you think about wholesalers in the United States, we have close to 90% of the AB wholesalers in the United States carrying out, 90% of their volumes is our brands. When you look at the competitive network, it's much less. Our network is very aligned with the things we bring to market because 90% of what they do is what we provide. And now we're more and more developing things together. So you talked about the Mexican brands that are starting from zero, like Estrella Jalisco, being very localised in the South-West, I can give you many other examples of things that are working really well through the same wholesaler system. I can give you the Budweiser Reserve series that work really well, I can give you the Bud Light Orange that worked really well, I could give you Michelob Ultra Pure Gold that worked real well, all this year and they're all top innovations in the United States by IRI. If I'm not mistaken, three out of the top five innovations in IRI this year to date has been our innovations. Whenever we have good ideas the wholesalers jump all over it and they implement it beautifully. Which forces us to be good at insights and providing solutions to existing pain points and needs and occasions that are growing the marketplace and not just forcing whatever we think the market needs. So I think that keeps us much more on our toes in the sense of trying to be better as a company, understand and get closer to consumers. And a lot of what the category framework does as well is a lot of portfolio choices in which the wholesalers are not necessarily and they will never be a barrier to decisions. So if we decide to support more of this brand or that brand, of course we and our wholesale panel discuss that with them, but this is more a decision in terms of portfolio choices for us.

DAVID ALMEIDA: Building on the above point, one of the things that we've had because we were under pressure in the United States, was this excessive sense of urgency, right. So talking of Estrella Jalisco that we brought in and we tried to take it everywhere. So something like category expansion and the strategies that Michel and his team has allows us to test and learn from different things. So before we go bigger with the brand, we are going to pilot things in the different markets to see what really works and what fits with the category expansion theory. So on Estrella Jalisco, we decided to retrench and focus the brands in the markets where it makes sense for that brand to be and in that market it's actually doing well, right. So those are things as category expansion, helps us think about innovation and really test and learn, pilot things before we go big on something, let's make sure that it's ready for prime time.

QUESTION 16: I would like to ask a question about your locally sourced beers? Impala and Eagle were both SAB innovations using Cassava and Sorghum respectively. Can you talk about where you're looking to do that more globally? Perhaps you could be more specific about which geographies there's an opportunity to leverage locally sourced grains? And then a question for Tony because I don't think he's had one, can you maybe give us some colour on where you are in terms of locally sourcing? I guess it varies massively by geography, but what is the range of locally sourced products you use and what is your target long term? Thank you.

DAVID ALMEIDA RESPONDS: Just on the Cassava product, I won't get into specifics but you know, we talked about clusters within clusters, so we're working very advanced, and this is actually a big source of pride for us. So we saw the local barley, the local cassava type products two years ago and within six months other zones kind of geared up very quickly and we're basically ready to launch in Brazil, in one of the markets in Brazil on a product that is inspired by what went on there. So in other Latin American markets we're considering it, but we'll see something soon in Brazil related to that.

QUESTION 17: Is that corn based and do you get an excise break on that?

DAVID ALMEIDA: I won't get into the detail but it's not corn based. It's actually Cassava based.

TONY MILIKIN RESPONDS: I appreciate the question. So yes, I think our focus is about local production. In every place around the world the bottom line is shipping say barley around the world, it's just really expensive. And so if you look at Corona, I just give you that in Mexico, most of all the grains are actually coming out the North-West of the United States. What we've done now is we've shifted almost 70% to be locally grown there. And so we're trying to actually get to 100%. If you look here in Africa, unless we're having a shortage of water, we want to produce here. We have a commitment with the government to produce it here and actually export when we can. If you look at Australia, it's 100% there. The one thing you have to think about is hops, but hops is actually a small amount of spend for us, there's really only four growing areas around the world, we're in each one of those. So whether it's in Argentina, here in South Africa, whether it's in Germany or in the North-West part of the United States, we're doing that. About 65%/70% of our hops we actually grow to ourselves and we buy it from brokers otherwise. So everything which you think about our product is grown locally, almost all situations unless we just can't grow it. So maybe Nigeria where we don't have the ability to grow barley, we will have to import just because of the location. The other thing that Pete and I worked on, he talked about was barley research, we talked about 1 400 different crosses, it takes about seven to eight years to actually come out with an approved variety of barley, but the real key there is that we're actually trying to grow barley or do crosses that actually then can grow in places like India. So we're shipping seeds in from say the United States to India so we can help 10 000 share, small shareholders grow barley there. Our goal is obviously to grow locally instead of importing it.

CARLOS BRITO: If I could complement, the one thing we like to think as a group is that our business is very community linked. Think about this, compare beer to an iPhone. An iPhone is designed in Cupertino, California, produced somewhere in Asia and sold in 200 countries around the world. So if they're selling iPhones in South Sudan and South Sudan has a problem with hard currency and they can't pay for the iPhones, they'll sell in the neighbour country over Uganda or Kenya. If we have, as we do, a brewery in South Sudan and all a sudden the community is not thriving and we have issues, we have to close down the brewery and those assets will stay idle there. What I'm trying to say is that because of the nature of our business, we're very connected to the communities in which we have our assets. So we need a sane, a healthy environment because no water, no beer, no quality farming products, no beer and we cannot import water so we have to use local sources, so we have to interact with the community so the community is environmentally sound. And we have to have a community that's thriving economically so they can afford our products and our assets make sense or our business makes sense. So we're very connected to communities. And the more we localized grains, the more we're supporting that community. So when we do a local crop beer, we're supporting guys that today are subsistence farmers that are not in the consumption market, they're not consumers because they're in subsistence, you're making them to be commercial farmers. The government likes it, commercial farmers like it, now they have more money for their families and they have money to consume and buy our beers. We like it because we help in the community in which we have our investments, in which our own colleagues live. So it's a very different business model. The iPhone may not connect us to the community, we are totally connected to community in terms of economically, how that community is doing and in terms of environmental because of water and grains.

TONY MILIKIN: Let me add on just a little bit. I told you about Mexico. The reason Mexico wasn't, the barley farmers weren't being successful there is the seeds were 20 years old. So the DNA of a seed very rapidly drops off. So we introduced between Pete and I, we introduced different varieties, gave them fresh seeds. We also, when we went there, the bottom line is they basically had a sack of seeds and were distributing the seed on a very basic level. Now I've got to tell you, that's really good for feeding birds, it's not really good to sowing seeds. So we gave them the equipment. We worked with the Zacatecas government, they actually in conjunction with them, to give them the equipment. So if now if you're in Zacatecas which is our largest brewery there that Pete runs, if you go there you actually see the farmers, you actually see the combines with Corona and the different brands that we have. That's our equipment that we've given to the farmers and they're working it back to get to us. But the whole thing is they're also, we've given varieties that don't need as much fertilizer, that don't use much nitrogen. Why? It's from a sustainability standpoint, it runs off and clogs up and kills the aquatic life. We've helped them now with don't till, we've given them all these things and so those are there. We take basically from the United States farmers, we call it Smart Barley. So now we have the technology, we work with all the farmers that work with us around the world, we give them data. So if there's a farmer say in Russia, same latitude as say the farmer in Idaho, they can basically exchange best practices. So they are actually learning from what's going on in the United States. Also down here you can compare that to another place around the world so it helps these farmers. The one thing I know about farmers, they're incredibly competitive and they want to have the best yield and they want to make money, and I think that's what Brito is basically saying through our technology and our help and our agronomists, we want them to make more money, we want them to get as much yield out of their field and why? It's very simple, so they'll actually keep planting. If we don't, soy bean, wheat and these other cash crops will replace us.

CARLOS BRITO: And the other thing Tony, if I could, back to your question Tristan in terms of comparing beer and how successful or not we are in terms of tax conversations compared to wine and spirits? Wine tends to be much more successful. One of the reasons being, because of this perception, it's also reality, but people perceive it much larger as the impact they have on farmers. And because farmers are powerful anywhere in the world, wine gets a lot of advantage from that. So many place's excise tax for wine is zero like Argentina and like many countries in Europe and for beer and spirits they're not zero, they're very high. The other day when talking to the government in Argentina it occurred to us, to try to sum up and to have the data of the amount of acreage in Argentina that's dedicated to beer raw materials compared to grapes. And guess what? We had more acreage by a large amount compared to grapes. But guess what? Nobody knew that, not even us. So now we're letting government officials know in Argentina from the provinces that we are also very important to farmers and therefore if they want to protect farmers they should think of beer as well. Different in hard liquor that comes from abroad that doesn't really impact acreage. So that's another dimension that we need to be much better at. We need to identify what's our impact on acreage and how big we are compared to grapes with farmers and then we need, it's a multi-year thing, we need to bring that to the forefront, to the attention of the public in general, to government officials, so if they want to talk farmers, they talk grapes but also they talk barley and wheat and hops and so many other things.

TONY MILIKIN: I mentioned Zambia has a bank key, as a block chain application we have. We have 1 000 farmers already, it's only since June, and what it is all about is giving the farmer economic identity. If you think about the farmers, there are 2.7 billion farmers right now that are under banked or they don't have any banking at all. And so through Bill Gates and his foundation, we're working with a start-up right now, now given these bankers an opportunity, so they're not going to an aggregator, an aggregator's the one that pulls them all together, takes the profit that they should get, now through blockchain we're identifying directly to them, paying them directly. It's given them an economic footprint and identity which then allows them to build up their credit and then banks will actually take them seriously. So we're starting there, we look at, there's a lot of countries we can apply this to, so if I'm working with 10 000 share croppers, small shareholders inside of India, there's another huge opportunity. So we're thinking about all this, about local and I think Brito's 100% right, if you think about all the farmers around the world that have economic clout as well as political, and so it's all in our advantage.

QUESTION 19: You haven't, you've barely mentioned in India today except in the answer I think on local sourcing, now India is small today for you but huge opportunity of course long term. So how does India fit within what we've been talking about today in terms of developing your portfolio there over time?

CARLOS BRITO: Well yes, we couldn't tell you everything today but India, of course a different level we're excited about. Let me give you the reason for it first. We've been doing business in India before this combination, but it was all in the high end and we had like a 2% share, we had two breweries. And we were capped at capacity. And to build a brewery, a new brewery in India can take eight to ten years because of all the licenses. So we were always running against that issue. With the combination with SAB, all of a sudden we had 16 breweries, we had 22% market share, the portfolio they brought was more core and value but we lead the high end in India and we believe that India can be the next China and Miguel can talk about it because he was in charge of India together with China when he was there for many years in China in the zone APAC.

So we believe that India has an amazing story to be told, of course there are barriers in terms of permits and terms of restrictions to alcohol distribution, in terms of one or two states that are dry but they are small, demonetization that we had a year and a half ago or two years ago, but the fact of the matter is that growth will happen in India, the government wants to make India more business friendly and the young consumers are looking for moderation and beer is growing and there's a huge opportunity for our high end brands and super premium brands. And now with 16 breweries we don’t need to go for permits anymore because we have the breweries, now we just need to convert that portfolio that has a very low margin contribution, but gives us a scale of access to, what we did in China, to a portfolio that's much more creative to margins and much more interesting in terms of growth, because that's where consumers are going. So India, very high on our agenda as well because now we have the scale, we have the capacity, we have the portfolio but we didn’t have the capacity, now we have a portfolio and capacity and we have to convert that portfolio to a more high end portfolio.

<u>QUESTION 20:</u> Is that conversion a work in progress?

<u>CARLOS BRITO:</u> Yes totally, because now we're in the process of adapting all the 16, but not all, but the main ones, to produce Budweiser. Because you need specific equipment for Budweiser. But bring in Corona also adapting for Stella and certify all this breweries to produce our global brands, Hoegaarden as well, so we can have local production because it's a market that even with a low per capita multiplied by a billion plus people, it's already a sizeable market in many ways. And you don't need to be in the whole country, if you’re in five or six provinces, you cover 90% of consumption.

<u>MIGUEL PATRICIO:</u> I would just add that yes, in India Budweiser is delivered in the premium segment, volume wise and sales wise but also image wise, it is a brand that is growing a very healthy way and very fast. I managed Asia Pacific for five years when we had huge growth in China and I can see Budweiser in India today, what Budweiser

was in China ten years ago. A lot of similarities. Actually we've been copying the model that we had in China in India, really dominating the high end night life and so we are ready to grow. Of course there are still a lot of, India is very complicated from a regulatory stand point. As you can imagine, specifically on beer but the change in India is so fast, the country is changing so fast that we are ready for those changes to come to the beer industry as well to accelerate even further the growth.

LAUREN ABBOTT: Okay, thank you everyone.