What's Brewing Seminar

HEINEKEN Europe

Rediscovering growth

25 NOVEMBER 2016 | LONDON

HEINEKEN

Disclaimer

This presentation contains forward-looking statements with regard to the financial position and results of HEINEKEN's activities. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements.

Many of these risks and uncertainties relate to factors that are beyond HEINEKEN's ability to control or estimate precisely, such as future market and economic conditions, the behaviour of other market participants, changes in consumer preferences, the ability to successfully integrate acquired businesses and achieve anticipated synergies, costs of raw materials, interest rate and foreign exchange fluctuations, change in tax rates, changes in law, changes in pension costs, the actions of government regulators and weather conditions. These and other risk factors are detailed in HEINEKEN's publicly filed annual reports.

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Market share estimates contained in this presentation are based on outside sources such as specialised research institutes in combination with management estimates.

Stefan Orlowski

2015	President Europe
2013	President Americas
2009	Managing Director HEINEKEN UK
2007	Group Commerce Director HEINEKEN
2005	Managing Director Central & Eastern Europe
2003	Chief Operating Officer Brau Union
1998	Sales Marketing & Distribution Director Zywiec, Poland

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"There are no mature markets, only mature mindsets."

- Theodore Levitt

HARVARD UNIVERSITY

Summary

- ✓ Europe is an attractive beer and cider market showing growth, especially the premium category
- ✓ As the leading brewer in Europe, HEINEKEN is ideally placed to capture this opportunity
- ✓ Our Strategy to Win and European footprint optimises global scale whilst retaining a strong local presence
- ✓ Europe is delivering increasingly attractive returns for HEINEKEN

Agenda

Europe: setting the scene

Strategy to win in Europe

Footprint and strategic advantages to win in Europe

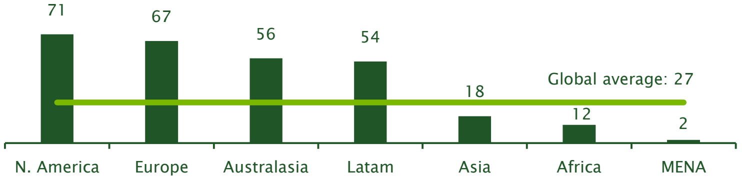
Europe - positively contributing to HEINEKEN

Summary

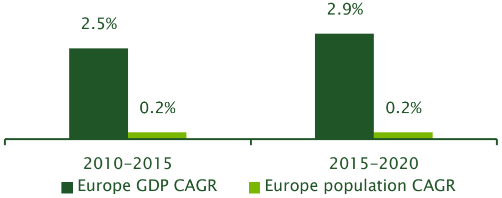
Europe – stabilisation of volumes after years of decline; value opportunities

1) Europe is a large beer market of 396mhl (20% of global volume) with high per capita consumption

Beer per capita consumption 2015 (litres)

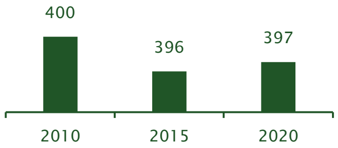


3) Population growth stable but GDP per capita expected to accelerate…

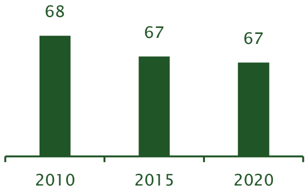


2) Beer volume and per capita consumption have declined but now expected to stabilise

Europe beer volume (mhl)

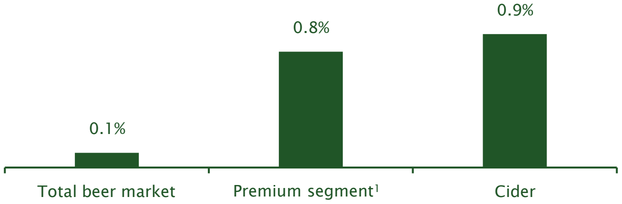


Europe per capita consumption (litres)



4) … creating pockets of growth

Europe volume 2015-2020 CAGR



Source: Canadean, note Europe as defined by HEINEKEN unless otherwise stated

[1] Premium segment as defined by Canadean >=115 price index for Western Europe and Central and Eastern Europe

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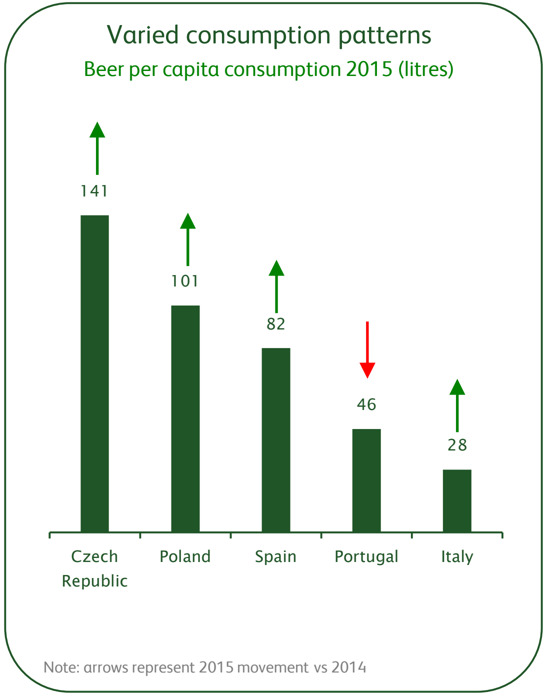
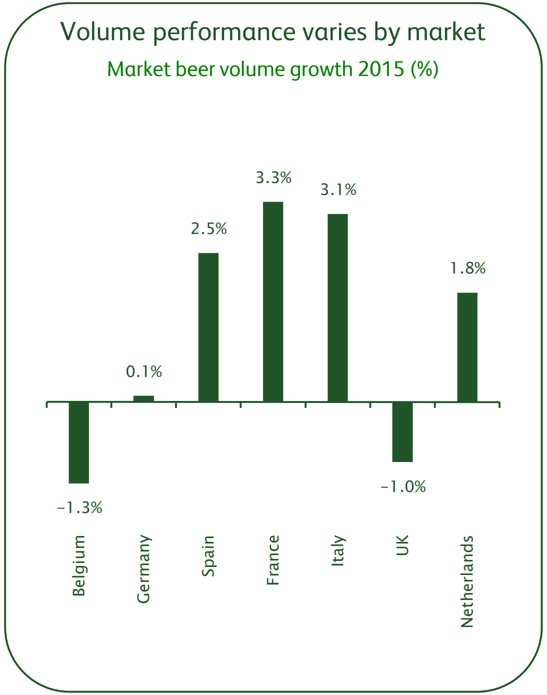
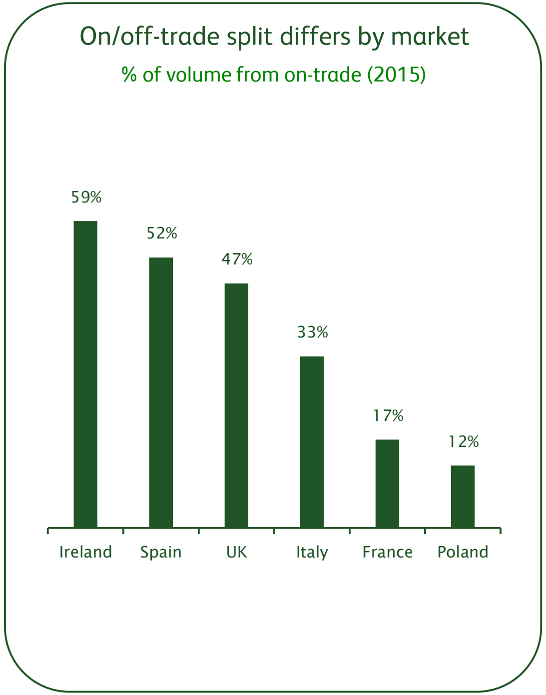
Notable differences within markets…







Source: Canadean

..and with new challenges and opportunities emerging

- Changing political environment
- Highly competitive retail landscape

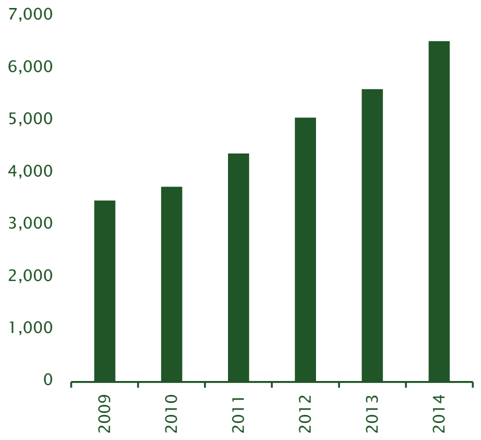
- Consumer demand for variety
- Increasing presence of craft

- Increased digitalisation
- B2B and B2C

B2B – Business to business; B2C – Business to consumer

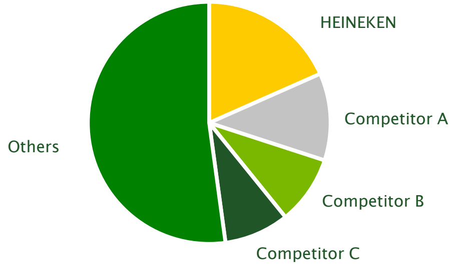
HEINEKEN has the leading market share, despite increased competition

Number of active brewing companies in Europe[1] has increased



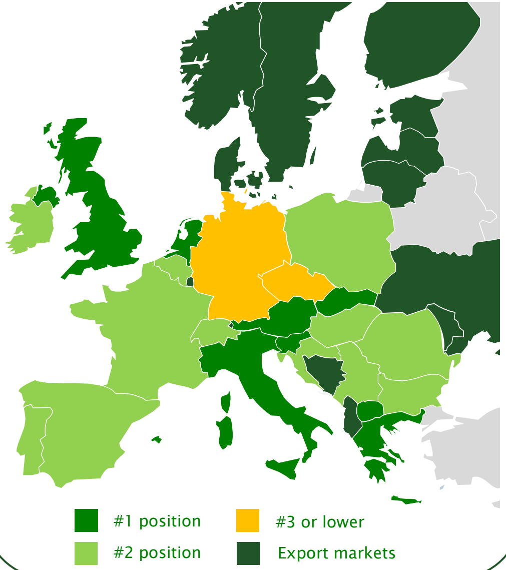
HEINEKEN is the leading brewer in Europe…

Europe[2] beer volume market share 2015



… with strong positions in its largest markets

HEINEKEN beer volume market share 2015



Source: Canadean

[1] Source: National brewers' associations, total EU 28

[2] Europe as defined by HEINEKEN

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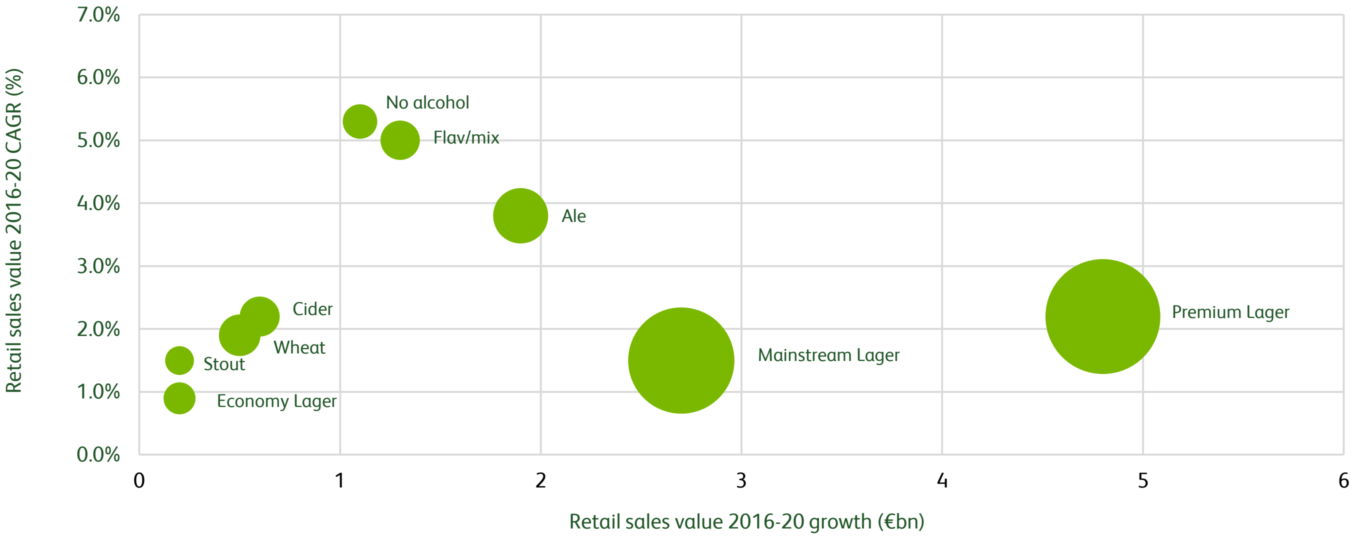
The European beer market is expected to grow, especially premium and specialty

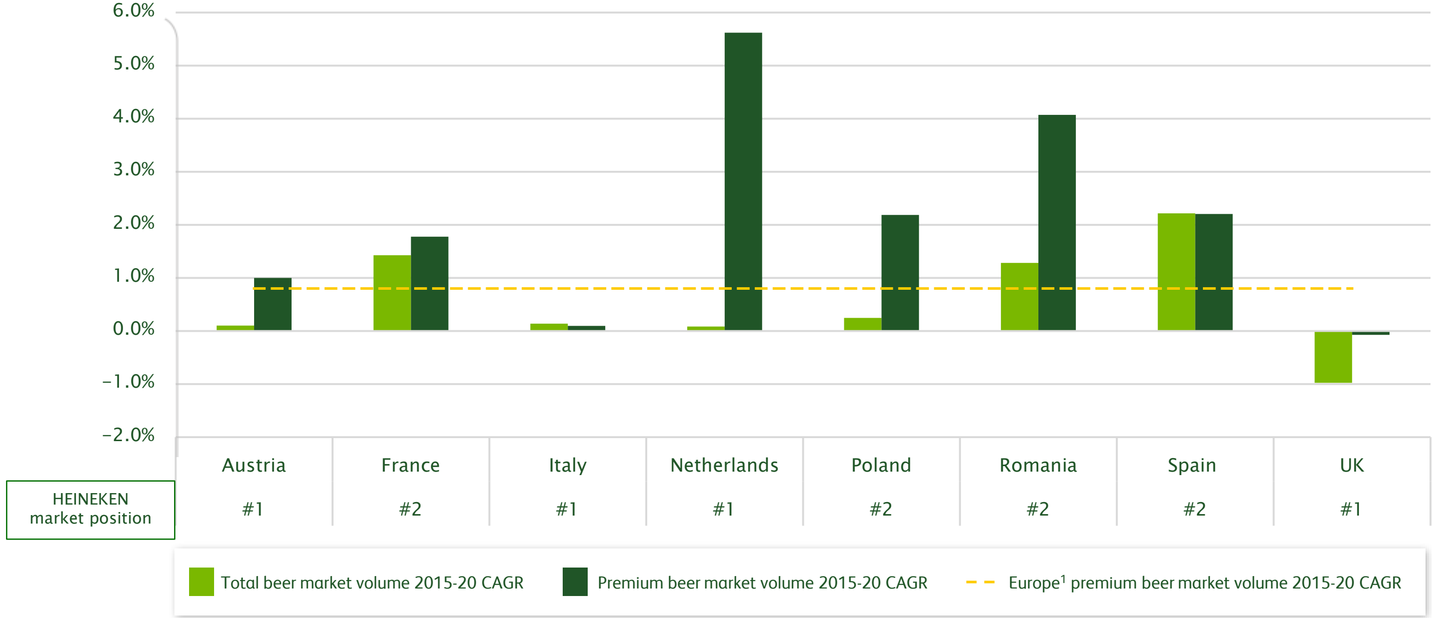
Expected growth by category (bubble represents current category size in €bn)



- European retail sales value CAGR of 2.3% expected over 2016-20
- Specialty categories show the highest growth percentages
- Premium Lager expected to generate the largest contribution in absolute value

Source: Canadean, Euromonitor
Markets included in analysis: Austria, Belgium, Bulgaria, Croatia, Czech Republic, France, Germany, Greece, Hungary, Ireland, Italy, Netherlands, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Switzerland, United Kingdom

Premium beer is expected to outperform mainstream in our largest markets



- Our largest 8 markets represented 75% of HEINEKEN Europe volume in 2015
- In 6 of the top 8 markets expected premium volume growth is ahead of the European average
- HEINEKEN has #1 or #2 position in the 8 largest markets shown

Source: Canadean, HEINEKEN

[1] Premium segment as defined by Canadean >=115 price index for Western Europe and Central and Eastern Europe

Agenda

Europe: setting the scene

Strategy to win in Europe

Footprint and strategic advantages to win in Europe

Europe - positively contributing to HEINEKEN

Summary

Europe: a significant contributor to HEINEKEN

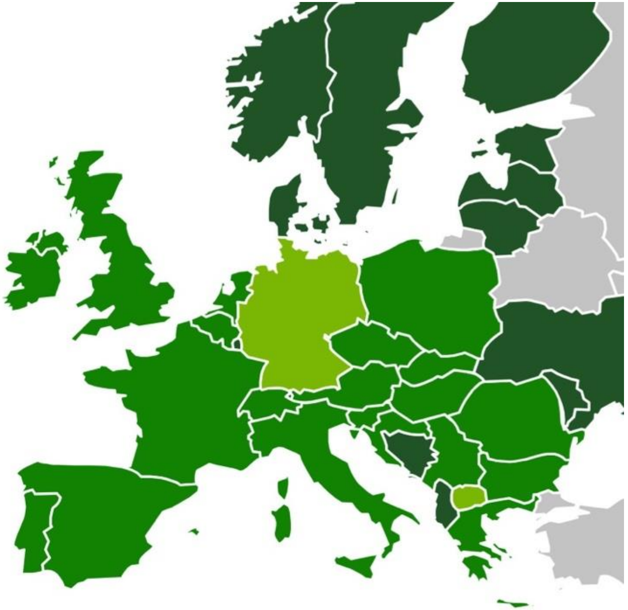
25
OpCos

55
Breweries

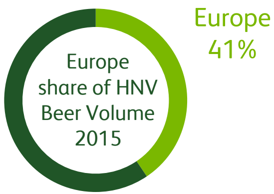
2
Designated cider plants

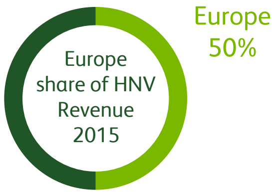
232
Brands

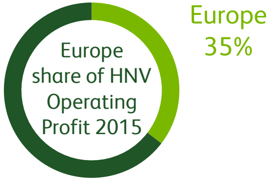
28,000
Direct employees



HEINEKEN OpCo | Joint Venture | Export markets







Source: Company data
OpCo: Operating company

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Strategy to Win in Europe

WIN IN PREMIUM, LED BY HEINEKEN® 1

SHAPE THE CIDER CATEGORY 2

LEAD BY COOL MARKETING & INNOVATION 3

People

4 BE COMMERCIALLY ASSERTIVE

5 DRIVE END2END PRODUCTIVITY

6 BREW A BETTER WORLD

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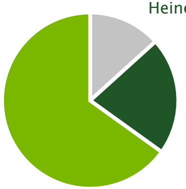
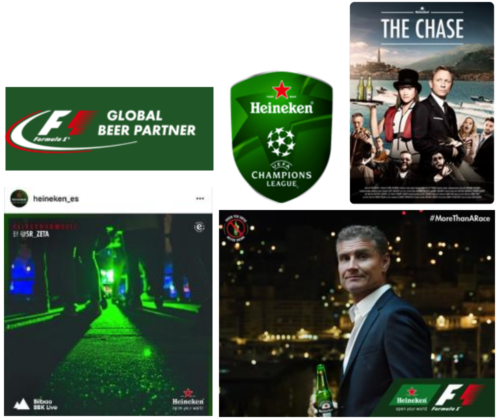
Heineken® a clear #1 in premium, and continues to grow

- Largest premium brand in Europe, with a strong regional footprint
- Growing in both volume and value
- Heineken®[1] and other premium brands are c. 30% of HEINEKEN Europe's volume



Supported by a strong innovation agenda

Unique leverage from global assets and sponsorships



Source: Company data, Canadean
[1] Note excludes the Netherlands

UEFA Champions League sponsorship: a unique global asset

- UEFA Champions League (UCL) watched in 200 countries
- Global audience 1.1 billion
- HEINEKEN UCL campaign activated in over 100 markets in 2015
- Positively impacting brand awareness:
  - 68% millennials think Heineken® fits UCL match nights perfectly
  - 58% millennials when drinking beer during match night always drink Heineken®

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Leveraging scale and footprint to drive international brand growth

- High growth premium portfolio[1] complements the Heineken® brand
- All brands with own distinct brand identity satisfying different consumer needs

Driving outperformance in Europe

Examples of International brands in practice[2]

Desperados
Tequila flavoured beer
Sold in 27 markets
4-year CAGR 8%

Affligem
Belgian Abbey beer
Sold in 21 markets
4-year CAGR 12%

Strongbow
Flagship cider
Sold in 31 markets
4-year CAGR 12% (excl. UK)

Lagunitas IPA[3]
US craft beer
Sold in 7 European markets during 2016 (UK, France, Italy, Netherlands, Ireland, Sweden, Denmark)

[1] International brands all positioned in premium outside of their home market
[2] Brand data refers to Europe region
[3] 50% partnership with Lagunitas

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Leveraging local brands to capture value in premium

Leveraging domestic premium

Zywiec variants

Reached 7% of volume of regular Zywiec

Rediscovering hidden ‘jewels’

Sagres Bohemia

Exceeded 1% of volume of regular Sagres in first year of launch

Premiumising strong mainstream proposition

Birra Moretti Regionali

3% of volume of regular Moretti

Premiumising mainstream cider

Strongbow: Dark Fruit and Cloudy Apple

Dark Fruit 35% and Cloudy Apple 4% of regular Strongbow

Source: Company data

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Innovation expanding the category and driving growth

SHAPE THE CIDER CATEGORY 2

LEAD BY COOL MARKETING & INNOVATION 3

Cider

- Comprehensive portfolio with a premium price point[1]
- Award winning quality
- Extensive R&D capabilities
- More attractive cost structure following supply chain development
- C. 0.5mhl in Europe (excl. UK)
- European cider market expected to outperform beer 2015-2020 (Canadean)

Low and no alcohol[2]

- C.5% of Europe's consolidated beer volume
- Double digit volume CAGR over the last 5 years
- Satisfying increased consumer demand for health and moderation
- Capturing consumers from outside traditional beer category
- Attractive expected growth profile

Source: Company data

[1] Excluding Strongbow UK

[2] Low and no alcohol has alcohol by volume of 3.5% or less

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Driving end to end productivity with Global and European scale

Driving the end to end mindset

- Driving E2E mind-set:
  - not looking at cost in isolation, looking across the whole business and relationship with revenue
  - room to reduce costs to increase efficiencies
  - identification of costs which will drive margin expansion
  - resulting margin benefit
- Driving out bad complexity
- Leveraging European and global scale (talent, shared services, IT, procurement, brewery footprint, e-commerce)
- Enhancing functional productivity everywhere

Cider European wide launches

- Pan European roll-out of new cider concept
- Leveraging global scale and local knowledge
- Using existing returnable bottle types
- Advertising: using central designs and communication
- Affordable premium positioning

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Driving sustainable growth through Brewing a Better World

Reducing Energy (CO_2) Emissions

Global 2020 target:

- Reduce CO2 emissions by 40% in production vs 2008

Europe:

- First large-scale zero carbon brewery in Göss, Austria
- 4 wind turbines supplying 43% Zoeterwoude brewery's electricity

Sourcing Sustainably

Global 2020 target:

- Source 50% of raw materials[1] from sustainable sources

Europe:

- Sustainable Agriculture Initiative platform
- Local sourcing initiatives:
  - Italy: Moretti Radler made only with Italian lemons
  - Austria: all barley home grown in Austria

Advocate Responsible Consumption

Global 2020 target:

- Make responsible consumption aspirational through Heineken®

Examples:

- 10% total media spend on dedicated Heineken® responsible consumption activations, e.g. "When You Drive, Never Drink"
- Creating a taste for no- and low-alcohol brands

[1] In scope are barley, hops, cider apples, fruit concentrates, sugar, rice, sorghum, wheat, maize

Heineken® F1: Breaking new ground in responsible consumption

- F1 sponsorship announced in June 2016
- Global audience 400 million in 2015
- Reinforces commitment to responsibility in an innovative and compelling way
- Sir Jackie Stewart campaign ambassador
- Communication of 'Enjoy Heineken® Responsibly' programme and 'When You Drive, Never Drink' message

Agenda

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Strategy to win in Europe

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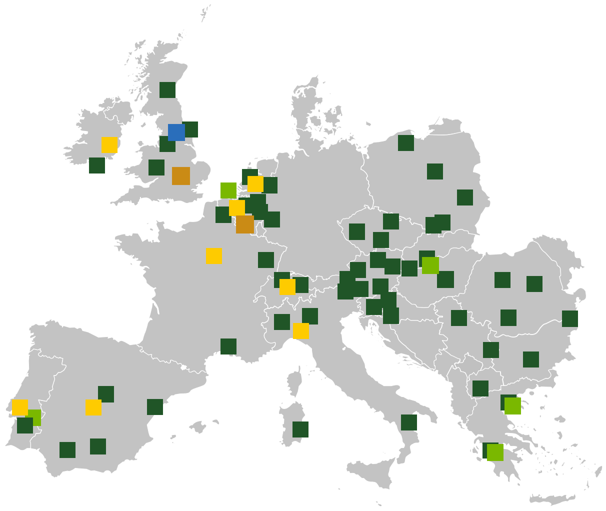
Summary

The right brands and brewery footprint to capture growth

Heineken® the only truly Global brand in the world

International brands:



Brewery	Cider Plant	Pub Company	
Malting Plant	Wholesale		

Extensive rationalisation over the last 15 years having closed 42 breweries

Domestic leading brands and local jewels:

Optimal footprint balancing global scale and local presence

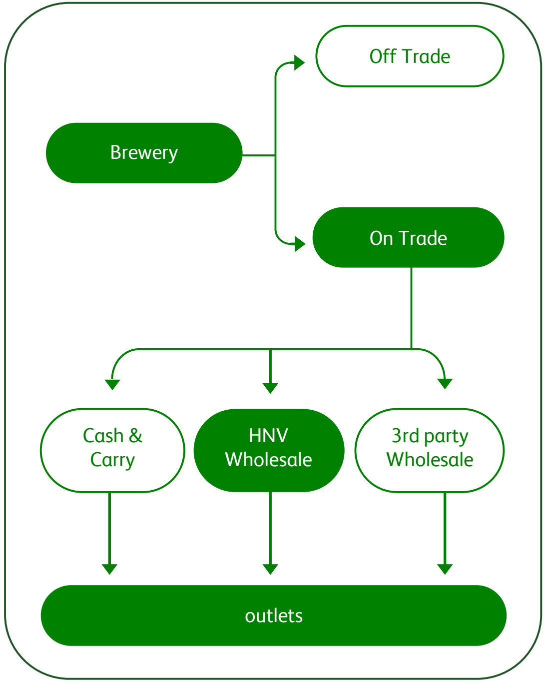
Leveraging global Scale...

- Global and International Brands
- Global Brand assets and sponsorships
- Global Procurement
- Financial Shared Service Centre covering 23 operating companies in Europe
- Global IT service
- Global Talent Pool

... whilst retaining local presence

- Emphasis on maximising and capturing the opportunities with local brand relevance
- Close to local consumer through local execution
- Agility at country level to adapt to changing consumer demand
- Innovation adapted to local market where needed

Wholesale in selected markets increasing customer and consumer proximity



Source: Company data

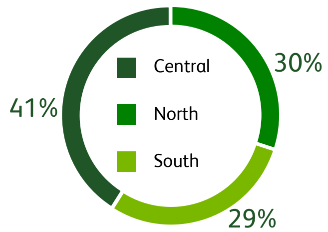
- Wholesale operations focused on on-trade service and particularly draught
- Wholesale directly serving 35% of total HEINEKEN outlets in Europe
- c.€3bn revenue and low single digit margin

- Providing synergies with commercial brewing operations:
    - Ability to seed and roll out innovations quickly
    - Reliable and secure access to markets
    - Draught operations
    - Consumer touchpoints
    - Talent

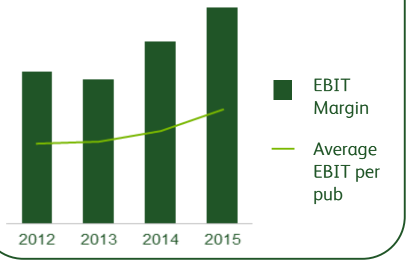
Star Pubs & Bars strategically important in the UK

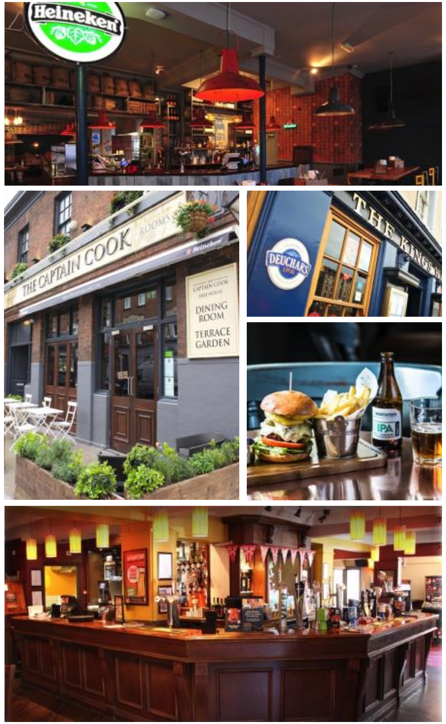
- Unique UK market characteristic
- C.1,100 leased and tenanted pub estate widely spread across the UK
- Predominantly freehold assets, high quality portfolio, well invested and managed proactively
- Strategic benefit:
  - Synergies with on trade brewing operations
  - Unique consumer touchpoints
  - Unique platform for seeding innovations
  - People and talent
- Delivering sustainable and attractive profit margin and cash return to HEINEKEN

Star pub estate is widespread across the UK



Continuing to increase margins and EBIT





Source: Company data

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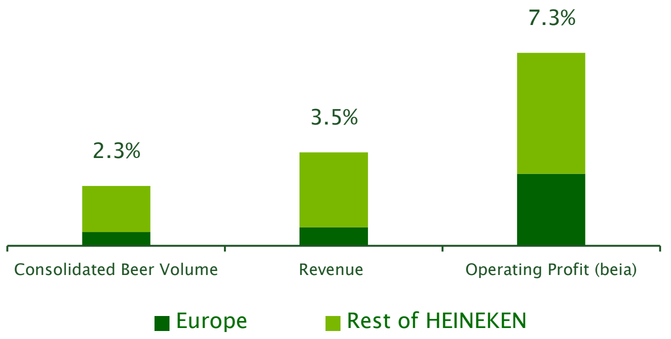
Summary

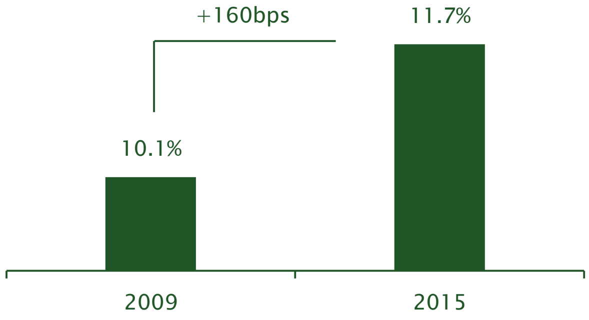
Europe is positively contributing to HEINEKEN performance and margin improvement

Improved performance in Europe is driving balanced growth at HEINEKEN

HEINEKEN 2015 organic growth



Europe Operating profit (beia) margin[1]



2009 - first full year following acquisition of Scottish and Newcastle

[1] Restated for 2009 using revised Europe definition following reorganisation in June 2015
Source: Company data

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