# Full Year Results 2010
# London, 16 February 2011

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Full Year Results 2010
London, 16 February 2011

# Full Year Results 2010
# Heineken N.V.


**Jean François van Boxmeer**
Chairman of the Executive Board/CEO

**René Hooft Graafland**
Member of the Executive Board/CFO


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# Jean François van Boxmeer

## 2010: Strong results in a transformational year

# 2010: A transformational year

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Strong progress made

- Expanding strongly into emerging beer markets through completion of FEMSA Cerveza transaction
- Shifting prime focus towards volume and value share growth in Europe, whilst maintaining tight cost discipline
- A more globalised approach to the management of the Heineken brand
- Redesigned operating principles to leverage global scale
- New, integrated approach to sustainability “Brewing a Better Future”

# 2010 Operational highlights

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Progress in all areas

Strong performance:

- Organic net profit growth of 19.7% in challenging but improving environment
- Heineken® grew 3.4%, gaining share in IPS

Operational programmes delivering strongly:

- TCM contributes €280 m pre-tax in 2010
- FOCF €2 bn, Net debt/EBITDA (beia) 2.2x, target achieved
- Improved profitability of acquisitions, particularly UK

Sound performance of FEMSA Cerveza:

- Strong pro-forma EBIT (beia) growth 44%
- First €42 m cost synergies realised

# 2010 Performance highlights

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Strong 19.7% organic increase in net profit (beia)

| (mhl / €m) | 2010 | 2009 | Change | Organic change |
|---|---|---|---|---|
| Group beer volume | 192.3 | 159.1 | +21% | -1.7% |
| Consolidated beer volume | 145.9 | 125.2 | +17% | -3.1% |
| Revenue | 16,133 | 14,701 | +9.7% | -2.2% |
| EBIT (beia) | 2,608 | 2,095 | +25% | +8.6% |
| Net profit (beia) | 1,445 | 1,055 | +37% | +19.7% |
| Net profit | 1,436 | 1,018 | +41% | |
| Free operating cash flow | 1,993 | 1,741 | +14% | |
| Net Debt / EBITDA (beia) ratio | 2.2x* | 2.6x | | |
| Diluted EPS (beia) in € | 2.56 | 2.15 | +19% | |

*Including FEMSA Cerveza on a 12-month basis

# Transformed emerging market exposure

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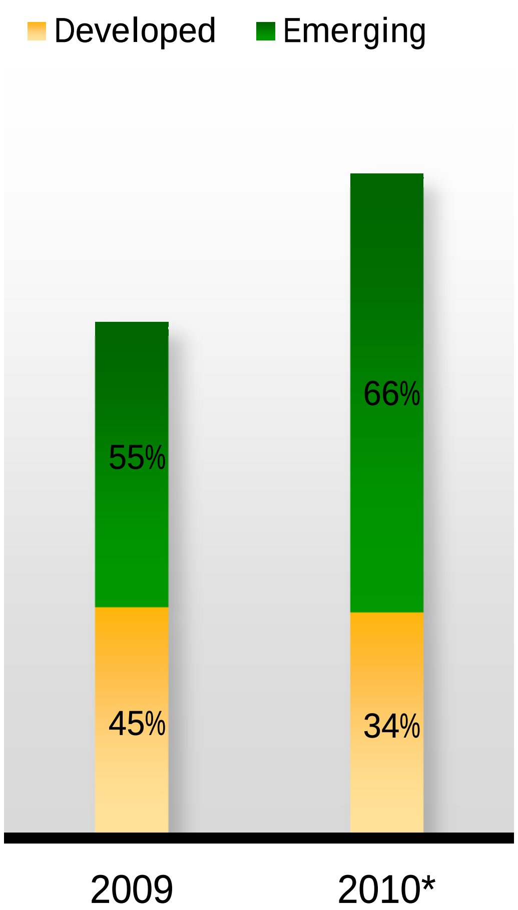
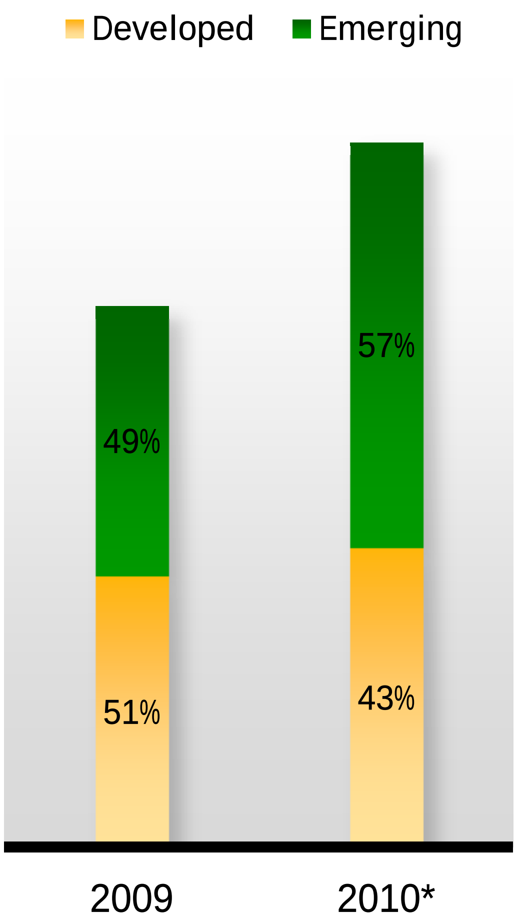
Emerging markets represent 57% of EBIT (beia)

Group Beer Volume




*Incl. pro forma 12 months FEMSA Cerveza

EBIT (beia)




* Incl. 100% JV's and 12 months FEMSA Cerveza

# Strong platforms for future growth

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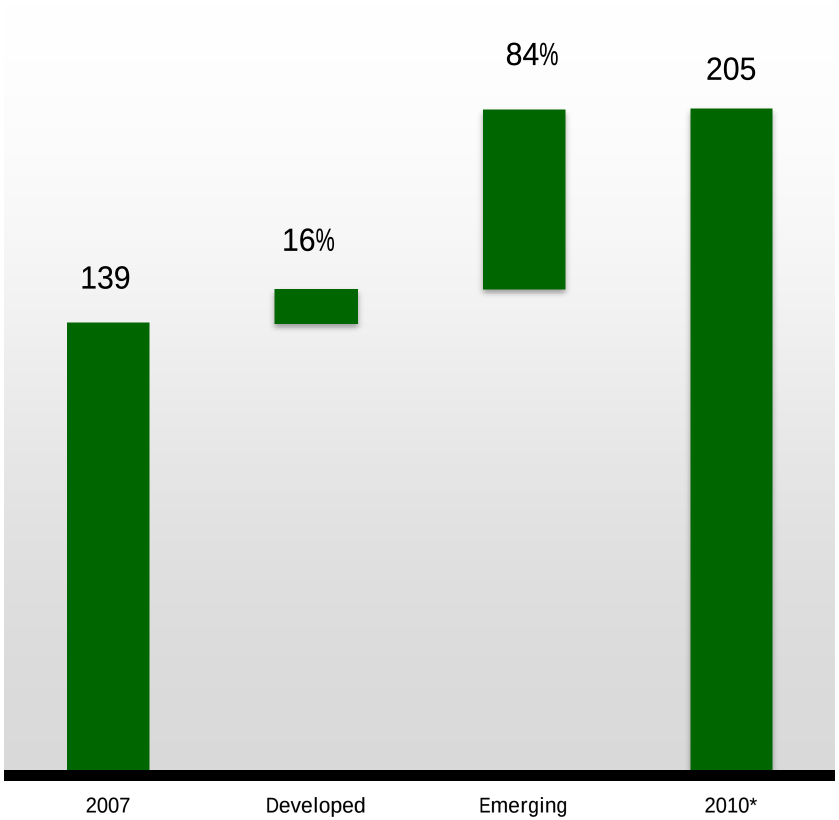
Acquisitions and organic growth increased emerging market exposure

## Group beer volume increase 2007-2010




*Incl. pro forma 12 months FEMSA Cerveza

# Heineken® again outperforms portfolio

Heineken

## Strong growth in Africa and Asia

Consolidated beer volume versus Heineken brand volume in IPS (organic growth %)

| **Region** | **Cons. volume** | **Heineken ®** |
|---|---|---|
| Western Europe | -3.6% | -0.7% |
| Central & Eastern Europe | -8.6% | -7.4% |
| Americas | -2.5% | -1.4% |
| Africa & Middle East | +9.7% | +16% |
| Asia Pacific | +4.0% | +18% |
| Total | -3.1% | +3.4% |

- Heineken® premium volume grew 3.4% to 26 mhl
- Strong performances in France, Vietnam, South Africa, Nigeria, Taiwan and Brazil
- New global brand campaign launched

# Western Europe

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## Strong EBIT (beia) and operating margin growth

| (mhl/€m) | 2010 | 2009 | Change | Organic change |
|---|---|---|---|---|
| Group beer volume | 45.7 | 47.4 | -3.6% | -3.5% |
| Consolidated beer volume | 45.4 | 47.2 | -3.7% | -3.6% |
| Revenue | 7,894 | 8,432 | -6.4% | -4.6% |
| EBIT (beia) | 904 | 792 | +14% | +17% |
| Operating margin | 11.4% | 9.4% | +200 bp | |


- EBIT (beia) and operating margins improved substantially
- Strong cash flow generation
- Largest contributor to TCM savings: 51% (€144 m of total for 2010)
- On-trade still affected by economy and adverse weather in some markets
- Strong profit growth in the UK

# Central & Eastern Europe

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## Mixed operating performances

| (mhl/€m) | 2010 | 2009 | Change | Organic change |
|---|---|---|---|---|
| Group beer volume | 49.4 | 55.1 | -10% | -7.5% |
| Consolidated beer volume | 42.2 | 46.1 | -8.5% | -8.6% |
| Revenue | 3,143 | 3,200 | -1.8% | -6.6% |
| EBIT (beia) | 363 | 389 | -6.7% | -11% |
| Operating margin | 10.9% | 11.6% | -70 bp | |


- Performance adversely impacted by excise duty increases in Russia and Greece
- Other markets increased EBIT (beia)
- 39% contribution to TCM savings (€108 m of total)
- Volume growth in Romania, Austria, Serbia, Germany and Belarus

# Leveraging Leadership in Europe

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Increasing future marketing investments, value share and returns

- Segmentation, Premiumisation and Innovation
- Growing Heineken®
- Extending the premium portfolio with higher margin products and pack types
- Investing in and growing key local brands
- Increase focus on modern trade
- Focus on wholesale profitability
- Ongoing TCM costs savings and H4C2 cash flow generation
- Drive efficiencies through scale

# The Americas

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## Robust profit growth of FEMSA Cerveza

| (mhl/€m) | 2010 | 2009 | Change | Organic change |
|---|---|---|---|---|
| Group beer volume | 47.2 | 18.7 | +152% | +0.4% |
| Consolidated beer volume | 37.9 | 9.4 | +301% | -2.5% |
| Revenue | 3,431 | 1,541 | +123% | -3.1% |
| EBIT (beia) | 651 | 273 | +139% | 9.8% |
| Operating margin | 16.8% | 13.3% | +350 bp | |


- FEMSA Cerveza performed well:
  - Increase in pro forma EBIT (beia) of €121 m
  - Better pricing
  - €42 m cost synergies
  - Strong volume growth in Brazil
- Heineken USA depletions decline in line with market
- Organic EBIT (beia) and volume growth in Caribbean, Chile and Argentina

# New markets Mexico and Brazil

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Delivering on the promise

Cerveceria Cuauhtemoc Moctezuma

- Successful integration
- Delivered EBIT (beia) and cash flow ahead of plan
- Cost synergies €34 m delivered, ahead of plan
- Defined new portfolio strategy with regional focus
- Developed new, value focus strategy for NECs
- Tecate Light, Dos Equis, Bohemia, Indio growing
- Heineken® to be launched in March

Heineken Brasil

- Exceptionally strong market growth
- Cost synergies €8 m delivered ahead of plan
- EBIT (beia) positive
- Portfolio strategy based on regional mainstream brands and national premium brands
- Heineken, Kaiser, Bavaria all growing

# Africa & Middle East

## Continued strong growth

| (mhl/€m) | 2010 | 2009 | Change | Organic change |
|---|---|---|---|---|
| Group beer volume | 25.7 | 23.5 | +9.4% | +9.1% |
| Consolidated beer volume | 19.1 | 19.8 | -3.8% | +9.7% |
| Revenue | 1,988 | 1,817 | +9.4% | +13% |
| EBIT (beia) | 549 | 485 | +13% | +10% |
| Operating margin | 26.2% | 25.9% | +30 bp | |


- Strong volume growth across the entire region
- Largest contributors were Nigeria, DRC, South Africa, Egypt and Burundi
- Robust growth of Heineken and Amstel brands
- Acquired 5 Sona breweries in Nigeria in 2011, alleviating capacity constraints and strengthening production footprint

# Asia Pacific

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## Strong performance of markets and joint venture operations

| (mlh/€m) | 2010 | 2009 | Change | Organic change |
|---|---|---|---|---|
| Group beer volume | 24.3 | 14.4 | 69% | +6.2% |
| Consolidated beer volume | 1.3 | 2.7 | -50% | +4.0% |
| Revenue | 206 | 305 | -32% | +6.4% |
| EBIT (beia) | 122 | 103 | +20% | +44% |
| Operating margin | 21.2% | 23.7% | -250bp | |

- APB reported strong volumes and earnings. Guangzhou, China brewery on stream
- MBI (Indonesia) and GBNC transferred to APB joint venture, reducing consolidated volume and operating margin
- UBL India included in 2010 group volume. Grew volume by 27% and contributed €9 m to net profit
- Heineken® volume grew 18% with strong growth in Vietnam, Taiwan and China.

# Brewing a better future

Heineken

## Commitment to sustainability

- An integrated 10 year programme

- 3 strategic imperatives
  - Continually improve environmental impact
  - Empower people and communities
  - Make a positive impact on the role of beer in society

- Quantified targets including:
  - 40% reduction in direct/indirect $CO_2$ emissions in our breweries by 2020
  - Senior management incentive
  - By 2015 all operating companies will publish their own sustainability report
  - New suppliers' code to drive common goals between Heineken and its suppliers

- A better environment, higher revenue and reduced costs

# Outlook 2011

Heineken

Investing in value growth

- Volumes expected to grow in Africa, Asia and Latin America
- Cautious on beer consumption in Europe and USA
- IPS expected to continue to outperform overall market
- Performance of acquisitions in last 3 years will continue to improve
- Shifting prime focus in Europe:
  - higher marketing and innovation investments
  - driving long term volume and value share growth
  - but affecting profit development in the near term
- TCM to contribute incremental savings but at a lower rate
- Low-single digit increase in input cost, mitigated by higher selling prices

# Commercial

# René Hooft Graafland

# Relentless focus drives strong results

# Revenue up 9.7%

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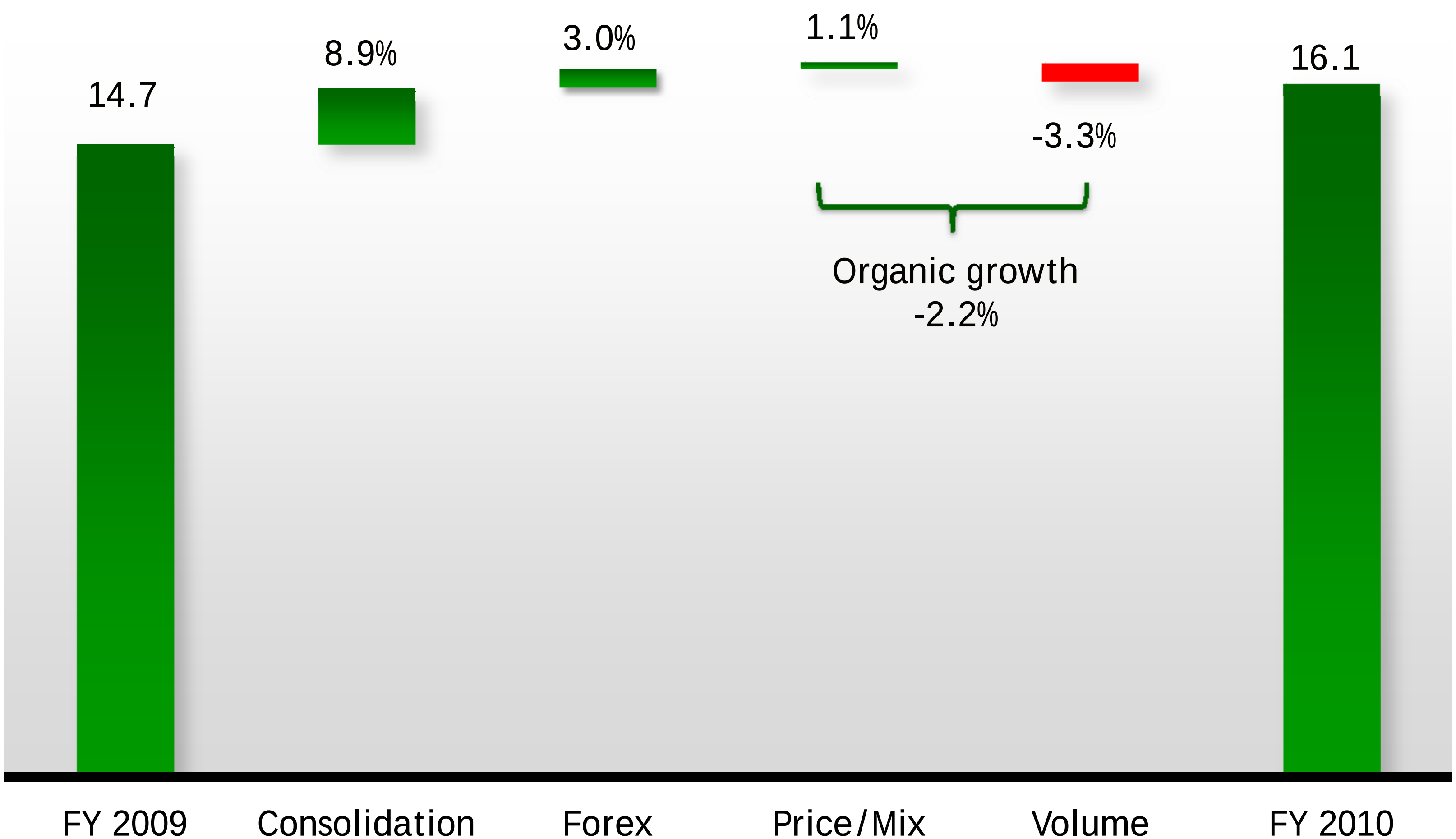
FEMSA Cerveza significantly increases scale

In €bn



# EBIT (beia) up 25%

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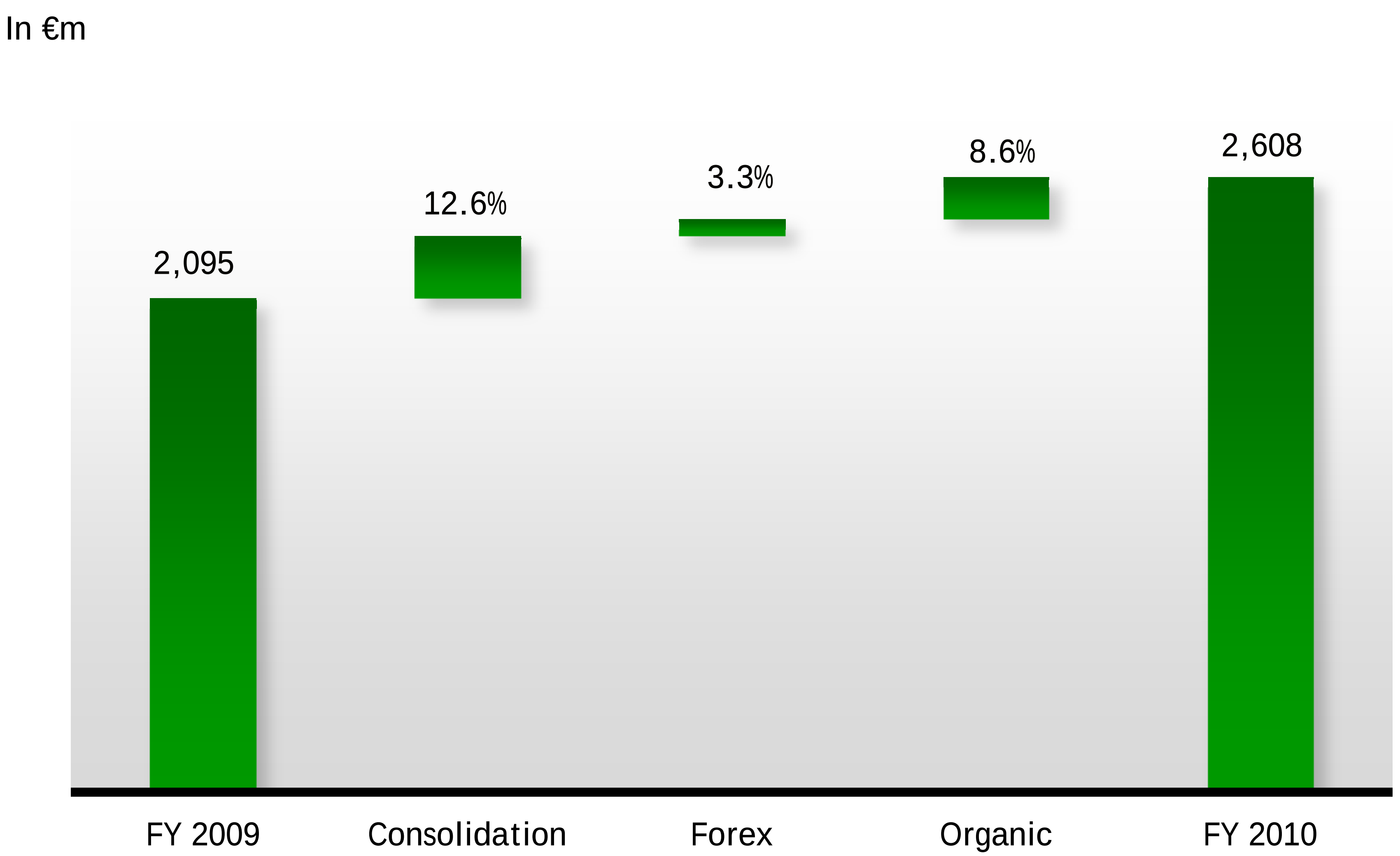
8.6% organic EBIT (beia) growth despite challenging markets



# Our value strategy continues to work

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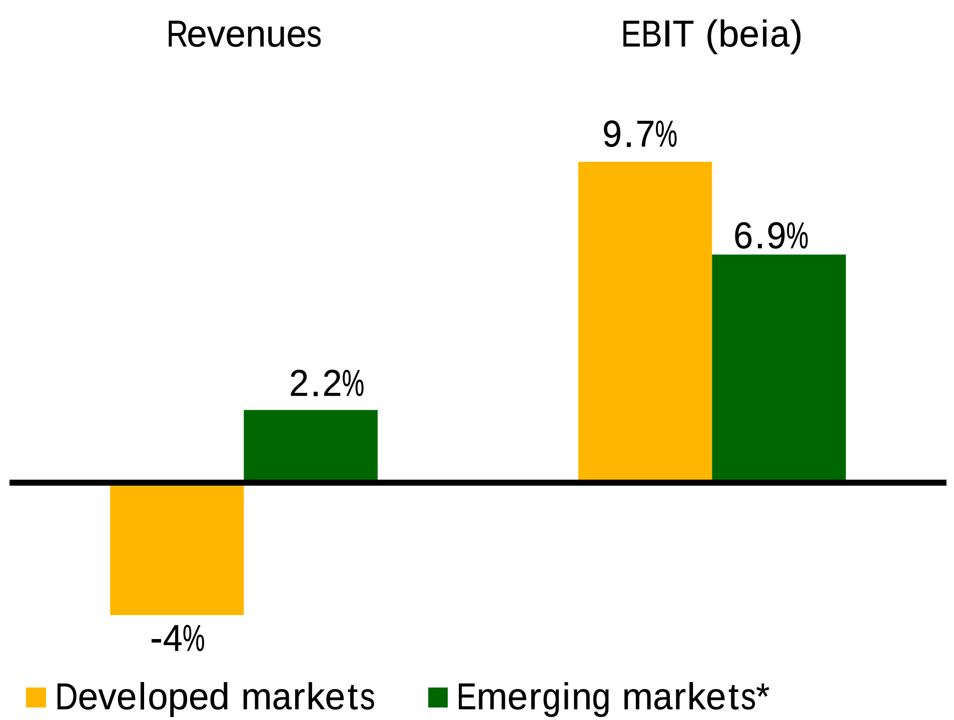
## EBIT(beia) growth in emerging and developed markets

Organic Growth




* Including Russia

- Emerging markets outperform in organic revenue growth
- Developed markets outperform in organic EBIT (beia) growth
- Our value strategy works in emerging as well as in developed markets

# Robust organic net profit (beia) growth

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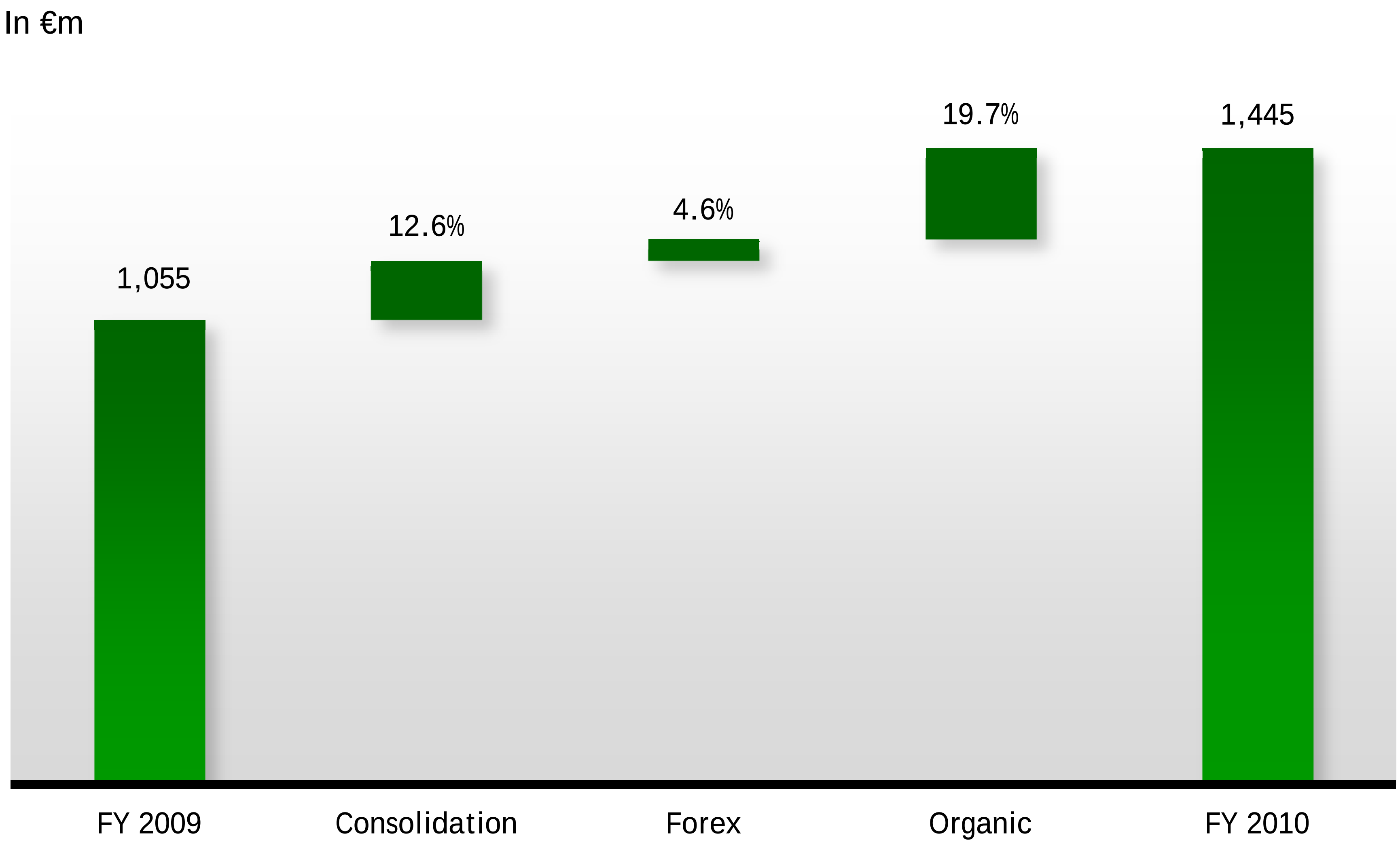
Net profit (beia) up 37%



# Significant contribution of FEMSA Cerveza

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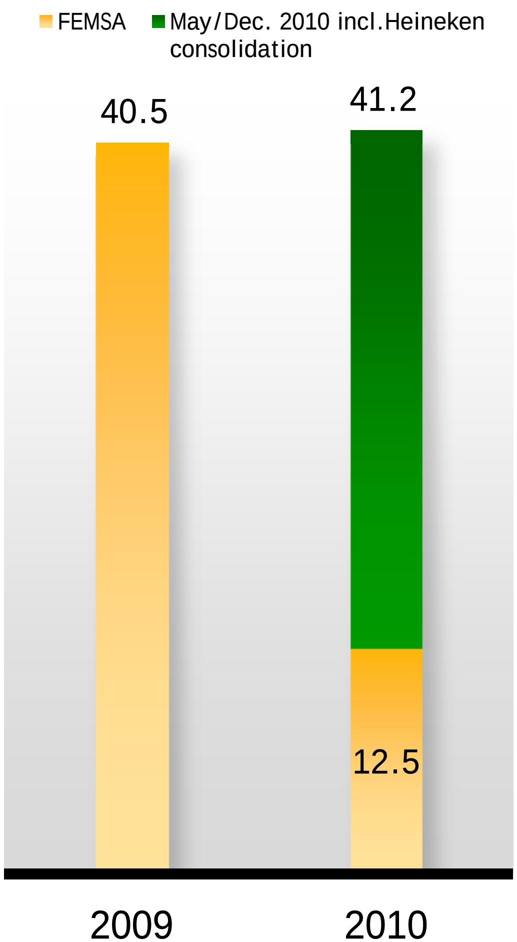
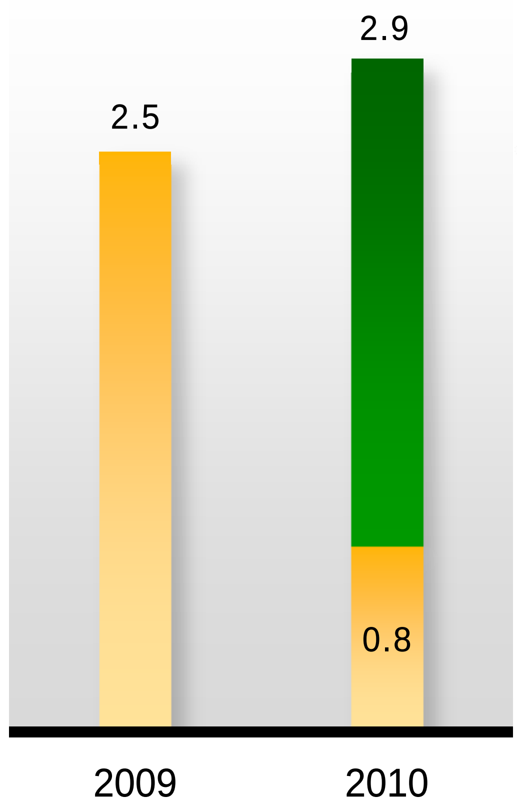
Pro forma EBIT (beia) grew 44%

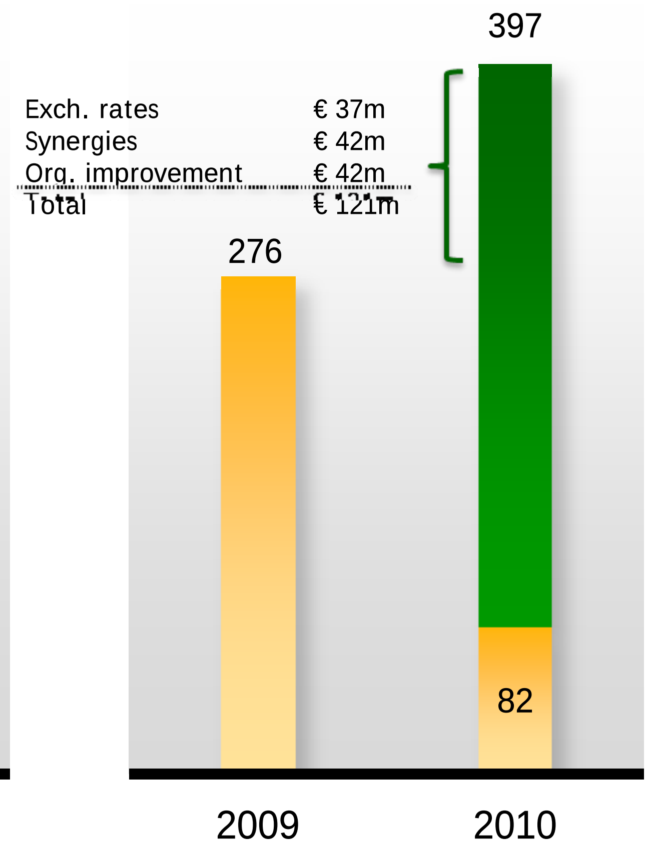
### Volume (in mhl)




### Revenue (in €bn*)




### EBIT (beia) (in €m*)




* Exchange rate MXN/€ 16.6 for 2010, versus 18.8 in 2009

# Solid contribution of TCM

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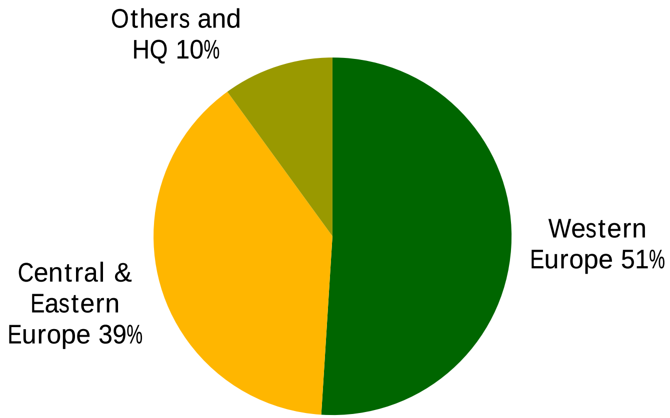
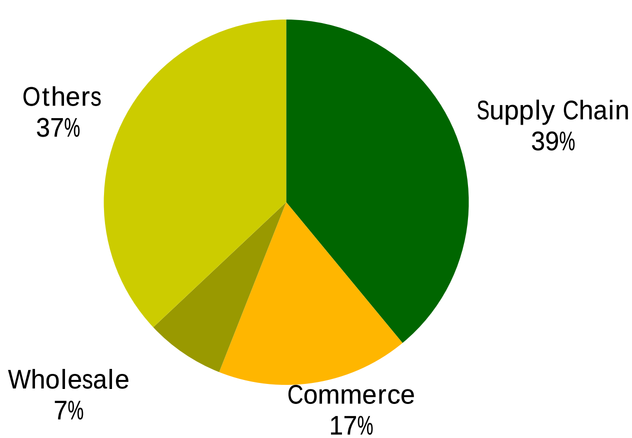
Europe contributed 90%

Regional split




Functional split




- Cumulative savings 2009-2010: €435 m
- TCM pre-tax 2010 savings : €280 m
- Related exceptional costs in 2010: €39 m
- In 2011 savings will be lower than in 2010
- Main savings realised in 2010:
  - 5 brewery closures
  - Better efficiency in supply chain in Romania, UK, Czech Republic and Finland
  - Streamlined commercial organisation in several countries
  - Harmonised merchandise material, lower draught beer costs in Europe
  - Reduced non-product related expenses in Western Europe

# Sound cash flow generation

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Long term Net debt/EBITDA (beia) target achieved ahead of schedule

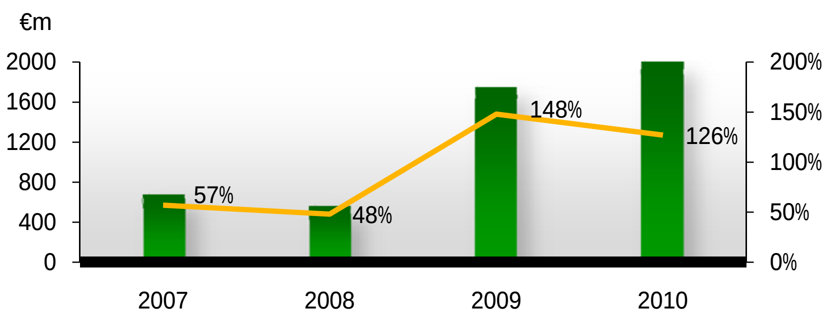
**Strong Cash flow:**

- FOCF: €2 bn
- Reduced capex like for like by €123 m
- Main working capital/Revenues ratio halved to 2.4%
- Second consecutive year of strong delivery

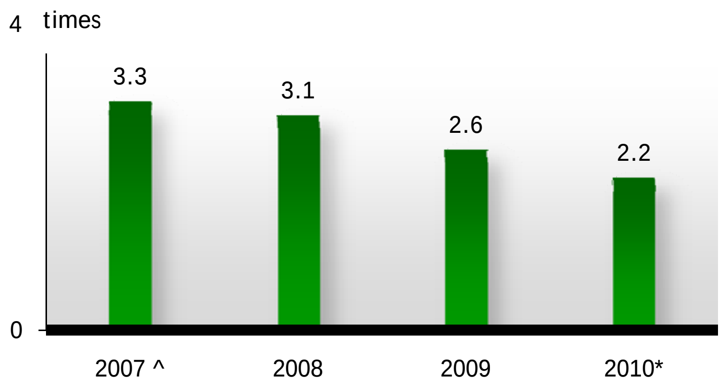
**Net debt decreased organically:**

- Net debt/EBITDA (beia) ratio of 2.2x
- Net debt €8.1 bn despite inclusion of €1.6 bn FEMSA Cerveza debt
- 82% of net debt is euro denominated
- 68% of gross net debt at fixed rate

FOCF and cash conversion rate




Net debt/EBITDA (beia)




^Including S&N Pro forma * Including Femsa pro-forma

# Summary

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Strong results in a transformational year

- Strong 19.7% organic net profit growth
- Expanding strongly into emerging beer markets
- Solid performance of FEMSA Cerveza
- Heineken® brand outperforming
- TCM pre-tax savings of €280 m
- €2 bn Free Operating Cash Flow
- First steps taken to shift prime focus towards volume and value share growth in Europe, whilst maintaining tight cost discipline

# Commercial

# Questions please

# US Dollar Hedging

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## Position

| USD million | Net Inflow | Hedged Part** | Hedged Rate*** |
|---|---|---|---|
| 2008A | 832 | 832 | 1.38 |
| 2009A | 850 | 850 | 1.43 |
| 2010A | 853 | 853 | 1.35 |
| 2011F | 770 | 651 | 1.34 |
| 2012F | 770 | 219 | 1.32 |

## Impact

| EUR million | Net Profit* |
|---|---|
| 2008A | -31 |
| 2009A | -19 |
| 2010A | 18 |
| 2011F* | 2 |
| 2012F* | -4 |

* Assuming USD spot rate at 31 December corresponds with the hedging rate - spot rate used for open positions only

** Hedging as at 9 February 2011

*** Including the costs of hedging

# Average shares calculation

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- Following the acquisition of FEMSA Cerveza on 30 April 2010, the number of shares outstanding increased from 489,974,594 to 576,002,613 as at 31 December 2010.

- The weighted average number of shares as at 31 December 2010:

| | |
|---|---|
| + Shares as at 31 December, 2009 | 489,974,594 |
| + Effect of new shares issued | 58,685,780 |
| + Effect of undelivered ASDI shares | 14,726,761 |
| Weighted average diluted number of shares | 563,387,135 |
| - Shares bought for the LTIP | -1,152,409 |
| Weighted average basic number of shares | 562,234,726 |

- In 2011, the new shares issued on 30 April 2010 will be included for the first time for the 1 January-30 April period in the calculation of the average number of shares.

# Deferred share payment - ASDI

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- circa 29 million HNV new or existing shares to be delivered under the terms the Allotted Share Delivery Instrument ("ASDI"); Heineken intends to acquire existing shares in the market
- In 2010, 10,782,758 shares were repurchased, of which 10,240,553 delivered
- An additional 710,437 shares were repurchased until 11 February 2011
- Key features of the ASDI:
  - Delivery over a maximum 5 year period through semi-annual instalments
  - Option to accelerate at the discretion of Heineken
  - If unable to satisfy the ASDI obligation in full, the obligation may be settled in cash with a penalty
  - For undelivered shares a coupon will be paid in lieu of HNV dividends
  - IFRS: the ASDI is treated as equity. The related 29m shares were treated as new shares issued as of 30 April 2010, increasing the total number of shares outstanding. ASDI shares repurchased reduce the total number of shares outstanding.