

Zoeterwoude, 10 June 2011

Heineken



Zoeterwoude, 10 June 2011

Heineken

Managing an efficient footprint within an evolving marketplace

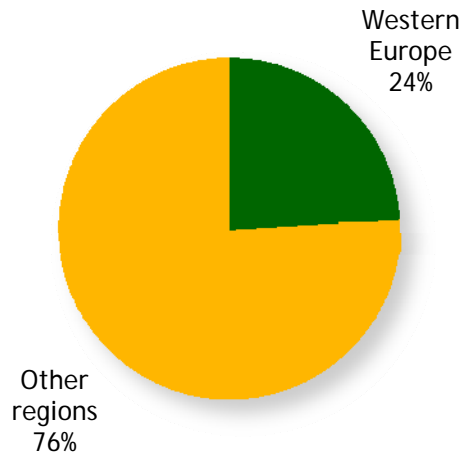
Wiggert Deelen

Senior Director Regional Supply Chain

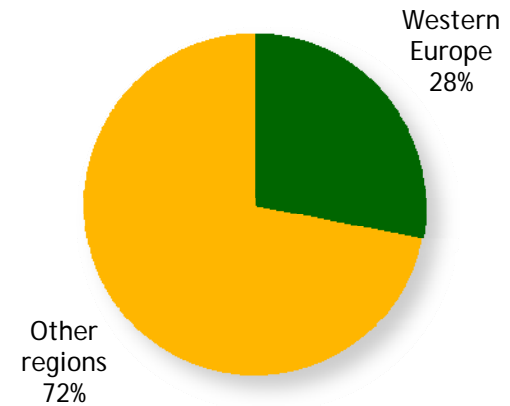
-
- 1 Western Europe Brewery Footprint
 - 2 Regional Supply Chain Priorities
 - 3 Delivering efficiency benefits:
Two case studies

Western Europe is a key region within Heineken

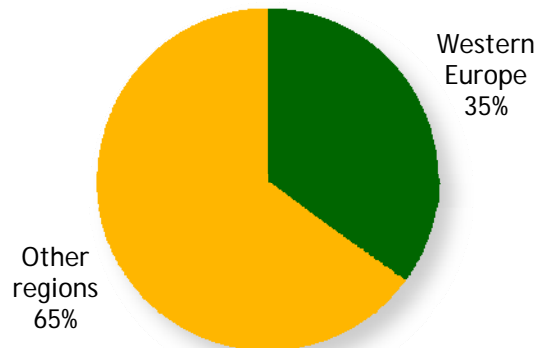
Share of 2010 Group Beer Volume



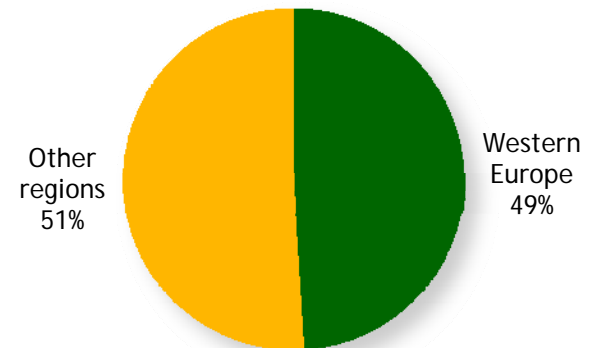
Share of 2010 Heineken® Premium Volume



Share of 2010 EBIT (Beia)



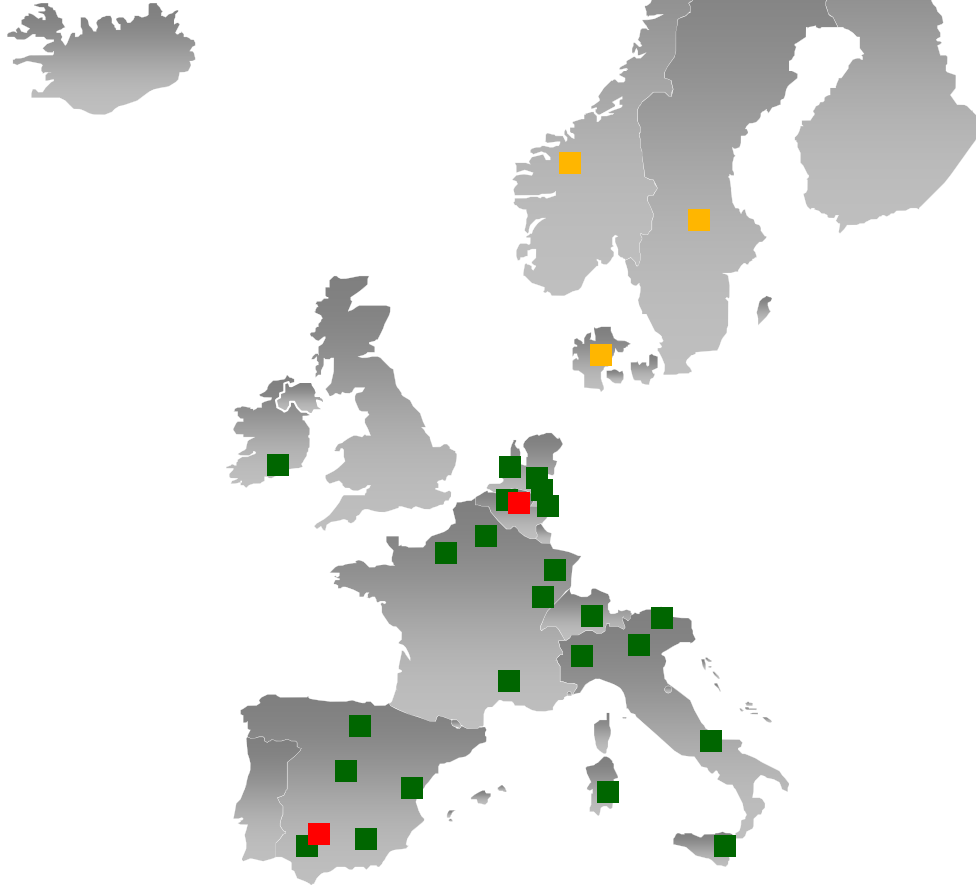
Share of 2010 Revenue



Western Europe Footprint in 2005

Heineken

- Brewery
- Malting Plant
- License Operation



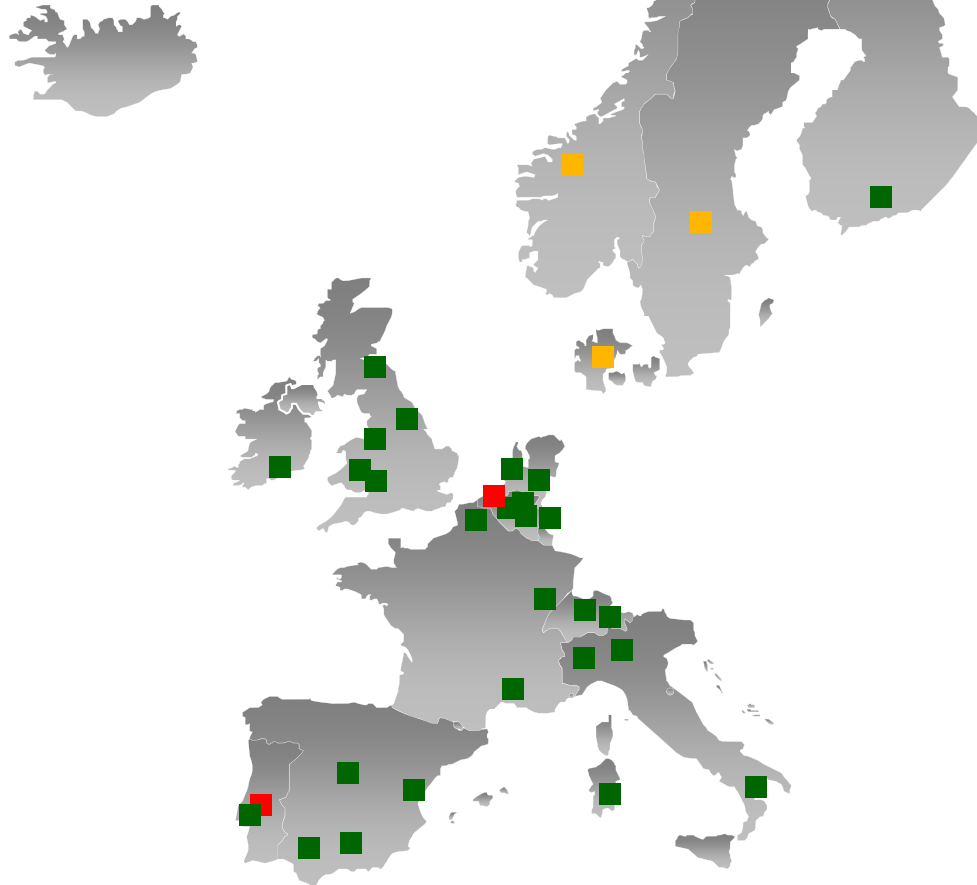
- ▶ Volume produced : 41 mhl
- ▶ 23 breweries, 2 malting plants, 3 licence operations

Western Europe Footprint in 2010

Heineken

Producing an additional 18 mhl of volume since 2005

- Brewery
- Malting Plant
- License Operation



- ▶ Volume produced: 59 mhl
- ▶ 27 breweries*, 2 malting plants, 3 license operations

From 2005 to 2010:

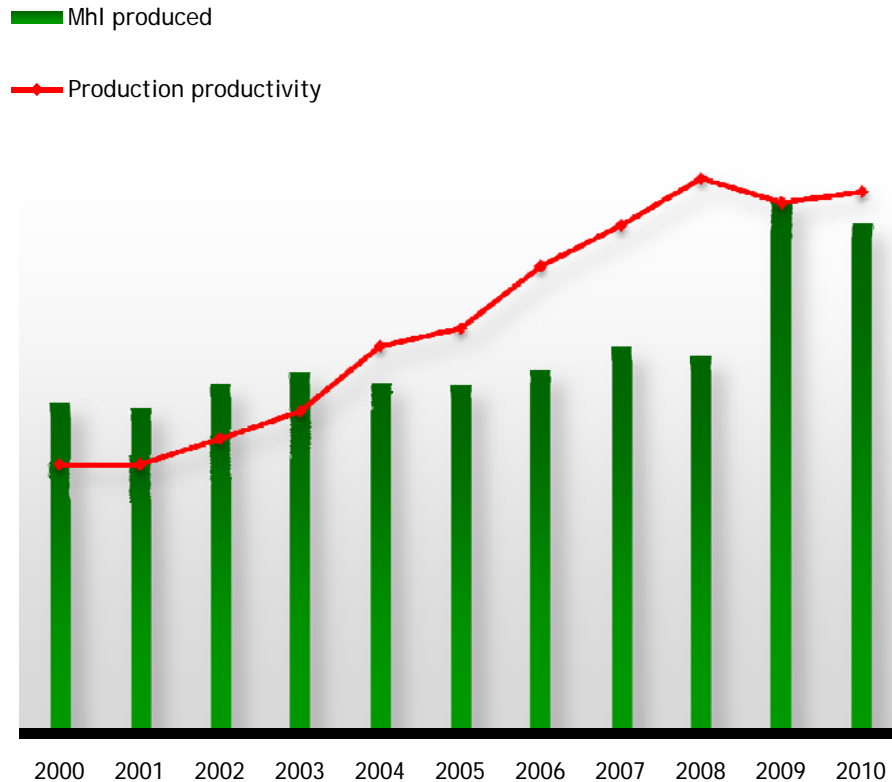
- ▶ 14 additional breweries acquired
- ▶ 10 breweries closed
- ▶ Net addition of 4 breweries

* Includes heritage breweries and cider plants

Productivity has doubled since 2000

Heineken

Western Europe: +101% Productivity



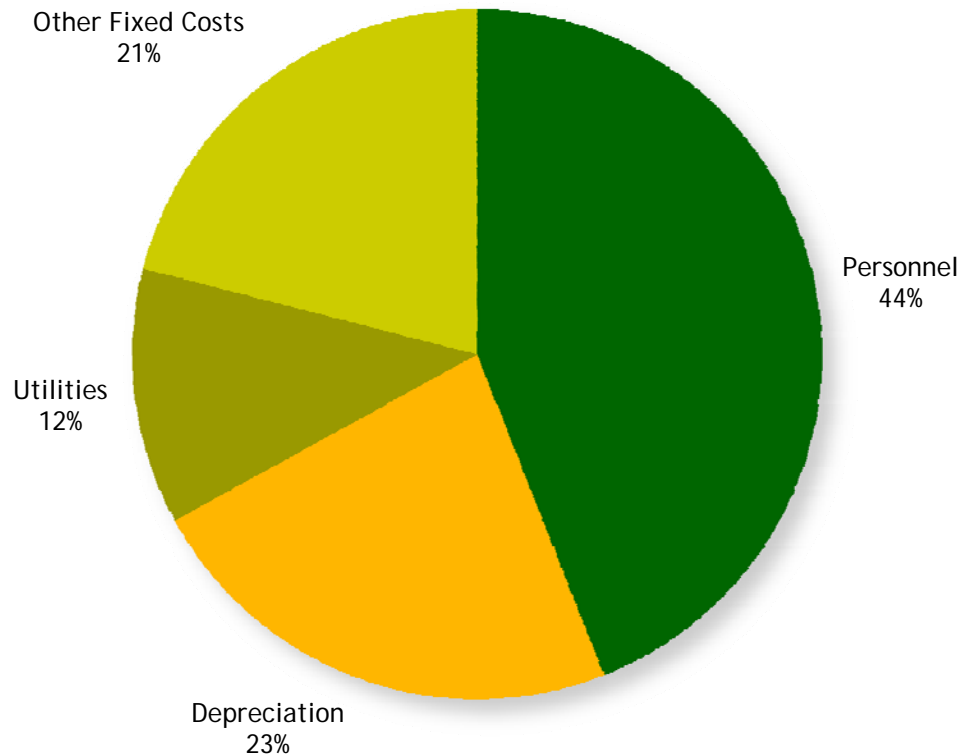
Production gains primarily generated through:

- ▶ Brewery closures
- ▶ Brewery restructurings
- ▶ Increased production automation
- ▶ Less supervisory personnel

Scope for further productivity improvements

Western Europe has delivered half of total Supply Chain cost savings since 2006

Split of Western Europe Fixed Cost Supply Chain Cost Savings (2006-2010)



Total cost savings of €225m in Western Europe Supply Chain since 2006

Cost savings driven by:

- ▶ Reduction in personnel represents nearly half of total cost savings
- ▶ Reduction in utility consumption of 20%
- ▶ More efficient production footprint resulting in lower depreciation

Scope for ongoing cost savings

-
- 1 Western Europe Brewery Footprint
 - 2 Regional Supply Chain Priorities**
 - 3 Delivering efficiency benefits:
Two case studies

Trends impacting on the Supply Chain in Western Europe

Demographics

- ▶ Ageing population
- ▶ Availability of labour

Route-to-market

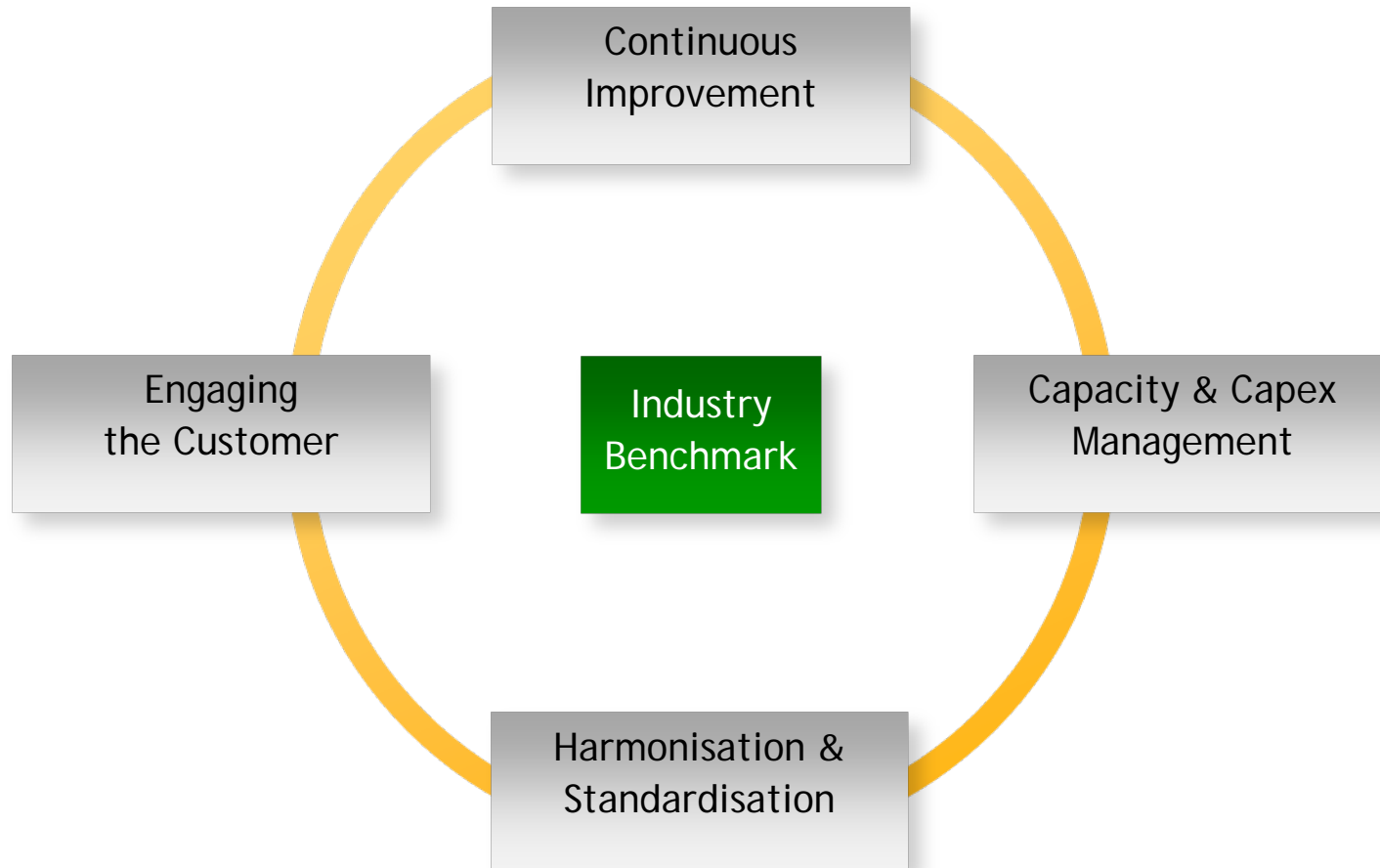
- ▶ Shift towards modern retail
- ▶ International key accounts

Demand

- ▶ Consumers seeking variety
- ▶ Innovation & limited time offerings

Sustainability

- ▶ Reduce impact on environment
- ▶ Attract talent

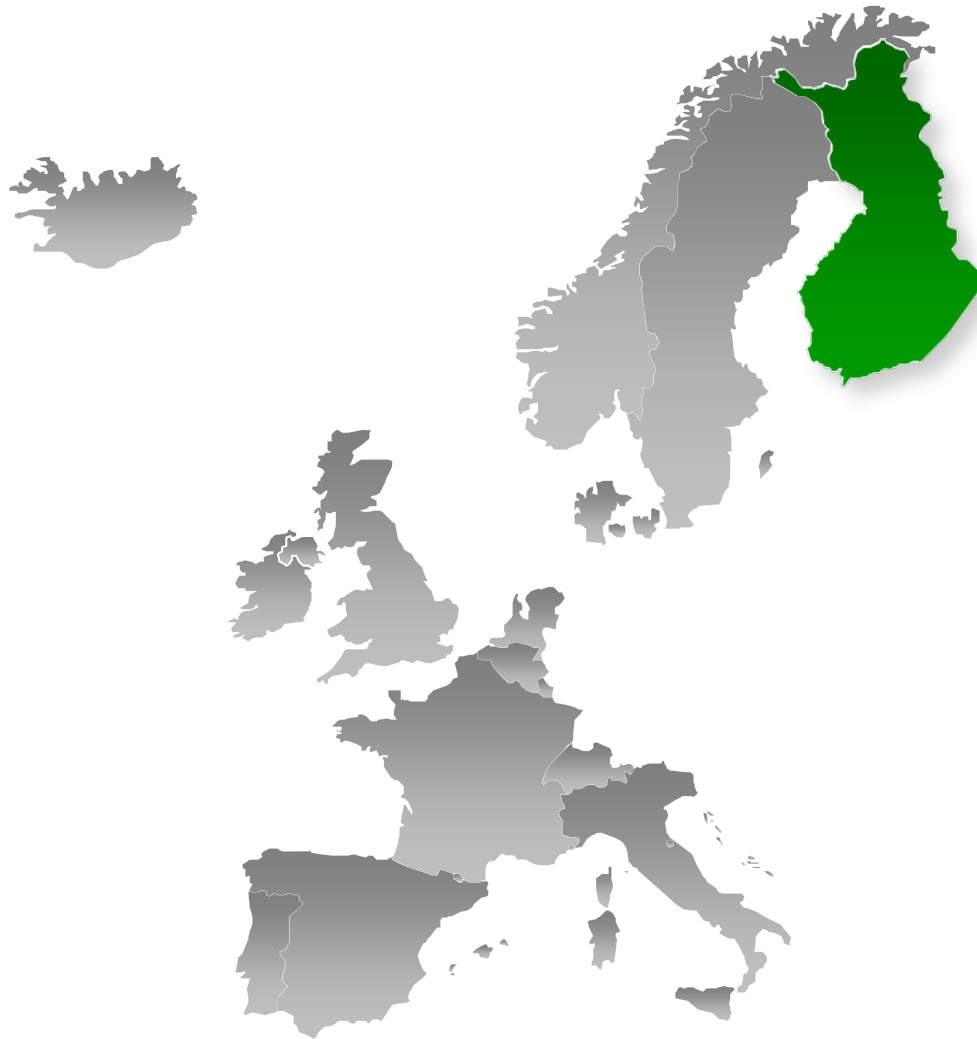


Flexible approach to capacity management in Western Europe

Heineken

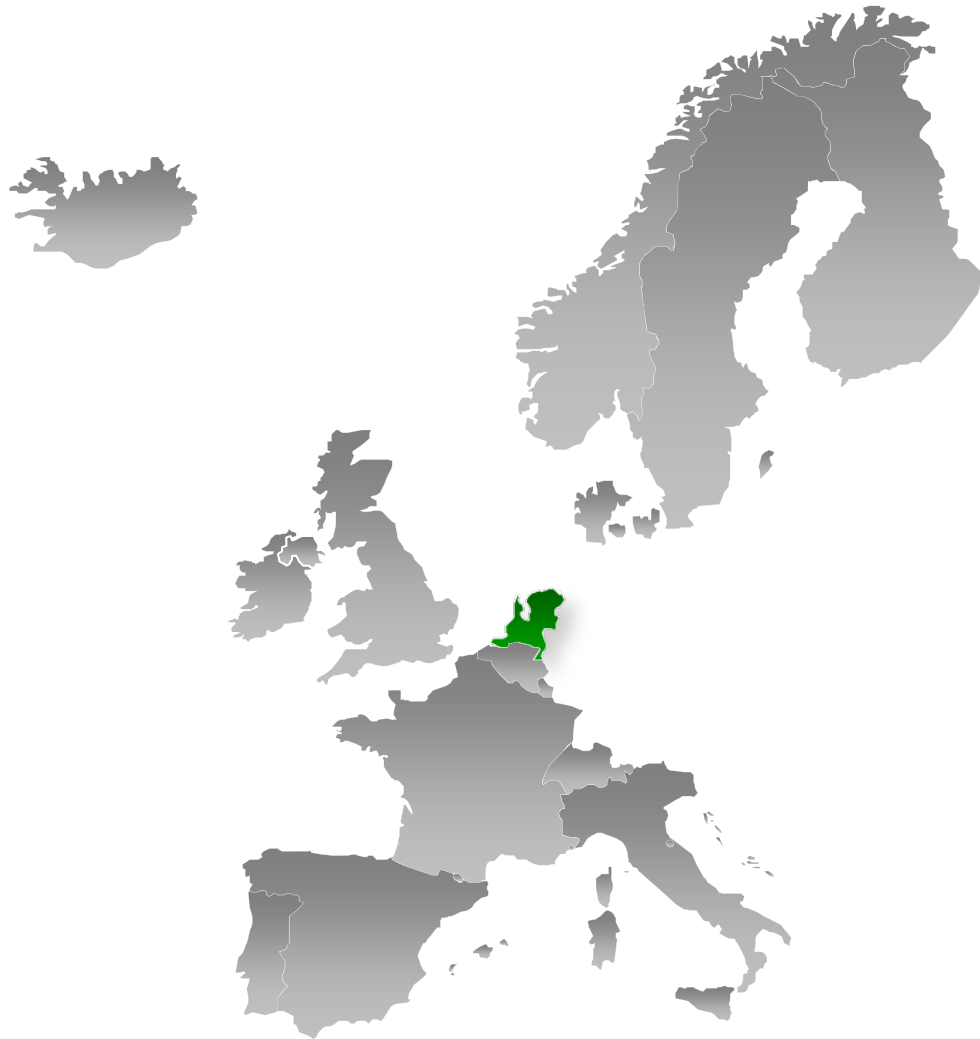
Finland:

- ▶ In-season full capacity utilisation
- ▶ Flexibility and scale from producing full drinks assortment



Flexible capacity management: The Netherlands

Heineken



- ▶ Flexible export
(e.g. South Africa & Brazil)
- ▶ Balance manned capacity
with temporary labour
- ▶ Highly automated operations

Flexible capacity management: France

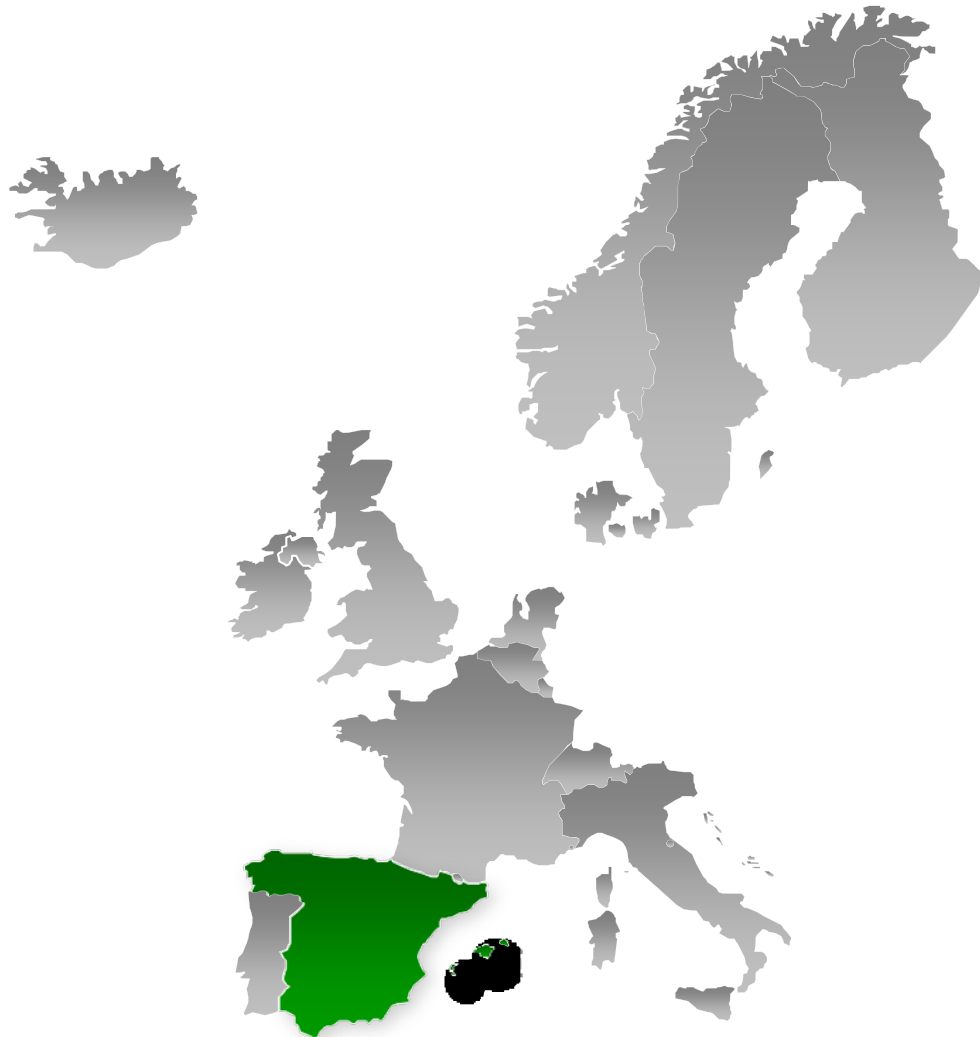
Heineken



- ▶ Full capacity utilisation
- ▶ Central production base for Desperados brand

Flexible capacity management: Spain

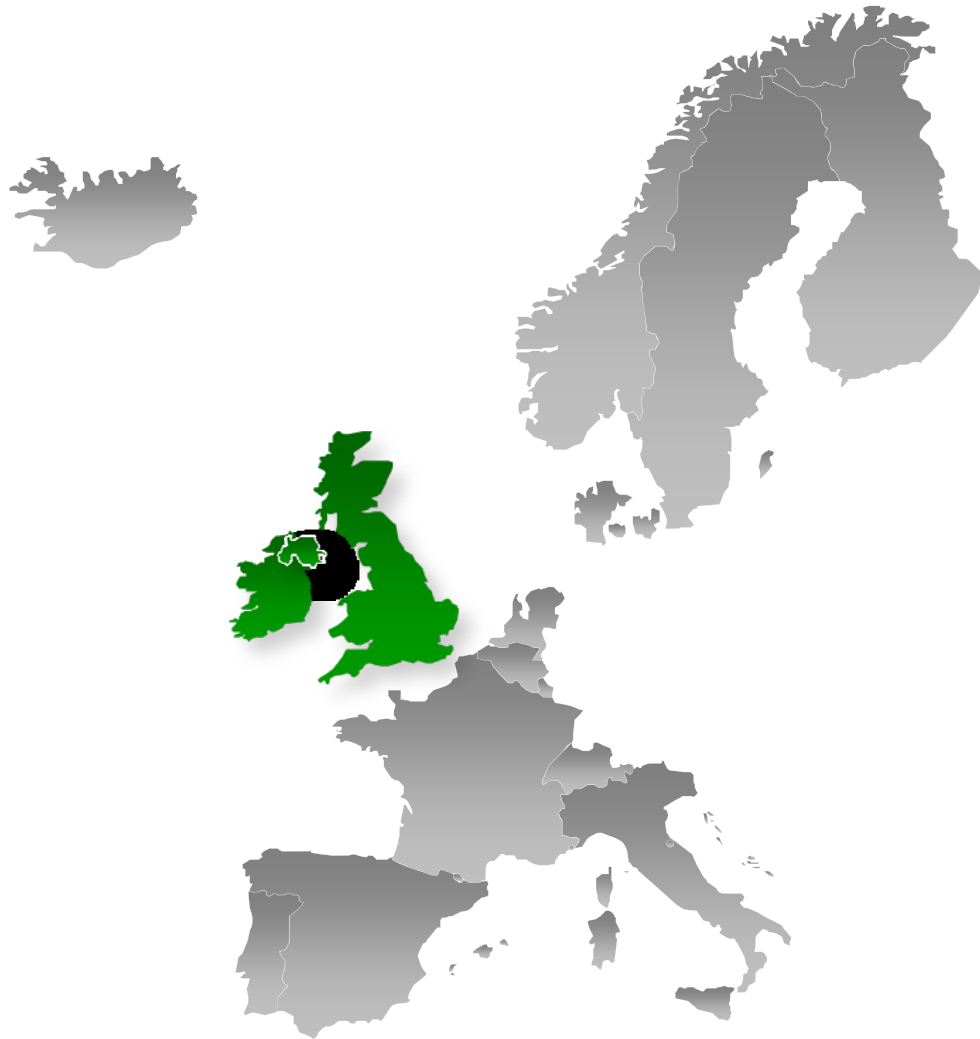
Heineken



- ▶ Maintain brewery operations in our heartland
- ▶ Supporting Heineken® growth in Portugal
- ▶ Doubled productivity over past seven years

Flexible capacity management: United Kingdom / Ireland

Heineken

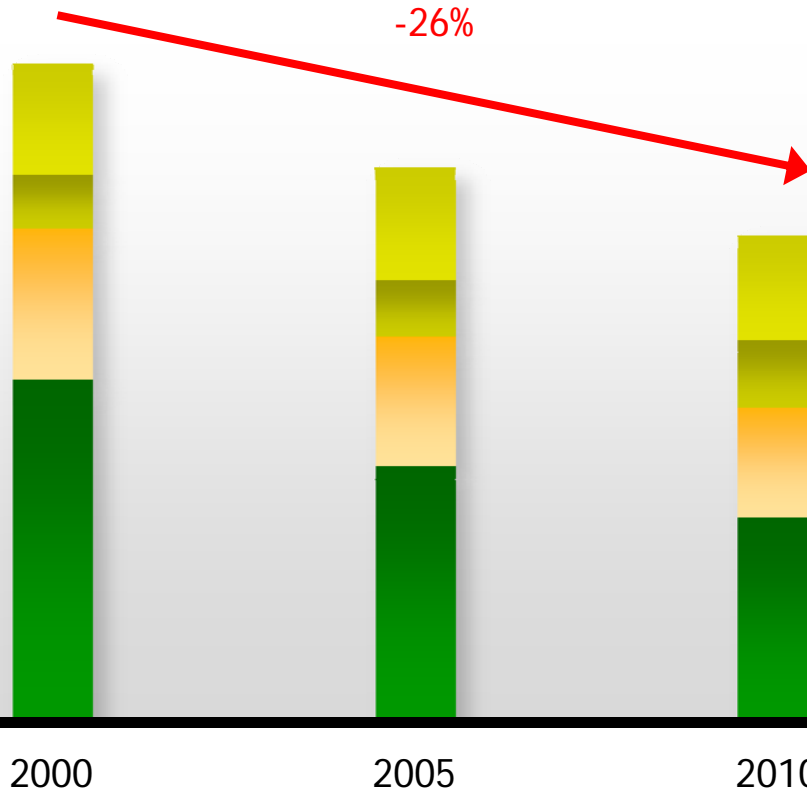


- ▶ Fully utilised capacity
- ▶ Partly outsourced volume
- ▶ In-bound supply to support high season

Strong capex management supporting fixed cost reduction

Western Europe: Fixed Production Expenses (Beverage only)

- Other Fixed
- Util.
- Depr.
- Personnel



Principles

- ▶ Capex priorities agreed centrally
- ▶ Central capacity management for new product launches

Benefits

- ▶ Efficient asset base
- ▶ High asset utilisation
- ▶ Lower capex requirements
- ▶ Lower depreciation

Leveraging our leadership position to engage more effectively with customers

Heineken

- ▶ Heineken's infrastructure in Europe matches the footprint of key customers in modern retail channel
- ▶ Customer service and logistics remain close to the customer
- ▶ Standardised Sales & Operations Planning process across region
- ▶ Developing a stronger collaboration with customers to reinforce role as category leaders



-
- 1 Western Europe Brewery Footprint
 - 2 Regional Supply Chain Priorities
 - 3 Delivering efficiency benefits:
Two case studies**

Case Study 1: Harmonisation of bottles

Heineken

Reduces complexity and costs while enhancing consumer value

Scope



Portugal
Spain
Italy
France
Switzerland

Target:

European operations

Volume



Target:

10 Mhl

Harmonisation



20% SMART bottle
range
40% aligned

Target:

75% SMART or aligned

Benefits



Lower variable costs
Supply continuity
Reduce time to
market
Lower energy use
Unique bottle shape

Target:

€5m

Case Study 2: UK Footprint Optimisation

Heineken

Improving efficiencies in a scale market

Heineken

S&N Initial Plan (prior to acquisition):

- ▶ Closure of Berkshire brewery
- ▶ Maximise output of other breweries
- ▶ Outsource to third parties
- ▶ GBP12m annualised cost saving

Heineken Value Assessment:

- ▶ Earlier closure of Berkshire brewery
- ▶ Close Dunston brewery
- ▶ In-source bottling contract
- ▶ Leverage use of Hereford cider plant
- ▶ Logistics optimisation
- ▶ GBP43m additional cost savings

Total Savings: GBP55m



- Brewery
- Cider plant

- ▶ Improved footprint in Western Europe contributing to productivity improvements and cost reduction
- ▶ Flexible Supply Chain supporting effective capacity management and high asset utilisation
- ▶ Well maintained footprint expected to give rise to limited future capex requirements
- ▶ Enhancing the level of engagement and collaboration with customers
- ▶ Established approach in place to deliver further efficiency benefits and cost savings

Zoeterwoude, 10 June 2011

Heineken

