

Amsterdam, 22 April 2010

**Heineken**



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Heineken

# Annual General Meeting of Shareholders 2010

**Jean-François van Boxmeer**

Chairman of the Executive Board, Heineken N.V.



# Performance and strategy highlights



Strong financial performance, growth profile transformed

## Performance 2009

- ▶ Very challenging economy affected beer consumption
- ▶ Revenue/hl improved, offsetting lower volume
- ▶ All regions contributed to organic EBIT (beia) growth

## Operational programmes

- ▶ Free operating cash flow tripled, reduced net debt
- ▶ TCM delivered €155m savings
- ▶ Performance of recent acquisitions improving

## Strategic actions

- ▶ Shareholders' agreement United Breweries, India
- ▶ New 3-mhl brewery in South Africa already expanding
- ▶ Agreement to acquire FEMSA Cerveza

# 18% organic net profit (beia) growth

Heineken

Tripled free operating cash flow

(€m)	2009	2008	Change	Organic change
Consolidated beer volume (mhl)	125.2	125.8	-0.5%	-5.4%
Revenue	14,701	14,319	+2.7%	-0.2%
EBIT (beia)	2,095	1,932	+8.4%	+14%
Net profit (beia)	1,055	1,013	+4.1%	+18%
Net profit	1,018	209	+387%	-
Free operating cash flow	1,741	550	+217%	-
Net debt/EBITDA (beia) (times)	2.6x	3.3x	-	-

# Regional performance in 2009

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All regions performed well

Region	Revenue (€M)	EBIT (beia) (€M)	Consolidated beer volume (mhl)	Heineken® in premium segment (mhl)
Western Europe	8,432	792	47.1	7.5
Central & Eastern Europe	3,200	389	46.2	2.5
Africa & the Middle East	1,817	485	19.8	2.3
The Americas	1,541	273	9.4	8.3
Asia Pacific	305	103	2.7	4.5

# Heineken® outperformed overall portfolio **Heineken**

Growth in Africa, Asia and Latin America

Consolidated beer volume versus Heineken brand volume

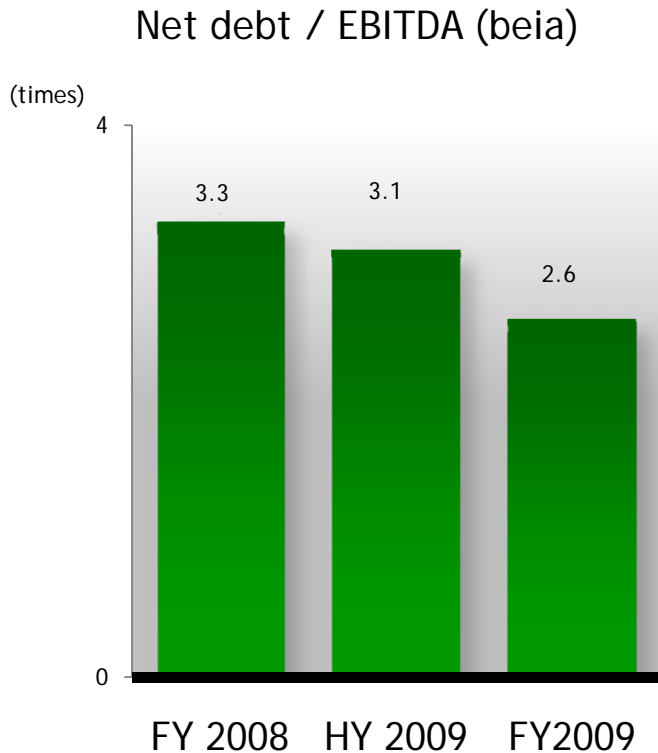
Region	Overall Organic change	Heineken Organic change
Western Europe	-5.0%	-2.1%
Central & Eastern Europe	-11%	-9.3%
Africa & Middle East	+9.2%	+12%
The Americas	-8.9%	-8.0%
Asia Pacific	+1.4%	+3.4%
Total	-5.4%	-2.9%

- ▶ Significant growth in Africa, Asia and Latin America
- ▶ Volume affected by lower beer consumption and down-trading in USA and Europe
- ▶ Continued roll-out of Heineken DraughtKeg and Extra Cold in new markets
- ▶ India, Mexico and Brazil offer strong platforms for future growth

# Cash flow tripled

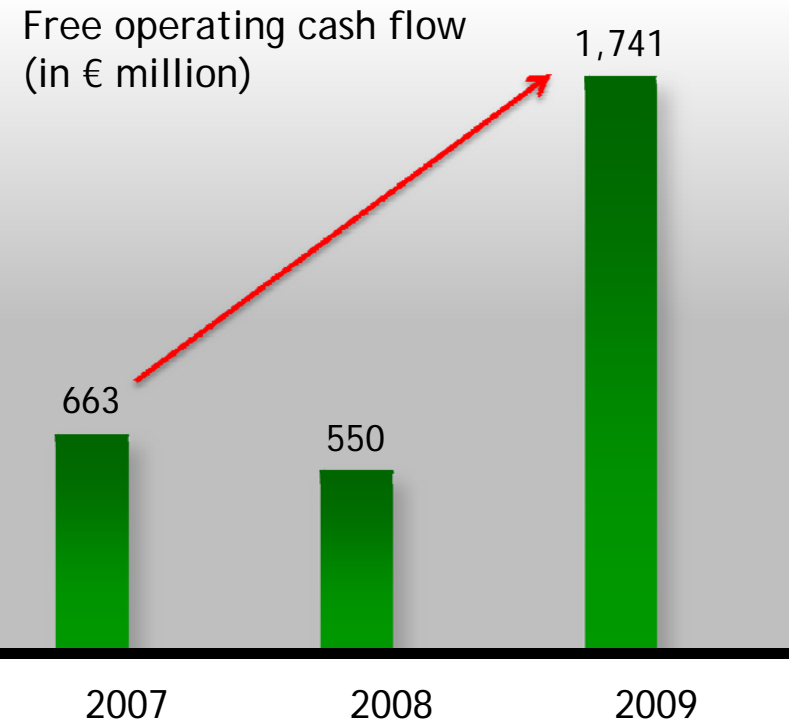
Cash conversion rate 148%

Net debt / EBITDA (beia) ratio rapidly improving towards Heineken's long term target of below 2.5 times



Free operating cash flow boosted by:

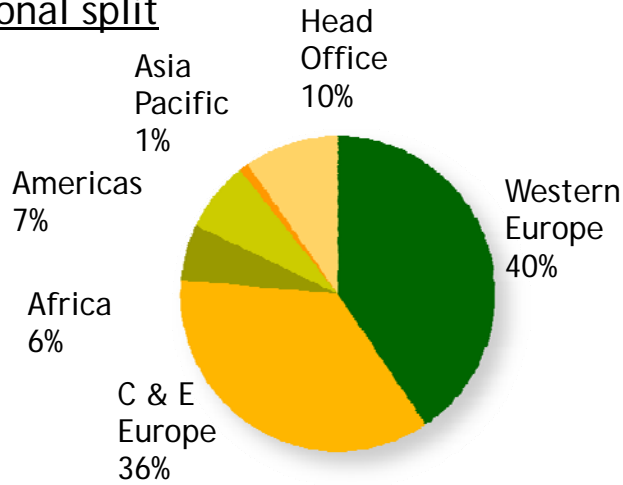
- ▶ Increase in profitability
- ▶ Lower capex
- ▶ Reduction of net working capital



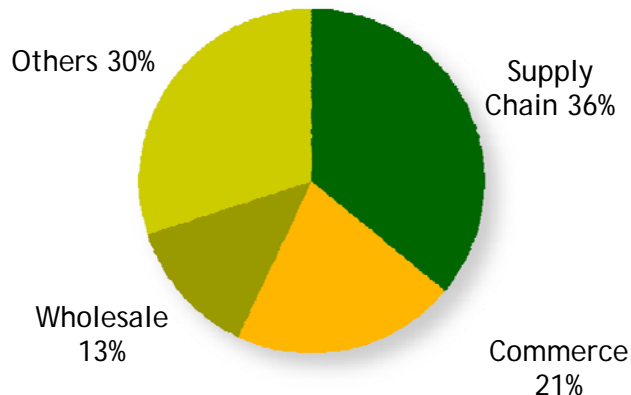
# TCM program delivering

€155m of cost savings in first year

## Regional split



## Functional split



## Total Cost Management (TCM)

- ▶ €155m savings before tax in first year
- ▶ Exceptional restructuring charges €170m
- ▶ 12 brewery closures completed or announced
- ▶ 4 maltery closures completed or announced
- ▶ Headcount reduction 2,500
- ▶ Purchasing in wholesale centralised
- ▶ SKU rationalisation driving savings

# Performance new acquisitions improving

Heineken

EBIT (beia) significantly increased

- ▶ Strong profit growth in Russia
  - ▶ Increasing revenue per hl
  - ▶ Focusing on high margin products
  - ▶ Reducing SKU's and costs
  - ▶ Streamlining production and commercial organisation
- ▶ Turning around the UK:
  - ▶ Increased profit
  - ▶ Investing in brands
  - ▶ Increasing revenue per hl
  - ▶ Increasing market share
  - ▶ Cider volume +4%
  - ▶ Reducing costs
- ▶ S&N synergies
  - ▶ €184m realised in full

- ▶ In addition better results in:
  - ▶ South Africa
  - ▶ Finland
  - ▶ Portugal
  - ▶ Switzerland
  - ▶ Serbia
  - ▶ Algeria
  - ▶ Tunisia



# Strategic activities 2008-2010

Acquisitions and greenfield breweries provide strong platform

## New markets

- ▶ **Scottish & Newcastle**
  - ▶ UK
  - ▶ Portugal
  - ▶ Finland
  - ▶ India
- ▶ **FEMSA Cerveza**
  - ▶ Mexico
  - ▶ Brazil
- ▶ **Other acquisitions**
  - ▶ Belarus
  - ▶ Algeria
  - ▶ Serbia
- ▶ **Greenfields**
  - ▶ South Africa, Tunisia, Laos, Mongolia

## Existing markets

- ▶ **Scottish & Newcastle**
  - ▶ Ireland
  - ▶ Belgium
- ▶ **FEMSA Cerveza**
  - ▶ USA
- ▶ **Other bolt on acquisitions**
  - ▶ Switzerland
  - ▶ Romania
  - ▶ Czech Republic
- ▶ **Greenfields**
  - ▶ Democratic Republic of Congo

# India: the last emerging market of scale

Heineken

Joint partnership with UBL Ltd. in India

## India

- ▶ Population 1.1 billion, GDP \$1.2 trillion
- ▶ Beer market 14.4 mhl (2009 est.) historically growing double digits
- ▶ Enormous growth potential

## United Breweries Ltd.

- ▶ Number 1 brewer: 48% market share
- ▶ Kingfisher® the only national beer brand
- ▶ Heineken® to be brewed and distributed by UBL
- ▶ Unrivalled production and distribution platform
- ▶ Uniquely positioned to benefit from future growth

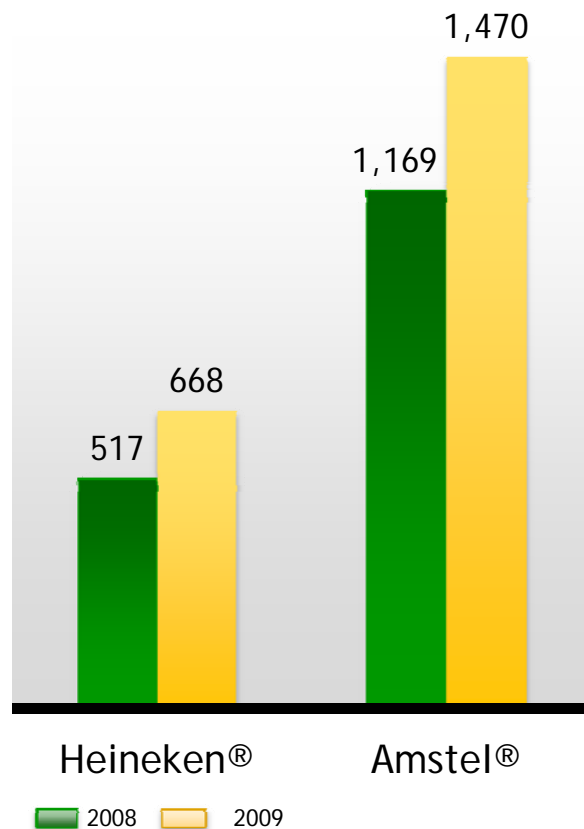


# South Africa: growing market share

Heineken

Sedibeng brewery already expanding

Brand growth  
(group volume, khl)



- ▶ Partnership with Diageo
- ▶ Sedibeng brewery on stream Q3 2009
- ▶ Capacity 3 mhl, already expanding
- ▶ Near big market Johannesburg
- ▶ Amstel® :
  - ▶ First brew August 2009
  - ▶ 26% growth
- ▶ Heineken® :
  - ▶ First brew December 2009
  - ▶ 29% growth
- ▶ Growing presence in premium segment

# FEMSA - Major platform for growth

Heineken

In the world's fastest growing beer markets

## USA

8% of revenues  
3 mhl

## Mexico

75% of revenues  
27 mhl  
43% market share\*

## Brazil

16% of revenues  
10 mhl  
9% market share\*

## Rest of the World

1% of revenues  
0.4 mhl



- ▶ #2 Brewer in Mexico with well-established presence in Brazil and a growing position in the USA
- ▶ 2009 volume of 40.5mhl, revenue of €2,465m\*\*, pro forma EBITDA of €437m\*\* and pro forma EBIT of €278m\*\*



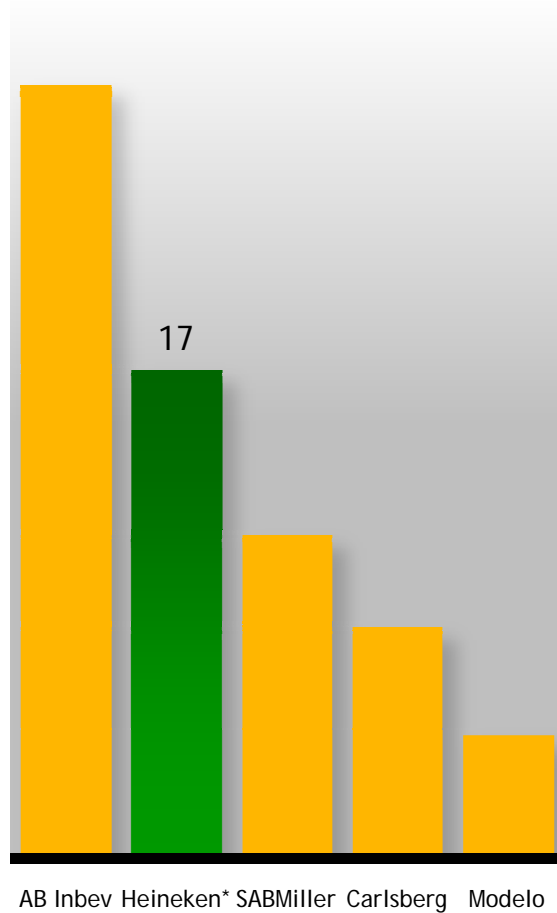
\* Source: Plato

\*\* Financials converted at average 2009 MXN/EUR of 18.80 on Heineken beia basis

# Heineken: a top 3 brewer

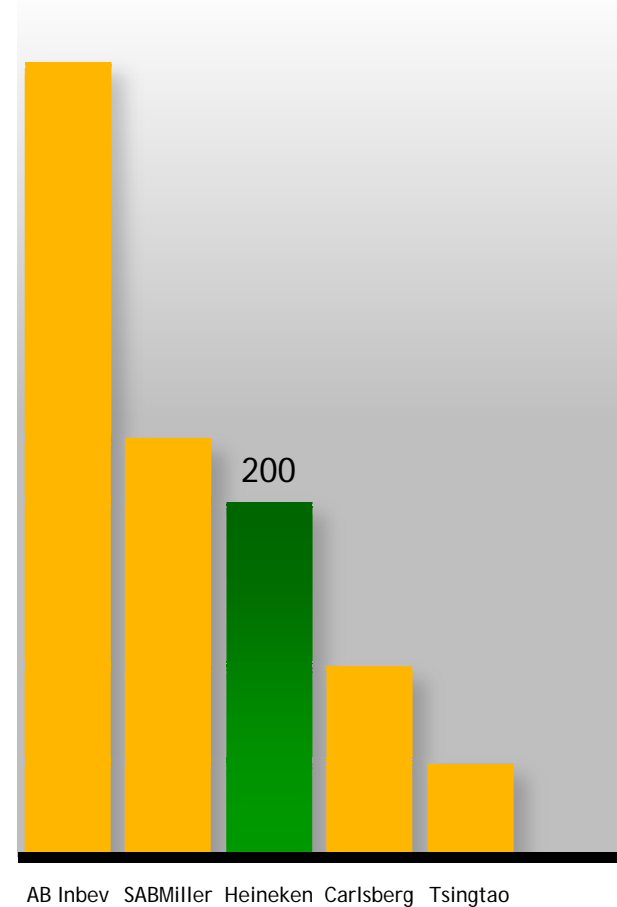
Number 2 by revenue, number 3 by volume

Pro forma Revenue 2009  
(€ billion)



\*Heineken revenue after FEMSA acquisition

Pro forma Beer volume 2009  
(mhl)



\*Heineken Beer volume after FEMSA acquisition

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# Trading update Q1 2010



# Q1 Mid-single digit EBIT (beia) growth

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Driven by price increases and cost savings

- ▶ EBIT (beia) grew mid-single digit
- ▶ Reported EBIT substantially higher due to €142m exceptional book gain
- ▶ Reported net profit totaled €218m
- ▶ Revenue €2.9 b, -2.2% organically
- ▶ Consolidated beer volume -5.3% organically at 23.6 mhl
- ▶ Heineken brand premium volume grew 6.7%
- ▶ TCM delivering further cost savings
- ▶ Investments in brands increased

## Environment:

- ▶ Consumer spending remains weak
- ▶ Beer consumption will remain under pressure
- ▶ Average price increase will be lower than in 2009
- ▶ Increased marketing and energy costs will offset lower raw material costs

## Focus on:

- ▶ Increasing brand investments
- ▶ TCM savings
- ▶ Cash generation: cash conversion rate above 100%
- ▶ Debt reduction: target <2.5x
- ▶ Further improving performance of new markets
- ▶ Completing acquisition and integration FEMSA Cerveza

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# Commercial



1.
  - ▶ A. Report for the financial year 2009.
  - ▶ B. Adoption of the financial statements for the financial year 2009.
  - ▶ C. Decision on the appropriation of the balance of the income statement in accordance with Article 12 paragraph 7 of the company's Articles of Association.
  - ▶ D. Discharge of the members of the Executive Board.
  - ▶ E. Discharge of the members of the Supervisory Board.

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- ▶ Proposal to approve the acquisition of 100% of the beer operations of Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA) via an all share transaction.

# FEMSA - Major platform for growth

Heineken

In world's fastest growing beer markets

## USA

8% of revenues  
3 mhl

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27 mhl  
43% market share\*

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\* Source: Plato

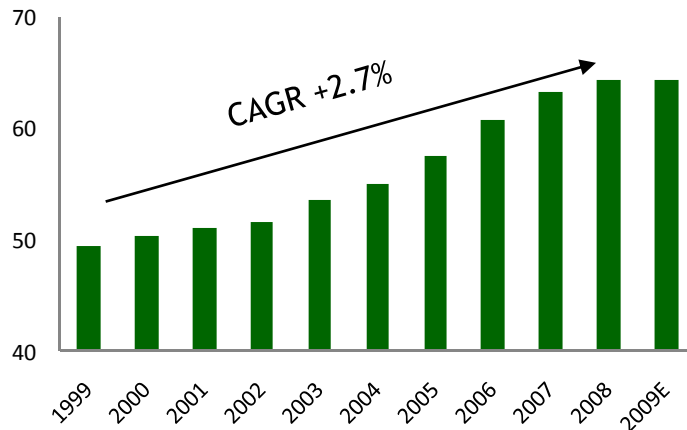
\*\* Financials converted at average 2009 MXN/EUR of 18.80 on Heineken beia basis

# Mexico: a large, growing beer market

Growth potential for the Heineken brand



Mexican beer market (in mhl)



- ▶ Stable democracy with attractive economic environment
- ▶ Expected real GDP growth of +2.8%\* ('09E - '13E CAGR)
- ▶ Growing population of 108m ('08-'15E CAGR of +0.7%\*)
- ▶ #3 expected provider of beer volume growth in the world\*\*
- ▶ Consumption forecast 2008-2015E: +2.5%\*\*
- ▶ Beer market segmentation underdeveloped
- ▶ Growth potential for the Heineken brand
- ▶ 2 key beer players account for 98%\*\* of the market

\* Source: Bain

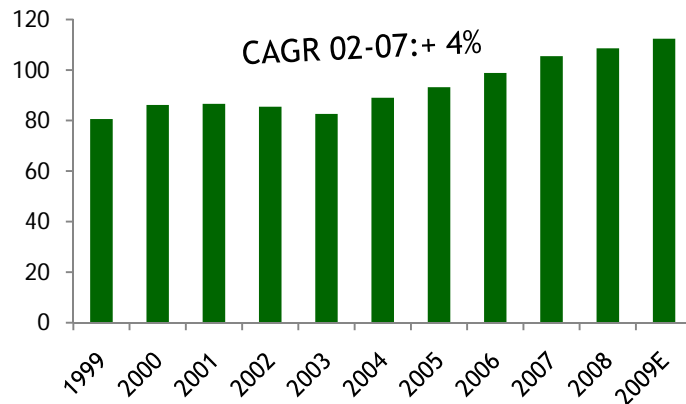
\*\* Source: Plato

# Brazil: Focus on premium strategy

Large and growing beer market



Brazilian Beer market (in mhl)

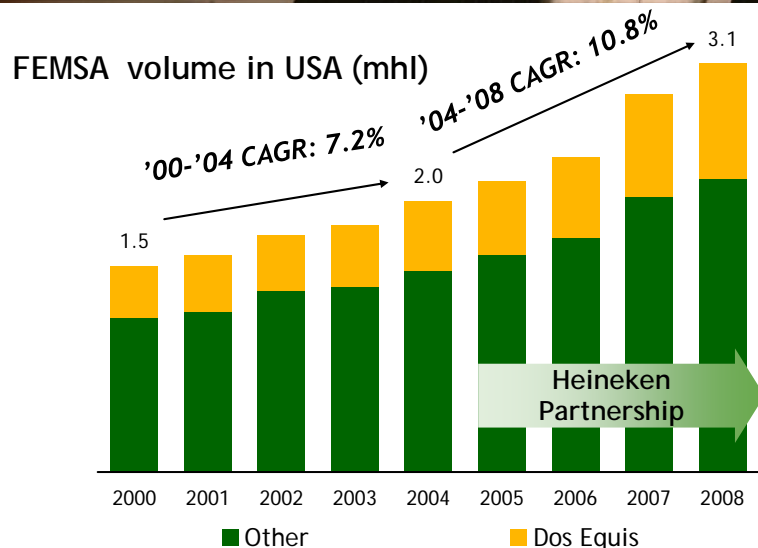


- ▶ Brazil is a country with highly attractive dynamics
- ▶ With 9%\* market share and regional areas of strength, FEMSA Cerveza Brazil offers potential value upside
- ▶ Promising development of the Heineken brand: +60% CAGR over the last three years
- ▶ UEFA Champions League sponsorship has generated high brand awareness for Heineken
- ▶ Continue effective relationships with the Coca-Cola bottlers

\* Source: Plato

# USA: Strengthening of brandportfolio

Drive premium volume growth in the next 5 years



## USA

- ▶ Proven business model
- ▶ Build on the positioning success of “the most interesting man” campaign for Dos Equis
- ▶ Leverage strong Mexican-American demographics for Tecate
- ▶ 47 million Hispanics living in the USA; expected to triple by 2050\*

## Rest of the World

- ▶ Successful Dos Equis campaign can be replicated in other markets

\* Source: US population census, Synovate

# Heineken and FEMSA combined



Pro forma 2009\*

(€m)	Heineken	FEMSA	Combination
Consolidated beer volume (mhl)	125.2	40.5	166.7
Revenue	14,701	2,465	16,952
Net Debt	7,704	1,324	9,028
EBITDA	2,938	437	3,375
EBITDA as % of Revenue	20%	18%	20%
EBIT (beia)	2,095	278	2,373
EBIT (beia) as % of Revenue	14%	11%	14%
Net debt/EBITDA (beia)	2.6x	3.0x	2.7x

\*See also page 22 of the shareholders' circular

# Attractive acquisition

## All share deal

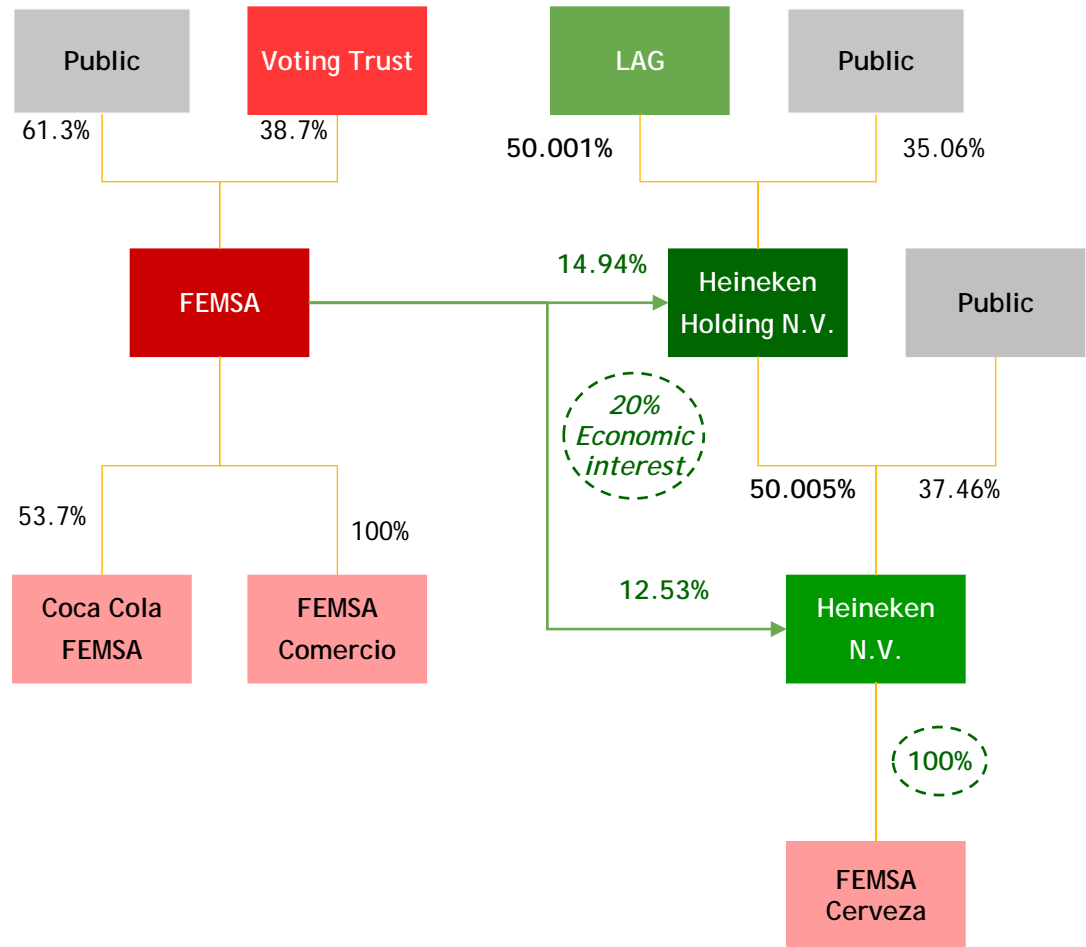
- ▶ In return for 100% of FEMSA Cerveza:
  - ▶ Heineken NV ("HNV") issues 86m new shares €2,832m\*
  - ▶ Deferred share payment (ASDI) - 29m HNV shares €961m\*
  - ▶ Assumption of Net Debt (incl. pensions) €1,457m\*
  - ▶ Implied enterprise value €5,250m
  
- ▶ Potential to realise significant synergies
  - ▶ Cost synergies and best practices: €150m in 2013
  - ▶ Substantial revenue synergies identified
  
- ▶ Accretive to EPS after two years with ROIC to exceed WACC after six years
  
- ▶ Heineken to retain a sound financial position - Pro forma Net Debt/EBITDA: 2.7x \*\*
  
- ▶ FEMSA to become the second largest shareholder in Heineken with a 20% economic interest

\* Share price as of 8 January of €32.925

# Summary transaction structure

FEMSA to hold a 20% economic interest

- ▶ HNV issues 86m new shares upfront and delivers a further 29m HNV shares over 5 years
- ▶ Simultaneously, Heineken Holding (“HH”) will swap 43m HNV shares with FEMSA for new shares in HH
- ▶ AGM of FEMSA is scheduled for 26 April 2010



# Corporate Governance Agreement



## Relations between parties post completion

- ▶ Heineken Holding Board representation
  - ▶ Right to appoint one director: José Antonio Fernández Carbajal
- ▶ Heineken N.V. Supervisory Board representation
  - ▶ Right to appoint two Supervisory Board members
    - ▶ José Antonio Fernández Carbajal - Vice-Chairman
    - ▶ Second member to be a member of FEMSA senior management
- ▶ Creation of an Americas Committee of the Supervisory Board, to be chaired by a FEMSA representative
- ▶ Commitment from FEMSA not to increase ownership in Heineken Group above 20%
- ▶ Lock up on share sales for 5 years, subject to certain exceptions after year 3
- ▶ Rights subject to maintenance of minimum shareholding levels

2

- ▶ Proposal to approve the acquisition of 100% of the beer operations of Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA) via an all share transaction.

## 3. Authorisations

- ▶ A. Authorisation of the Executive Board to acquire own shares.
- ▶ B. Authorisation of the Executive Board to issue shares to FEMSA (and its affiliates).
- ▶ C. Authorisation of the Executive Board to issue (rights to) shares for other purposes .
- ▶ D. Authorisation of the Executive Board to restrict or exclude shareholders' pre-emptive rights.

## 4.

- ▶ Corporate Governance, 'Comply or Explain' report.

## 5. Remuneration Executive Board

- ▶ A. Adjustments to the Remuneration Policy for the Executive Board.
- ▶ B. Related amendment to the Long Term Incentive Plan for the Executive Board.

## 6. Composition Supervisory Board (non-binding nominations)

- ▶ A. Appointment of Mr. J.A. Fernández Carbajal as member of the Supervisory Board.
- ▶ B. Appointment of Mr. J.G. Astaburuaga Sanjinés as member of the Supervisory Board.
- ▶ C. Re-appointment of Mr. C.J.A. van Lede as member of the Supervisory Board.
- ▶ D. Re-appointment of Mr. J.M. de Jong as member of the Supervisory Board.
- ▶ E. Re-appointment of Mrs. A.M. Fentener van Vlissingen as member of the Supervisory Board.

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, 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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