Heineken N.V. Financial Markets Conference 2007, Miami

Maintaining Momentum in Cost Reduction

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Heineken NV

Agenda

- Priorities for action
- F2F: the plan and 2006 results
- F2F: Supply chain savings overview
- F2F: Wholesale savings
- F2F: Support functions savings
- Variable cost savings

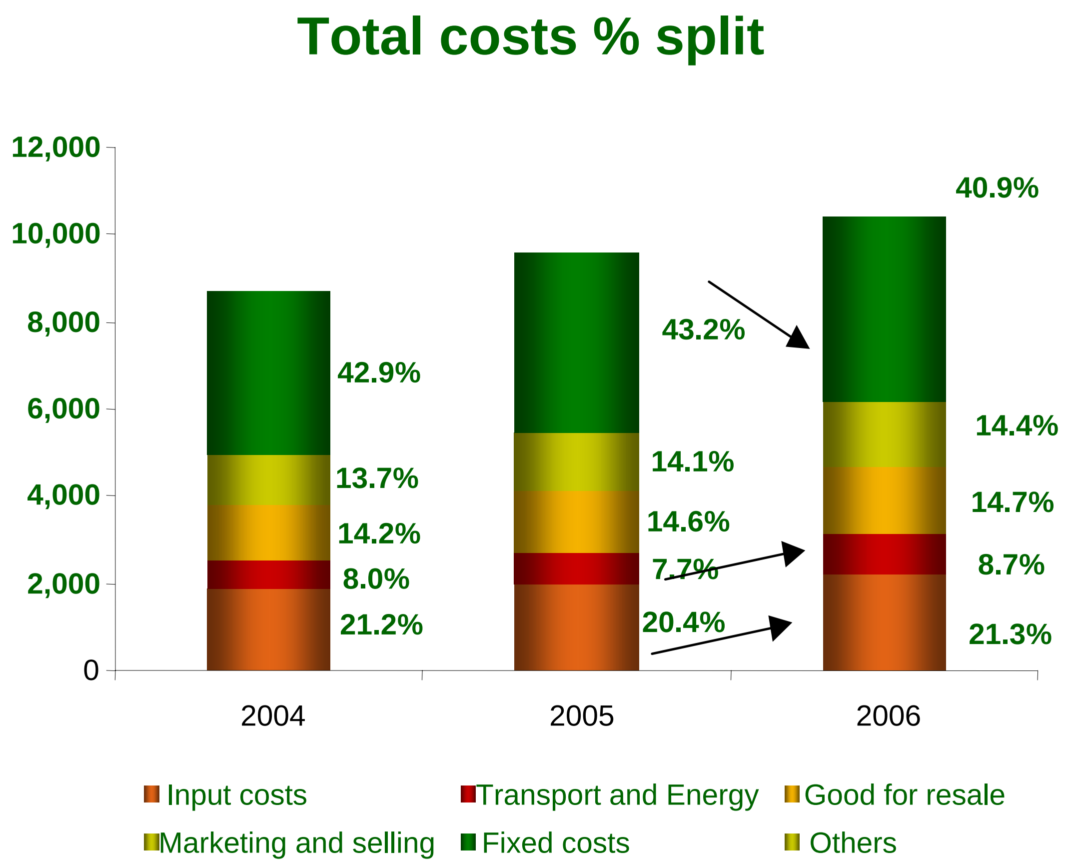
Our priorities for action

Accelerate			Select
1. Top Line Growth	**2. Efficiency Improvements**	**3. Speed of Implementation**	**4. Acquisition Opportunities**

2. Efficiency Improvements

- Fit 2 Fight: Gross Savings target €450 m
- Group Purchasing
- Total Productive Management (TPM)

The costs: a quick glance



- **Total costs in 2006 €10.4b**
- **Fixed costs under F2F are 41% of the total**
- **Input costs are 21%**

F2F: the plan and 2006 results

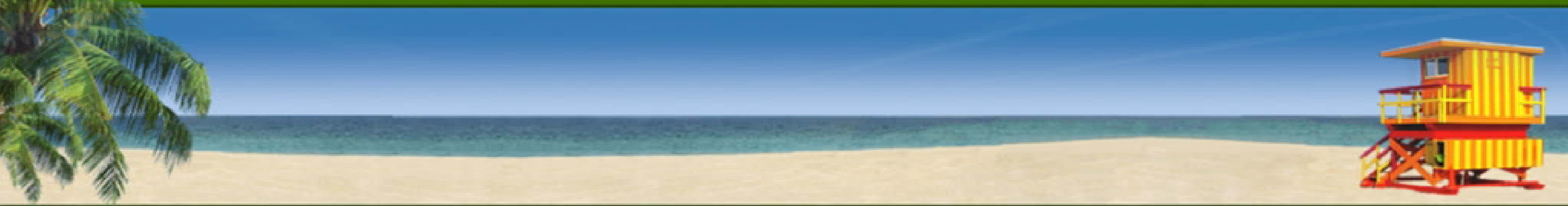
F2F: EUR 450m gross fixed cost savings

Fit 2 Fight is a company strategic program:

- **Running between 2005 and 2008**
- **Targeting €450m gross fixed cost savings**
- **Inflation forecast at €250m**
- **One-off costs forecast at €325-375m in 3 years**

In 2006:

- **Gross savings of €114m**
- **against one-off costs of €102m**



F2F: Progress is well monitored

Headoffice

Regions

OpCo's

1. Head Office sets F2F saving targets for Regions and Regions for OpCo's
2. Head Office monitors progress
3. Regions and Operating Companies execute cost savings programme
4. Incentives depend on meeting F2F targets

Quarterly update on progresses

Cost Saving Database

Check of differences and action plan

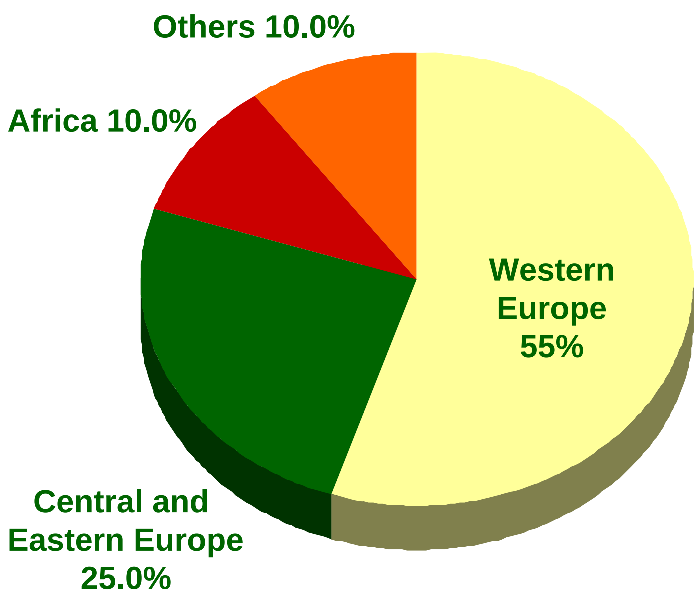
F2F program reporting & meeting:

-board/regions

-Regions/ OpCos

The structure of the programme - regional split

The regional savings achieved in 2006 in line with F2F plan



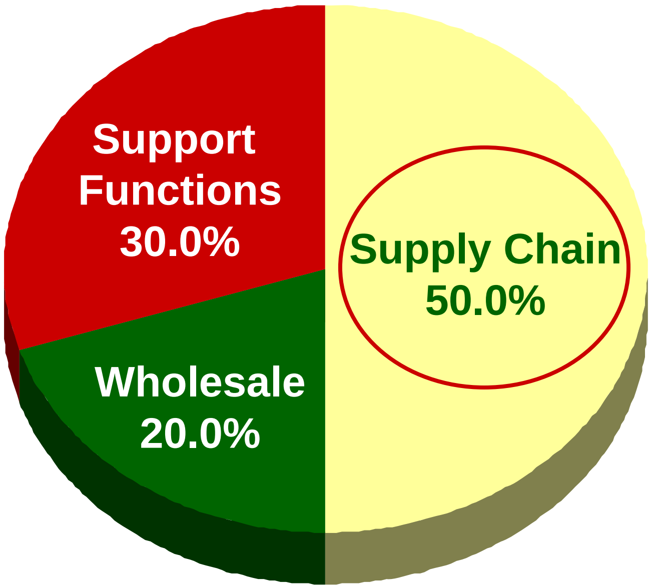
Activated projects:

- **France**: restructuring wholesale, simplifying organisation
- **Netherlands**: achieving efficiencies in production and wholesale, simplifying organisation
- **Italy**: restructuring wholesale, closing Messina
- **Switzerland**: restructuring commercial function
- **Poland**: closing brewery in Bydgoszcz
- **Slovakia**: closing brewery in Rimavska
- **Head Office**: lowering headcount. Reduction consultancy and travel costs

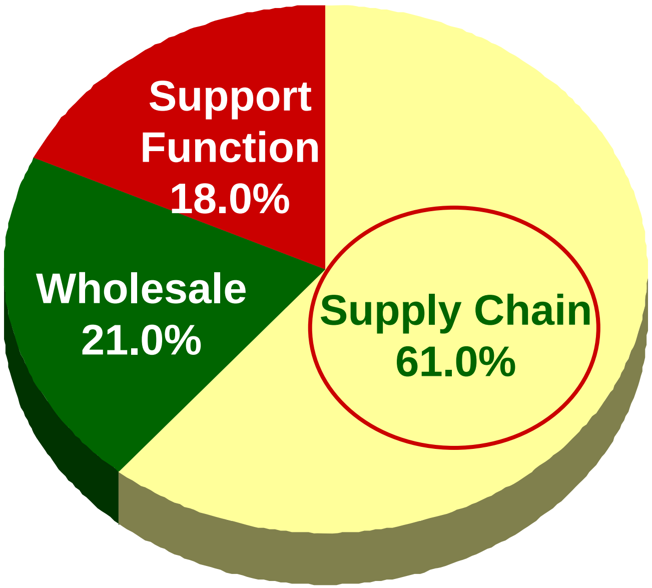
The structure of the programme - functional split

- Supply chain is the biggest contributor so far
- Support functions will deliver more towards the end of the plan

3 Y plan



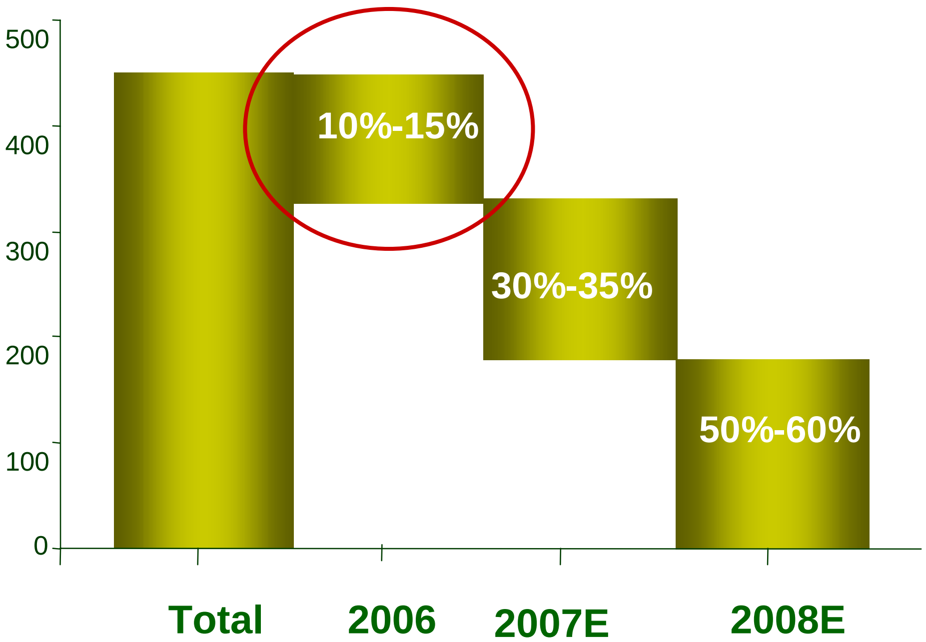
2006 results



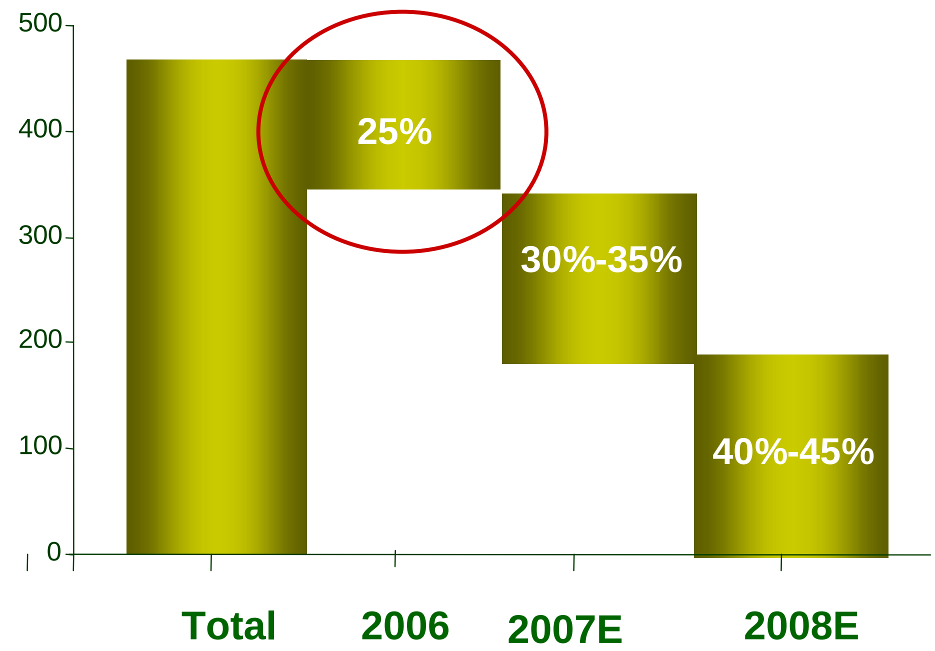
The structure of the programme - timing

Results outperformed the plan

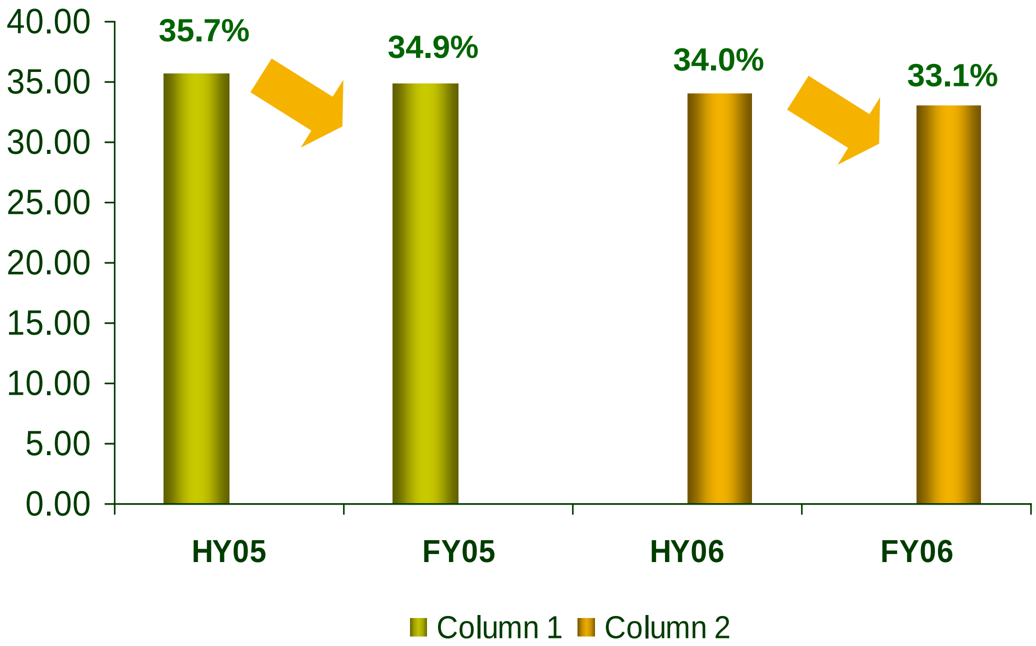
F2F plan



2006 results



Strong F2F ratio decrease



- **F2F ratio**
  = fixed cost as a percentage of revenues

- **F2F ratio affected by seasonality:**
  - higher revenues in the second half-year

F2F: Supply chain savings

Supply Chain: Striving for excellence

Business processes
Policies, Standards
& Procedures

Culture & behaviour
Motivation, Skills
(People)

Innovation in Product,
process and
technology

Continuous improvement
methodology (TPM)

Supply Chain
World Class
Performance

Focus on selected
targets

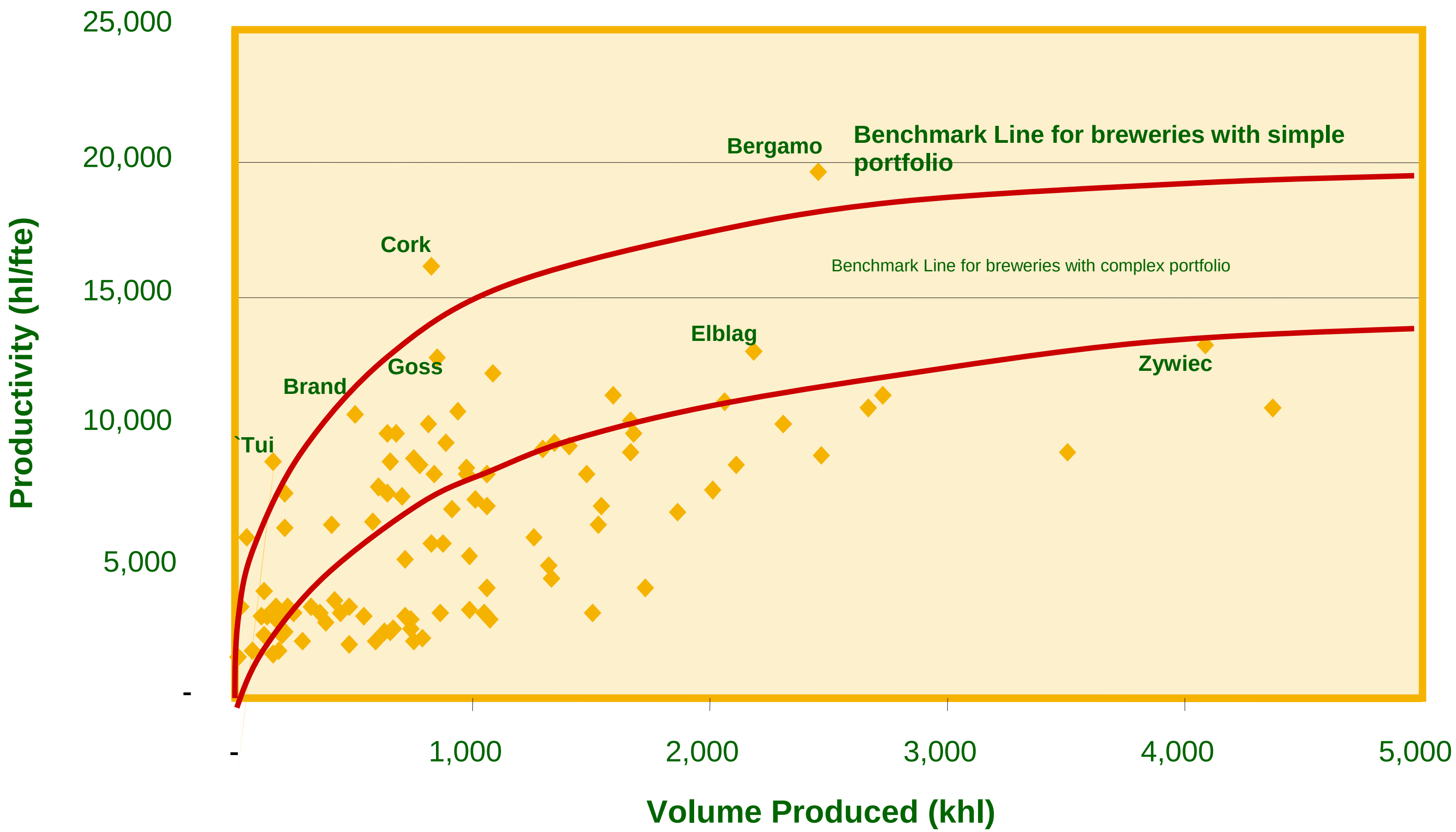
Internal Benchmarking

Expertise
Knowledge
Management
Best Practices

Lean Organization.
Optimised Production
structure and Distribution
network

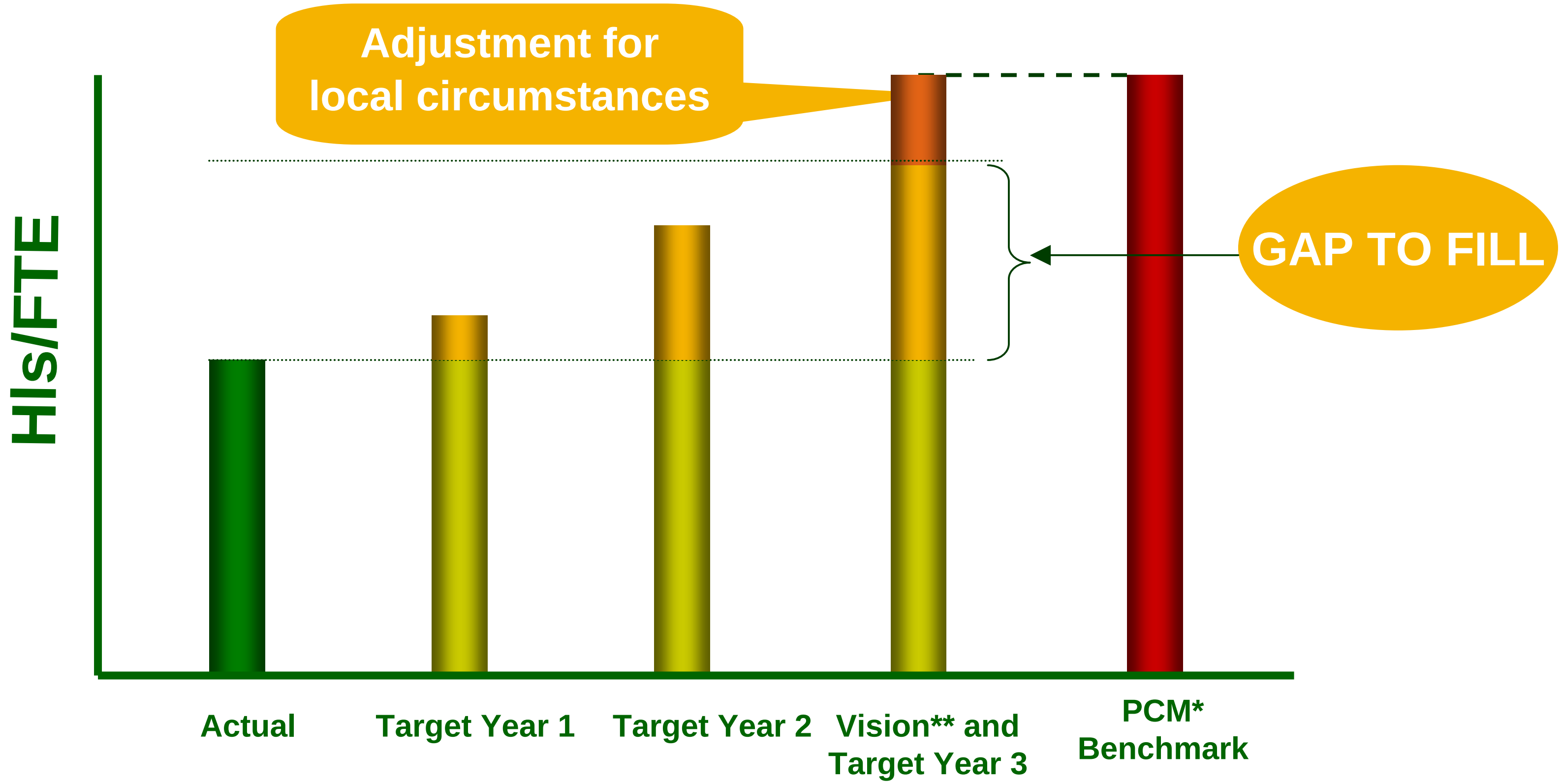
External Benchmarking

Benchmarking...



...From Benchmark to Gap to Fill

Efficiency



* PCM Bench mark: Ideal fte-level based on internal & external benchmarking

**Vision : By taking into account the local constraints, the hls/fte vision for the brewery is developed.

Gap to fill addresses all costs...

PCM → Personnel

UBM and other benchmarking tools → Utility, Maintenance, Packaging material losses, Other fixed costs, Extract-losses

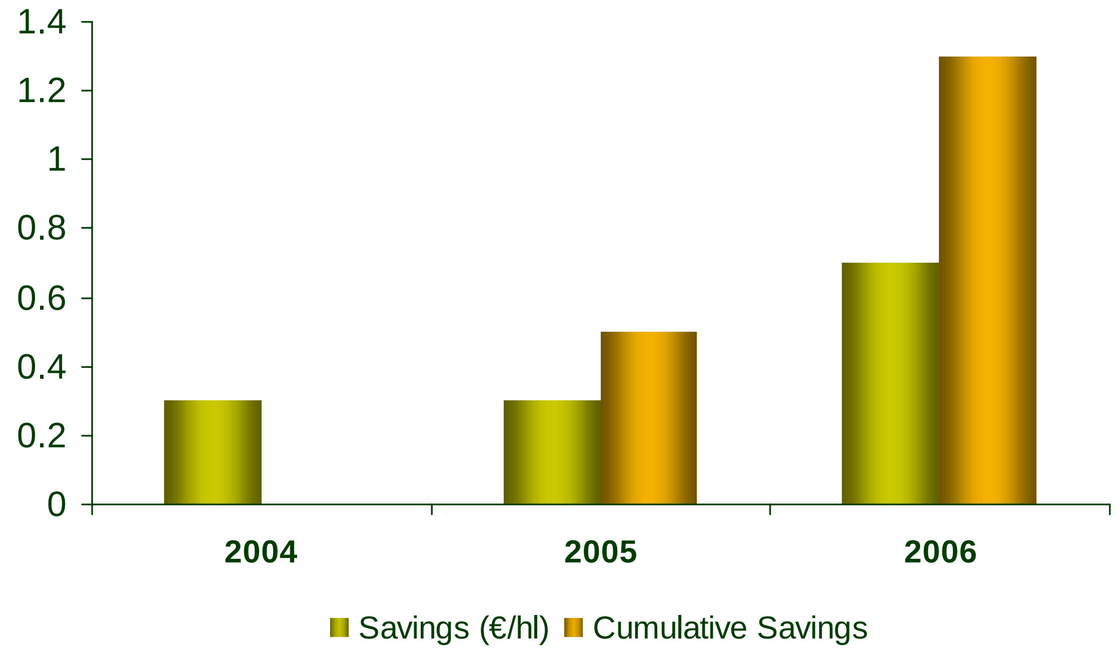
Personnel; Utility, Maintenance, Packaging material losses, Other fixed costs, Extract-losses → Benchmark And vision → GTF

...Gap to Fill leads to lower costs and higher efficiency

- GTF is a continuing exercise
- Results are achieved by efficiency improvement and brewery closures

Gap to Fill: Savings

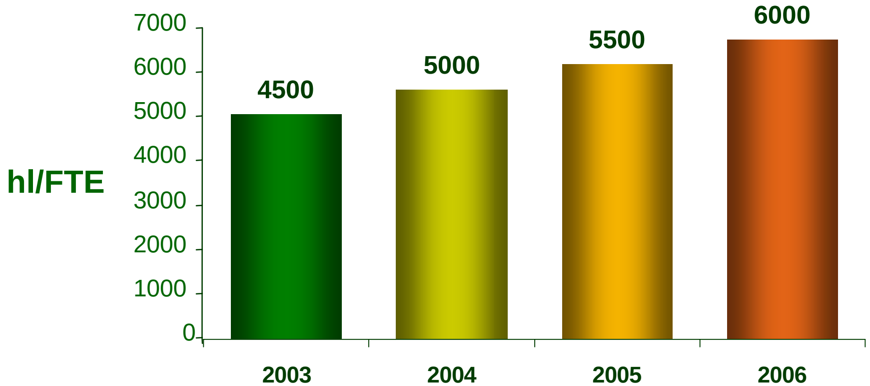
Savings (€/hl)



Brewery closure let to substantial cost reductions

Since 2002 we closed 19 breweries increasing our total productivity ratios by over 30%

Productivity trend



2002	2003	2004	2005	2006/7
De Ridder – NL Winterthur – CH	Braniewo – Poland Martin – Slovakia Innsbruck-Austria	Warsaw – Poland Komarom – Hungary Nitra – Slovakia David – Panama Arad – Romania Reghin – Romania Sofia – Bulgaria Enugu - Nigeria	Pedavena –Italy Bucaresti – Romania Curacao	Messina – Italy Bydgoszcs –Poland Gemer - Slovakia

Case study: Slovakia – improvement by brewery closures

Years	2001	2005	2006
Breweries	4	2	1
Malteries	3	1	1
Market volumes	4,847k hl	4,367k hl	4,414k hl
Market share	41.7%	40.4%	40.4%

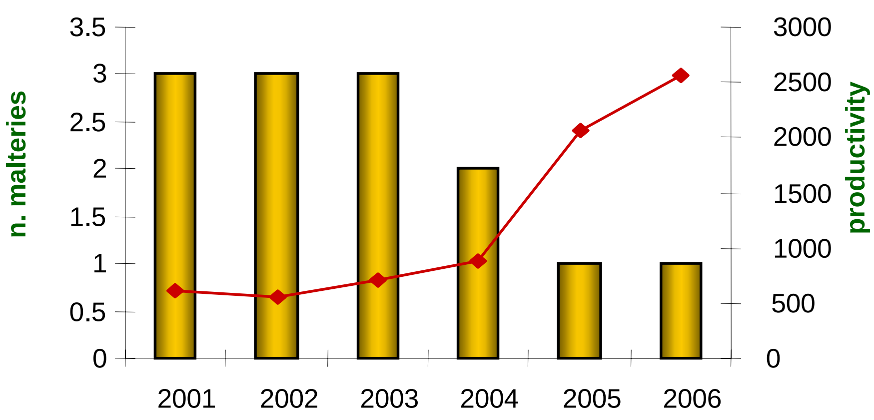
2006: Closure of the Rimavska Sobota brewery

- Brewery productivity/hl increased by 30% to over 8,800 hl/capita
- Ongoing reduction of personnel: 95 FTEs in production and 60 FTEs in administration

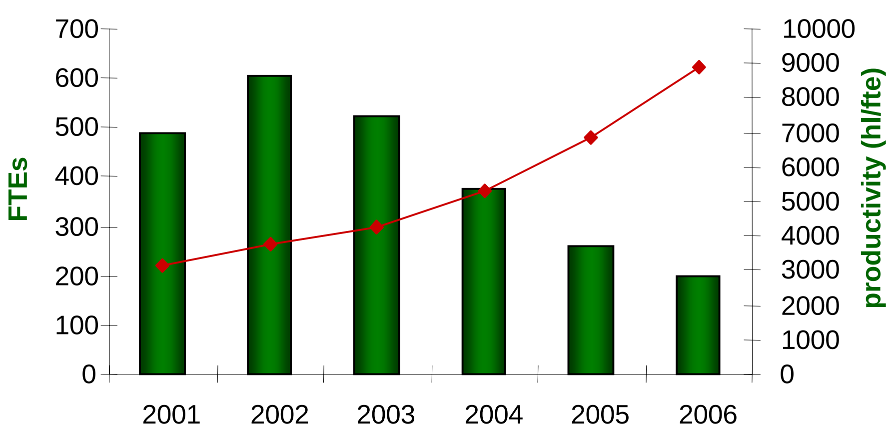
Case study: Slovakia – improvement by brewery closures

Productivity in both malteries and breweries increased more than 3 times between 2001 and 2006

Malteries - efficiency trend



Breweries - efficiency trend



Case study France: *Ambition industrielle programme*

Programme aims at

- Improving the efficiency of the existing breweries
- Increasing economies of scale of production lines by specialization of breweries
- Decreasing losses by implementing TPM

2006 Achievements

- 5 production line closed (out of 18)
- 81 FTE reduction
- € 9m savings
- 850,000 hl production reallocated
- Hl/FTE improved to 8,400

F2F: Wholesale savings

Heineken's Beverage Wholesale at a glance

Heineken is the largest beverage wholesaler in Europe

Substantial margin improvement possible

Beverage volume	20 m hl
Personnel	13,000
Revenue	€ 3.8 bn
EBIT margin	1%- 2%

Italy – Wholesale savings

Saving Programmes

- Reshaping the sales force
- Rationalisation distribution network
- Reduce legal entities
  Centralise transactional processes

Italy – Wholesale savings

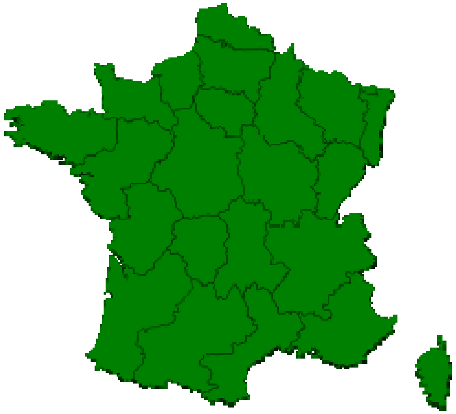
Cost savings

- Sales force reduction of 20% (179 FTEs)
- Number of depots reduced by 30% to 72
  Employees reduction and outsourcing (413 FTEs)
- Reduced number of legal entities by 11
  Further reduction administrative personnel

Savings
Up to end
2006
€9m

France – wholeslae saving programmes

Saving Programmes



- Centralisation and standardisation
- Warehouse management optimisation

Cost savings

- From 65 to 10 legal entities and back offices
  1 region= 1 back office = 1 legal entity
- From 44 sales regions towards 10 sales regions
- Warehouse space has been reduced due to
  Introduction cross docking concepts

Savings
Up to end
2006
€11m

F2F: Support Functions savings

Support function benchmark study: main findings

Strategic Alignment

- decentralized environment leaves support functions with little management attention

Organization

- Comparatively more FTEs in all functions
- Global IT & Procurement lack required governance

Technology

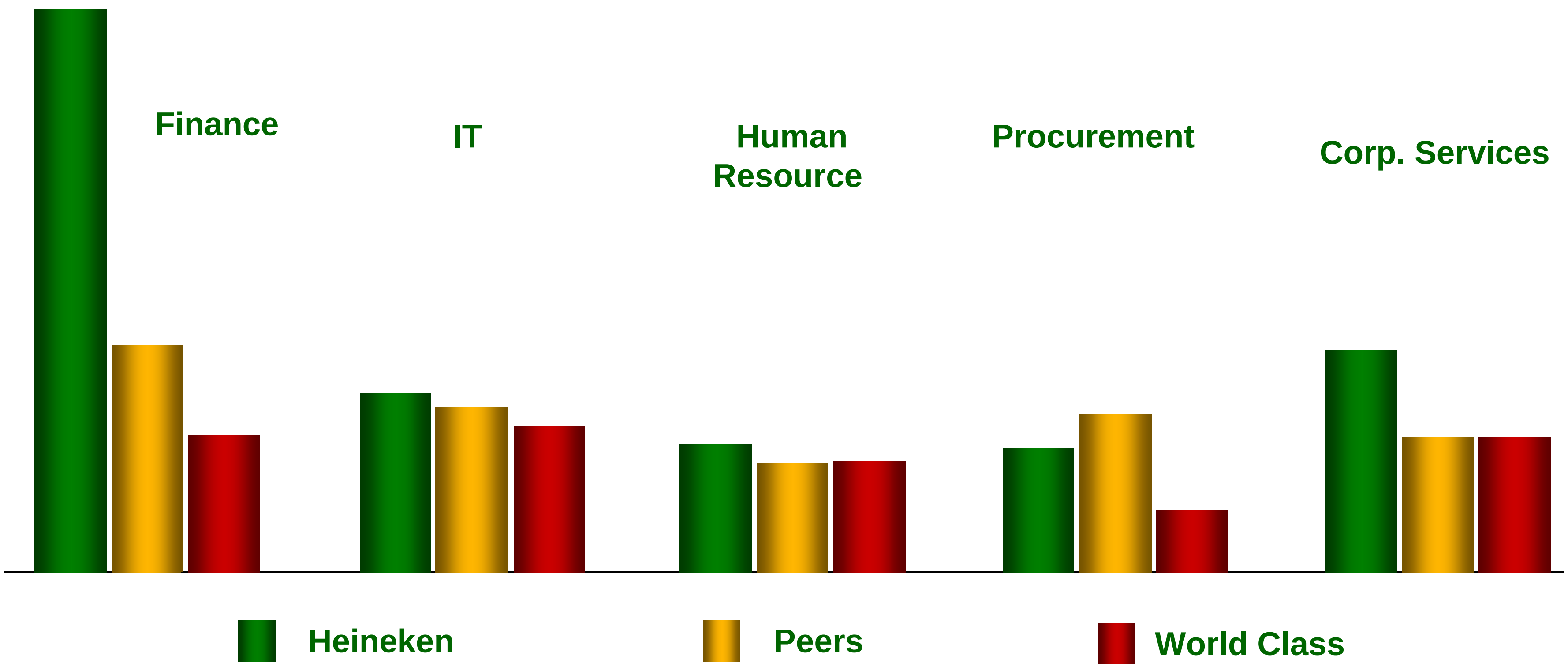
- No under-investment
- Complex application infrastructure
- Sub-optimal business process automation levels

Process

- High costs per transaction
- Fragmented across the organisation
- High error rates, long cycle times, low productivities

High staffing levels offer material savings opportunities

Staffing by function



Specific programmes drive improvement

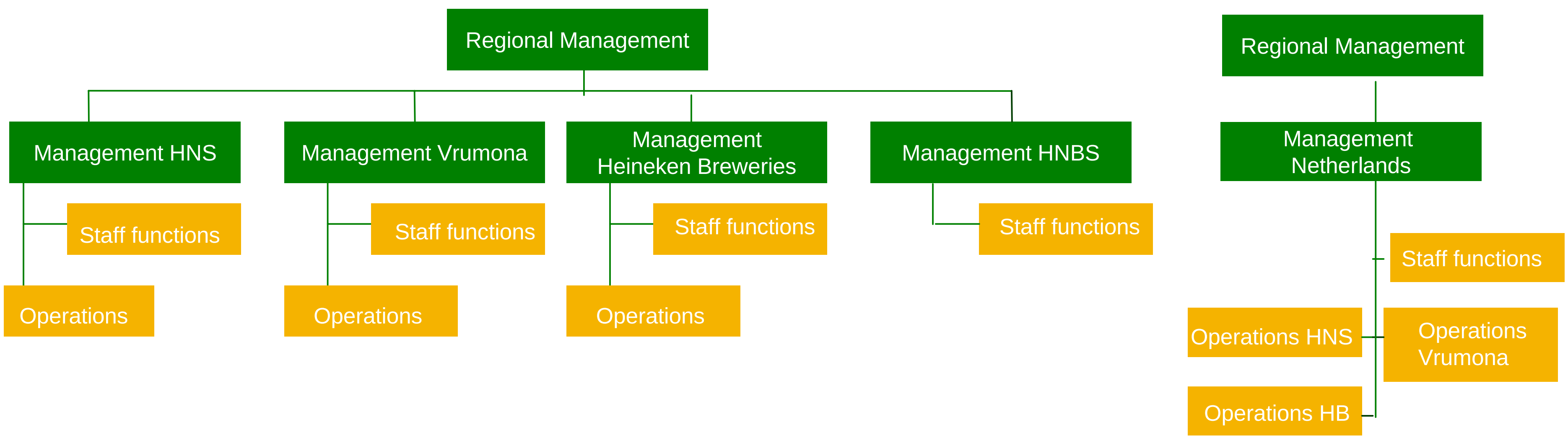
- Structure simplification
- Implementation of shared service centres (SSC)
- Later and Lighter (L&L)
- IT Sans Frontière (ITSF)

Management structure simplification

The Netherlands

OLD STRUCTURE

NEW STRUCTURE



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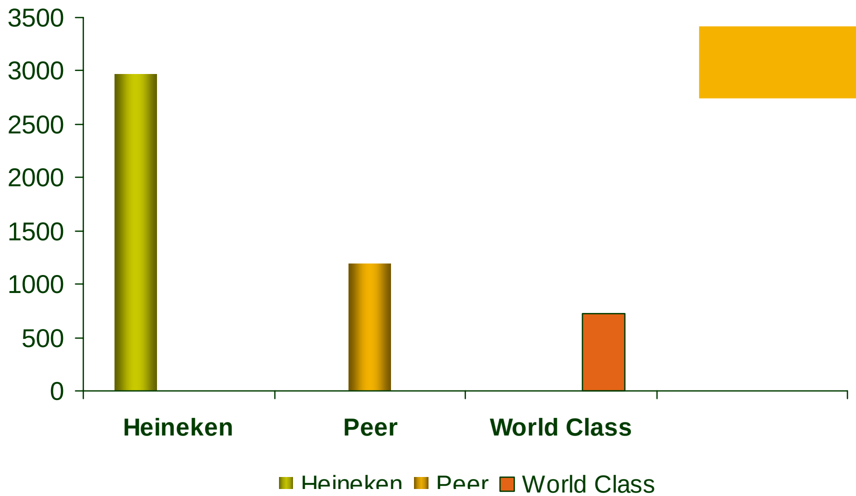
Implementing Shared Service Centers

Hackett Findings

- Decentralised management model, also applied to support functions
- High number of staff in Finance function

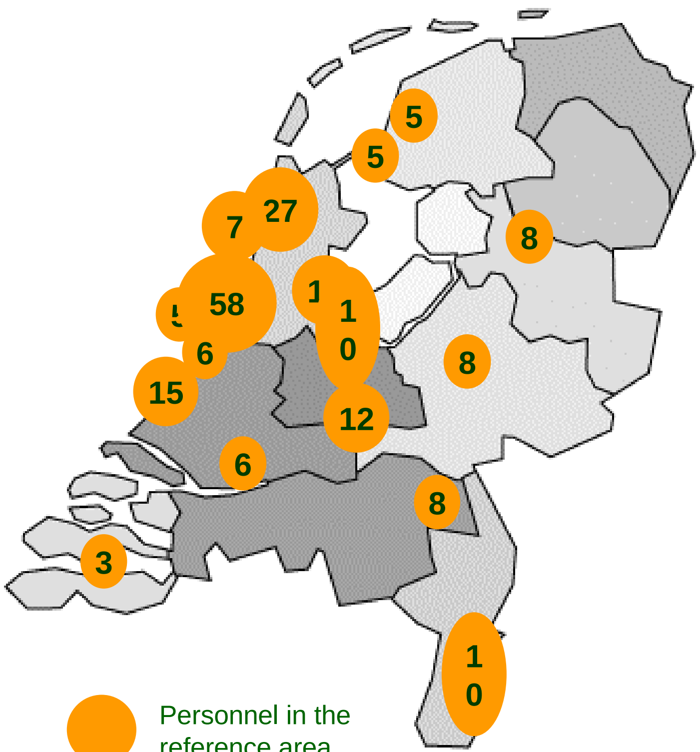


⇨ High costs per transaction
⇨ High error rates
⇨ Low cycle times

Initiatives

- Standardisation of process
- Improvement of Functional ownership
- Benchmarking
- Shared service centres on country level
  - ✓ Cost savings (-50% FTEs)
  - ✓ Higher quality
  - ✓ Management focus

Netherlands –the reorganisation



Personnel in the reference area

Before 2004	214 FTE
Actual 2006	150 FTE
2008	100 FTE

30%

25%

= 45% of FTEs

Centralisation of IT roll out SAP and implementation of the workflow management for the centralised back-office

Savings
Up to end 2006
€22m

Further decrease possible

Later & Lighter: "Less is More"...

From

- Complex process
- From ca. 1500 line items
- Planning starting in May
- Bottom up approach

"Complete is better"

To

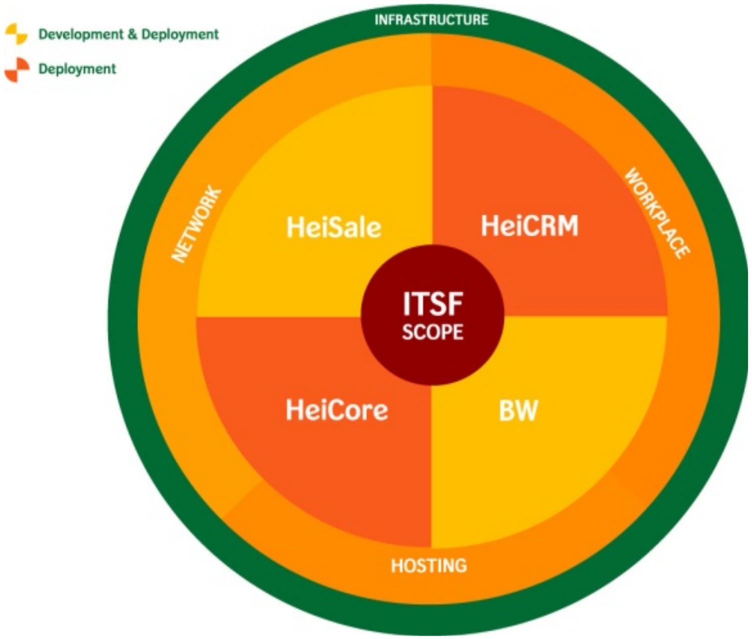
- Reduction planning period
- To 150 line items
- Planning starting in September
- Top-down approach

"Less is More"

IT Sans Frontière: roll out of common applications

ENABLES

- Central IT support for local organisations
- Standardization of processes to allow best practice implementation
- Operational cost savings



IT Sans Frontière: Outsourcing

Achievements

CONSISTS OF:

- Application hosting
- Network and telecom outsourcing
- Global workplace outsourcing

SAVINGS:

- Implemented: €5m p.a.
- Under implementation: €5m p.a.
- Contract being negotiated:
- 20% cost reduction expected

Variable cost savings

Focus NOT just on fixed costs...

- F2F focuses on fixed costs, with the exclusion of marketing and selling

Variable costs represented 45% of total costs in 2006:

• Input costs	21%
• Goods for resale	15%
• Energy, water and transportation	9%

- Active programmes that manage the reduction of variable costs are:
  - TPM
  - Centralised Purchasing

TPM - update

Key achievements to date

- 82 breweries now running TPM programs (out of 113 eligible)
- 43 % people involved in TPM worldwide
- Savings seen through increase in Operational Performance Indicators (OPI) of our packaging lines and reduction of extract losses
- Progressing on auditing and reporting tools
- TPM savings in recent projects in Spain - €1.4m and Nigeria - €1.5m

TPM – technical results at Zywiec and Sopron Brewery

Productivity improvements Zywiec (hls/fte)

2006	10 496
2005	9 570
2004	8 228
2003	7885

+33%

Energy savings at Sopron (MJ/hls)

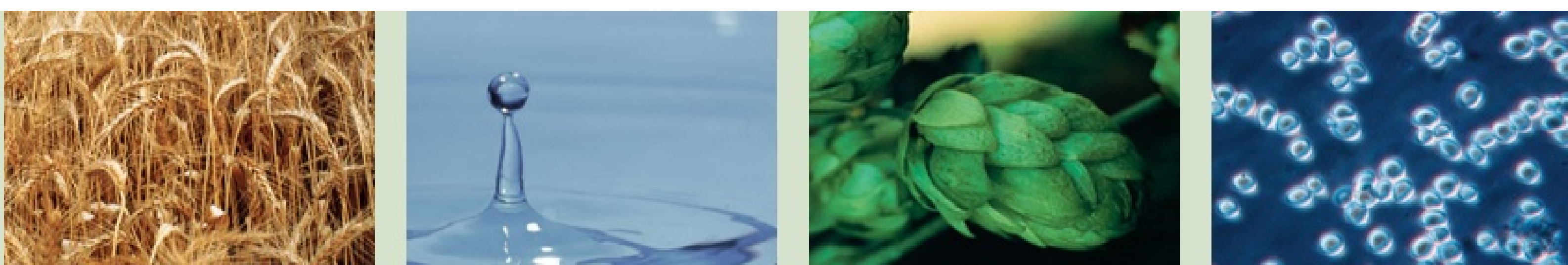
2006	92
2005	104

Total annual savings 70,000 EUR

Centralised Purchasing generates savings

Key achievements to date:

- Centralised purchasing of 70% of :
  - Malt, maize, hop, compounds and auxiliary production materials
  - Primary packaging: glass and PET bottles, cans and kegs
  - Other packaging materials: labels, cartons, multi-packs, crates etc.
- Centralization of purchasing generated savings of 5% in 2006



barley water hops yeast

Centralised purchasing: Input costs hedged for 2007

- **We have largely hedged the prices and quantities for bottles, cans and malt for 2007**

- **As announced in February 2007, we expect packaging and raw material costs to increase by 7%- 8% in 2007 on a price/hl basis**

Conclusion

- Efficiency Improvement is a key priority
- F2F program is fully on track, and will achieve its 2008-target
- The focus on variable costs is increasingly important
- Raw materials and input costs are fully hedged for 2007

Questions?

These consumer trends are impacting the U.S. beer industry

Increasing Ethnic Diversity
- CCM Portfolio
- Heineken Premium Light
- Heineken Brand Ethnic Potential

Enduring interest in health & wellness
- Heineken Premium Light
- Amstel Light
- Tecate Light

Growing demand for small indulgences
- Trade-up: Heineken and our entire portfolio

Need for connection and socialization
- Stronger Consumer/ On-Premise Activation
- Draft Keg

Individuality and the search for variety
- An expanded portfolio, including CCM and Star Brand Imports