

Operational review

Our number one priority is to drive top-line growth through the creation of a global portfolio that combines the power of local and international brands and which has Heineken as the jewel in the crown.

Introduction

Accelerating top-line growth is a simple priority, which gives the marketing and commercial function of Heineken its clear and focused goal. In order for us to meet this goal, the challenge across the whole of our business is to balance the management and growth of our local, regional and international brands, with the management and growth of Heineken, the world's most valuable international premium beer brand. In 2006, we made significant progress against both sides of this equation.

The Heineken brand

The Heineken brand is our most important asset. Although it is only 20 per cent of our Group beer volume, it is, and will remain, at the emotional heart of our Company. It is the clear leader in the premium segment of the market, which is expected to generate a significant part of the total beer category profit growth over the next 10 years. At the end of 2006, the brand's share of the international premium segment went up to 19.2 per cent from 18.7 per cent in 2005.

In 2006, we achieved total Heineken premium volume growth of 11.3 per cent – the best growth figures for the brand since the 1980s. As important, the growth came from all regions and from most of the markets where the brand is enjoyed.

Achieving this level of growth on a brand with the heritage, equity and global scale of Heineken requires a commitment to delivering excellence in two critical elements: innovation and communication.

Innovation

Our innovation agenda on the Heineken brand has the consumers and their needs as the starting point. This means we need to consider 'total' innovation – across the beer, the package and the way we deliver draught beer.

It is fair to say that changes to the beer itself have not been a feature of Heineken's approach to innovation during the last 130 years. However,

the launch of Heineken Premium Light in the USA coupled with an additional €43 million marketing investment showed us the value of genuinely understanding the consumer and the market. In its first year, the brand achieved sales of 680,000 hectolitres, far above our original forecast. The launch of this first true brand extension was the most important innovation in the actual beer since the Heineken brand was born in 1873. It is a great example of a bold decision backed up by the commitment and belief of the organisation.

We are also aware of the value our packaging creates, both for consumers and for our top-line growth. The introduction of the 'embossed' can is the latest in a line of can innovations which



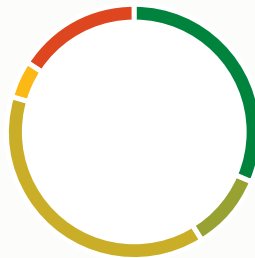
enables us to differentiate the brand from its competitors and deliver a more premium experience to our consumers. This too is the thinking which lies behind the development of a totally new look 'sleek' can which will help support the next phase of growth on Heineken Premium Light in the USA.

To complement our creative approach to packaging, we also continued to refine our approach to delivering fresh, quality draught beer. Nothing demonstrates this more than the success we have made of DraughtKeg, our go-anywhere, five-litre keg. In 2006 we took two crucial decisions: to accelerate the roll-out plan (to 54 markets) and to invest in a new, additional filling line in the Netherlands to meet the significant current and anticipated consumer demand.

Given our success and our focus on innovation, we are now seeing innovation of our original innovations. We launched two new, updated versions of the original BeerTender concept and we also successfully combined our DraughtKeg and BeerTender innovations when we launched a unique one-way BeerTender keg in France.



Heineken group premium by region
In millions of hectolitres



● Western Europe	7.1	31.5%
● Central and Eastern Europe	2.2	9.8%
● Americas	8.6	38.2%
● Africa and Middle East	1.1	4.9%
● Asia Pacific	3.5	15.6%
Total	22.5	100%

Global breakdown of brands
In millions of hectolitres

Heineken	25.8	19.6%
Amstel	12.2	9.2%
Other	93.9	71.2%
Total	131.9	100%



Operational review

continued

Our David draught system for lower-volume outlets in the on-trade was also extended by the roll-out of the Xtreme Draught concept, a slimmer, more mobile version. In total, our David system is delivering benefit to outlet owners in more than 70 markets and has delivered more than 1 million hectolitres since its introduction in 2002.

In line with our commitment to driving top-line growth, we took the decision to implement an Extra Cold beer programme around the world. This builds on the consumer insight that there are different occasions on which consumers seek a beverage that both cools and refreshes. The programme covers both draught and packaged beer and incorporates sub-zero degree fridges for the on- and off-trade as well as frozen draught beer founts for the on-trade. These innovations allow Heineken to be served at -2°C.

In 2006 our innovations accounted for approximately 40 per cent of all new growth on the Heineken brand.



It is clear that, as with Heineken Premium Light, we are now seeing the benefit of taking bold decisions and supporting them with action and investment across the organisation.

Heineken brand communication

During the year, our advertising and promotional programme was highly effective in delivering growth.

We translated our international Heineken brand sponsorships into high-impact consumer communication platforms. 2006 was the first year of our UEFA Champions League sponsorship. As a basis for consumer promotion and association with 'the global game' the tournament is a natural and successful fit for Heineken.

The brand's unquestioned leadership in Europe also allows us to exploit the Heineken Rugby Cup tournament across six key markets. Combined with the UEFA Champions League, this means that we have arguably the two highest-profile Pan-European sporting events within the Heineken brand stable. These events have certainly helped to drive growth of the brand in Europe over the last 12 months.

We have become known for our creative use of film to support the Heineken brand proposition. Our association with the latest James Bond film – Casino Royale – has given us the opportunity to extend this reputation and build promotion and activation programmes for those of legal drinking age and above in 55 markets around the world.

These major activities were complemented by the work that our markets undertook to associate the Heineken brand with music and music events such as Thirst, our global DJ competition.



James Bond set

Heineken invested in a ground-breaking promotional partnership with Sony Pictures Entertainment for the 21st edition of James Bond, Casino Royale. Heineken's promotional campaign included a TV commercial featuring Bond girl Eva Green. The partnership marked the first time that a commercial product was allowed access to the actual Bond set to shoot an ad.

The Amstel brand

Amstel is available in more than 90 markets worldwide with total group sales of 12.2 million hectolitres. In addition to Amstel Lager we brew and sell various Amstel propositions including Light beers, non-alcoholics and taste suited for regional markets.

In line with our portfolio approach we developed a revised strategy for the Amstel brand which provides a distinctive role for the brand in our international portfolio. Part of this new approach has been the creation and launch of Amstel Pulse. This is a beer which meets the growing consumer desire for more accessible taste and which, through significantly lower calories and carbohydrates, taps into the consumer wellness and lifestyle trend.

In Russia, during the first year of introduction, sales of Amstel Pulse have exceeded 100,000 hectolitres. Amstel Pulse has also been launched in Australia, Greece, Dubai and New Zealand.

The packaging identity for the Amstel brand has been refreshed, first introduced in the Netherlands at the end of 2006. This new design will be rolled out to other markets in 2007. This will increase the brand's point of differentiation and re-confirm its quality credentials within the portfolio.

In the USA a new campaign 'Live tastefully' was launched in the summer with new TV ads in order to revitalise the Amstel Light brand, building up on its European flavour and long-standing heritage. With Amstel Light and Heineken Premium Light our Group enjoys the largest share in the imported light beer market in the USA.

Brand portfolios

Managing a portfolio of brands requires a significant level of sales and marketing capability. That's why we have focused a significant amount of effort on training and development initiatives throughout the global function, implemented via the new regional structure. These initiatives have