

Regional Review

The Americas

1.5 Net turnover
billion euros

23.7 Total beer sales
million hectolitres

7.2 Heineken beer sales
million hectolitres

269 Operating result
million euros

Western Europe

5.3 Net turnover
billion euros

43.5 Total beer sales
million hectolitres

11.0 Heineken beer sales
million hectolitres

623 Operating result
million euros

Africa and the Middle East

0.9 Net turnover
billion euros

13.5 Total beer sales
million hectolitres

0.9 Heineken beer sales
million hectolitres

168 Operating result
million euros

Central and Eastern Europe

1.8 Net turnover
billion euros

31.6 Total beer sales
million hectolitres

0.9 Heineken beer sales
million hectolitres

129 Operating result
million euros

Asia Pacific

0.5 Net turnover
billion euros

9.5 Total beer sales
million hectolitres

2.8 Heineken beer sales
million hectolitres

59 Operating result
million euros

Western Europe

Group Volume Western Europe > in millions of hectolitres

Reference to market positions and market shares in the relevant countries is based on available market information and refer to an estimate of market ratios.



Against this background, and as a result of innovative marketing and new products, Heineken's leading brands showed great resilience, maintaining market share in tough markets and winning share in several important markets.

Regional review

Growing consumer preference for premium and speciality beers is creating ample opportunities for Heineken to further improve performance, given that we have strong, high-margin brands in both these segments.

Growth for Heineken was stronger than for Amstel, whose position in the mainstream segment of the market made it more vulnerable to price competition.

In Western Europe, Heineken's overall beer sales volume decreased to 43.5 million hectolitres, from 44.7 million in 2003. Our operating result improved thanks to the benefit of tight cost control and strong marketing. Sales volume of the Heineken brand in the region increased.

Operations

Heineken is Western Europe's largest and leading beer brewer. We have market leadership positions in the Netherlands, Spain, Italy and Greece and we are the number two player in France, Ireland and Switzerland. Our position in Germany was strengthened substantially by two acquisitions in 2004 and by a third in January 2005. Heineken, and in some cases Amstel, are also brewed under licence or imported into several other Western European markets.

Netherlands

> Innovation drives Heineken brand market share growth

5.9 Total beer sales
million hectolitres

50 Market share
percent

1 Market position
position

The dominance of lager in the Dutch beer market grew further in 2004.

Lager's share of the total market is now approximately 93%.

A cool summer and a weak economy caused the Dutch beer market to contract by almost 2%. Against this, Heineken Brouwerijen's beer sales volume slipped from 6.0 million hectolitres to 5.9 million hectolitres. The slight loss of market share was due to our relatively strong position in the on-trade, where sales fell more sharply than in the rest of the beer market. But thanks to successful marketing and innovation initiatives, the Heineken brand specially was able to keep its share of the market.

The lower sales volume, coupled with higher promotional spend and higher provisions for bad debt in the on-trade, translated into a lower operating result. The supermarket price war, which started in the last quarter of 2003, depressed margins of all packs and brands in the off-trade.

THE WESTERN EUROPEAN BEER MARKET IS ONE OF THE MOST PROFITABLE IN THE WORLD. IN 2004, THE BEER MARKET DECLINED SLIGHTLY AS A RESULT OF THE RELATIVELY POOR SUMMER, WEAKER EUROPEAN ECONOMIES AND UNFAVOURABLE DEMOGRAPHICS. THE COMBINATION OF THESE ELEMENTS CAUSED A GENERAL DECLINE IN THE ON-TRADE. IN OVERALL VOLUME TERMS, THE OFF-TRADE GREW BUT WAS DOMINATED BY INCREASING COMPETITION ON PRICE AT A RETAIL LEVEL AS SUPERMARKETS FOUGHT TO WIN AND RETAIN CUSTOMERS.

An increase in on-trade selling prices, lower staffing costs and other improvements in the cost structure across the supply chain had a positive impact resulting in an increase of the operating result.

Brands

The market share of the Heineken brand remained stable thanks in part to marketing, packaging innovations and promotions. One of the innovation successes of 2004 was BeerTender®. The consumer response – within a few months we sold more than one million kegs – exceeded our forecasts and prompted our decision to build a second keging line at Zoeterwoude.

Other new marketing initiatives included a twelve-pack of one-way, 25-cl glass bottles, re-launched with a new twist-off cap. The David dispensing system which appeals to smaller on-trade establishments through the use of 20-litre kegs, continues to grow strongly.

Marketing highlights also include the ‘Heineken loudspeaker hat’ promotion during the European Soccer Championship. Hundreds of thousands of orange and green hats, which doubled as loudspeakers, were sold through on- and off-premise outlets and were made available to the fans, for football matches involving the Dutch team. An active PR programme gave the Heineken brand a significant presence in all media.

The brand was also highly visible once again at Pink Pop, the Fast Forward Dance Parade and Dance Valley, which helped to reinforce the brands contemporary music credentials.

Amstel further strengthened its number two position in the Netherlands, helped by creative sales promotions such as the new ‘Our beer’ advertising campaign and by the introduction of Amstel Lite (with 30% fewer calories than regular Amstel) in July. As of early November, Amstel also became available in BeerTender® kegs.

Sales volumes of our specialty brand, Wieckse Witte, and our Brand premium beer, suffered as a result of supermarket discounting. To reinforce its premium position, Brand introduced a new golden 12-bottle crate, which will support its premium positioning with both trade and consumers. Brand Urtyp and Brand Cuvee continued to grow in their high-end niche market, with most top-restaurants now serving Brand Urtyp as an aperitif. As of early November, Brand became available in BeerTender® kegs.

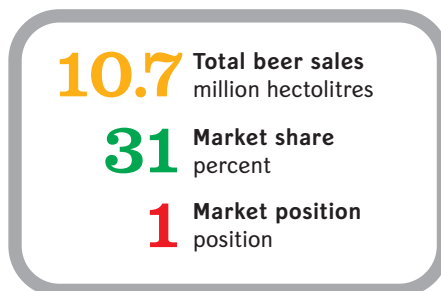


Soft drinks

Vrumona was the only soft drinks company in the Netherlands that managed to grow market share in 2004, driven primarily by anticipating changing consumer demands and meeting them with timely new product launches. As a result of this growth, Vrumona became the second largest player in this category. Despite the market share growth, however, Vrumona's overall sales volume declined. Vrumona's operating result decreased. Across the Netherlands, sales of all traditional carbonated soft drinks declined largely due to greater dietary concerns among consumers. Light and non-carbonated soft drinks, though, continued to grow. In these segments, we introduced several successful new products, such as Sisi Fruitmania and Crystal Clear. Joy, the tooth-friendly children's drink, won a national prize for best beverage innovation.

Spain

> Outstanding profitability and strong efficiency gains



Overall, the Spanish beer market grew by approximately 3% in 2004. As with other markets in Europe, discounting intensified at retail level and sales volume in the on-trade declined. In contrast, the off-trade segment continued to grow and we were able to raise prices in line with inflation.

Despite the increased price competition and decline in on-trade sales, sales volume of our key brands expanded in line with the market. Heineken España maintained its leading position in the branded beer segment, thanks largely to successful marketing. Overall sales volume was stable. In this context, we focused on driving costs down and on making improvements to our product mix. We now no longer brew any private label beer in Spain, as we focus on the higher margin segments of the market. Consequently, our branded volume increased modestly, with the Heineken brand providing most of the growth in this segment.

Efficiency gains

We achieved substantial efficiency gains, driven by improvements in purchasing, logistics, point of sales materials and reductions in inventory. In addition, we outsourced some of our non-core activities. Variable costs rose due to both portfolio adjustments and the shift towards one-way packaging. The integration of Heineken Canarias into Heineken España has proceeded well, yielding our targeted synergy benefits. The Canarias operations are now supplied by Heineken España and we have harmonised the IT systems.

Brands

Heineken España's main focus in 2004 was, once again, on building a strong brand portfolio in which every brand plays a specific role. While Heineken is the cornerstone of the portfolio, Cruzcampo is assuming an increasingly important role as a top mainstream beer with a strong Andalusian heritage. In 2004 Cruzcampo celebrated its centenary, an event which gave us a strong marketing platform for the year. The activities involved a national advertising campaign with the slogan: '100 years of living your life with all your heart'. In addition, we relaunched Shandy Cruzcampo in 2004 with new packaging and a new advertising campaign.

Consumers continue to respond well to our advertising and sponsorships. Our website www.Heineken.es is popular and, in line with our focus on music, is becoming a national reference point for music events of all descriptions.

Other marketing successes for the year include a prize for 'Legado de Yuste', an abbey beer launched in 2002. This specialty brand continues to grow and was chosen as one of the 100 best ideas of 2004 by a prestigious economic magazine.

Amstel plays an important role in the mainstream beer segment and was supported nationally through exploitation of the UEFA Champion's League sponsorship and through promotional initiatives at a local level. Sales of Amstel in PET bottles, launched in 2003, continue to progress well.

The large alcohol-free segment in Spain again showed robust growth, reflecting the continuing trend towards healthier lifestyles, as well as increased restrictions on alcohol consumption. In particular, our Buckler brand profited from this. As elsewhere, Heineken España participates actively in campaigns to encourage drivers to drink alcohol-free beer.

Production development

The construction of the new Heineken España brewery in Seville is well under way, with bottling scheduled to start at the end of 2006 and production reaching full capacity in 2008. The brewery, with an initial capacity of 4.5 million hectolitres, will offer greater efficiency and productivity as well as lower production costs.

The brewery will brew all Heineken España brands, but will focus on production of Cruzcampo. With a total investment of €233 million, the project represents the largest private industrial investment in the city of Seville. The project will be partly financed through the sale of the city centre plot of around 17 hectares on which the existing brewery stands.

Other significant developments were the opening of a new PET bottling line in Jaën in order to meet anticipated demand and a bronze award to our Arano brewery in Navarro from the European Foundation for Quality Management.

France

> Marketing innovations drive Heineken brand growth

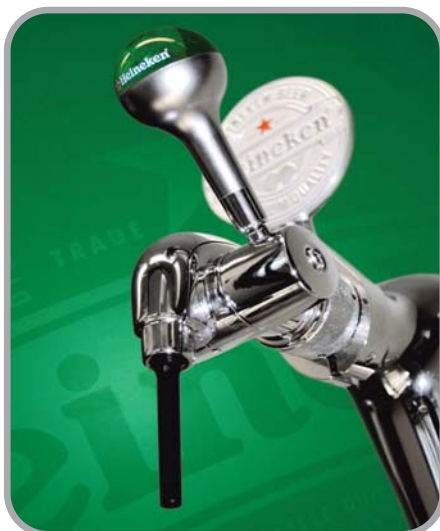
7.1 Total beer sales
million hectolitres

33 Market share
percent

2 Market position
position

The French beer market lost about 5% in volume in 2004, amid more intense price competition and promotional activity in the mainstream segment. Heineken France, though, continued to focus on its leading premium brands. As a result we were able to contain our loss in overall market share to one percentage point.

Overall beer volumes for Heineken France declined from 7.4 million to 7.1 million hectolitres. The operating profit was severely impacted by the combined effect of restructuring costs on the wholesale activity and changes in business tax.



Brands

Through strong marketing initiatives the Heineken brand stabilised its sales volumes and was able to gain market share in both the on- and off-trade channels. The brand was supported by the launch of the award winning 'Ice Pack' packaging in the off-trade during the summer and through the success of draft-beer David system within the on-trade channel.

The Amstel brand is the leading draught beer brand in the on-trade and Amstel Free has been introduced as part of the on-trade portfolio.

In the off-trade, our innovative Desperados mini-kegs were launched and the Pelforth brand confirmed its potential through the success of the product line extension Pelforth Ambré. Strong promotional pressure in the mainstream

segment and lower consumption, though, reduced the sales volume of “33” Export.

The increased penetration of ready-to-drink (RTD) brands both within the on- and off-trade sectors hit beer consumption and hampered the development of Desperados and Kriska.

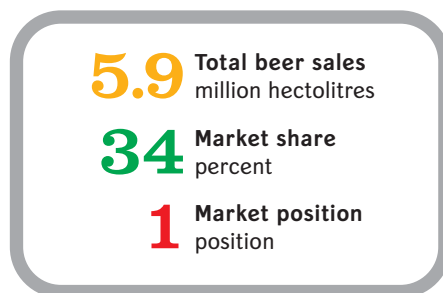
We continued our initiative ‘Bière Coté Repas’ aimed at persuading French consumers to associate beer drinking with fine dining, with the introduction of a range of up-market beers in 75-cl bottles in select restaurants.

Wholesale

France Boissons, Heineken France’s distribution organisation has started an important cost-efficiency programme based on achieving regional synergies and re-engineering logistics. Heineken France will continue to pursue this programme in 2005. In addition, we will have to divest three of our distributors in response to French anti-trust regulation upon the request of the French Ministry of Finance. Furthermore, the European Commission concluded that certain discussions between Heineken and Kronenbourg in early 1996 regarding a discontinuation of the acquisition of wholesalers constituted an infringement of EU competition law. As a result, the Commission imposed a fine on Heineken of €1 million.

Italy

> Heineken Italy outperforms the market with solid growth in market share



Heineken Italy’s overall market share

remained more or less stable at 34% in 2004 and expanded its product range in the Italian beer market that declined 3% overall.

This was largely due to a less favourable summer than the spectacular weather of 2003, which in turn drove down tourist numbers once again.

Heineken Italy’s total sales volume declined to 5.9 million hectolitres from 6.0 million in 2003. Heineken Italy, nevertheless, achieved its goal of raising the market share of Heineken, Birra Moretti and Ichnusa.

Brands

In addition to the strong commercial focus, the development of the Heineken brand was aided by advertising campaigns such as ‘Fresh is Better’. This has strengthened the Heineken brand’s link with trend-setting consumers. Heineken Italy also launched the country’s first Heineken Don’t Drink & Drive campaign. The Heineken brand continued to take a leading role in music sponsorship through festivals such as Heineken Jammin’, Umbria Jazz and Thirst.

Birra Moretti’s promotional link with football was strengthened further during the year. Among the highlights were the Trofeo Birra Moretti and the sponsorship of Inter Milan, Juventus and the Champions League. Outside the domestic market, too, Heineken Italia continued to build the international credentials of Birra Moretti, targeting strategic markets such as the USA and the United Kingdom.

During the year, we also launched Budweiser, brewed under licence, in both the on- and off-trade, achieving widespread distribution.

Dreher consolidated its national position and image by expanding on the ‘sparkling friendship’ theme in its advertising campaign. Ichnusa, strongly associated with Sardinian culture, was supported by a new multimedia advertising campaign, aimed at making the brand more contemporary.

Successful focus on efficiency

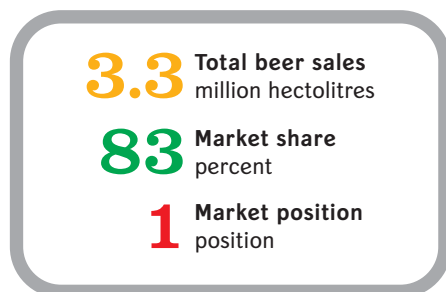
The Customer Relationship Management approach, adopted by Heineken Italia at the end of 2002 has clearly started to pay off. It helped boost the efficiency of the sales force and also made it possible to track and measure the effectiveness of promotions, and profitability per outlet. Heineken Italy's overall reorganisation plan is progressing well.

Wholesale

Heineken Italia's distribution unit Partesa, made some acquisitions in 2004 and reported higher sales as a result. Partesa is evolving its business model, aiming at securing autonomous growth on the one hand, and on the other supporting the development of our beers. The three pillars of this change process are the reduction of working capital, the rationalisation of logistics and the streamlining of procurement. IT improvements are ultimately aimed at aligning Partesa with the overall Heineken group systems.

Greece

> Athenian Brewery successful in Olympic year



The Heineken brand's three-year sponsorship of the 2004 Olympic Games in Greece helped Athenian Brewery to maintain its position in the beer market as a whole, which fell by 1%. This decline contrasts with relatively robust Greek economic growth of 4% and largely reflects a drop in tourist numbers. Athenian Breweries' share of the market remained more or less stable at 83%.

As elsewhere in Europe, the volume decline was greater in the on-trade, with price increases having a mitigating effect on demand. Athenian Breweries overall beer sales volumes declined from 3.4 million hectolitres to 3.3 million hectolitres.

Prices of beer and mineral water were raised in line with inflation and the price discounting seen elsewhere in Europe in the off-trade has not yet hit the country. This partly reflects the fact that Greek consumers have been enjoying wage increases in line with inflation at around 3.5% However, continuing consolidation in the off-trade, as well as the entry of multinational discounters point to increased competition in the future.

These factors combined produces a decrease in operating result for the year.



Marketing and sponsoring

Athenian Brewery, under the Heineken brand name, was Grand Sponsor of the Athens organising committee of the Olympic Games. The sponsorship was supported by a three-year marketing campaign that promoted the games as a great celebration, with Heineken as its unchallenged leading beer. The Games gave Heineken and Athenian Brewery an opportunity to demonstrate common values of community spirit, quality, creativity and teamwork. In addition, the campaign boosted significantly brand recognition and appreciation.

To commemorate the Games, Athenian Brewery introduced a number of innovative, limited edition gifts and beer packaging collector's items including a special Heineken Identity Can and a new variant of the 1.5 litre Magnum Collectors Bottle. We also turned heads by introducing the Paco bottle – striking green aluminium – which re-inforced the brand's premium positioning.

Heineken beer was sold to Olympic Games spectators and visitors in recyclable 0.33 litre PET plastic bottles with the Games logo. For the first time in Greece, we also used the Major Tom backpack coolers for PET bottles to appeal to spectators on the move.

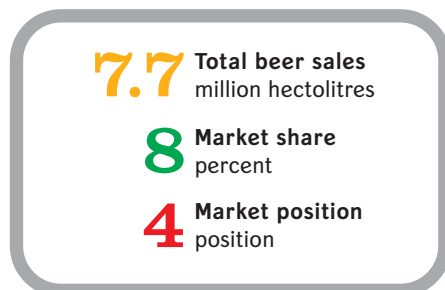
Amongst various consumer promotions, 'Friends of Heineken' who bought their favourite beer in July and August 2004 were offered the chance to acquire unique commemorative gifts and to win tickets to the Games themselves.

The three year Olympic sponsorship campaign 'Marathon' won Heineken the silver prize in the 2004 Effie Awards. In addition, Heineken's Olympic sponsorship television commercial 'bottle top' was awarded the Ermis Grand Prix for Best Advertising Spot of the Year – one of the most important nominations in the Greek advertising and communication industry.

Although the year was dominated by the Olympic Games, continued marketing investment behind the Amstel brand enabled it to maintain its market leadership in both the on- and off-trade.

Germany

> Acquisitions strengthen position in German beer market



The German beer market declined around 2%, reflecting poor weather and weak consumer spending. Brau Holding International's (BHI) total beer sales volume declined by 5% to 7.7 million hectolitres. Despite this, we were able to increase our operating results steady, thanks to strict cost control and careful pricing.

Through Brau Holding International, our joint-venture company with Schörghuber Group, we continued to focus on building for the future with a series of important acquisitions that strengthen our position in the south of the country. Fürstlich Fürstenbergische Brauerei and Hoepfner Brauerei were acquired in the last quarter of 2004. The acquisitions will raise total sales volume in Germany by 870,000 hectolitres. The new companies will be consolidated with effect from January 2005.

The Fürstenberg brand is a leading beer in the south German region and is also exported to several other European countries. Hoepfner is a well-known beer brand in south-west Germany and is also exported to France. Both brands are a valuable addition to BHI's portfolio of German premium brands.

In January 2005 Heineken announced that Kulmbacher Brauerei AG, a subsidiary of Brau Holding International, has made a binding offer to acquire 90.7% of the shares of Würzburger Hofbräu AG.

Brands

Heineken brand volumes and market share in Germany remained stable, thanks to contracts with new on-trade outlets popular with young adults. Imported brands still represent less than 1% of the total German beer market. The Heineken brand, present in the German market since 1993, is gradually achieving a higher profile within its premium position.

Despite the disappointing summer weather, which had a significant impact on the sales of its main product, Weissbier, Paulaner was able to compensate fully for the impact of volume loss in 2004, thanks to price increases and lower fixed costs due to a restructuring programme undertaken in 2003. Although the Kulmbacher sales volumes were down, the brewery's brand Mönchshof was a great success in 2004, scoring double-digit volume growth. Kulmbacher has now successfully integrated the Scherdel brewery acquired in 2003.

The consequences of the introduction in 2003 of a mandatory deposit on all cans continued to be felt in 2004. This has led to the almost complete disappearance of the non-returnable packaging segment and impacted the volume of Karlsberg, which previously held a large share of the canned beer market. In these difficult market circumstances most of Karlsberg's brands saw sales volume declines. The exception was Mixery, a blend of beer and cola, which achieved solid sales growth and further consolidated its lead in this segment.

Other countries

In **Ireland**, the Heineken brand increased its share of the beer market substantially in 2004, thanks to new advertising and the powerful exploitation of sponsorship. The operating result of Heineken Ireland improved, which contrasts with an overall decline of approximately 3% of the Irish beer market.

In the **United Kingdom** in the first full year of operation with the new positioning of imported Heineken, we raised volume and gross margin and made considerable progress in distribution, ensuring availability of the Heineken brand in cans and bottles in all major supermarkets. Heineken is performing particularly strongly in the on-trade, where it is sold on draught and in bottles, and is consistently achieving one of the highest rates of sale of all premium lagers.

Our operations in **Switzerland** have been under significant pressure from declining consumption, low consumer spending levels, and the poor summer. This has meant a decline in sales volume and a lower operating result.

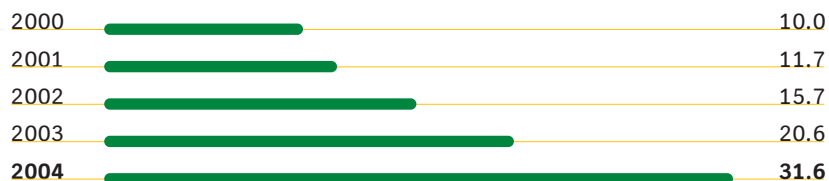
In **Belgium** Affligem decreased in sales volume, as a result of declining export activities.

In **Norway** the Heineken brand is steadily growing, while in **Sweden** the growth was hampered by the influx of low priced beers.

Central and Eastern Europe

Group Volume Central and Eastern Europe > in millions of hectolitres

Reference to market positions and market shares in the relevant countries is based on available market information and refer to an estimate of market ratios.



Across the region, Heineken is the market leader with a share of approximately 27% and total beer volumes which rose to 31.6 million hectolitres in 2004, from approximately 20.6 million, thanks to acquisitions and solid organic growth.

Regional Review

In October 2003 Heineken acquired a majority stake in BBAG, which was included in the consolidation for the first-time since 1 October 2003. At the beginning of 2004 Heineken increased its stake in BBAG from 60.3% to 100%. The integration of BBAG activities into Heineken's existing operations has been completed and is generating significant cost and revenue synergies. In the year under review six breweries have been closed or divested. The combined brand portfolios have been optimised and rationalised. In several Central European countries the Heineken brand was launched in the distribution network of Brau Union. In 2004 the integration of Brau Union has delivered gross synergy gains of €26 million and related non-recurring restructuring costs of €10 million. Heineken expects the full synergies of €80 million before taxation to be unlocked by the end of 2007 in line with the plans published in May 2003.

Brau Union is Heineken's Central European operating company and the largest brewing group in Central Europe, leading in Poland, Austria, Romania, Slovakia, Bulgaria and Macedonia. Brau Union has also strong market positions in Hungary, Croatia and the Czech Republic.

The combined group made solid advancements in sales volume and operating result thanks to the performance of its top brands in the Central European market. Sales volume of the Heineken brand increased by more than 30%. Total beer sales volume of Brau Union fell by more than 5%, and overall, Brau Union experienced a slight loss in market share due to its focus on the premium end of the market.

During 2004, Heineken Russia confirmed and consolidated its number three position in the market through the acquisition of three breweries, Shikhan, Volga and Sobol. These acquisitions allow us to leverage economies of scale at a regional level, provide a better spread of production facilities and will enable us to brew our national brands regionally, thus reducing overall transportation costs.

Poland

> Growth of the Heineken brand, increased operating result

10.3 Total beer sales
million hectolitres

36 Market share
percent

1 Market position
position

A colder summer and higher excise duties slowed the growth rate of the Polish beer market to almost 3% in 2004, down from 4.6% in 2003. Sales volume declined to 10.3 million hectolitres. Market share decreased to approximately 36%.

Substantial investments were made in quality, employee training, technology and distribution. The construction of the brewhouse in Warka, which doubled the brewery's annual production capacity

CENTRAL AND EASTERN EUROPE IS ONE OF THE WORLD'S LARGEST BEER MARKETS BY REGION. MANY MARKETS HAVE BELOW-AVERAGE PER-CAPITA CONSUMPTION AND COUNTRIES ARE PREPARING TO JOIN THE EU. THESE ELEMENTS ARE FORECAST TO DELIVER AN ACCELERATION IN GROWTH OF PURCHASING POWER, BEER CONSUMPTION AND TO EXPAND THE MARKET FOR PREMIUM BEER.

to 3.5 million hectolitres of beer will supply sufficient capacity for the expected future growth. These decisions along with a strong focus on increased efficiency resulted in an increase in operating result.

Brands

Heineken, the leading international premium beer in Poland, experienced substantial growth as did Tatra, in the standard segment. Spezial, a regional brand, grew its volume too. The sales growth supports the company's strategy of being active in almost all market segments and reflects higher demand for lower-priced brands among Polish consumers. Sales of Warka Jasne Pelne, a national mainstream brand, and Żywiec, the most recognised Polish premium brand, were slightly below those of last year. Speciality brands characterised by different fermentation methods, flavours and colours were introduced into Żywiec Group's portfolio. While Poland is a lager beer country, the financially attractive specialty segment is developing too and Heineken imports such as Desperados, Paulaner Hefe Weissbier, Paulaner Original Münchner, Fischer, Murphy's Irish Stout and Murphy's Irish Red are becoming more popular.

Russia

> Strong growth in sales, presence and profitability

4.7 Total beer sales
million hectolitres

7 Market share
percent

6 Market position
position

The Russian beer market grew 11.5% in 2004, thanks to strong economic growth, underpinned by high oil prices. While the rouble fell around 9% against the euro, it strengthened against the US dollar by around 6%.

The two major trends of the Russian beer market are the growth of the international premium segment, which now accounts for 6.1% of the market – up from 4.5% in 2003 – and the growth of the PET bottle segment, which now represents 40% of the off-trade market. We are well represented in both of these segments.

Heineken Russia had a strong year, outpacing the market with double-digit like-for-like volume growth and gaining market share in the process. In addition, we were able to raise prices between 6% and 8%. The increase in sales volume and prices combined with operating and purchasing efficiencies and an improvement in our product mix resulted in a sharp increase in operating result.

The newly acquired breweries, Shikhan and Volga, have strong regional brands. We anticipate investing €130 million over the next four years in these breweries to increase capacity and upgrade the existing facilities.

Total beer sales volume in 2004 reached 3.9 million hectolitres, up from 3.3 in 2003. Including acquired volumes, the 2004 volume is pushed to a total of 4.7 million. Annualising the acquired volumes would give a total of 6.0 million hectolitres under the control of Heineken Russia with a resultant market share of 7.1%.

Brands

All of our key brands in Russia grew strongly in 2004, with Ochota showing the biggest volume growth of about 50%. The only exception was Botchkarov, which faced strong competition and consequently suffered a volume decline. Botchkarov was awarded the prestigious DLG gold medal for quality in Germany.

In its second year of local production, the Heineken brand, helped by an increase in the international premium segment, grew more than 100%.

Market developments

Excise duty was increased by 11% in January 2004, in line with inflation, and had a negligible impact on the market. The Duma drafted and adopted two pieces of legislation that affect the beer market directly. A selective restriction was imposed on the advertising of beer. This will restrict the time and content of the beer advertisements on television and prohibits the placing of billboards and other advertising materials close to schools. Secondly, new restrictions on the sale and consumption of beer in public places were discussed. We expect possible measures to have only a limited impact on the future growth of the beer market.

Austria

> Stable operating result and higher market share

4.8 Total beer sales
million hectolitres

53 Market share
percent

1 Market position
position

After an exceptionally good 2003 in terms of volume development, the Austrian beer market fell 1.3% to 9.0 million hectolitres in 2004. Outperforming the market, Brau Union Österreich slightly improved its market share and confirmed its position as the most important brewery group in Austria.

The total beer sales volume of Brau Union Österreich amounted to 4.8 million hectolitres, having grown steadily over the last few years. In 2004 Brau Union Österreich was able to raise prices and lower costs, although the operating result declined, because of sharply increased marketing investments.

Brands

The Heineken brand was re-launched in March 2004, following transfer of sales and distribution responsibility from a wholesale partner to Brau Union Österreich. Strong marketing boosted brand volume by 50% and the launch campaign won a prestigious industry award.

Volumes of the national premium brands, Zipfer and Gösser, fell slightly, whereas the mainstream brands showed an increase in volume. Our speciality beer, Edelweiss, registered slightly lower volume, but our alcohol-free beer, Schlossgold, grew significantly.

Other countries

In **Romania**, the beer market grew 4% in 2004. Most of the growth came in the lower priced segment of the market, driven by a significant increase in the popularity of PET packaging.

Beer sales volume of Brau Union Romania fell to 3.6 million hectolitres and market share decreased. This fall was almost entirely due to a new local entrant in the market, competing on price.

The international premium beer segment grew, and locally brewed Heineken was successfully introduced in December. In the first few months of local production, sales of Heineken exceeded targets. Our overall operating result in Romania decreased.

In **Hungary**, the beer market overall showed a marginal decline during a year which was dominated by strong competition and price wars in the mainstream and low-priced German imports segment. As a result, total volumes suffered a strong decline. Brau Union Hungaria's market share decreased. Our share of the premium segment remained stable, although the Heineken brand captured the lead in the segment.

As of January 2004, the activities of Amstel Brewery Hungary and Brau Union Hungary have been combined in Brau Union Hungária. Combined total beer sales in 2004 amounted to 2 million hectolitres. Currently, measures are being taken to improve the performance of the newly merged company by reducing cost and by strengthening the portfolio. In 2004 the Komárom brewery closed.

Slovakia's beer market fell by more than 10% in 2004, reflecting the big increase in excise duties from 2003, sharply higher energy prices and weak consumer purchasing power. Beer sales of our operating company Heineken Slovensko declined to 1.8 million from 2.1 million hectoliters. However, despite the unfavourable economic conditions, we were able to stabilise our market share at 42 % and consolidate our market leadership. Heineken Slovensko undertook a major restructuring and closed a brewery.

The **Bulgarian** beer market showed a continued growth of approximately 7.5%. The Zagorka brewery was able to increase beer sales to 1.5 million hectolitres from 1.3 million, and grow its market share to over 30%, further consolidating its market leadership. These successes resulted in a significant increase in operating result.

Croatia, had a strong year. In its first full year under Heineken ownership, the Karlovacka Pivovara brewery acquired in April 2003, increased sales by approximately 10% against a market, that declined slightly, due in part to a very strict new anti-alcohol law. The strong performance reflects improvements in product quality, effective marketing and the enhancement in our sales and distribution. The company is the country's second largest brewer and the country's biggest beer exporter.

The beer market in the **Czech Republic** fell by 2.3% during the year. However, beer sales of our operating company Starobrno performed strongly, increasing by 7% to 826,000 hectolitres. This was thanks mainly to one brand – Zlatý Bažant, which entered local production in the second half. Starobrno is now the fourth largest brewer in the Czech Republic.

Our operation in **Macedonia** showed strong volume growth.

In **Kazakhstan**, Dinal has a market share of 8% divided between Amstel and Tian Shan. In mid-2004, we announced the purchase of an additional stake in the Dinal Brewery, taking our stake to 99.9%, creating an additional outlet for growth of the Heineken brand, imported from Russia.



The Americas

Group Volume The Americas > in millions of hectolitres

Reference to market positions and market shares in the relevant countries is based on available market information and refer to an estimate of market ratios.



Regional review

Heineken's regional sales volume rose to 14.5 million hectolitres from 12.5 million hectolitres, due largely to the increasing strength of the Heineken and Amstel brands throughout the region.

In the United States, in particular, packaging and marketing innovations drove our sales volumes and the market remains a focus for investment and innovation. In Central America, both sales volumes and operating results have grown as a result of restructurings completed in 2003, which have improved sales and distribution effectiveness. In South America, our interest in CCU continues to strengthen our position in Chile and Argentina. In the Caribbean, a strong focus on innovative marketing and increased efficiency across all operations has delivered an impressive increase in both sales volumes and operating results. A strong euro and the continuing weak dollar have once again weighed on results throughout the region. The operating result decreased, reflecting the weakness of the dollar and of dollar-related currencies against the euro.

United States

> Continued growth in the world's most profitable beer market

6.4 Total beer sales
million hectolitres

23 Market share*
percent

2 Market position*
position

Heineken USA's total beer sales volume, the most profitable beer market in the world, rose 4.4% in 2004 to 6.4 million hectolitres, up from just over 6 million hectolitres in 2003. While the overall beer market was flat in 2004, as more consumers chose wine and spirits over beer, the import segment expanded approximately 2% and Heineken USA maintained its position in this growing category.

While sales volume of Heineken USA rose, a weak dollar hit operating results. Our market share of the imported beer segment grew slightly to approximately 23%.

Mediocre summer weather, worsened by four hurricanes in the southeast, led to a considerable drop in on-trade sales. While aggressive price cuts slightly increased trade discounting in the beer category somewhat limited our volume growth; price increases for Heineken and Amstel Light helped to preserve revenues. We increased prices by an average of 2.5% throughout the northeast, southeast and central regions.

The regulatory environment also affected sales. Smoking bans in an increasing number of states cut on-trade business in favour of off-trade sales. In addition, several states, including Massachusetts, have changed their regulations to allow distilled spirits and beer sales on Sundays. Spirits continue to play an important role in the on-trade channel while wine is increasing share in the off-trade.

Brands

In June Heineken USA and FEMSA Cerveza in Mexico signed an agreement making Heineken the exclusive national importer, marketer and seller of FEMSA's brands – Tecate, Dos Equis, Sol, Carta Blanca and Bohemia in the USA. The agreement came into effect on 1 January 2005 and will expand our

* imported beer segment

HEINEKEN HAS BUILT A STRONG POSITION IN THE AMERICAS, WITH EXPORTS TO THE UNITED STATES, CENTRAL AMERICA AND THE CARIBBEAN. HEINEKEN ALSO OWNS A NUMBER OF BREWERIES IN THE CARIBBEAN AND CENTRAL AMERICA AND HAS INTERESTS IN AND LICENSING AGREEMENTS WITH SEVERAL BREWERIES IN CENTRAL AND SOUTH AMERICA. THE REGION AS A WHOLE, AND LATIN AND SOUTH AMERICA IN PARTICULAR, ARE STILL PREDICTED TO OFFER GROWTH OPPORTUNITIES IN THE FUTURE.

portfolio of strong imported beer brands, helping us increase our leadership position in this segment among Hispanic Americans, the most rapidly growing consumer group in the US. Alongside this, Mexican beers are also gaining popularity with the wider group of beer drinkers.

By a balanced regional approach and providing customers with relevant packaging types, we boosted the number of occasions for consumers to purchase and enjoy Heineken. We successfully introduced a new 18 pack in Atlanta and Baltimore to capitalise on the consumer trend towards larger pack sizes. Another packaging innovation was our new 1.5 litre bottle, designed for festive occasions. Shaped like a champagne bottle, it is sold in both the on- and off-trade, offering a touch of prestige to the consumer.

Heineken sponsored the 2004 Grammy Awards. Viewed by more than 28 million Americans, our exposure strengthened off-trade sales. In addition, two new music-themed Heineken TV spots, 'Piracy' and 'Street Music', aired during the Grammy telecast. Heineken also continued its sponsorship of the Heineken House Party and Latin Grammy's.

A market specific sales and marketing plan designed to accelerate volume growth of Heineken, was launched in Baltimore and Philadelphia. Our sales volume in those regions grew by double-digit, or high single-digit percentages. We plan to expand this project into other metropolitan regions in 2005.

We also launched a sales and marketing initiative designed to strengthen the leadership of the Heineken brand in New York City with enhanced category management, increased merchandising activity in key on- and off-trade accounts. Although it is too early to quantify the success in sales terms, we are confident it will boost our presence and sales volume in the region.

Amstel Light maintained growth with the help of focused marketing efforts such as sponsorships of sporting and entertainment events. Amstel Light was the official sponsor of the PGA of America and other golfing events such as the Amstel Light Iceland Open.

We launched three new commercials, highlighting Amstel Light 12-pack with the slogan 'Taste Great, Low Carbs, Low Calories' in 2004. In addition, the 'Who says you can't' campaign was expanded with an Amstel Light summer commercial.

In terms of packaging innovation, we debuted the Amstel Light 'Fridgepack' in eight markets.

Class action lawsuits

Heineken USA and Heineken N.V. are defending purported 'class action' lawsuits in four states. The lawsuits claim that we, along with other producers and distributors of alcoholic beverages, have aimed our advertising and marketing to underage people. We are defending ourselves vigorously against these accusations, as Heineken companies aim beer advertising and marketing only to people above the legal drinking age. Our legal team has filed, or will be filing in 2005, motions to dismiss all four cases at the initial pleading stage.

Awards

Fortune Magazine has named Heineken USA one of 'America's 25 Best Places to Work' among the category of medium-sized companies in the United States. This award is a great endorsement of our collective efforts to make Heineken USA a preferred employer.

Canada

> Sales and market share growth

The Canadian beer market is shrinking due to the resurgence of wine and spirits as well as the impact of smoking bans on the on-premise segment. The Heineken brand continues to improve its position in the imported beer segment with considerable growth in the Ontario and Quebec markets.

South America

> Heineken brand strong and growing

Sales volumes jumped in the key South American markets of Chile and Argentina in 2004. Through our proportionately consolidated interest in Chile's top brewer, CCU, beer volumes increased to 5.9 million hectolitres.

CCU, has approximately a 90% market share in the beer market in Chile. CCU Argentina has a solid second position in the Argentinean beer market with approximately 16% market share. CCU markets a number of lager brands and specialty beers in Chile and Argentina. CCU started brewing Heineken, both in Chile and Argentina, in June 2003.

In addition to beer, CCU produces wine, soft drinks, fruit juices and mineral water. It also produced 0.8 million hectolitres of wine, of which approximately half was exported to various European countries and to Brazil.

Strategically, Heineken and CCU complement one another perfectly, and the cooperation has enhanced the Heineken brand's growth potential in Chile and Argentina. In Argentina in particular, the addition of the Heineken brand to CCU's portfolio has created good opportunities for expanding the distribution, which benefits the growth of CCU's other brands as well as the Heineken brand.

In **Chile**, the beer market in volume terms held relatively steady, however, in operating profit terms improved due to better prices, supported by a stronger economy. Heineken brand volume improved 34% during 2004, leading the growing premium segment. The operational result of both soft drinks and wines improved in 2004.

With the improvement in **Argentina's** economy, the beer market has grown and prices have increased. In this growing market, CCU has increased its market share by almost two percentage points, selling 2 million hectolitres. Heineken beer volume increased 17% during 2004, leading the premium segment.

Other countries

Due to the weak performance of Kaiser in **Brazil**, Heineken reduced the carrying value of its 20% stake from €190 million to zero during the year.

In **Colombia**, sales of imported beer were depressed by the strong euro.

In 2004, the Heineken brand was re-launched in **Uruguay**, where our previous partner Quilmes had distributed it until 2003.

Central America

> Increased efficiency and sales volume

Heineken's sales volumes improved in Central America, rising to 0.4 million hectolitres from 0.3 million hectolitres, thanks to restructurings and increased efficiencies.

We operate in Central America in alliance with FIFCO. In Costa Rica we own a 25% interest in Cerveceria Costa Rica, the country's only brewer. FIFCO owns 75% of that company. In Panama, Heineken is the majority owner of Cervecerias Baru Panama, one of the country's two brewers. FIFCO is the minority shareholder. Via a joint venture company with FIFCO, we have an indirect interest in Nicaragua in COCECA, the country's only brewer. In 2004 we increased our indirect interest in COCECA to 12.5% from 8%.

In **Costa Rica** both the beer business and the juice business has improved after the 2003 restructurings. Beer volumes were slightly higher than previous year.

In **Panama** the total beer market has expanded, as have sales volumes of imported Heineken. We have focused on improving sales and distribution effectiveness.

Caribbean

> Strong growth due to marketing and commercial excellence

The Heineken brand is the most widely available beer in the Caribbean, with a strong position in each of the 31 markets. Heineken's volume growth in the Caribbean region approached 10% in 2004, as operating companies overcame adverse weather during an active hurricane season that hit several important markets.

Beer sales volume jumped to 1.4 million hectolitres from 1.3 million the year before. Impressive organic growth compensated almost fully the effect of a weaker US dollar to which many of the local currencies in the region are tied.

A programme for improving commercial strategy, based on a thorough analysis of the market and brand position paid off in terms of strong volume and market share growth.

We grew sales volume by 8% in our most important market, **Puerto Rico**, significantly outpacing the beer market that grew only 4% and boosting our market share to above 20%. Brand health is exceptionally strong, as a result of good local marketing and the use of music-related sponsorships.

In the **Bahamas**, in February Commonwealth Brewery acquired the distributor Burns House and the business has been restructured. The financial results of both Commonwealth Brewery and Burns House are well above the results of 2003 in constant currency terms, even though the islands were hit by several hurricanes.

The sales volume of Heineken in **Trinidad** doubled. The Heineken brand achieved a step change in market share and sales volumes remain strong.

The market in **Curaçao** remained under pressure from imported South American brands and a weaker economy. The Heineken brand remained stable.

In **Surinam** the brewery recorded the highest sales volume for more than 10 years.



Africa and the Middle East

Group Volume Africa and the Middle East > in millions of hectolitres

Reference to market positions and market shares in the relevant countries is based on available market information and refer to an estimate of market ratios.



Regional review

This volume growth came despite continuing difficult economic circumstances in many countries. Since most currencies in the region shadow the US dollar, its decline against the euro eroded purchasing power, as did inflation. On the positive side, higher earnings from rising oil and minerals prices boosted some economies. In a number of countries locally-brewed Heineken became available at an affordable price for the first time.

Sales volume of the Heineken brand grew almost 5%. Across Africa, sales of Amstel, including the non-alcoholic Amstel Malta, rose sharply to 1.9 million hectolitres from 1.3 million in 2003.

Africa

Operations

Heineken has owned breweries and has enjoyed substantial market positions in several African countries for more than 50 years. In Africa we produce a variety of local brands and in some countries Heineken and Amstel beer are also brewed locally. Most of the operating companies also produce and market soft drinks. Heineken beer is also imported on a modest scale. In South Africa Amstel is brewed and distributed under licence.

The most important regional Heineken brands in Africa, however, are the 50-year-old Star and Gulder in West Africa, the 70-year-old brand Primus, popular throughout Central Africa, and the non-alcoholic Maltina, of which we produce approximately 1 million hectolitres annually.

In 2003, we narrowed our focus to countries with attractive beer markets and the acquisitions and portfolio adjustments made in 2004 reflect that more profitable focus. During the year we were active in terms of defining our structure across the region. We acquired two new breweries, closed one and put our two Ghanaian breweries into a new merged entity. In addition, we sold our minority stakes in NOCAL (27%) and EKA (46%) breweries in Angola and in our subsidiary Brasseries du Logone in Chad.

In line with our strategy of expanding in Nigeria, we reached agreement in principle in late 2004 to increase our stake in Nigerian based Consolidated Breweries from 24% to a controlling interest of 50.05%. Consolidated Breweries achieved a sales volume in 2004 of 877,000 hectolitres.

HIGHER SALES AND IMPROVED OPERATING RESULT

BEER AND SOFT DRINK SALES VOLUME IN AFRICA AND THE MIDDLE EAST EXPANDED AGAIN IN 2004, THANKS MAINLY TO WIDER DISTRIBUTION AND INCREASE OF PRODUCTION CAPACITY. TOTAL GROUP BEER VOLUME GREW 6.1% TO 13.5 MILLION HECTOLITRES. SOFT DRINKS SALES ROSE 2.7% TO 2.6 MILLION HECTOLITRES. AFTER FALLING IN 2003, OPERATING RESULTS IN LOCAL CURRENCIES BOUNCED BACK STRONGLY, THANKS TO VOLUME GROWTH AND COST CONTROL.

Nigeria**> Increasing volume and driving efficiencies**

5.8 Total beer sales
million hectolitres

60 Market share
percent

1 Market position
position

In Nigeria, Africa's second largest beer market and the most important African market for Heineken, our main operating company – Nigerian Breweries – raised volume output by 1.2% to 5.8 million hectolitres in a market that remained stable.

The stable beer market bore a strong relationship to the economy, which came to a standstill in the second half of 2004. Inflation and national strikes also had a dampening effect on consumption. Despite this, Nigerian Breweries was able to raise market share and prices.

Together with efficiencies offered by the new brewery at Ama, which entered service during the year, we were able to achieve a substantial increase in operating result both in local currency terms and in euro.

The new brewery, with a capacity of 3.4 million hectolitres, is achieving significantly lower energy and water costs. The old brewery near Enugu was closed. The commissioning of the new brewery led to an increase in depreciation, but we were able to offset this through savings on packaging and material costs and higher prices.

Other countries

In **South Africa** the region's largest beer market, Heineken established Brandhouse, a joint venture with Diageo and Namibia Breweries. The creation of Brandhouse follows the acquisition by Diageo and Heineken of a 28.9% stake in Namibia Breweries Limited in July 2003. Among its brands are premium beers including Windhoek, Heineken, Guinness and Kilkenny.

This venture combines the sales, marketing and distribution of 40 top premium brands and its performance so far confirms our belief that we have created a strong platform for future growth. Sales volume of the Heineken brand in South Africa increased substantially. Also Amstel's sales volume increased.

As part of this new venture, Namibia Breweries in Windhoek, **Namibia**, started brewing the Heineken brand locally for Namibia, South Africa and other countries in the region.

Despite periodic unrest during the year, Brasseries, Limonaderies et Malteries in the **Democratic Republic of Congo** reported strong volume growth in beer and soft drinks. The growth came thanks to intense marketing activities to counter competitive pressures. A relatively stable exchange rate and inflation also contributed to the positive performance.

In **Sierra Leone**, after years of interrupted production due to war and unrest, the Sierra Leone Brewery was partly renovated in 2004. A new bottling line was officially opened in April by the country's President. However, skyrocketing inflation and plunging purchasing power have curbed consumption.

In **Burundi**, Brasseries et Limonaderies du Burundi reported considerable profit growth as a result of a strong volume increase, a stable exchange rate and effective cost management.

In **Rwanda**, Brasseries et Limonaderies du Rwanda turned in a higher operating result, despite an erosion of consumer purchasing power due to the difficult economic environment and sharp increases in utility rates. We improved nationwide distribution and production productivity increased once again.

The market in **Congo** was under continued pressure as a result of weak consumer purchasing power, although Brasseries du Congo was again able to match its 2003 performance. Volumes were flat but did not impact the operating result, thanks to tight cost control.

On **Ile de la Réunion**, Brasseries du Bourbon experienced intense competition from the ready-to-drink segment, but despite this reported an improvement in operating result compared to 2003, thanks to a modest increase in volume.

In **Ghana**, the merger between Ghana Breweries and Guinness Ghana to form Guinness Ghana Breweries was concluded in December. This venture addresses over-capacity in the Ghanaian market and is expected to lead to improved profitability. Heineken has a 20% stake in the combined company.

In **Cameroon**, sales of Amstel and Mützig, which are brewed under licence, were slightly higher.

In **Morocco**, sales of Heineken, which is brewed under licence by Brasseries du Maroc, were up 7% compared to 2003.

Middle East

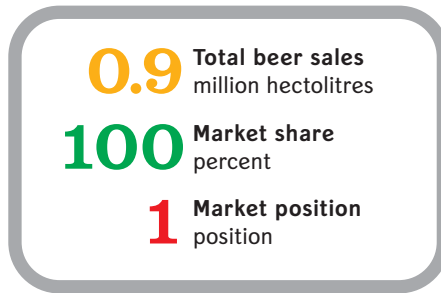
Heineken has fully consolidated breweries in Egypt and Lebanon. Al Ahram Beverages Company in Egypt and Almaza in Lebanon are both market leaders in their countries. Al Ahram Beverages Company has brewed Heineken beer since late 2003.

At the end of 2004, we established Fayrouz International to sell the non-alcoholic malt-based beverage Fayrouz brand internationally. Heineken has a minority interest in Tempo Beer Industries in Israel and General Investment Ltd in Jordan.



Egypt

> Strong performance



In Egypt, the sales volume of Al Ahrum Beverages Company rose 6% in 2004, thanks to a buoyant tourist industry, and an increase in local market demand for beer.

Having fallen sharply in 2003, the Egyptian pound was down a further 15% against the euro on average and inflation rose by approximately 10%, making prices a key issue in 2004.

Despite the devaluation of the Egyptian pound and higher inflation, Al Ahrum increased its positive contribution to group profits in euro terms.

Growth in overall beer sales was balanced by a drop in the entire soft drinks market in Egypt. Sales of Fayrouz and the non-alcoholic beverage Birell declined 18% in line with the market. At the end of 2003 we raised prices in order to maintain the premium position, which was enhanced in 2004 by further new flavour additions to the Fayrouz product range.

Wine sales were strong, growing by 45%, and a number of higher quality wines were launched at the end of the year. Spirits grew 21%. Al Ahrum also launched premium spirits – whisky, vodka and gin – as well as various ready-to-drink products.

Other countries

In **Lebanon**, Heineken has a 67% controlling interest in the brewery Almaza and its distribution operations. Almaza recently secured worldwide rights to Laziza, a popular Lebanese beer brand, which has strengthened Almaza's position.

Total sales volumes rose 14% and the final result in euros increased by 44%, even after an average 5% devaluation of the Lebanese pound. The results reflect the benefits of the first year of full integration of the local Heineken distributor together with the acquisition of the Laziza brand.

In **Israel**, Tempo Beer Industries imports and distributes Heineken as well as some of our specialty beers. We have reached agreement with Tempo Beer to create a new company that will pool the Heineken and Tempo brands which includes a licence for local production and marketing. The investment to obtain a 40% interest in the new company fits well with Heineken's strategy of combining its international premium brands with strong local brands.

Our exports to the **Gulf States** recovered from last year and notched up a sales volume increase of 4%. The decline in the US dollar, however, had a substantial effect on profits. To further grow our business in the Gulf, we are exploring new ventures with our local partners.

In **Jordan**, Amstel is brewed under licence by General Investment Ltd. The Amstel sales volume increased by 31% compared to last year.

Asia Pacific

Group Volume Asia Pacific > in millions of hectolitres

Reference to market positions and market shares in the relevant countries is based on available market information and refer to an estimate of market ratios.

| | | |
|------|--|-----|
| 2000 |  | 7.5 |
| 2001 |  | 7.8 |
| 2002 |  | 8.0 |
| 2003 |  | 8.4 |
| 2004 |  | 9.5 |

Operations

Underpinning our strong position in the region is our Singapore-based joint venture with Fraser & Neave, Asia Pacific Breweries (APB). APB operates sixteen breweries in Singapore, Malaysia, Thailand, Vietnam, Cambodia, China, New Zealand and Papua New Guinea. For the fifth consecutive year, APB's sales volume grew at double-digit rates.

Heineken is brewed at several of APB's breweries throughout the region. In addition, we have our own breweries in Indonesia and on New Caledonia. We also import Heineken into the region and in some countries it is brewed under licence. Heineken beer has a strong market position, particularly in Thailand, Vietnam, Hong Kong, Australia, New Zealand, Singapore and Taiwan.

China

> Focus on strategic acquisitions in a high-growth market

China is an important long-term strategic market for us as the popularity of beer is rising from a low level of per capita consumption on the back of a rapidly growing economy.

We are pursuing a China strategy of acquiring profitable breweries in high-growth provinces and of developing our flagship brand Heineken. In addition to this, the Heineken brand development has been improved, as well as the profitability of existing breweries. In April 2004, Heineken and APB consolidated operations in China to form Heineken Asia Pacific Breweries China (HAPBC). This company holds all the China operations of APB and APIPL. Heineken owns 46.1% of HAPBC. At the same time, Shanghai APB began brewing Heineken beer locally. Following the merger, HAPBC is reviewing plans to improve the efficiency and cost effectiveness of operations at all levels.



STRONG RECOVERY WAS THE THEME FOR THE ASIA PACIFIC ECONOMIES AND FOR HEINEKEN'S ASIA PACIFIC OPERATIONS IN 2004. OUR BEER SALES VOLUME IN THE REGION GREW 13% FROM 8.4 MILLION HECTOLITRES TO 9.5 MILLION HECTOLITRES OVER THE YEAR.

HAPBC also bought a 21.5% stake in Kingway Brewery Holdings, one of the most profitable listed Chinese brewers. Kingway, its principal brand, is popular in the province of Guangdong, one of China's most prosperous provinces with a population of 85 million, as well as in Hong Kong, Macao and Taiwan. HAPBC and Kingway are exploring cooperation in distribution in Guangdong and Hong Kong.

In China, sales volume grew by double digits and operating results also improved substantially from the previous year as a result of operational improvements.

In **Hong Kong**, continued competition from low-priced Chinese beer and the stronger euro resulted in lower Heineken sales volume.

Australia

> Strong growth in a profitable market

In Australia, a mature market, the premium beer segment is expanding at double-digit rates as consumers tastes develop. The Heineken brand has long been a force in this rapidly expanding premium beer segment; a segment that makes up almost 10% of the total Australian beer market. The launch in August 2004 of a sales and marketing joint venture with Lion Nathan Australia, Australia's second-largest brewer, has further boosted Heineken's position in this important market. Heineken's popularity within the premium segment and Lion Nathan's local brewing and national sales and distribution capabilities is a powerful combination. The Heineken Lion Nathan Australia joint venture has created an extensive sales and distribution backbone throughout the country. We began brewing Heineken beer locally as of January 2005.

Our sponsorship of sports, such as the Australian Open Tennis tournament, the Heineken Classic Golf tournament and Rugby World Cup has also helped to enhance the Heineken image.

Vietnam

> Prestige value boosts sales

Vietnam is a success story for the Heineken brand. Thanks to a series of witty Western TV advertising, along with music-related marketing campaigns and a booming economy, sales volume of the Heineken brand grew at a double-digit rate in 2004. Our global Thirst music programme has been extremely popular in Vietnam, as elsewhere in the region, and has helped to raise our profile.

To meet increasing demand for the Heineken and Tiger brands, the APB brewery near Ho Chi Minh City, will increase its production by 50% to 2.3 million hectolitres from 1.5 million hectolitres by 2006. We expect the expanded capacity to lead to further sales volume growth.

Other countries

In **Indonesia**, Multi Bintang grew sales volume by 18% in 2004. We introduced Bintang Zero, a non-alcohol beverage, while locally brewed Heineken has been launched in the market. Financial performance was positively affected by the higher sales volumes and strict cost control.

In **Thailand**, Heineken outperformed the Thai beer market growth of 12.5%. The Thai brewery doubled its brewing capacity to 2 million hectolitres to meet the demand. Thai APB also launched its second brand, Tiger beer, in July 2004. This is expected to further strengthen the company's market position and distribution network.

In **Taiwan**, sales of the Heineken brand have registered their fourth year of double-digit growth. Although Taiwan's beer market is mature, our growth is strong because we have built an excellent brand reputation locally and because the premium beer market is expanding.

In **Cambodia**, both sales volume and result were significantly higher. The brewing capacity increased by 20% to 350,000 hectolitres and sales volume grew by 32% driven by the standard and economy segment.

In **South Korea**, Heineken has become one of the leading imported beers in the country. We were able to do this after we set up our own sales and marketing office there in late September 2003.

In **Japan**, the total market for beer was flat. Heineken sales volumes remained stable.

In **Malaysia**, sales of the Heineken and Tiger brand achieved strong double-digit growth for the third successive year.

In **Singapore**, the domestic market contracted during the year leading to a dip in domestic sales. However, this was mitigated by a double-digit increase in export sales, resulting in improved performance.

In **New Caledonia**, the total beer volume declined as a result of the ban imposed on sales of chilled beer during 2003. However, the Heineken brand continued to show strong growth.

In **New Zealand**, DB Breweries improved its position in the growing premium beer segment. In September, DB Breweries was successfully privatised and APB gained 100% ownership. The company entered two major competitions this year – the 2004 Australian International Beer Awards and the 2004 New Zealand Beer Awards – and was significantly rewarded for its quality brews where it clinched 7 and 10 awards in the respective competitions.

In **Papua New Guinea**, the mature beer market showed marginal growth mainly attributed to an improved business environment. South Pacific Brewery achieved higher sales volume, which improved 2% and cost control measures yielded an improved result.