

Annual Report

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# Annual Report

2003

## ● Profile

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Heineken Holding N.V., which holds 50.005% of the shares in Heineken N.V., heads the Heineken group.

The object of Heineken Holding pursuant to its Articles of Association is to manage or supervise the management of the Heineken group and to provide services for Heineken N.V. It seeks to promote the continuity, independence and stability of the Heineken group, thereby enabling Heineken N.V. to grow in a controlled and steady manner and to pursue its long-term policy in the interests of all stakeholders.

Heineken Holding does not engage in operational activities itself. These have been assigned within the Heineken group to Heineken N.V. and its subsidiaries and associated companies. Heineken Holding's income consists almost exclusively of dividends received on its interest in Heineken N.V.

Every Heineken N.V. share held by Heineken Holding is matched by one share issued by Heineken Holding. The net asset value of one Heineken Holding share is therefore identical to the net asset value of one Heineken N.V. share. The dividend payable on the two shares is also identical.

Heineken Holding N.V. A-shares are listed on Euronext Amsterdam. Options on Heineken Holding A-shares are traded on the Euronext.Liffe options exchange.

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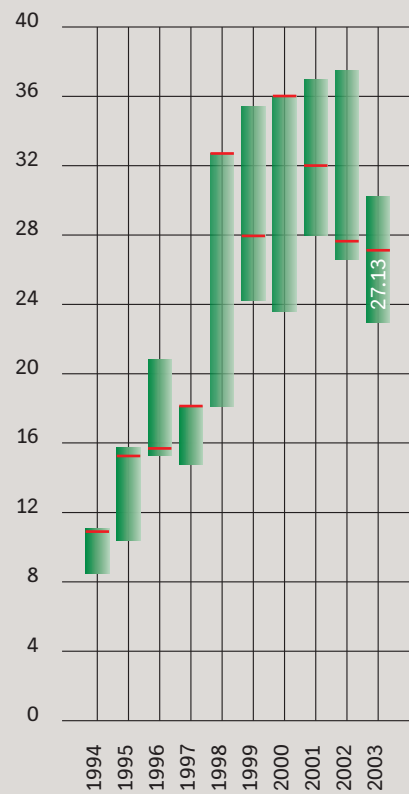
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- Information for Shareholders

**Heineken Holding N.V. share price**  
*in euros*  
*Euronext Amsterdam*  
*after restatement for recapitalisation*  
*and share split*

— share price range    — year-end price

*Average trade in 2003:*  
*197,175 shares per day*



## Heineken Holding N.V.

Heineken Holding N.V. A-shares are traded on Euronext Amsterdam. Options on Heineken Holding A-shares are traded on the Euronext.Liffe options exchange.

In 2003, the average daily volume of trade was 197,175 shares.

Heineken Holding N.V. is not a 'structuurvennootschap'. Decisions on all important matters are taken by the General Meeting of Shareholders.

### Market capitalisation

Shares in issue as at 31 December 2003

193,384,478 A-shares of €2 nominal value

2,625,000 B-shares of €2 nominal value

250 priority shares of €2 nominal value

The B-shares confer the same voting rights as the A-shares.

At a year-end price of €27.13, the market capitalisation of Heineken Holding N.V. as at balance sheet date was €5.3 billion.

### Heineken Holding share price history

High: 3 September 2003, €30.22

Low: 13 February 2003, €22.94

Price on 31 December 2003: €27.13

Price on 31 December 2002: €27.65

### Rules concerning insider dealing

Within Heineken Holding N.V. there are established rules governing the disclosure of transactions in shares of Heineken Holding N.V. and Heineken N.V. that are applicable to the Management Board and individuals directly connected with the company.

### Major Holdings in Listed Companies Disclosure Act

Pursuant to the Major Holdings in Listed Companies

Disclosure Act, L' Arche Holding S.A. has given notification of a 50.005% holding and Greenfee B.V. has given notification of a 6.8% holding in Heineken Holding N.V.

### Right to add agenda items

Shareholders who, alone or together, represent at least 1% of Heineken Holding N.V.'s issued capital or hold shares with a market value of €50 million have the right to request items to be placed on the agenda of the General Meeting of Shareholders. Requests to place items on the agenda must be received by Heineken Holding N.V. at least 60 days before the date of the General Meeting of Shareholders. Heineken Holding N.V. reserves the right to refuse to place an item on the agenda if its inclusion would be contrary to the company's material interest.

### Dividend history

(1997 = 100)

1997 100

1998 125

1999 156

2000 156

2001 196

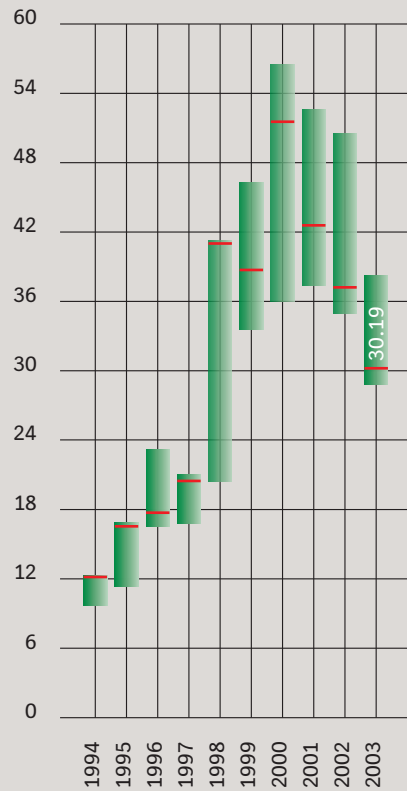
2002 196

2003 196

**Heineken N.V. share price**  
*in euros*  
*Euronext Amsterdam*  
*after restatement for recapitalisation*  
*and share split*

— share price range — year-end price

Average trade in 2003:  
 1,046,706 shares per day



## Heineken N.V.

The shares and options of Heineken N.V. are traded on Euronext Amsterdam, where the company is included in the AEX index. In 2003, the average daily volume of trade was 1,046,706 shares.

Heineken N.V. is not a 'structuurvennootschap'.

Decisions on all important matters are taken by the General Meeting of Shareholders.

### Market capitalisation

Shares in issue as at 31 December 2003

391,979,675 shares of €2 nominal value

At a year-end price of €30.19, the market capitalisation of Heineken N.V. as at balance sheet date was €11.8 billion.

Year-end price	€30.19	31 December 2003
High	€38.27	7 January 2003
Low	€28.74	24 June 2003

### Rules concerning insider dealing

Within Heineken N.V. there are established rules governing the disclosure of transactions in shares of Heineken N.V. and Heineken Holding N.V. that are applicable to the members of the Supervisory Board and the Executive Board, to other managers and staff who might be in possession of price-sensitive information and to a number of external parties.

### Major Holdings in Listed Companies

#### Disclosure Act

Pursuant to the Major Holdings in Listed Companies Disclosure Act, Heineken Holding N.V. has disclosed an interest of 50.005% in Heineken N.V.

### Right to add agenda items

Shareholders who, alone or together, represent at least 1% of Heineken N.V.'s issued capital or hold shares with a market value of €50 million have the right to request items to be placed on the agenda of the General Meeting of Shareholders. Requests to place items on the agenda must be received by Heineken N.V. at least 60 days before the date of the General Meeting of Shareholders.

Heineken N.V. reserves the right to refuse to place an item on the agenda if its inclusion would be contrary to the company's material interest.

### Financial calendar in 2004 for both Heineken Holding N.V. and Heineken N.V.

Announcement of 2003 figures	25 February
Publication of annual report	26 March
Annual General Meeting of Shareholders, Amsterdam*	29 April
Quotation ex final dividend	3 May
Final dividend payable	7 May
Announcement of half-year results	8 September
Quotation ex interim dividend	9 September
Interim dividend payable	21 September

### Contacting Heineken Holding N.V. and Heineken N.V.

Further information on Heineken Holding N.V. is obtainable by telephone +31 20 622 11 52 or fax +31 20 625 22 13.

Information is also obtainable from the Investor Relations Department, telephone +31 20 523 92 39 or by e-mail: [investors@heineken.com](mailto:investors@heineken.com).

Further information on Heineken N.V. is obtainable from the Corporate Communication and/or Investor Relations Department, telephone +31 20 523 92 39 or by e-mail: [investors@heineken.com](mailto:investors@heineken.com).

The website [www.heinekeninternational.com](http://www.heinekeninternational.com) also carries further information about both Heineken Holding N.V. and Heineken N.V.

Copies of this annual report are obtainable from:

Tweede Weteringplantsoen 5

1017 ZD Amsterdam

Netherlands

telephone +31 20 622 11 52

fax +31 20 625 22 13

or via [www.heinekeninternational.com](http://www.heinekeninternational.com).

\* Shareholders are entitled to attend the meetings of shareholders in Heineken N.V., to put questions at those meetings and to participate in the discussions.

## ● Management Board

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### **M. Das (1948)**

Chairman

Dutch nationality

Member of the Management Board since 1994

Lawyer

### **C.L. de Carvalho-Heineken (1954)**

Delegate Member

Dutch nationality

Member of the Management Board since 1988

### **D.P. Hoyer (1940)**

Dutch nationality

Member of the Management Board since 1972

Former director of DOW Europe S.A.

### **K. Vuursteen (1941)**

Dutch nationality

Member of the Management Board since 2002

Former chairman of the Executive Board of Heineken N.V.

# Report of the Management Board

## Composition of the Management Board

There were no changes in the composition of the Management Board.

## Policy principles

Heineken Holding has played an important role in the Heineken group for over fifty years. The company seeks to promote the continuity, independence and stability of the Heineken group. This creates the conditions which enable Heineken N.V. to pursue its long-term policy in the interest of the shareholders, the staff and other stakeholders. The company's policy has been successful. Thanks in part to its unique and stable structure, the Heineken group now has the widest international presence of all the world's brewing groups and the Heineken brand is one of the best-known international premium lagers. It has also returned consistently good results over many years, benefiting both our company's share price and that of Heineken N.V.

## Corporate governance

Under the Dutch corporate governance code (the 'Code') of the Corporate Governance Committee (the 'Tabaksblat Committee'), Dutch listed companies are expected to include in their annual report, starting with the 2004 edition, a chapter outlining their corporate governance structure and compliance with the Code and disclosing any departures from it.

Before that, the Tabaksblat Committee recommends that these companies indicate, in a separate chapter in their 2003 annual report, how they intend to ensure compliance with the Code and any problems they foresee. This chapter is Heineken Holding's response to that recommendation.

While Heineken Holding endorses the Code's principles, the structure of the Heineken group, and in particular the relationship between Heineken Holding N.V. and Heineken N.V., prevents Heineken Holding complying with a small number of the best-practice provisions, as discussed below.

### Structure of the Heineken group

A 50.005% interest in Heineken N.V. is held by Heineken Holding. Both companies are listed on the Euronext Amsterdam stock exchange. L'Arche Holding S.A., a Swiss company owned by the Heineken family, in turn holds a 50.005% interest in Heineken Holding.

Standing at the head of the Heineken group, Heineken Holding is not an ordinary holding company. Since its formation in 1952, Heineken Holding's object pursuant to its Articles of Association has been to manage or supervise the management of the Heineken group and to provide services for Heineken N.V.

The function which Heineken Holding has performed for the Heineken group since 1952 has been to safeguard its continuity, independence and stability and create conditions for controlled, steady growth of the Heineken group's activities. This has allowed Heineken N.V. consistently to pursue a long-term policy which serves the interests of the entire Heineken group, its shareholders, employees and other stakeholders.

Its unique and stable structure has enabled the Heineken group to rise to its present position as the brewer with the widest international presence and one of the world's largest brewing groups.

Within the Heineken group, the primary duties of Heineken N.V.'s Executive Board are to initiate and implement corporate strategy and to manage Heineken N.V. and its related companies. It is supervised in the performance of its duties by Heineken N.V.'s Supervisory Board.

### Heineken Holding's governance structure

Heineken Holding is managed by the Management Board, whose activities are directed towards safeguarding the continuity, independence and stability of the Heineken group and create conditions for controlled, steady growth of the Heineken group's activities.

Because Heineken N.V. manages the Heineken group companies, Heineken Holding, unlike Heineken N.V., does not have a Supervisory Board or an internal risk management and control system. Heineken Holding engages in no operational activities and employs no staff.

The remuneration of the members of the Management Board is determined by the meeting of holders of priority shares.

Pursuant to its Articles of Association, Heineken Holding distributes the dividend it receives from Heineken N.V. in full to its shareholders.

### Expected compliance with the Code

Heineken Holding intends to preserve its existing governance structure and will therefore not apply those principles and best-practice provisions which are inconsistent with its preservation.

The Management Board is still considering the question of whether and, if so, to what extent best-practice provi-

sion II.2.6, relating to the holding of and transactions in securities other than those of the company by members of the Management Board, is to be applied.

Heineken Holding will not apply best-practice provision II.1.7, which states that a management board member may not be a member of the supervisory board of more than two listed companies and may not be the chairman of the supervisory board of a listed company. The Management Board considers that application of this best-practice provision would not be consistent with the nature of its activities.

According to best-practice provision IV.3.8, the minutes of the general meeting of shareholders should be made available on request within three months of the meeting, after which the shareholders should be given three months to comment on them. The minutes should then be adopted in the manner stipulated in the Articles of Association. It is customary, as provided in Article 14, paragraph 7, of the Articles of Association, to have a notarial record made of the proceedings of the General Meeting of Shareholders of Heineken Holding. The Management Board considers it desirable to continue this practice and best-practice provision IV.3.8 will be applied to the extent that it is consistent with it.

Heineken Holding expects to be able to comply with the other best-practice provisions without difficulty.

A study will be undertaken to establish the extent to which amendment of the Articles of Association may be necessary or desirable in order to comply with the Code. If it results in a proposal to amend the Articles of Association, such a proposal will probably be put to the General Meeting of Shareholders in 2005.

## Remuneration policy for members of the Management Board

Remuneration of the members of the Management Board was enabled by an amendment to the company's Articles of Association in 2001. As from the 2002 financial year, the amount of the remuneration has been determined by the meeting of holders of priority shares. The remuneration received by the members of the Management Board is the same as that received by the members of the Supervisory Board of Heineken N.V. The application of this policy in practice in 2003 is discussed in the notes to the balance sheet and profit and loss account (page 17). A new remuneration policy for the members of the Supervisory Board of Heineken N.V. will be developed in the course of 2004. Whether that new policy also has consequences for the

remuneration of the members of the Management Board will be considered in due course.

## Activities

The Management Board met on ten occasions in 2003. The Board adopted the report and accounts for 2002 and the half-year results for 2003. Other topics addressed at length by the Management Board included Heineken N.V.'s strategy, tactics, acquisitions, including in particular the acquisition of BBAG, financial policy, profit performance and the composition of the Supervisory and Executive Boards of Heineken N.V. and its principal operating companies.

## Auditors

In the interest of auditing efficiency, it has been decided in close consultation with Ernst & Young, to terminate their appointment as auditors of our company's financial statements.

Our consolidated financial statements are largely identical to those of Heineken N.V., whose auditors are KPMG. The Management Board therefore intends to submit a proposal to the General Meeting of Shareholders to appoint KPMG as the company's auditors. As increasing demands are placed on audits of the financial statements of listed companies, Heineken Holding's auditing costs are rising. The appointment of KPMG as auditors will reduce these costs, because it will eliminate much duplication of work.

## Review of 2003

### Introduction of options

On 27 January 2003, at the instigation of the Management Board of Heineken Holding, options on Heineken Holding shares were admitted to listing on the options market of Euronext Amsterdam. The symbol for the new options class is HEH. These are American-style options (with exercise at any time up to maturity), with maturities of three, six and nine months and quoted in the cycle January, April, July, October (JAJO cycle). The options are clearly meeting a need on the part of investors, including institutional investors.

### Index

In early 2003, Heineken Holding applied to Euronext Amsterdam to have the rules for the Midkap index

changed to allow it to qualify for inclusion and subsequently to have Heineken Holding included in the index. Under the current rules, Heineken Holding cannot qualify because it is the holding company of a company which is already listed. With a daily volume averaging over 190,000 shares, however, Heineken Holding would otherwise qualify easily for inclusion in Euronext Amsterdam's Midkap index.

Euronext Amsterdam passed Heineken Holding's application to the AEX Indices Advisory Committee, which decided not to recommend any change to the rules for the Midkap index, but indicated that this decision might be reconsidered in the future in the context of harmonisation of the index rules at Euronext level.

On the basis of correspondence with Euronext Amsterdam, Heineken Holding understands that its application to have the rules for the Midkap index changed and to be included in the index is still open, pending the harmonisation of the index rules referred to above.

Heineken Holding shares are included in fifteen indices:

- Bloomberg Europe Beverages Indices (2)
- Bloomberg European 500 Index
- Bloomberg European Consumer Non-Cyclical Index
- Bloomberg World Europe Consumer Non-Cyclical Index
- Dow Jones Euro STOXX Index
- Dow Jones Euro STOXX Index Food and Beverage
- Dow Jones Euro STOXX Mid Index (Midcaps)
- Dow Jones Europe STOXX Food and Beverage
- Dow Jones STOXX Index
- Dow Jones STOXX Mid Index (Midcaps)
- FTSE E300 Beverages
- FTSE E300 Sector Index
- FTSE Eurobloc 300 Index
- FTSE Eurotop 300 Index

#### Corporate broker

ABN AMRO has been working as broker to the company since the beginning of 2003 to increase the liquidity of the shares and, in that capacity, has taken action and reported to the Management Board on a regular basis.

### General reporting

The nominal value of our company's participating interest in Heineken N.V. as at 31 December 2003 amounted to €392 million. The nominal value of the A- and B-shares in issue by our company as at the same date was also €392 million.

As at 31 December 2003, our company's interest in Heineken N.V. represented 50.005% of Heineken N.V.'s total issued share capital.

With regard to the company's balance sheet and profit and loss account, the Management Board has the following comments.

The carrying value of the participating interest in Heineken N.V. is equal to the shareholders' equity of €1,584 million stated in the consolidated balance sheet, less the priority shares.

In accordance with the statutory requirements relating to the preparation of financial statements, our company's share – of 50.005% – in Heineken N.V.'s profit for 2003 of €798 million is recognised as income in our profit and loss account for 2003. Pursuant to the statutory requirements already referred to, after proposed appropriation of profit for 2003, an amount of €321 million, being equal to 50.005% of the retained earnings of Heineken N.V. for 2003, will be added to the statutory reserve.

### Heineken N.V. performance 2003 and outlook

Because our company heads the Heineken group, the notes to the financial statements include a consolidated balance sheet and profit and loss account for the Heineken group.

Heineken N.V. posted a satisfactory result in 2003 and, barring unforeseen circumstances, expects to achieve further organic profit growth\* in 2004. Its recent acquisitions will also make a positive contribution to the result, before amortisation of goodwill. At the current exchange rates for the dollar and other currencies against the euro relative to the basis on which hedging contracts have been entered into, Heineken's net profit will again be severely affected by currency movements. These effects will outweigh the predicted organic profit growth and the contributions to earnings in 2004 by new acquisitions. If the exchange rates stay the same, the weaker dollar will still have a significant impact on the results in 2005. Heineken's long-term profit forecast is positive, given the strength of its brand portfolio, its distribution structure and the opportunities for efficiency gains.

A more detailed review can be found in Heineken N.V.'s annual report.

\* Profit growth excluding foreign exchange effects, acquisitions, exceptional items and amortisation of goodwill.

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## Dividend proposal

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Heineken N.V. proposes to distribute a dividend for 2003 of €0.40 per share of €2 nominal value, of which €0.16 per share of €2 nominal value has already been paid as interim dividend.

With the approval of the meeting of priority shareholders, the Management Board has resolved to vote at the General Meeting of Shareholders of Heineken N.V. in favour of Heineken N.V.'s proposal to fix the dividend for 2003 at €0.40 per share of €2 nominal value, of which €0.16 has already been paid as interim dividend. On that basis, the dividend payable to our company for 2003 totals €78.4 million in cash, of which €31.4 million has already been received by way of interim dividend. The final dividend due will therefore be €47.0 million.

In accordance with the provisions of Article 12, paragraph 7, of the Articles of Association, an interim dividend of €0.16 per share of €2 nominal value was distributed to holders of A- and B-shares on 22 September 2003. Pursuant to the provisions of Article 12 of the Articles of Association, holders of A- and B-shares will therefore, like the holders of Heineken N.V. shares, receive a total dividend of €0.40 per share of €2 nominal value. A total of €78.4 million will be distributed to holders of A- and B-shares and a total of €20 will be distributed to holders of priority shares.

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## Share split

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Heineken Holding has maintained a consistent dividend policy over many years, carrying out a review every three years to ascertain whether there is scope for increasing the dividend paid to shareholders by increasing the number of shares in issue by 25%. Consequently, a proposal to split the Heineken Holding A- and B-shares, by issuing five new A- or B-shares of €1.60 nominal value for every four existing A- or B-shares of €2 nominal value, will be presented to the General Meeting of Shareholders. The new shares will participate fully in the profits as from 1 January 2004.

The auditors' report issued by Ernst & Young Accountants is included in this report.

Amsterdam, 24 February 2004  
*Management Board*

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M. Das  
C.L. de Carvalho-Heineken  
D.P. Hoyer  
K. Vuursteen

# 2003

Financial Statements

## ● Balance Sheet of Heineken Holding N.V.

before appropriation of profit  
in thousands of euros

31 December **2003**

31 December **2002**

### Assets

#### Financial fixed assets

Participating interest in Heineken N.V.

1,583,658

1,318,669\*

#### Current assets

Receivables

645

–\*

Cash

1

21

1,584,304

1,318,690

### Equity and liabilities

#### Shareholders' equity

Issued share capital:

Priority shares

1

1

A-shares

386,769

386,769

B-shares

5,250

5,250

392,020

392,020

Statutory reserve

429,619

110,483\*

General reserve

362,979

418,626

Result for the year

399,040

397,540\*

1,583,658

1,318,669

#### Current liabilities

Dividend for prior years

21

21

Dividend for the year

–

–\*

Credit institution

625

–

1,584,304

1,318,690

\* Figures restated for comparison purposes.

## ● Profit and Loss Account of Heineken Holding N.V.

in thousands of euros

	2003	2002
<b>Income</b>		
Result on participating interest in Heineken N.V.	399,040	397,540
Management fee	329	250
	<b>399,369</b>	<b>397,790</b>
<b>Charges</b>		
Other expenses	329	250
Profit	<b>399,040</b>	<b>397,540</b>

# ● Notes to the Balance Sheet as at 31 December 2003 and the Profit and Loss Account for 2003 of Heineken Holding N.V.

## General

The amounts disclosed in the notes are in thousands of euros unless otherwise indicated.

## Changes in accounting policies

With effect from the beginning of the 2003 financial year, the consolidated balance sheet has been presented before appropriation of profit, as a result of changes in Dutch reporting rules. Only the dividends paid during the year are charged to shareholders' equity. In 2003, the final dividend for 2002 and the interim dividend for the current year were charged to shareholders' equity.

The presentation of the consolidated balance sheet before appropriation of profit means restating shareholders' equity in the 2002 figures. Shareholders' equity as at 31 December 2002 has been increased by the amount of the final dividend for 2002 paid in 2003, which was €47 million. Current liabilities have been reduced by a similar amount.

This change also means that the carrying amount of the participating interest in Heineken N.V. as at 31 December 2002 has been increased by the final dividend for 2002 paid in 2003. Receivables have been reduced by a similar amount.

## Valuation principles

The assets and liabilities are stated at face value unless otherwise indicated.

## Principles for the determination of results

The result on the participating interest in Heineken N.V. corresponds to the company's share in the profit of Heineken N.V. for the year.

## Balance Sheet

### Participating interest in Heineken N.V.

The nominal value of the participating interest in Heineken N.V., Amsterdam, as at 31 December 2003 amounted to €392 million, corresponding to 50.005% of the issued share capital of Heineken N.V.

Valuation of the participating interest in Heineken N.V., as in preceding years, has been based on 50.005% of the shareholders' equity published by Heineken N.V. in its financial statements. The carrying amount as at 31 December 2003, based on the amount of shareholders' equity disclosed in the consolidated financial statements of Heineken N.V. as at the same date, is therefore 50.005% of €3,167 million

In the opening balance sheet for 2003, the figure was 50.005% of €2,637\* million

	1,583,658
	1,318,669*
Increase in value during the year	264,989
This increase in value is made up of the following items:	
50.005% of the net profit of Heineken N.V. for 2003 of €798 million	399,040
Less: Total interim dividend received by the company during the year	31,362
Appreciation due to profit retained by Heineken N.V. for 2003	367,678
Less: Total final dividend for 2002 received by the company during the year	47,042
Diminution in value for the company arising out of movements in the general reserve of Heineken N.V.	55,647
Net increase in value	264,989

The market capitalisation of the participating interest in Heineken N.V. as at 31 December 2003, with a nominal value of €392 million, amounted to €5.9 billion (31 December 2002: €7.3 billion).

### Receivables

This item relates to refundable tax on dividends as per withholding tax refund applications submitted.

### Cash

This item relates to the balance on a deposit account relating to the priority shares.

### Issued share capital

The authorised share capital amounts to €1.5 billion. The issued share capital amounts to €392 million.

There are 193,384,478 A-shares of €2 nominal value, 2,625,000 B-shares of €2 nominal value and 250 priority shares of €2 nominal value in issue.

### Statutory reserve

This reserve relates to the share in the profits achieved by Heineken N.V. less the dividends distributed by Heineken N.V.

The movements in 2003 were as follows:

Balance as at 1 January 2003	110,483*
Add: Difference between the share in the profit of Heineken N.V. for 2002 and the total amount of the final dividend for 2002 received during the year	350,498
Less: Total amount of the interim dividend for 2003 received by the company during the year	31,362
Balance as at 31 December 2003	429,619
<b>General reserve</b>	
The movements in 2003 were as follows:	
Balance as at 1 January 2003	418,626
Less: The share in the movements reported directly in the general reserve of Heineken N.V. relating to revaluations and exchange differences in 2003	55,647
Balance as at 31 December 2003	362,979

### Dividend for prior years

This item is made up of the balance of uncalled cash dividends and the available balance in respect of stock dividend payable in cash.

### Credit institution

This item concerns the balance on the current account with the bank as at balance sheet date.

## Profit and Loss Account

### Result on participating interest in Heineken N.V.

Included here is the share in the net profit of Heineken N.V. for 2003, being 50.005% of €798 million.

### Other expenses

This concerns auditors' fees, administrative expenses and remuneration of Management Board members.

<i>Remuneration of Management Board members</i>	2003	2002
M. Das	45	45
C.L. de Carvalho-Heineken	38	38
D.P. Hoyer	38	38
K. Vuursteen	38	38

## Consolidated Balance Sheet

before appropriation of profit  
in millions of euros

31 December **2003**

31 December **2002**

<b>Assets</b>		
<i>Fixed assets</i>		
Intangible fixed assets	<b>1,151</b>	39
Tangible fixed assets	<b>4,995</b>	4,094
Financial fixed assets	<b>1,122</b>	835
	<b>7,268</b>	4,968
<i>Current assets</i>		
Stocks	<b>834</b>	765
Receivables	<b>1,380</b>	1,270
Securities	<b>76</b>	98
Cash	<b>1,340</b>	680
	<b>3,630</b>	2,813
	<b>10,898</b>	7,781
<b>Equity and liabilities</b>		
<i>Group equity</i>		
Shareholders' equity	<b>1,584</b>	1,319*
Minority interests in Heineken N.V.	<b>1,583</b>	1,318*
Minority interests in other group companies	<b>732</b>	393
	<b>3,899</b>	3,030
<i>Provisions</i>	<b>1,367</b>	981
<i>Liabilities</i>		
Long-term borrowings	<b>2,721</b>	1,215
Current liabilities	<b>2,911</b>	2,555*
	<b>5,632</b>	3,770
	<b>10,898</b>	7,781

\* Figures restated for comparison purposes.

## Consolidated Profit and Loss Account

in millions of euros

	2003	2002
Net turnover	9,255	8,482*
Raw materials, consumables and services	5,557	5,029*
Staff costs	1,832	1,642
Amortisation/depreciation and value adjustments	644	529
Total operating expenses	8,033	7,200
Operating profit	1,222	1,282
Results of non-consolidated participating interests	101	48
Interest	- 140	- 109
	- 39	- 61
Profit on ordinary activities before tax	1,183	1,221
Taxation	- 319	- 364
Group profit on ordinary activities after tax	864	857
Minority interests in the results of group companies of Heineken N.V.	- 66	- 62
Net profit on ordinary activities of Heineken N.V.	798	795
Minority interests in the profit of Heineken N.V.	- 399	- 397
Net profit	399	398

\* Figures restated for comparison purposes.

# Consolidated Cash Flow Statement

in millions of euros

2003

2002

	2003	2002
<b>Cash flow from operating activities</b>		
Operating profit	1,222	1,282
Results of non-consolidated participating interests	30	48
Amortisation/depreciation and value adjustments	644	529
Movements in provisions	95	- 8
Movements in working capital	92	- 223
<i>Cash flow from operations</i>	<b>2,083</b>	<b>1,628</b>
Interest paid and received	- 132	- 103
Taxation paid on profits	- 314	- 341
<i>Cash flow from operating activities</i>	<b>1,637</b>	<b>1,184</b>
Dividends paid	- 241	- 187
<i>Cash flow from operating activities less dividends paid</i>	<b>1,396</b>	<b>997</b>
<b>Cash flow from investing activities</b>		
Intangible fixed assets	- 26	- 35
Tangible fixed assets	- 611	- 696
Consolidated participating interests	- 1,339	- 799
Non-consolidated participating interests	- 5	- 423
Result on participating interests disposed of	71	-
Other financial fixed assets	- 170	- 20
	<b>- 2,080</b>	<b>- 1,973</b>
<b>Cash flow from financing activities</b>		
Long-term borrowings	1,501	484
Repayment of long-term borrowings	- 271	- 56
Share issue by group companies	3	- 1
	<b>1,233</b>	<b>427</b>
<b>Net cash flow</b>	<b>549</b>	<b>- 549</b>
<i>Other cash movements</i>		
Changes in the consolidation	- 32	- 88
Exchange differences	15	- 36
<b>Movement in net cash</b>	<b>532</b>	<b>- 673</b>
<i>The net cash position consists of</i>		
Cash	1,340	680
Securities	76	98
Bank overdrafts	- 679	- 573
<b>Position as at 31 December</b>	<b>737</b>	<b>205</b>

# ● Notes to the Consolidated Balance Sheet, Profit and Loss Account and Cash Flow Statement for 2003

## General

The amounts disclosed in the notes are in millions of euros unless otherwise indicated.

The financial statements and the annual report have been prepared in accordance with the provisions of Part 9, Book 2, of the Netherlands Civil Code.

There were a number of changes in the scope of the consolidation during the year. The most significant changes with regard to the financial statements are mentioned below.

	<i>Consolidated from</i>
Karlsberg International Brand GmbH, Germany	1 January 2003
Dinal LLP, Kazakhstan	1 January 2003
Compania de Cervcerias Unidas S.A. (CCU), Chile	1 April 2003
Karlovačka Pivovara, Croatia	1 April 2003
Brau-Beteiligungs-Aktiengesellschaft (BBAG), Austria, with operations in Austria, Poland, Romania, Hungary and the Czech Republic	1 October 2003

These changes in the consolidation led to an increase in net turnover of €686 million.

## Consolidation

Heineken Holding N.V., Heineken N.V. and the subsidiaries with which it forms a group are fully consolidated in the consolidated balance sheet and profit and loss account. Minority interests in group equity and group profits are presented separately, analysed into Heineken N.V. and other group companies.

Proportional consolidation is applied in the case of companies in which the Heineken group has a direct interest and exercises a controlling influence on management decisions in partnership with other shareholders.

In the analyses of movements in various assets and liabilities, disclosures of 'Changes in the consolidation' relate to increases or decreases in the group's interests in consolidated companies.

## Foreign currency

Hedging transactions to limit exchange risks are entered into only in respect of actual amounts receivable and payable and highly probable future cash flows in foreign currencies. The instruments used are forward contracts and options. Before such contracts are entered into, inward and outward cash flows in a particular currency are netted off at group level as far as possible. Where foreign currency balance sheet positions have been hedged, they are translated at the exchange rate of the hedge. Recognition of results arising from hedging operations relating to future foreign currency cash flows is deferred until the relevant cash flows are accounted for.

Other foreign currency transactions in the profit and loss account are recognised at spot rates unless forward contracts have been entered into in connection with these transactions, in which case the forward rate applies.

The financial statements of non-eurozone companies are translated into euros. Assets and liabilities are translated at exchange rates on the balance sheet date. Profit and loss account items are translated at the average monthly exchange rates. The difference between the net profit based on average exchange rates and the net profit based on the exchange rates as at balance sheet date is accounted for in shareholders' equity. The profit and loss accounts of companies in hyperinflation countries are translated at exchange rates prevailing on the balance sheet date.

Differences in book value arise from translation into euros of the opening balance of the shareholders' equity of the non-eurozone consolidated companies plus intra-group long-term loans granted to these companies. These differences are treated as revaluations and are credited or debited directly to group equity, with due allowance for taxation. Other differences due to exchange rate movements are accounted for directly in the profit and loss account.

## Changes in accounting policies

With effect from the beginning of the 2003 financial year, goodwill is capitalised and amortised. Goodwill paid up to 31 December 2002 has been charged directly to shareholders' equity. If the goodwill had been charged to shareholders' equity in 2003 as in previous years, it would have been €1,124 million lower as at 31 December 2003 and the net profit would have been €31 million higher.

With effect from the beginning of the 2003 financial year, the consolidated balance sheet is presented before profit appropriation, following changes in the Dutch reporting rules. Only the dividends paid during the year are charged to shareholders' equity. In 2003, the final dividend for 2002 and the interim dividend for the current year were charged to shareholders' equity.

With effect from the beginning of the 2003 financial year, following changes in the Dutch reporting rules concerning the determination of net turnover, all discounts and excise duties directly attributable to the turnover are deducted from net turnover.

## Comparative figures

The comparative figures in the consolidated profit and loss account have been restated to facilitate comparison, following the changes in accounting policies. The changes do not affect the reported net profit.

The presentation of the consolidated balance sheet before appropriation of profit also means restating shareholders' equity in the 2002 figures. Shareholders' equity as at 31 December 2002 has

been increased by €94 million, which was the amount of the final dividend for 2002 paid in 2003. Current liabilities have been reduced by the same amount.

As a result of the above changes, the reported net turnover in 2002 has been reduced by €1,811 million to €8,482 million, with the same reduction in operating expenses.

## Valuation of assets and liabilities

### *Intangible fixed assets*

Goodwill is calculated as the difference between the cost of an acquisition and its net asset value. In the case of acquisition of beverage wholesalers, the acquisition cost is almost entirely determined by the customer base, and this element is treated as goodwill.

Goodwill is carried at cost less accumulated amortisation and impairment. Amortisation is calculated by the straight-line method based on the expected economic life of the assets concerned, subject to a maximum of 20 years.

Other intangible fixed assets satisfying the applicable criteria are capitalised and amortised by the straight-line method over three years. If the net realisable value of intangible fixed assets is less than the carrying amount, a diminution in value is applied. Costs of internally developed brands, patents and licences and research and development are expensed.

Brands, patents and licences purchased with acquisitions are treated as part of the goodwill paid.

### *Tangible fixed assets*

Except for land, which is not depreciated, tangible fixed assets are stated at replacement cost less accumulated depreciation.

The following average useful life is used for depreciation purposes:

Buildings	30-40 years
Plant and equipment	10-30 years
Other fixed assets	5-10 years

The replacement cost is based on appraisals by internal and external experts, taking into account technical and economic developments. Other factors taken into account include the experience gained in the construction of breweries throughout the world.

Grants received in respect of investments in tangible fixed assets are deducted from the amount of the investment.

Projects under construction are included at cost.

### *Financial fixed assets*

Non-consolidated participating interests where the group has a significant influence are stated at the Heineken share of the net asset value, which is determined on the basis of the Heineken accounting policies as far as possible. Other non-consolidated participating interests are stated at cost less any necessary provisions.

Loans to non-consolidated companies and other financial fixed assets are carried at face value, less provisions for credit risks.

### *Impairment of assets*

Regular assessments are made for any indications that intangible and tangible fixed assets might be impaired. If any such indications exist, the net realisable value is determined by taking into account the future cash flows. If the net realisable value of an asset is less than its book value, the difference is deducted from the carrying amount as an impairment loss and charged to the profit and loss account.

### *Current assets*

Stocks purchased from third parties are stated at replacement cost, based on prices from current purchase contracts and latest prices as at balance sheet date.

Finished products and work in progress are stated at manufactured cost based on replacement cost and taking into account the production stage reached.

Stocks of spare parts are depreciated on a straight-line basis taking account of obsolescence.

If the recoverable amount or net realisable value of stocks is less than their replacement cost, provisions are formed in respect of the difference.

Advance payments on stocks are included at face value.

Receivables are carried at face value less a provision for credit risks and less the amount of deposits on returnable packaging.

Securities are carried at the lower of historical cost and quoted price, or estimated market value in the case of unlisted securities.

Cash is included at face value.

### *Revaluations*

Differences in carrying amounts due to revaluations are credited or debited to group equity, less an amount in respect of deferred tax liabilities where applicable.

### *Provisions*

The provision for deferred tax liabilities is formed in respect of timing differences between valuation for tax purposes and valuation according to the accounting policies for reporting purposes.

A taxation provision is also formed for the withholding tax to be

deducted from undistributed profits of foreign group companies. The liabilities are calculated at the standard tax rates on balance sheet date and are stated at face value. Deferred tax assets are netted off against deferred tax liabilities of the same kind over matching periods. A net deferred tax asset is not recognised unless future realisation is reasonably certain.

The provisions for pension liabilities and similar schemes are calculated at net present value according to actuarial principles based on current pay levels.

Full provision is made for pension liabilities in respect of accrued benefit rights.

Prior-service liabilities resulting from improvements in remuneration packages and pension plans are added to the provision for pension liabilities and charged directly to the result.

Provisions connected with reorganisation plans are calculated at the net present value of the benefit commitments in connection with early retirement, relocation and redundancy schemes. Where applicable, the expected degree of employee participation in the schemes concerned is taken into account.

#### *Long-term borrowings*

Long-term interest-bearing loans are included at face value taking into account any discounts or premiums and associated transaction costs. Discounts and premiums plus costs are charged to the profit and loss account as interest expenses over the period of the loan. Other long-term borrowings are stated at face value.

#### *Current liabilities*

Current liabilities are stated at face value.

#### **Determination of results**

Income and expenses are accounted for in the profit and loss account at the time of supply of the relevant goods or services.

Net turnover means the proceeds from sales of products and services supplied to third parties, net of sales taxes, direct customer discounts and excise duties.

Raw materials and consumables are stated at replacement cost in the profit and loss account.

Depreciation charges based on replacement cost are calculated on a straight-line basis according to the estimated useful lives of the assets concerned.

The results of non-consolidated participating interests consist of dividends received during the year from companies carried at cost and Heineken's share of the net profits of companies carried at net asset value. The share of the results of companies carried at net asset value is calculated as far as possible in accordance with group accounting policies for the determination of results, taking account of taxation and minority interests.

Interest expenses are allocated to the periods to which they relate. Results arising from operations involving interest rate hedging instruments are also accounted for as interest. Such instruments are used to hedge the risk of a reduction in interest income on surplus funds temporarily invested in bank deposits due to falling interest rates and higher interest charges on interest-bearing liabilities due to interest rate rises. Interest rate hedging instruments are not used without a corresponding underlying position.

Taxation on profits is calculated on the profit shown in the financial statements by applying the standard tax rates, taking into account tax payable by the group on profit distributions by participating interests and applicable tax facilities. Differences between the amount thus calculated and the tax actually payable for the year are accounted for in the provision for deferred tax liabilities.

## ● Notes to the Consolidated Balance Sheet

### Intangible fixed assets

Commencing in 2003, goodwill is capitalised and amortised over a maximum period of 20 years. The investment in goodwill in 2003 relates to the acquisitions of Karlsberg in Germany, Dinal in Kazakhstan, CCU in Chile, Karlovacka

in Croatia and the BBAG group in Austria and to the expansion of existing interests and acquisitions of beverage wholesalers. Software and other investments in major ICT projects and in technical innovations satisfying the applicable criteria are capitalised and amortised in three years.

Intangible fixed assets	Total	Software and other	Goodwill
	Position as at 1 January 2003	39	39
Changes in the consolidation	12	12	–
Investments less disposals	1,150	26	1,124
Exchange differences	– 1	– 1	–
Amortisation	– 49	– 18	– 31
Position as at 31 December 2003	1,151	58	1,093
<i>This book value is made up as follows:</i>			
Historical cost	1,215	91	1,124
Accumulated amortisation	– 64	– 33	– 31
	1,151	58	1,093

• Notes to the Consolidated Balance Sheet

<b>Tangible fixed assets</b>	Total	Land and buildings	Plant and equipment	Other fixed assets	Projects under construction
Position as at 1 January 2003	4,094	1,250	1,817	815	212
Changes in the consolidation	1,074	553	314	191	16
Investments less disposals	611	71	192	212	136
Completed projects	–	27	86	40	– 153
Exchange differences	– 263	– 64	– 134	– 45	– 20
Revaluations	39	7	23	9	–
Depreciation and value adjustments	– 560	– 72	– 248	– 240	–
<b>Position as at 31 December 2003</b>	<b>4,995</b>	<b>1,772</b>	<b>2,050</b>	<b>982</b>	<b>191</b>
<i>This book value is made up as follows:</i>					
Replacement cost	11,678	3,406	5,470	2,611	191
Accumulated depreciation	– 6,683	– 1,634	– 3,420	– 1,629	–
	<b>4,995</b>	<b>1,772</b>	<b>2,050</b>	<b>982</b>	<b>191</b>
The aggregate amount of revaluations included in the book value as at 31 December 2003 is:	575	236	306	33	–

Other fixed assets includes vehicles, office equipment and returnable packaging.

Projects under construction also includes advance payments on tangible fixed assets on order.

Financial fixed assets	Total	Non-consolidated participating interests		Other financial fixed assets
		Shares	Loans	
Position as at 1 January 2003	835	410	2	423
Changes in the consolidation	124	20	2	102
Additions/loans granted	363	27	1	335
Disposals/loan repayments	- 259	- 93	- 1	- 165
Revaluations	- 16	- 10	-	- 6
Share in net profit/sale proceeds	84	84	-	-
Dividends received	- 9	- 9	-	-
Position as at 31 December 2003	1,122	429	4	689

Other financial fixed assets includes €339 million (2002: €295 million) in respect of loans to customers and €18 million (2002: €22 million) in respect of deferred tax assets. In 2003, a subordinated loan of €160 million was granted to Stichting Heineken Pensioenfond.

2003

2002

Stocks	2003	2002
Raw materials	140	112
Work in progress	71	58
Finished products	215	184
Goods for resale	147	125
Non-returnable packaging	68	72
Other stocks	175	159
Advance payments on stocks	18	55
	834	765
<b>Receivables</b>		
<i>Amounts falling due within one year:</i>		
Trade debtors	1,306	1,111
Packaging deposits	- 316	- 266
	990	845
Non-consolidated participating interests	21	44
Other amounts receivable	215	221
Prepayments and accrued income	154	160
	1,380	1,270

2003

2002

**Securities**

Listed securities	63	83
Unlisted securities	13	15
	76	98

**Cash**

Cash in hand and at bank	494	324
Short-term cash deposits	846	356
	1,340	680

Total cash not freely disposable amounts to €194 million (2002: €121 million), mainly relating to letters of credit.

**Shareholders' equity**

Position as at 1 January	1,319	1,426*
Exchange differences	- 76	- 54
Revaluation	20	16
Goodwill	-	- 389
Net profit for the year	399	398
Dividend	- 78	- 78
Position as at 31 December	1,584	1,319

Dividend relates to the final dividend for 2002 of €47 million and the interim dividend for 2003 of €31 million. For an analysis of shareholders' equity, reference is made to the balance sheet of Heineken Holding N.V. as at 31 December 2003.

**Minority interests in Heineken N.V.**

Position as at 1 January	1,318	1,426*
Exchange differences	- 76	- 54
Revaluation	20	16
Goodwill	-	- 389
Net profit for the year	399	397
Dividend	- 78	- 78
Position as at 31 December	1,583	1,318

\* Figures restated for comparison purposes.

2003

2002

**Minority interests in other group companies**

Position as at 1 January	393	381
Changes in the consolidation	400	25
Exchange differences	- 65	- 55
Revaluations	19	12
Minority interests in group profit	66	62
Dividends payable to minority shareholders	- 83	- 31
Share issue	2	- 1
Position as at 31 December	732	393

**Provisions**

	Deferred tax liabilities	Pension liabilities	Other provisions	Total
<i>The movements were:</i>				
Position as at 1 January 2003	381	352	248	981
Changes in the consolidation	111	183	72	366
Revaluations/exchange differences	- 50	- 5	- 3	- 58
Added/released	- 13	80	91	158
Utilised	-	- 33	- 30	- 63
Other movements	- 14	- 51	48	- 17
Position as at 31 December 2003	415	526	426	1,367

The provision for pension liabilities relates to pensions and annuities which have not been insured with third parties. The average rate of interest used in calculating the net present value of the provision for pension liabilities, based on current applicable interest rates in the countries concerned, is 4% (2002: 4%). The other provisions comprise reorganisation provisions, provisions formed for receivables from participating

interests, for contracts of suretyship provided and for current lawsuits. Additions due to planned and announced restructuring programmes are charged to the profit and loss account, with the exception of restructuring programmes relating to recently acquired companies, which are taken into account in the calculation of goodwill. €1,258 million of the provisions (2002: €939 million) has a term in excess of one year.

2003

2002

<b>Long-term borrowings</b>	2003		2002	
	Total	More than 5 years	Total	More than 5 years
<i>Amounts falling due after more than one year relate to:</i>				
Bond loan from credit institutions, in €, average effective interest rate 4.375%	497	497	–	–
Bond loan from credit institutions, in €, average effective interest rate 5%	596	596	–	–
Loans from credit institutions, in €, average effective interest rate 5.3% (2002: 5.2%)	387	160	337	110
Loans from credit institutions, in PLN, average interest rate 5.97% (2002: 3.62%)	26	–	1	–
Loans from credit institutions, in €, average interest rate 4% (2002: 4%)	158	–	162	–
Loans from credit institutions, in €, average interest rate 4.1% (2002: 4.3%)	506	–	427	–
Loans from credit institutions, in CLP, average interest rate 3.66%	75	17	–	–
Loans from credit institutions, in €, average interest rate 2.56%	20	–	–	–
Loans from credit institutions, in €, average interest rate 5.01%	202	–	–	–
Private loan, in EGP, interest rate 12% (2002: 12%)	19	–	37	37
Private loan, in €, interest rate 5.8%	68	–	68	–
Other private loans, in €, average interest rate 4.86% (2002: 5.2%)	114	16	118	20
Other loans, interest-free	53	18	65	26
	<b>2,721</b>	<b>1,304</b>	<b>1,215</b>	<b>193</b>

### Financing activities

Among other loans issued in 2003 were two bond loans totalling €1,100 million. The bond loans were issued on 4 November 2003, one for €500 million with a coupon interest rate of 4.375%, maturing in February 2010, and one for €600 million with a coupon interest rate of 5%, maturing in November 2013.

The interest-bearing loans are carried at face value plus any premiums and less associated costs. The other liabilities are carried at face value.

A credit facility for €1,200 million was also contracted with a syndicate of banks at an interest rate of 0.225% over Euribor, maturing in December 2008. As at 31 December 2003, this credit facility had not been drawn on.

A number of other loans was also contracted, mainly at variable interest rates.

Security in the form of mortgages totalling €108 million (2002: €116 million) has been provided in respect of the other private loans.

2003

2002

**Net interest-bearing debt position**

Long-term borrowings	2,669	1,150
Current portion of long-term borrowings	153	185
Bank overdrafts	679	573
Short-term deposits	260	261
	<b>3,761</b>	<b>2,169</b>
Loans to non-consolidated participating interests	4	1
Securities	76	98
Cash	1,340	680
	<b>1,420</b>	<b>779</b>
Net interest-bearing debt position	<b>2,341</b>	<b>1,390</b>

2003

2002

**Current liabilities**

*Amounts falling due within one year relate to:*

Repayment commitments on long-term borrowings	174	205
Bank overdrafts	679	573
Suppliers	745	629
Taxation and social security contributions	392	322
Dividend	16	11*
Short-term deposits	260	261
Amounts owed to non-consolidated participating interests	4	1
Other creditors	224	250
Accruals and deferred income	417	303
	<b>2,911</b>	<b>2,555*</b>

Tangible fixed assets totalling €135 million (2002: €140 million) have been pledged to the authorities in a number of countries as security for the payment of taxation, particularly excise duties on beers, non-alcoholic beverages and spirits and import duties.

\* Figures restated for comparison purposes.

2003

2002

**Off-balance-sheet commitments**

Tenancy and operating leases	98	48
Capital expenditure commitments, unless already included in tangible fixed assets	60	53
Long-term raw material purchase contracts	155	176
Declarations of joint and several liability	519	398
Other off-balance-sheet commitments	56	29
Commitment to acquire the remaining 'GeBAG' shares	112	–
Loan to Stichting Heineken Pensioenfonds	–	150

The commitment to acquire the remaining Getränke-Beteiligungs-Aktiengesellschaft ('GeBAG') shares is pursuant to the agreement of 6 June 2003 between Heineken and (the trustee of) shareholders of GeBAG.

**Financial instruments**

Financial instruments, accounted for as assets and liabilities in the balance sheet, are used in the normal course of business and use is also made of financial derivatives.

The financial instruments included in the balance sheet are made up almost entirely of financial fixed assets, trade debtors, other amounts receivable, cash, long-term borrowings and current liabilities. Heineken is exposed to interest rate, exchange rate and credit risks on these financial instruments. To limit the risks, use is made of interest rate derivatives, such as interest rate swaps, forward rate agreements, caps and floors, to minimise the effects of interest rate fluctuations on results. In addition, forward exchange contracts are used to limit the effects of exchange rate movements on results.

**Hedging policy**

Exchange rate and interest rate hedging operations are governed by a precisely defined policy and strict rules. Because of the historically low interest rates in 2003, Heineken opted to fix the interest rates on a large proportion of the contracted loans. Heineken is also exposed to translation and transaction risks. Translation risks are limited to a certain extent by financing in local currencies.

Transaction risks arise mainly on cash flows in foreign currencies generated by export activities. The most important foreign currency cash flow is in US dollars. After deduction of dollar-denominated costs, a net cash flow in US dollars remains. This cash flow is hedged well in advance by means of a combination of forward contracts and options. This policy reduces the volatility of export results due to short-term fluctuations in the value of the US dollar against the euro. Transactions are entered into with a limited number of counterparties with excellent credit ratings. The activities are closely monitored, independently of implementation.

2003

2002

**Financial instruments**

*Contract value as at 31 December*

Currency hedging instruments in US dollars	649	904
Currency hedging instruments in other currencies	101	114
Interest-hedging instruments	1,414	1,029

**Exchange risks**

The foreign exchange hedging operations in 2003 produced an average exchange rate of 0.96 US dollars to the euro on a total of 795 million US dollars.

The expected net cash flow in 2004 amounts to approximately 800 million US dollars. As at 31 December 2003, 544 million US dollars of the expected 2004 cash flow had been hedged at an average exchange rate of 1.09 US dollars to the euro. The expected cash flow for 2005 has not yet been hedged as at 31 December 2003.

**Interest rate risks**

Heineken attempts to hedge results and cash flows against interest rate fluctuations as far as possible by financing either at fixed rates or at variable rates combined with the use of interest rate instruments, namely interest rate swaps, forward rate agreements, caps and floors.

**Market value**

The market value of interest rate and exchange rate instruments is the amount for which the financial instruments concerned can be bought or sold in a free market. The market value of the financial instruments amounts to €117 million (2002: €83 million). The maturity of the exchange rate hedging instruments is less than one year.

Interest rate hedging instruments maturing after one year amount to €1,335 million.

The market value of long-term loans may differ from the amount at which they are carried in the balance sheet.

## ● Notes to the Consolidated Profit and Loss Account

2003

2002

### Raw materials, consumables and services

Raw materials	625	525
Packaging	1,072	949
Goods for resale	1,137	1,080
Marketing and selling expenses	1,131	1,056*
Transport costs	454	402
Energy and water	163	147
Repair and maintenance	205	185
Other expenses	770	685
	<b>5,557</b>	<b>5,029</b>

The movement in work in progress and finished products (increase of €26 million, excluding revaluations and changes in the consolidation) is included in the appropriate component of production costs, i.e. raw materials, packaging materials, excise duties and, with regard to the fixed cost element of stocks, other expenses.

### Staff costs

Salaries and wages	1,200	1,069
Pension costs	118	111
Other social security costs	259	275
Other staff costs	260	193
	<b>1,837</b>	<b>1,648</b>
Staff costs capitalised in connection with production of tangible fixed assets for use by the group	- 5	- 6
	<b>1,832</b>	<b>1,642</b>

Other staff costs includes amounts added to other provisions in respect of reorganisations.

\* Figures restated for comparison purposes.

2003

2002

**Number of employees**

*The average number of employees was:*

Fully consolidated participating interests:

Netherlands	5,256	5,527
Central/Eastern Europe	14,829	8,507*
Rest of Europe	14,820	13,933*
The Americas	1,534	1,451
Africa/Middle East	11,378	10,462
Asia/Pacific	1,316	1,377
	<b>49,133</b>	<b>41,257</b>

Proportionally consolidated participating interests:

Central/Eastern Europe	962	944*
Rest of Europe	3,204	1,933*
The Americas	3,901	–
Africa/Middle East	563	631
Asia/Pacific	3,508	3,472
	<b>12,138</b>	<b>6,980</b>

<b>Total</b>	<b>61,271</b>	<b>48,237</b>
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**Amortisation/depreciation and value adjustments**

Depreciation of tangible fixed assets	553	476
Other value adjustments to tangible fixed assets	7	5
Amortisation of capitalised goodwill	31	–
Amortisation of other intangible fixed assets	18	10
	<b>609</b>	<b>491</b>
Value adjustments to other assets	35	38
	<b>644</b>	<b>529</b>

Other value adjustments to tangible fixed assets includes the balance of reductions in the book values of production assets to their net realisable value. The value adjustments to other assets relate mainly to provisions for stocks of finished products and spares held by various operating companies.

\* Figures restated for comparison purposes.

2003

2002

**Results of non-consolidated participating interests**

Share in net result of participating interests carried at net asset value	13	15
Dividends received from participating interests carried at cost	17	33
Book profit on sale of 15% interest in Quilmes	71	–
	<b>101</b>	<b>48</b>

**Interest**

Interest paid	– 180	– 146
Interest received	40	37
	<b>– 140</b>	<b>– 109</b>

**Taxation**

The taxation amounts to 29.5% (2002: 31%) of the profit before tax, excluding the results of non-consolidated participating interests.

Taxation	– 319	– 364
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*The main components of the taxation charge are:*

Profit before taxation excluding the results of non-consolidated participating interests	1,082	1,173
Taxation charge at the tax rate prevailing in the Netherlands	34.5% 373	34.5% 405
Effect of tax rates outside the Netherlands	– 3.8% – 41	– 0.9% – 11
Non-allowable expenses	3.3% 36	1.7% 20
Utilisation of tax losses carried forward	– 1.6% – 17	– 1.2% – 14
Tax losses not recognised	0.9% 10	– 0.1% – 1
Overprovided in prior years	– 1.6% – 18	– 0.8% – 9
Tax incentives and other differences	– 2.2% – 24	– 2.2% – 26
Effective tax burden	<b>29.5% 319</b>	<b>31.0% 364</b>

## 2003

### Tax losses

As at 31 December 2003, the group had tax losses totalling €108 million, expiring as follows:

2004	12
2005	7
2006	10
2007	10
2008	20
Later than 2008 but not indefinite	49
Total	108

An amount of €18 million relating to these tax losses has been recognised as a deferred tax asset and included in financial fixed assets. Due to the uncertainty regarding the ability to realise the remaining tax losses, they have not been recognised.

## ● Segmented Information

### Information by geographical area

As almost the entire net turnover of the group is accounted for by just one product group, namely beer, the financial information is segmented by geographical area only. The remaining activities are not reported on a segmented basis. Partly as a consequence of the

acquisition of the Brau Union group in Austria, we have decided to revise the basis of segmentation. The following five regions are distinguished: Western Europe, Central/Eastern Europe, the Americas, Africa/Middle East and Asia/Pacific. Revenues and results are allocated to the region where the product

Results by region	Western Europe		Central/Eastern Europe		The Americas <sup>1</sup>	
	2003	2002*	2003	2002*	2003	2002*
Net turnover						
Third-party sales proceeds	5,140	4,833	1,129	891	1,496	1,355
Interregional sales proceeds	1,264	1,282	1	–	1	–
Total sales proceeds	6,404	6,115	1,130	891	1,497	1,355
Proceeds from services	156	117	15	7	4	5
Net turnover by region	6,560	6,232	1,145	898	1,501	1,360
Operating profit before amortisation of goodwill	593	553	93	78	369	416
Amortisation of goodwill	– 9	–	– 10	–	– 11	–
Operating profit by region	584	553	83	78	358	416
Results of non-consolidated participating interests	3	12	1	–	87	23
Interest						
Taxation						
Minority interests in the results of group companies of Heineken N.V.						
Net profit on ordinary activities of Heineken N.V.						
Minority interests in the profit of Heineken N.V.						
Net profit						
Beer volumes						
Consolidated volume	40,245	37,844	19,680	14,887	10,128	7,885
Minority interests	4,012	2,244	931	784	1,964	–
Licences	470	2,154	–	–	419	495
Interregional volume	8,918	8,871	7	–	13	–
Group volume	53,645	51,113	20,618	15,671	12,524	8,380

\* The 2002 figures have been restated for comparison purposes.

<sup>1</sup> Including Caribbean.

• Segmented Information

is sold to the consumer. Export revenues and results are also allocated to the regions. Most of the export production facilities are located in Western Europe. Sales to the other regions are charged at transfer prices which include a surcharge for cost of capital.

Africa/Middle East		Asia/Pacific		Eliminations		Consolidated	
2003	2002*	2003	2002*	2003	2002*	2003	2002*
822	752	462	484	–	–	9,049	8,315
1	–	–	–	–1,267	–1,282	–	–
823	752	462	484	–1,267	–1,282	9,049	8,315
53	67	5	5	–27	–34	206	167
876	819	467	489	–1,294	–1,316	9,255	8,482
150	188	48	47	–	–	1,253	1,282
–1	–	–	–	–	–	–31	–
149	188	48	47	–	–	1,222	1,282
4	6	6	7	–	–	101	48
						–140	–109
						–319	–364
						–66	–62
						798	795
						–399	–397
						399	398
10,433	8,593	4,751	4,629			85,237	73,838
330	331	2,733	2,501			9,970	5,860
1,943	1,634	929	867			3,761	5,150
22	–	–	–	–8,960	–8,871	–	–
12,728	10,558	8,413	7,997	–8,960	–8,871	98,968	84,848

• Segmented Information

Assets as per balance sheet	Western Europe		Central/Eastern Europe		The Americas <sup>1</sup>		Africa/Middle East		Asia/Pacific		Consolidated	
	2003	2002*	2003	2002*	2003	2002*	2003	2002*	2003	2002*	2003	2002*
Operating assets	5,565	4,272	2,109	925	628	350	928	1,029	392	420	9,622	6,996
Non-consolidated participating interests	32	22	36	11	283	317	61	42	17	18	429	410
Total assets by region	5,597	4,294	2,145	936	911	667	989	1,071	409	438	10,051	7,406
Invested cash											847	375
Total assets as per balance sheet											10,898	7,781
Total provisions and liabilities by region	4,229	3,118	1,306	380	616	340	669	731	179	182	6,999	4,751
Total liabilities as per balance sheet											6,999	4,751
Group equity											3,899	3,030
Investments in intangible fixed assets	12	28	4	6	9	1	1	–	–	–	26	35
Investments in tangible fixed assets	324	360	99	100	23	10	139	208	26	18	611	696
Amortisation of and value adjustments to goodwill	9	–	10	–	11	–	1	–	–	–	31	–
Amortisation of and value adjustments to other intangible fixed assets	12	8	4	2	2	–	–	–	–	–	18	10
Depreciation of and value adjustments to tangible fixed assets	358	333	113	86	31	10	43	33	15	19	560	481

\* The 2002 figures have been restated for comparison purposes.

<sup>1</sup> Including Caribbean.

## ● Notes to the Consolidated Cash Flow Statement

The consolidated cash flow statement has been drawn up using the indirect method. The various consolidated balance sheet and profit and loss account items have been adjusted for changes which have no effect on the receipts and payments during the year.

Working capital comprises stocks, receivables and

current liabilities (excluding bank overdrafts and repayment commitments on long-term borrowings).

The cash flow from investing activities relates to the net amount of investments and disposals.

The net cash position consists of cash in hand and at bank, securities and bank overdrafts.

	Provisions	Long-term borrowings	Repayment commitments
Position as at 1 January 2003	981	1,215	205
Revaluation/exchange differences	- 58	- 20	- 11
Changes in the consolidation	366	235	32
Other non-cash-flow movements	- 17	- 210	219
Cash flow movements	95	1,501	- 271
Position as at 31 December 2003	1,367	2,721	174

### Working capital

Position as at 1 January 2003	400
Revaluation/exchange differences	- 36
Changes in the consolidation	88
Other non-cash-flow movements	- 57
Cash flow movements	- 92
Position as at 31 December 2003	303

## Participating Interests

of significance for the true and fair view  
required by law

A declaration of joint and several liability pursuant to the provisions of Section 403, Part 9, Book 2, of the Netherlands Civil Code has been issued with respect to the legal entities established in the Netherlands, marked with a • below.

Fully consolidated participating interests		Participating interest in %
Heineken N.V.	Amsterdam	50.005
• Heineken Nederlands Beheer B.V.	Amsterdam	100.0
• Heineken Brouwerijen B.V.	Amsterdam	100.0
• Heineken Nederland B.V.	Amsterdam	100.0
• Heineken International B.V.	Amsterdam	100.0
• Heineken Technical Services B.V.	Amsterdam	100.0
• Amstel Brouwerij B.V.	Amsterdam	100.0
• Amstel Internationaal B.V.	Amsterdam	100.0
• Vrumona B.V.	Bunnik	100.0
• Invebra Holland B.V.	Amsterdam	100.0
• B.V. Beleggingsmaatschappij Limba	Amsterdam	100.0
• Brand Bierbrouwerij B.V.	Wijlre	100.0
• Beheer- en Exploitiatiemaatschappij Brand B.V.	Wijlre	100.0
Heineken France	Paris (France)	100.0
Heineken España S.A.	Seville (Spain)	98.1
Heineken Italia S.p.A.	Pollein (Italy)	100.0
Athenian Brewery S.A.	Athens (Greece)	98.8
Brau Union AG <sup>1</sup>	Linz (Austria)	60.3
Brewery Żywiec S.A.	Żywiec (Poland)	61.8
Heineken Ireland Ltd. <sup>2</sup>	Cork (Ireland)	100.0
Amstel Brewery Hungary Inc.	Komárom (Hungary)	100.0
Heineken Slovensko A.S.	Nitra (Slovakia)	100.0
Heineken Switzerland A.G.	Chur (Switzerland)	100.0
Mouterij Albert N.V.	Ruisbroek (Belgium)	100.0
Ibecor S.A.	Brussels (Belgium)	100.0
Affligem Brouwerij BDS N.V.	Opwijk (Belgium)	100.0
LLC Heineken Brewery	St. Petersburg (Russia)	100.0
Dinal LLP	Almaty (Kazakhstan)	51.0
Heineken USA Inc.	White Plains (United States)	100.0
Antilliaanse Brouwerij N.V.	Willemstad (Netherlands Antilles)	56.3
Karlovačka Pivovara d.d. <sup>1</sup>	Karlovac (Croatia)	94.4
Commonwealth Brewery Ltd.	Nassau (Bahamas)	53.2
Windward & Leeward Brewery Ltd.	Vieux Fort (St. Lucia)	72.7
Cervecerias Baru-Panama S.A.	Panama City (Panama)	74.5
Nigerian Breweries Plc.	Lagos (Nigeria)	54.2
Al Ahram Beverages Company	Cairo (Egypt)	99.9
Brasserie Almaza S.A.L.	Beirut (Lebanon)	67.0
Brasseries, Limonaderies et Malteries 'Bralima' S.A.R.L.	Kinshasa (D.R. Congo)	94.3
Brasseries et Limonaderies du Rwanda 'Bralirwa' S.A.	Kigali (Rwanda)	70.0
Brasseries et Limonaderies du Burundi 'Brarudi' S.A.	Bujumbura (Burundi)	59.3
Brasseries de Bourbon S.A.	St. Denis (Réunion)	85.6
Ghana Breweries Ltd.	Kumasi (Ghana)	75.6
Brasseries du Logone S.A.	Moundou (Chad)	100.0
P.T. Multi Bintang Indonesia Tbk.	Jakarta (Indonesia)	84.5

• Participating Interests

**Proportionally consolidated participating interests**

The companies listed below are proportionally consolidated because control of these companies is exercised jointly and directly by virtue of an agreement with the other shareholders.

		Participating interest in %
BrauHolding International AG	Munich (Germany)	49.9
Zagorka Brewery A.D.	Stara Zagora (Bulgaria)	48.6
Pivara Skopje A.D.	Skopje (Macedonia)	27.6
Brasseries du Congo S.A.	Brazzaville (Congo)	50.0
Asia Pacific Breweries (Singapore) Pte. Ltd.	Singapore	42.2
Shanghai Asia Pacific Brewery Co. Ltd.	Shanghai (China)	40.9
Hainan Asia Pacific Brewery Ltd.	Haikou (China)	42.2
South Pacific Brewery Ltd.	Port Moresby (Papua New Guinea)	31.9
Vietnam Brewery Ltd.	Ho Chi Minh City (Vietnam)	25.3
Cambodia Brewery Ltd.	Phnom Penh (Cambodia)	33.7
DB Breweries Ltd.	Auckland (New Zealand)	32.5
Compania Cervecerias Unidas S.A. <sup>1</sup>	Santiago (Chile)	30.8

**Non-consolidated participating interests  
carried at net asset value**

Cervecerias Costa Rica S.A.	San José (Costa Rica)	25.0
Guinness Anchor Berhad	Petaling Jaya (Malaysia)	10.7
Thai Asia Pacific Brewery Co. Ltd.	Bangkok (Thailand)	14.8

**Other non-consolidated participating  
interests carried at cost**

Namibia Breweries Ltd. <sup>1</sup>	Windhoek (Namibia)	14.5
Cervecerias Kaiser Brasil S.A.	São Paulo (Brazil)	20.0

Amsterdam, 24 February 2004  
*Management Board*

M. Das  
C.L. de Carvalho-Heineken  
D.P. Hoyer  
K. Vuursteen

<sup>1</sup> Acquired in 2003.

<sup>2</sup> In accordance with the provisions of Section 17 of the Republic of Ireland Companies (Amendment) Act 1986, Heineken N.V. has given irrevocable guarantees for the financial year from 1 January 2003 to 31 December 2003 in respect of the liabilities, as referred to in Section 5(c) of that Act, of the subsidiary companies Heineken Ireland Limited and Heineken Ireland Sales Limited.

## Other Information

### Rights of holders of priority shares

The priority shares in issue with a nominal value of €500, which comprise 250 shares of €2 nominal value, are held by:

*Stichting Administratiekantoor Prioeres*

125 shares

The members of the board of this foundation are

C.L. de Carvalho-Heineken, chairman

M. Das

R.H. Meppelink

H.A. Oosters

*Stichting Beheer Prioriteits aandelen Heineken Holding N.V.*

125 shares

The members of the board of this foundation are

J.C. Posch, chairman

W. de Ruiter

The company and the board members of the above foundations hereby declare that, in their jointly considered opinion, the provisions of Annex X of the Listing and Issuing Rules of Euronext Amsterdam have been complied with.

For the rights conferred by the priority shares, reference is made to Articles 4 (para. 8), 7 (para. 2), 8 (para. 5), 9 (para. 1), 12 (para. 1), 15 (para. 1) and 16 (para. 3) of the company's Articles of Association.

### Provisions of the Articles of Association concerning appropriation of profit

The relevant provisions of the Articles of Association concerning appropriation of profit read as follows:

Article 12, para. 1: Out of the profit as shown by the profit and loss account adopted by the general meeting of shareholders, after any compulsory additions to the reserves to be held by law have been deducted from this profit, the holders of A-shares and then the holders of B-shares shall first receive the same dividend as is paid out by Heineken N.V. for the year concerned, having due regard to the provisions of para. 5.

From what remains after the distribution to holders of A- and B-shares, the holders of priority shares shall receive a four per cent dividend, and the remainder shall be at the disposal of the meeting of holders of B-shares, which may appropriate the profit due to holders of B-shares for distribution to holders of B-shares or to form a dividend reserve, provided such distribution is made in cash.

This dividend reserve shall be at the disposal of the meeting of holders of B-shares.

Article 12, para. 5: Profit distributions may only be made if the shareholders' equity of the company exceeds the amount of the paid-up and called capital plus the reserves to be maintained by law.

### Remuneration of the Management Board

Pursuant to the company's Articles of Association, Article 7, para. 4, the meeting of holders of priority shares may pass resolutions fixing the remuneration of the members of the Management Board.

### Shares held by the Management Board

As at 31 December 2003, the Management Board represented 115,289,639 shares of the company.

- Other Information

**Proposed appropriation of profit in thousands of euros**

Profit for 2003 as shown by the profit and loss account	399,040
Addition to the statutory reserve	320,636
Leaving for dividend distribution	78,404
From this amount, an interim dividend was made payable on 22 September 2003 amounting to	31,362
On the assumption that the dividend proposal for 2003 is approved by the general meeting of shareholders of Heineken N.V., a final dividend of €0.24 per share will be at the disposal of holders of A- and B-shares	47,042*
Total	78,404

\* This amount also includes the dividend of 4% payable to holders of priority shares.

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## Auditors' Report

### *Introduction*

We have audited the financial statements of Heineken Holding N.V., Amsterdam, for the year 2003. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### *Scope*

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

Rotterdam, 24 February 2004

*Ernst & Young Accountants*

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2003 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2, of the Netherlands Civil Code.

A Heineken Holding N.V. publication

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