

2003

Annual Report



Heineken
NV



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This is an English translation of the original Dutch language report.

Both the Dutch and English versions
can be downloaded from www.heinekeninternational.com

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Profile

Heineken is one of the world's largest and most advanced brewers and the Heineken brand is the most valuable international beer brand. Operating in over 170 countries, through its own breweries and through export and licensing partners, Heineken has the widest global presence of all the international brewers. Europe accounts for over half of Heineken's sales volume. At the end of 2003, Heineken owned over 115 breweries in more than 65 countries* and employed 61,271 people.

Origins

Heineken has its roots in Amsterdam, where Gerard Adriaan Heineken purchased a brewery in 1864. In the ensuing decades, under the leadership of three generations of the Heineken family and pursuing a policy of measured expansion and consistent brand development, Heineken has grown into one of the world's leading brewing groups. Core values within the company include respect, enjoyment and a passion for quality.

Goal and strategy

Heineken's goal at all times is to defend and strengthen its leading global market position and preserve its independence. Heineken's strategy for attaining this goal is to:

- achieve a level of sales and profitability which makes it one of the world's largest and financially best-performing brewing groups
- maintain a strong portfolio of beer brands, with Heineken as the leading international premium beer
- maintain strong local market positions, a good sales mix and an efficient cost structure by combining the sale and distribution of the international Heineken premium brand with that of strong local brands

- fulfil its corporate social responsibility, particularly with regard to policy on alcohol abuse, social and environmental issues.

Shareholders

Heineken seeks to secure long-term profit growth for its shareholders by expanding in existing markets and entering new markets. Heineken's strategy creates added value for shareholders and generates returns which are above the average for the brewing sector.

Brands

Heineken has built its strong international and local market positions by developing and regularly updating its cohesive portfolio of strong brands which offer high added value for its customers and consumers.

The group's principal international brands are Heineken and Amstel. Heineken has the widest global presence of any international beer brand. In virtually all markets, Heineken is positioned in the premium segment. Heineken is the largest beer brand in Europe and Amstel the third largest. Amstel is generally positioned in the mid-priced mainstream segment, the largest segment of the market. The group has a very limited presence in the low-priced segment. As well as lagers, our international and local brands also include speciality beers, light beers (low-calorie beers) and alcohol-free beers.

Distribution

Heineken seeks to achieve comprehensive coverage in each market, through alliances with independent distributors or via its own beverage wholesalers. Heineken owns numerous wholesalers in Europe which, in addition to beer, also supply a supporting range of soft drinks, wines and spirits to the on-trade. Some of the soft drinks are produced by Heineken.

Innovation

Heineken works constantly to meet the consumer's changing needs and improve the quality and safety of its processes and products, its cost structure and its environmental performance. For a leading company like Heineken, innovation in marketing, communication, packaging, brewing technology and supply chain management is important, especially in reinforcing the competitive position of the international Heineken and Amstel brands.

Ownership structure and stock exchange listing

Heineken Holding N.V. holds 50.005% of the Heineken N.V. shares. Heineken Holding N.V. has no operational activities: these are carried on by Heineken N.V. and its related companies. Heineken N.V. is responsible for the development and implementation of the strategy. Heineken Holding N.V. is concerned primarily with safeguarding the long-term continuity, independence and stability of Heineken's activities. The net asset value and dividend policy of the two companies are identical. The shares and options on the shares of both companies are traded on Euronext Amsterdam.

* The full list of breweries and operating companies can be found on pages 92-95.

● Key Figures 2003

2003 2002* Change (%)

Results in millions of euros

Net turnover	9,255	8,482	9.1
Operating profit	1,222	1,282	- 4.7
EBITDA ¹	1,866	1,811	3.0
Net profit	798	795	0.4
Dividend	157	157	-
Cash flow from operating activities	1,637	1,184	38.3

Balance sheet in millions of euros

Total assets	10,897	7,781	40.0
Group equity	3,899	3,030	28.7
Shareholders' equity	3,167	2,637	20.1
Issued capital	784	784	-

Per share of €2.00

Number of shares issued	391,979,675	391,979,675	-
Cash flow from operating activities	4.18	3.02	38.3
Net profit	2.04	2.03	0.4
EBITDA ¹	4.76	4.62	3.0
CEPS ²	2.11	2.03	3.9
Dividend	0.40	0.40	-
Shareholders' equity	8.08	6.73	20.1

Net turnover in millions of euros

(including interregional sales)			
Western Europe	6,560	6,232	5.3
Central/Eastern Europe	1,145	898	27.5
The Americas	1,501	1,361	10.3
Africa/Middle East	876	819	7.0
Asia/Pacific	467	489	- 4.5

Tangible fixed assets in millions of euros

Investments less disposals	611	696	- 12.2
Depreciation and value adjustments	560	481	16.4

Staff in numbers

Average number of employees	61,271	48,237	27.0
of whom employed by Dutch operating companies	5,256	5,527	- 4.9

Ratios

Operating profit as % of net turnover	13.2	15.1
Operating profit as % of total assets	11.2	16.5
Net profit as % of shareholders' equity	25.2	30.1
Dividend as % of net profit	19.7	19.7
Group equity/other borrowed capital	0.56	0.64
Group equity/fixed assets	0.54	0.61
Current assets/current liabilities	1.25	1.10
Interest coverage ratio	9.5	12.2

¹ Operating profit plus amortisation, depreciation and value adjustments.

² Net profit per share before amortisation of goodwill.

* The 2002 figures are restated for comparison purposes.



Executive Board

as at 24 February 2004

A. Ruys (1947)

Dutch nationality

1993 Member of the Executive Board

1996 Vice-Chairman

2002 Chairman

Joined Heineken N.V. in 1993 after a career with Unilever N.V. in the Netherlands and abroad.

Areas of Responsibility

- Corporate Human Resources & Organisation Development
- Corporate Communication
- Corporate Affairs
- Corporate Legal & Business Affairs
- Group Internal Audit
- Corporate Secretariat
- Proseco
- Asia/Pacific

Supervisory Directorships¹

- Gtech Holdings Corporation, USA
- Robeco Groep N.V., Netherlands (until mid-2004)
- Sara Lee/DE International B.V., Netherlands

M.J. Bolland (1959)

Dutch nationality

2001 Member of the Executive Board

Joined Heineken N.V. in 1986 and has held various positions in the Netherlands and abroad.

Areas of Responsibility

- Corporate Brands
- Corporate Commercial Excellence
- Latin & Central America
- Caribbean
- Middle East & North Africa
- Heineken USA (incl. Canada)
- Heineken España (incl. Portugal and Canary Islands)
- Heineken France
- Heineken Italia
- Beer Systems

J.F.M.L. van Boxmeer (1961)

Belgian nationality

2001 Member of the Executive Board

Joined Heineken N.V. in 1984 and has held various positions in the Netherlands and abroad.

Areas of Responsibility

- Corporate Production, Policy & Control
- Heineken Technical Services
- Brau Union AG
- North-West Europe
- Sub-Saharan Africa
- Heineken Brouwerijen
- Heineken Nederland Supply
- Heineken Nederlands Beheer and Heineken Nederland Business Services
- Vrumona
- Heineken Brewery Russia
- Athenian Brewery
- CIS Countries and Kazakhstan

D.R. Hooft Graafland (1955)

Dutch nationality

2002 Member of the Executive Board

Joined Heineken N.V. in 1981 and has held various positions in the Netherlands and abroad.

Areas of Responsibility

- Corporate Finance
- Corporate Control & Accounting
- Corporate Information Technology
- Corporate Business Development
- Corporate Internal Services

Supervisory Directorships²

McGregor Fashion Group N.V., Netherlands

¹ Under the current by-laws, members of the Executive Board may not in principle accept more than two external Supervisory Directorships.

² No Supervisory Directorships may be accepted by members of the Executive Board for the first three years after their appointment. Mr. Hooft Graafland already held this Supervisory Directorship at the time of his appointment.

Supervisory Board

as at 24 February 2004

J.M. de Jong (1945)

Dutch nationality

Appointed in 2002

Chairman

Chairman of the Preparatory Committee

Profession: Banker

Supervisory Directorships

- Nutreco Holding N.V.
- Cementbouw B.V. (Chairman)
- Dura Vermeer Groep N.V.
- Daimler Chrysler International Finance B.V.
- Volkswagen Financial Services N.V.
- Volkswagen International Finance N.V.
- BASF Nederland B.V.
- N.V. Verzekering-Maatschappij 'Neerlandia van 1880'
- Onderlinge Levensverzekering-Mij. 's-Gravenhage U.A.
- Banca Antonveneta SpA, Italy
- Kredietbank Luxembourgeoise S.A., Luxembourg
- CRH Plc, Ireland

M. Das (1948)

Dutch nationality

Appointed in 1994

Last reappointed 2001

Delegated Member

Secretary of the Preparatory Committee

Profession: Lawyer

Partner in Loyens & Loeff

Supervisory Directorships

- Greenfee B.V. (Chairman)

Other posts*

- Heineken Holding N.V. (Chairman)
- Stichting Administratiekantoor Priors
- LAC B.V.

H. de Ruiter (1934)

Dutch nationality

Appointed in 1993

Last reappointed 2001

Chairman of the Audit Committee

Profession: Engineer

Supervisory Directorships

- Wolters Kluwer N.V. (Chairman)
- Univar N.V. (Chairman)
- Aegon N.V. (Vice-Chairman)
- Koninklijke Nederlandse Petroleum Maatschappij N.V.

M.R. de Carvalho (1944)

British nationality

Appointed in 1996

Last reappointed in 2003

Member of the Preparatory Committee

Profession: Banker

Investment Banking (Vice-Chairman)

Citigroup Inc., United Kingdom

A.H.J. Risseeuw (1936)

Dutch nationality

Appointed in 2000

Member of the Audit Committee

Profession: Company Director

Supervisory Directorships

- KPN N.V. (Chairman)
- AOT N.V. (Chairman)
- Samas-Groep NV (Chairman)
- NPM Capital N.V.
- Blokker Holding B.V.
- Intergamma B.V. (Chairman)
- Groeneveld B.V. (Chairman)

J.M. Hessels (1942)

Dutch nationality

Appointed in 2001

Member of the Audit Committee

Profession: Company Director

Supervisory Directorships

- Euronext N.V. (Chairman)
- Royal Philips Electronics N.V.
- Fortis N.V.
- Royal Vopak N.V.
- Laurus N.V.
- Amsterdam Schiphol Group N.V.
- Barnesandnoble.com, USA

C.J.A. van Lede (1942)

Dutch nationality

Appointed in 2002

Member of the Preparatory Committee

Profession: Company Director

Supervisory Directorships

- De Nederlandsche Bank (Chairman)
- Royal Philips Electronics N.V.
- Akzo Nobel N.V.
- KLM N.V.
- Scania AB
- Sara Lee Corporation
- Reed Elsevier Group
- Air Liquide

* Where relevant to performance of the duties of Supervisory Director.

Two members of the Supervisory Board retire each year according to a rota which is determined annually.

● Report of the Supervisory Board

To the shareholders

The Executive Board has submitted its financial statements for 2003 to the Supervisory Board. These financial statements, which can be found on pages 52-84 of this annual report, have been audited by KPMG Accountants N.V., whose report appears on page 86.

The Supervisory Board recommends that the shareholders adopt these financial statements and, as proposed by the Executive Board, appropriate €157 million of the profit as dividend and add the remainder, amounting to €641 million, to the retained profits. The proposed dividend amounts to €0.40 per share of €2.00 nominal value, of which €0.16 was paid as interim dividend on 22 September 2003. The dividend for 2002 was €0.40. A proposal to split the shares by issuing five new shares of €1.60 nominal value for every four existing shares of €2.00 nominal value will be presented to the General Meeting of Shareholders. The new shares will carry full entitlement to dividend as from 1 January 2004.

Executive and Supervisory Board changes
Messrs. J. Loudon and M.R. de Carvalho retired by rotation from the Supervisory Board at the Annual General Meeting of Shareholders on 24 April 2003. Mr. de Carvalho was eligible for immediate reappointment and was duly reappointed. We thank Mr. Loudon, who chose not to seek reappointment, for his many years of service to the Board.

Messrs. H. de Ruiter and A.H.J. Risseeuw are due to retire by rotation from the Supervisory Board at the Annual General Meeting of Shareholders on 29 April 2004. Mr. Risseeuw will be eligible for immediate reappointment, but Mr. De Ruiter will not, having reached the age limit of 70 stipulated in the Supervisory Board's by-laws. The Supervisory Board thanks Mr. De Ruiter for his contribution to its work, including his service as Chairman of the Audit

Committee. The Supervisory Board proposes to reappoint Mr. Risseeuw and a binding nomination for his appointment will be submitted to the Annual General Meeting on 29 April 2004. After Mr. De Ruiter's departure, the Supervisory Board will have six members.

With effect from 30 April 2004, chairmanship of the Supervisory Board will pass to Mr. C.J.A. van Lede. At the time of his appointment as a member of the Supervisory Board in 2002, Mr. De Jong agreed to take on the chairmanship to enable Mr. Van Lede, who had been appointed at the same time as Mr. De Jong, to combine his former duties as Chairman and CEO of Akzo Nobel with his membership of the Supervisory Board. As from 30 April 2004, Mr. De Jong will assume the vice-chairmanship of the Supervisory Board and chairmanship of the Audit Committee.

Mr. Van Lede will chair the Preparatory Committee as from the same date. The Supervisory Board proposes to appoint Mr. K. Büche as a member of the Executive Board with effect from 1 May 2004. A binding nomination for his appointment will be submitted to the Annual General Meeting of Shareholders on 29 April 2004.

Corporate Governance

The Dutch Corporate Governance Code was discussed at length in 2003 (in its draft form) and early in 2004 (in its final form). At the meeting on 24 February 2004, the Supervisory Board discussed the final Code and its underlying principles in relation to the structure of the Heineken group. The timetable for dealing with the various issues was also discussed. While the company 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 N.V. from complying with a small number of the best-practice

provisions. This is explained in greater detail in the chapter on the Dutch Corporate Governance Code on page 9 of this report.

Consultation and decision-making

The Supervisory Board held seven joint meetings with the Executive Board in 2003. The agenda of these meetings included a number of regular items, such as consideration of the company's strategy, financial position and results, the operating companies' policies and business plans, acquisitions and other investment proposals and management development. Other items on the agenda included evaluation of completed investment projects, interest-rate and exchange-rate risks, financing, pensions and internal risk management and control systems. Meetings convened to consider the year's results were attended by the external auditors.

Particular attention was devoted in 2003 to the new International Financial Reporting Standards. An extra meeting was convened to approve the acquisition of BBAG (Austria). One meeting was held at the brewery in 's-Hertogenbosch, where new developments within the brewery and product innovations were discussed. A meeting was also held in Strasbourg, where the Heineken France management team gave a presentation for the Supervisory Board on developments in France.

At two of the meetings, the Executive Board withdrew while the Supervisory Board discussed the functioning and composition of the Executive and Supervisory Boards.

Committees

The Supervisory Board has two committees, the Audit Committee and Preparatory Committee. Six meetings were held last year by the Preparatory Committee, which is responsible

• Report of the Supervisory Board

for preparing decision-making by the Supervisory Board, including decisions relating to the remuneration of the members of the Executive Board.

The Audit Committee, whose responsibilities include evaluation of the financial statements, the annual report, the internal financial reporting and the internal control systems, held two meetings last year, one of which was attended by the external auditors. After this meeting, the Audit Committee held discussions with the company's auditors in the absence of the Executive Board.

The Supervisory Board takes this opportunity to thank the Executive Board and all the employees for their efforts in 2003.

Amsterdam, 24 February 2004

Supervisory Board

De Jong	Risseuw
Das	Hessels
De Ruiter	Van Lede
de Carvalho	

● Corporate Governance Code

The Dutch Corporate Governance Code (the 'Code') of the Corporate Governance Committee (the 'Tabaksblat Committee')

Under the Code, 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 defined best-practice provisions.

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

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

Structure of the Heineken group

A 50.005% interest in Heineken N.V. is held by Heineken Holding N.V. 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 N.V.

Standing at the head of the Heineken group, Heineken Holding N.V. is not an ordinary holding company. Since its formation in 1952, Heineken Holding N.V.'s objective 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 role Heineken Holding N.V. 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.

The stability provided by this 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 tasks by Heineken N.V.'s Supervisory Board.

Independence of the Supervisory Board
Heineken N.V. endorses principle III.2 of the Code, which states that the Supervisory Board should be constituted such that the members are able to act objectively and independently of one another, of the Executive Board and of any particular interests. Best-practice provision III.2.1, which is derived from it, states that all the members of the Supervisory Board, with the exception of not more than one person, shall be independent. In a strictly formal sense, three members of the Supervisory Board do not meet the applicable dependence criteria as set out in best-practice provision III.2.2:

- Mr. De Jong was a member of Heineken Holding N.V. in 2002, the year before his appointment to the Supervisory Board.
- Mr. Das was a partner in a firm which was appointed as a consultant to Heineken N.V. in 1994, the year before his appointment to the Supervisory Board.
- Mr. de Carvalho is married to Mrs. C.L. de Carvalho-Heineken.

Given the nature and traditions of the Heineken group, the Executive Board and Supervisory Board do not consider this as an impediment to Messrs. De Jong, Das and de Carvalho in being independent.

Delegated Supervisory Board member

Best-practice provision III.6.6 defines a delegated Supervisory Board member as a member to whom a special task is assigned. Such delegation may not go beyond the duties of the Supervisory Board itself and may not include management of the company. It may entail more intensive supervision and advice and more regular consultation with the Executive Board. Delegation may only be temporary and may not detract from the duties and powers of the Supervisory Board. The delegated person remains a member of the Supervisory Board.

As regulated by the Articles of Association of Heineken N.V., the post of delegated Supervisory Board member – a position currently held by Mr. Das, who is also Chairman of the Management Board of Heineken Holding N.V. – is consistent with the best-practice provision, except in so far as the position is not temporary and is held for the term for which the member concerned is appointed by the general meeting of shareholders of Heineken N.V.

The Executive Board and Supervisory Board consider that, as regulated by the Articles of Association of Heineken N.V., the post of delegated Supervisory Board member, which has been in existence since 1952, is consistent with the structure of the Heineken group.

Term of office of Supervisory Board members

According to best-practice provision III.3.5, a member may not be appointed to the Supervisory Board for more than three terms of four years.

The Executive Board and Supervisory Board take the view that, given the

structure of the Heineken group, this limit should not apply to members who are related by blood or marriage to the Heineken family or who are members of the Management Board of Heineken Holding N.V.

Other provisions

We expect the study of the remuneration of Executive Board members, which was started in 2003, to be completed in 2004. Remuneration policy will be determined on the basis of the study's findings. It will not be possible until then to determine the extent to which Heineken will apply all the best-practice provisions of Chapter II of the Code.

The Executive Board and Supervisory Board are still considering the question whether and, if so, to what extent best-practice provisions II.2.6 and III.7.3, relating to the holding of and transactions in securities other than those of the company by members of the Executive Board and Supervisory Board, respectively, are to be applied.

Best-practice provision III.3.4 states that no individual may be a member of the Supervisory Boards of more than five

Dutch listed companies, with chairmanships counting double.

Any departures from best-practice provision III.3.4 will be disclosed and explained in the 2004 annual report.

The Executive Board and Supervisory Board take the view that Heineken N.V.'s decision on whether to apply best-practice provision III.3.4 should also be guided by the company's interests in terms of its ability to attract and retain skilled Supervisory Board members.

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 N.V. The Executive Board and Supervisory Board consider 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 N.V. expects to be able to apply the other best-practice provisions without difficulty.

Where they are not already in existence, the Supervisory Board committees envisaged by the Code will be appointed. The by-laws and other documents to which the Code relates will be posted, after adoption or amendment, on the corporate website (www.heinekeninternational.com) together with the other information prescribed by the Code.

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.

Amsterdam, 24 February 2004

*Supervisory Board
Executive Board
Heineken N.V.*



Report of the Executive Board



Foreword by the Chairman

Operating profit €1,222 million, - 4.7%	Net profit €798 million, + 0.4%	Net profit (excl. exceptional items and amortisation of goodwill) €806 million, + 1.4%
Net turnover €9.3 billion, + 9.1%	Total beer sales 109.0 million hectolitres, + 0%	Heineken beer sales 22.1 million hectolitres, + 4.3%

Net profit, excluding exceptional items and amortisation of goodwill, turned out 1.4% higher at €806 million. Organic growth* in net profit amounted to 7%. Contributory factors in our organic growth were the improved sales mix (reflecting the strong performance of the Heineken brand), higher selling prices, increased sales and strict cost control. The acquisition of BBAG, the largest purchase in Heineken's history, has significantly strengthened the base from which we shall pursue earnings growth in the medium and long term.

* Growth in operating profit excluding the effects of first-time consolidations, amortisation of goodwill, exchange-rate movements and exceptional items.

That Heineken is firmly on course is clear not only from the organic growth in our profit, but also from the rapid progress of BBAG's integration activities in Central Europe, the strengthening of our market positions and brand portfolios in many countries and the advances we are making in cost control and innovation.

The external factor which affected our profits were the sharp decline of the US dollar and several other currencies. This was compounded by economic weakness in many countries, which depressed on-trade sales and favoured the growth of low-priced beer volume at the expense of branded beers in the mainstream segment. Furthermore we experienced repercussions of the Sars epidemics and the Iraq war.

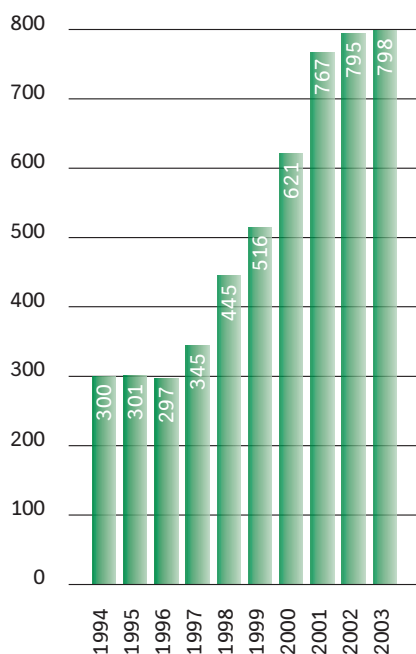
Demand for international and national premium beers continued to grow in many of our markets, as did the speciality beer segment in most countries. Our operating companies' local brand portfolios, in which the Heineken brand plays a prominent role, were able to profit from this trend. Many reported an improved local-currency operating profit, helped by a better sales mix, effective knowledge transfer, efficient

working methods and cost savings. Higher beer sales also contributed to profit growth in some markets. Sales of Heineken beer in the premium segment increased to 18.5 million hectolitres (+6.1%), with volume rising fastest in Italy, Poland, Spain, France and the Far East. Global sales of Heineken beer, including the Netherlands, increased to 22.1 million hectolitres (+4.3%). Amstel sales were also up slightly (+1.8%), despite the decline in the mainstream segment, with Africa and Spain accounting for most of this growth.

Sales in the North-East of the United States, where we generate almost 40% of our North American volume, were depressed by very poor weather. This flattened our growth curve in the US, although sales in the rest of the country continued to grow. The Heineken brand is well positioned for further growth, supported by our closer relationships with supermarket chains, our sustained focus on the on-trade, an expanded sales force and innovative packaging.

Our growth strategy for the East Coast is to concentrate on extending the market share and for the West Coast to work on expanding the distribution.

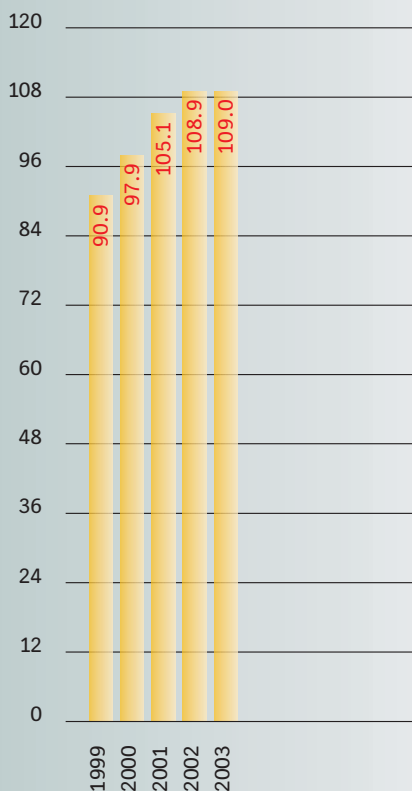
Net profit
in millions of euros



(from left to right)
 Thony Ruys
 Marc Bolland
 Jean François van Boxmeer
 René Hooft Graafland



Total beer volume
 in millions of hectolitres



Sales of Amstel Light improved a little. In addition to the external factors referred to above, Amstel Light also faced increasing competition from low-carbohydrate beers in the United States.

Extended lead in Europe

No brewer has secured strong market positions in as many countries as Heineken and no beer brand is as successful as Heineken in so many countries. The acquisition of Brau-Beteiligungs A.G. (BBAG) in Austria has significantly extended our lead in Europe, where we were already the biggest brewer. Heineken is now also market leader in Austria, Romania and Hungary. We have consolidated our leading position in Poland and acquired a regional position in the Czech Republic. In Central Europe, Heineken was already the market leader in Slovakia, Bulgaria and Macedonia. The integration of our activities is proceeding according to plan.

With several countries poised to join the European Union, the outlook for faster economic growth and rising purchasing power in Central Europe is good. This will benefit the beer market, not only by boosting sales of branded beers as a

whole, but also by allowing the national and international premium segment to develop more rapidly.

New growth market for draught beer

Profit growth in our mature markets depends primarily on our ability to improve our sales mix and reduce our costs. It is essential that we create extra value for the consumer, which is why we introduce innovations and improvements every year in our packaging, marketing and communication. This ensures that our brands stay in the lead, with the Heineken brand in the vanguard. The BeerTender®, which we tested extensively on the Swiss market in 2003 and introduced to the Dutch market in February 2004, is without doubt a major packaging innovation.

In countries with a draught beer culture, this advanced dispensing system for everyday use will create new opportunities for growth on the take-home market. The added value for the consumer, in terms of flavour and in the drawing and serving ritual, is expected to generate higher net sales margins than beer in a

bottle or can. Heineken is the first brewer in the world to launch a dispensing system of this kind for the take-home market.

Improved market positions in growth markets

Vigorous sales growth in emerging markets such as Poland, Russia, Egypt and Nigeria are making a major contribution to safeguarding our long-term profit growth. For the same reason, it is essential for us to continue building our positions in developing markets. In China, we formed a closer alliance with Asia Pacific Breweries, with the result that local production of Heineken beer is to start in April 2004. Heineken also undertook a new venture in China with the acquisition, via Heineken Asia Pacific China, of a minority interest in Guangdong Brewery Holdings in January 2004. In Guangdong province, which has a population of 85 million, the Heineken brand will benefit from the distribution network operated by Guangdong Brewery and inclusion in its brand portfolio. We are seeking to further extend our position in the Chinese market.

The opening of a new, ultramodern brewery boosted brewing capacity in Nigeria by 3.4 million hectolitres per year and sales gained 23%. A new brewery was also opened near Hanoi, to meet the rapidly rising demand in Vietnam. In Chile and Argentina, the production and distribution of Heineken beer was transferred to our new partner CCU, following our acquisition in 2003 of a 50% interest in CCU's holding company. Al Ahram Beverages Company in Egypt, which we acquired in 2002, performed exceptionally well and sales of Fayrouz, a fruit-flavoured non-alcoholic malt drink, increased sharply. Al Ahram will work on expanding exports of Fayrouz in 2004.

Although, after the major acquisitions in 2002 and 2003, Heineken is concentrating primarily on making synergy gains within the new operations and improving

our debt position, growth through new alliances and acquisitions will still be an option. Heineken applies strict profitability conditions in assessing potential candidates. Important criteria which we consider when contemplating brewery acquisitions, apart from market position and acquisition price, are a strong brand portfolio, distribution opportunities for the Heineken brand and potential for cost savings. As well as China and other parts of Asia, Russia and South America are also attractive markets in which Heineken has scope to advance its position.

Result reflects adverse exchange rates

Heineken has substantial revenue in the US dollar, which lost 17% of its value against the euro over the course of 2003. Fortunately, our hedging policy enabled us to postpone the negative effect of the weaker dollar to 2004 and 2005. Our result in 2003 was also adversely affected by movements in other currencies, such as the Nigerian naira, the Russian rouble, the Polish zloty and the Singapore dollar.

A significant factor in this context was that most Heineken beer for export is produced at our Dutch breweries, where major reorganisation exercises have been carried out. This meant that we were able to compensate for part of the negative exchange effect by lower production costs.

Professionalisation

We may be a leading international brewer on the global beer market, but our internal organisation still has ample room for improvement. Our 'Taking Heineken to the Next Level' project is designed to achieve greater professionalism, which will enable us more accurately to measure, compare and improve our own performance and exchange information on the most successful working methods more frequently

with one another. This will enable us to introduce more swiftly the innovations needed to maintain our appeal to the consumer. In some cases, professionalisation also means rationalisation or even compulsory redundancies, as was the case last year in the Netherlands and elsewhere. Sadly, this is unavoidable. Increasingly heavy demands are being made on our organisation and our personnel. Consumer behaviour is becoming more diverse, international competition is growing and many mature beer markets are under pressure, but my confidence in the future is strengthened by the commitment and understanding with which our people are facing these changes. For that, and for the contribution they have made to our predominantly good performance in 2003, I thank them most sincerely.

Thony Ruys

Chairman of the Executive Board

● Outlook for 2004

With structural growth in the premium beer market expected to continue, Heineken's sales mix can improve even further. We see opportunities for growing our sales and improving our selling prices in a number of markets, and we shall work unceasingly to reduce our costs. Heineken is confident of profit growth in the long term and, barring unforeseen circumstances, we are looking forward to sustained organic growth in earnings in 2004, to which our new acquisitions, before amortisation of goodwill, are expected to make a positive contribution. The adverse exchange rates for the dollar and other currencies will, however, cancel out this profit growth.

With the economy showing signs of recovery, we predict a modest increase in the imported beer segment in the United States, in which we expect to increase our market share.

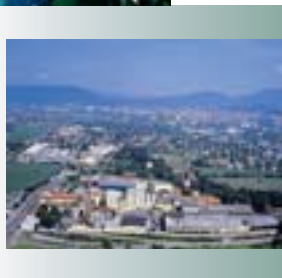
In Europe, it will be some time before the beer market benefits from the economic recovery. The gradual downward trend in the beer market in Western Europe due to demographic factors will continue, but the Southern European market will remain stable or grow a little. The growth in the premium beer segment throughout Europe will continue. Our operating companies will focus mainly on improving the sales mix by expanding sales of premium and speciality beers, optimising our brand portfolio and reducing our costs. Beer consumption is rising in parts of Central Europe and, having strengthened Heineken's position in the region through BBAG, we are well placed to benefit from this trend. We also have scope for significantly reducing costs through the integration and reorganisation of various activities within BBAG. Sales of the Heineken brand will continue to grow.

Investments

Investments in tangible fixed assets in 2004 are expected to total around €750 million. These investments will in principle be financed from cash flow, supplemented where necessary with available credit facilities.

Our successful bid in January and February 2004 for the remaining shares in BBAG and Brau Union in Austria costs €742 million and will be financed from available cash reserves and a credit facility negotiated in 2003. Our acquisition of an interest in the Guangdong brewery in China in early 2004 involves a net cash outflow of €28.5 million, which will be financed from existing cash reserves.

Heineken will continue to seek cost savings and efficiency gains. Excluding new acquisitions, we expect the downward trend in the number of employees to continue, helped by the continuous improvement in our business processes and the integration of activities in Central Europe.



Profit forecast

The structural volume growth in the premium segment of the world beer market will continue, enabling Heineken to further improve its sales mix. There is scope for expanding our sales and raising our selling prices in several markets, and we shall keep cutting our costs wherever possible. Barring unforeseen circumstances, Heineken therefore expects to achieve further organic profit growth* in 2004. Our 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 our new acquisitions. If the exchange rates stay the same, the weaker dollar will still have a significant impact on our results in 2005. Heineken's long-term profit forecast is positive, given the strength of our brand portfolio, our distribution structure and the opportunities for efficiency gains.

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

2003 in Retrospect

Brand policy

While resources and processes for optimising the operating companies' commercial policy are developed centrally within Heineken, the operating companies themselves decide how to deploy these uniform sales, distribution, marketing and communication tools in the best possible way. Each operating company is responsible for its own performance.

Progress was made in 2003 in harmonising and refining the systems and definitions used in formulating commercial policy and developing and improving our brand performance indicators.

The objective of this harmonisation and improvement process is threefold: firstly to improve the quality and comparability of our analyses of the performance and vitality of our brands, brand portfolios and brand portfolio management methods, secondly to ensure more efficient deployment of people and resources within the operating companies' commercial organisations, and thirdly to make brand communication more efficient and effective. This process will be instrumental in adding new momentum to the company's organic growth. Improved analysis and management tools will be put into use by some of the operating companies as early as 2004.

Brand portfolios

Total beer volume² in 2003 was made up as follows: Heineken brand 20.3%, Amstel 10.1% and other beer brands 69.6%. The operating companies' brand portfolios consist of a mix of local and international beer brands. As well as a carefully judged brand portfolio, securing a strong position in local markets also requires an efficient distribution network with good coverage.

In addition to Heineken and Amstel, the international brands comprise a collection of speciality beers, including Desperados, Paulaner Hefe Weisse, Affligem abbey beer, Murphy's Irish Stout and Murphy's Irish Red, to satisfy the consumer's

growing demand for variety. Although sales of these beers are modest in relation to Heineken's total volume, they are growing year on year at a substantial rate and are helping to improve the sales mix.

For the Heineken and Amstel brands, the company develops and maintains central guidelines and standards for brand style, brand value and brand development. At the global level, central support and benchmarking programmes are used to optimise local marketing, sales and distribution.

Heineken

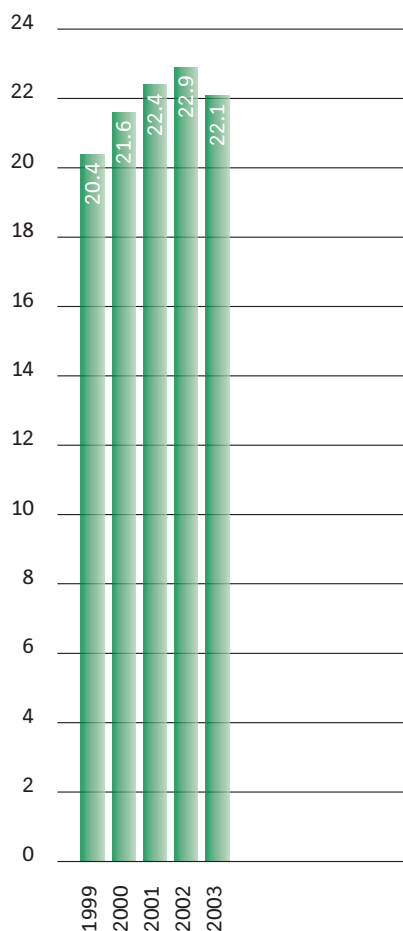
The Heineken brand achieved sustained growth in most of its markets, particularly those in Southern Europe and Asia/Pacific and the emerging markets in Eastern Europe. Sales of Heineken beer in the premium segment in 2003 increased 6.1% to 18.5 million hectolitres, with Italy, Poland, Spain, France and the Far East accounting for most of the growth. Worldwide sales of Heineken beer were 4.3% higher at 22.1 million hectolitres, excluding Heineken Cold Filtered, a beer brewed to a different recipe in the United Kingdom, production and sale of which were discontinued in 2003.

Sales of the Heineken brand grew fastest in Spain, Italy, France and the Far East, developed markets in which Heineken was able to consolidate its leading position as an international premium brand. Other important growth markets in Europe were Poland and Croatia.

In 2003 the Heineken brand was relaunched in the UK and positioned in the premium segment, as in the rest of the world. With the start of local production of Heineken beer in Russia, substantial savings on import duties have been made and the brand's growth potential has been greatly increased. In the US, the historically strong growth trend slowed sharply, the principal causes being the slow economic recovery, poor weather in the North-East (the most important region for Heineken) and the outbreak of the Iraq war early in the year. Heineken was able to sustain the previous year's growth in other parts of the US and Canada.

The fastest growth in the Asia/Pacific region was achieved in Australia, Vietnam, Thailand, Singapore and Taiwan. Sales growth in China was less rapid, however, due in particular to the Sars epidemic in the first half of the year. Local production of Heineken in China will start in 2004, which will yield valuable savings on import

Total Heineken sales
in millions of hectolitres



duties and improve the brand's growth potential.

In Africa, the fastest growth was in Nigeria and South Africa. In Latin America, the Heineken brand strengthened its position in Chile and sales started to grow again in Argentina, after a difficult period in the wake of the country's serious economic crisis. Sales were lower in Brazil, the largest beer market in South America, due to a major price increase.

Increased brand value

The main driver of Heineken's growth is the added value attributed by consumers to the brand. Their perception of this value is enhanced through relevant and appealing advertising, sponsorship, packaging and presentation within the sales channels. Growing preference for Heineken was confirmed by the regular consumer surveys which we conduct in many local markets.

New marketing approaches were successful in a number of areas, such as the Beacon programme through which

Heineken seeks to connect with the world of the young adult. Our music sponsorship programmes, such as Thirst, were more precisely tailored to the needs of the target group and proved very popular in many countries. The new can and the stylish aluminium bottle, developed specially for exclusive clubs and other venues, which were introduced in 2002, were also well received. In France and Greece, sales of canned Heineken beer rose 10% in the period after the introduction of the new packaging. Beer in PET bottles, introduced in the United States and the Netherlands, is only sold at events where the sale of beer in cans and glass bottles is prohibited. For brands other than Heineken, beer in PET bottles is also distributed via the regular sales channels.

Availability

The availability of the Heineken brand was improved through acquisitions and new distribution partnerships. In Central and Eastern Europe, the Heineken brand benefited from the acquisition of BBAG,

particularly in Austria, Hungary and Romania. The first effects of Heineken's stronger presence in these countries became apparent in 2003, and we are looking forward to increasing opportunities for growth in the coming years.

Marketing and communication

Thanks to improved cooperation, coordination and efficiency in the area of marketing, the globally available platforms for sponsorship, special packaging and marketing campaigns for the sales channels were used in a growing number of markets. The uniform use of marketing tools also ensures greater consistency in advertising communications and better integration of activities on behalf of international and local brands, so that new initiatives in local markets take effect more quickly.

The exchange of best-practice marketing expertise continued to expand in 2003, encouraged by Heineken's many awards. These included prizes for the Green Room Music programme, the Heineken Cup,

	2003	2002	Change (%)
Geographical distribution of Group volume			
<i>in thousands of hectolitres</i>			
Western Europe	44,727	42,242	5.9
Central/Eastern Europe	20,611	15,671	31.5
The Americas	12,511	8,380	49.3
Africa/Middle East	12,706	10,558	20.3
Asia/Pacific	8,413	7,997	5.2
<i>Group volume</i> ¹	98,968	84,848	16.6
Affiliated companies	10,000	24,101	- 58.5
<i>Total beer volume</i> ²	108,968	108,949	0.0

¹ Group volume = volume sold by consolidated companies and Heineken beers brewed under licence by third parties.

² Total beer volume = Group volume plus volume produced by affiliated breweries Kaiser and Quilmes.

the European rugby tournament for club teams and the launch campaign for the new international can.

As a result of the high priority which Heineken gives to devising new ways of reaching the consumer, the internet and other new (mobile) media, such as SMS, MMS and, in Japan, the very popular i-mode, are playing an increasingly important role.

Our model of separate but complementary communication media was further refined, enabling us to tailor our marketing communication more closely to the stage of development of the Heineken brand in each particular market and to the local culture. It also enables our operating companies to prioritise their investments in advertising, sponsorship, promotions and packaging programmes.

As global competition for brand attention becomes ever more intense, centrally developed international campaigns are increasingly being used to create persuasive advertising with a strong impact. Heineken is making greater use of prominent international personalities in its advertising. In 2003, for example, a TV campaign featuring Jennifer Aniston, star of the US series *Friends*, was run in thirteen countries spread over several continents. The international campaigns supplement local activities by operating companies to support Heineken's position as a leading international premium brand.

Music sponsorship

Heineken's sponsorship activities are also being more precisely attuned to the stage of the brand's development in each market and to the local culture. The number of markets in which Heineken is involved in international music sponsorship was expanded rapidly in 2003.

The www.HeinekenMusic.com music platform plays a key role in coordinating and integrating these activities. Since our consumers in practically every market are

keen music fans, music is an ideal vehicle for communicating the Heineken brand's core values. This is confirmed by regular brand image surveys within the target group.

Thirst, the worldwide series of dance events was expanded in 2003 to cover 40 markets. Since they started in 2002, Thirst events have been held in 110 clubs and other venues, featuring top DJs such as Paul Oakenfold and Daniele Davoli. Over 2,300 aspiring DJs have taken part in the local Thirst DJ competitions so far. An appearance by Tiësto, voted the world's best DJ for the second year running, contributed to the Thirst success story in 2003. Heineken also continued to sponsor various local music festivals in Europe, the Asia/Pacific region, the US and Latin America.



Rugby World Cup 2003

Other sponsorship

Heineken sponsored the Hollywood movie *The Matrix Reloaded*, one of the major international film events of 2003. Film sponsorship supports the Heineken brand's international stature.

The most important sporting event sponsored by Heineken in 2003 was undoubtedly the finals of the Rugby World Cup in Australia, which attracted two million foreign visitors. The final between Australia and England was watched by 14 million TV viewers in the UK alone. As in previous years, Heineken also sponsored the Heineken Rugby Cup, the annual tournament for European clubs.

Heineken continued to sponsor many other sporting events, including the Australian Open and US Open tennis tournaments and various regional and local golf and sailing events.

Amstel

Amstel brand sales increased from 10.8 million hectolitres to 11.0 million hectolitres, despite the persistent weakness of the mainstream segment in Europe. Africa and Spain accounted for most of the improvement.

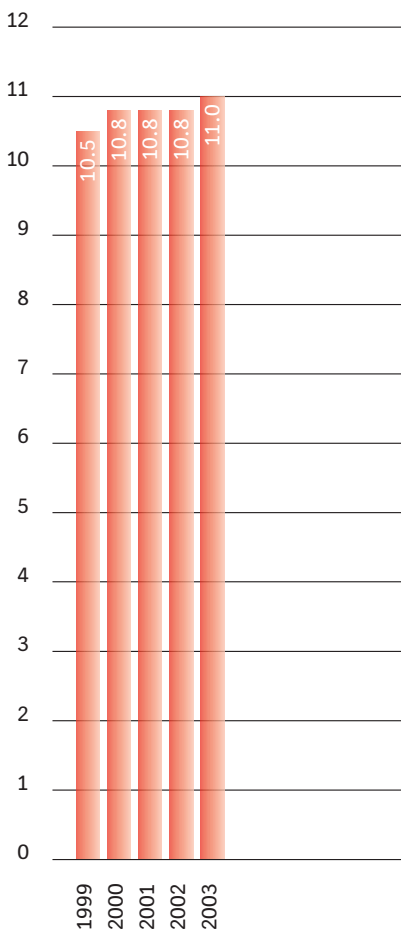
The Amstel brand profited greatly from the economic growth in a number of emerging markets, including South Africa, Cameroon and Kazakhstan. Amstel is available in over 90 countries and is the third largest beer brand in Europe. Sales on the European market remained stable. Amstel performed extremely well in Spain, one of the largest markets in Europe, but the mainstream beer segment of the other major European markets was depressed and sales of Amstel were down slightly.

The current strategy for Amstel is being evaluated in the light of these trends on the large European markets, and decisions will be taken in 2004 on what changes are necessary to foster the growth of the Amstel brand.

Amstel, one of the top ten international beer brands, markets a selection of other beers in addition to lager, including low-calorie Amstel Light and speciality beers Amstel Gold, Amstel 1870, Amstel Bright and Amstel Bockbier. This makes the brand attractive to a broad target group and it is successful in many markets.

Amstel Light has built a strong position in the US, where growth in the beer market slowed in 2003 due to poor weather, the economic downturn and the war in Iraq. At the end of the year, Amstel Light was launched in New Zealand, where the evolving light beer segment offers good opportunities.

Total Amstel sales
in millions of hectolitres



Marketing and communication

As with Heineken, increased use was made of uniform tools for marketing and communication for the Amstel brand. In many of its major markets, such as Spain, the Netherlands, Greece and the US, Amstel is known for its powerful, high-impact advertising campaigns.

Amstel sponsorship

Practically all of Amstel’s sponsorship activities are sports-related. Through its sponsorship of the UEFA Champions League, the most prestigious tournament for European football clubs, Amstel reached a massive audience: the final alone was watched by a TV audience of 500 million. At a major PR event linked to the final between Juventus and AC Milan, Amstel welcomed thousands of fans to ‘The World’s Largest Living Room’, complete with a chair 8m tall, a sofa 18m long, a TV with a 32m² screen and a 10m standard lamp. In this giant living room in the centre of Manchester, Amstel did its best to make the fans feel at home as they tensely awaited the kick-off. A special tour was laid on for 1,500 journalists, which ensured that the event generated plenty of publicity in important markets.

As well as the UEFA Champions League, Amstel also sponsors the Amstel Gold Race, a international classic cycle race run each year in the Netherlands. Amstel’s sponsorship of major football and cycling events reinforce its image as a popular European beer in the mainstream segment.

Research and Development

Research and development are the basis of innovation and therefore have strategic importance for Heineken. Much of the R&D activity is carried out locally, but coordination is centralised. The R&D programme covers the entire supply chain, from the evaluation of new and improved strains of barley and hops to

the development of new products and packaging. On many projects, Heineken works closely with other companies, suppliers, research institutes and universities around the world.

An important strategic priority at present is the introduction of new draught beer dispensing systems. Heineken foresees good opportunities in the coming years to increase the share of draught beer in both the on-trade and take-home segments. The added value of draught beer, in terms of flavour and in the drawing and serving ritual, generates higher net sales margins than beer in bottle or can.

Working in conjunction with partners, Heineken was the first brewer in the world to develop systems to make draught beer at home an attractive option for many



‘The World’s Largest Living Room’

consumers, in the form of the ingenious BeerTender® and Tapvat dispensers.

The BeerTender®

The BeerTender® system, which was tested on the Swiss market in 2003, involves the one-off purchase of a dispenser tap. This is used with a returnable 4-litre keg, in which the beer will stay fresh for three weeks after opening, even if only one glass a day is drawn off, making it ideal for everyday use. The temperature and pressure are controlled automatically by the BeerTender®. The system will also be launched in the Netherlands in early 2004.

The Tapvat

The Tapvat, a non-returnable 5-litre keg, was launched in the Netherlands at the end of 2003. The Tapvat, which features an integral dispenser, was specially developed for parties, barbecues and other occasions when beer drinkers gather. The Tapvat will also be introduced in other countries in 2004.

David, a user-friendly draught beer system for the on-trade introduced by Heineken in 2002, is particularly suitable for retail outlets with a relatively low beer turnover. David, the BeerTender® and the Tapvat are innovative beer-dispensing systems on which patents are held by Heineken and its suppliers.

The FBI (Full Bottle Inspector) system, which was developed in 2002, was tested extensively in 2003. FBI is a new system which enables us to detect glass fragments and other foreign objects in bottles after filling. Long-term testing failed to produce the desired result, however, Heineken is now working on the development of a better system.

Investor Relations

Heineken pursues an active investor relations programme. Based on an overview of current and potential shareholders, Heineken gives a number of presentations each year for institutional investors and financial analysts, both in Amsterdam, where our head office is located, and in the major financial centres in other countries.

More than twenty presentations were given in 2003. The analysts' meetings at the time of publication of the full-year and half-year results were broadcast via the Heineken website www.heineken-international.com. Heineken also gave

presentations at several major international conferences for institutional investors, the largest of which were also relayed via the website.

Separate activities are organised for private shareholders, the majority of whom are from the Netherlands. In addition to the Annual General Meeting of Shareholders, a number of presentations and brewery visits were arranged in 2003. Heineken also took part in several meetings for private shareholders which had been organised by third parties.

With the issue of the bond loan in the second half of 2003, steps were taken to include bondholders in the investor relations programme.

Safety, Health and Environment

Heineken's centrally formulated principles and objectives in the field of safety, health and the environment are translated by our operating companies into local policy. Heineken reports its central policy and the results achieved by the operating companies in a special, two-yearly report. The next report, to be published in the second half of 2004, will also address certain social issues.

Safety and health

Heineken makes every effort to prevent circumstances arising at its breweries and distribution centres which might jeopardise the health and safety of its employees and third parties such as suppliers and people living close to its plants. Heineken develops and applies its own standards, even where local statutory requirements and rules do not exist or are deficient. Training, information and awareness are essential to prevent employees being exposed to unsafe and unhealthy conditions.

Thanks to the initiatives we took in Africa, some progress was made in reducing the time lost due to illness and accidents. The figures will be published in



The BeerTender®

the report later in 2004. Significantly more accidents occur in Heineken's operating companies in Africa than in its European operating companies, the effect partly of cultural differences and partly of differences in the technology used.

In Africa in particular, Heineken pursues an active medical policy. A key element of this policy is the HIV/Aids programme, which was extended from Burundi and Rwanda to Nigeria, Congo, the Democratic Republic of Congo and Ghana and also to Cambodia. Heineken entered into a number of new public-private partnerships so that anti-retroviral treatment could be provided. Although Heineken's policy relates primarily to its own employees and their families, it is to be hoped that it will serve as an example in the outside world for other companies. Heineken also coordinates, via central policy, the sharing and dissemination of knowledge about prevention of and treatment methods for other diseases, such as infectious diseases, malaria and occupational diseases.

Environment

Environmental policy plays an integral part in Heineken's operations. Our environmental policy addresses all links in the supply chain, from procurement of materials and services, through the production, packaging, distribution and consumption of our products to the processing of by-products and waste. High priority is given to efficient use of raw materials, water and energy. The performance figures for 2003 given here are estimates; the final 2003 figures will be presented in the report to be published later this year.

The 'Aware of Energy' project, under which Heineken is implementing new waste and energy management programmes, was launched in mid-2003. This was slightly later than announced in last year's annual report, because it took longer than expected to organise the workshops on how to prepare energy-saving plans.

The 'Aware of Energy' project features new energy-saving and waste-management programmes. The target last year was a 10% saving within two years, but we now consider a three-year horizon more realistic. This goal can only be achieved by promoting energy-aware behaviour and introducing new technologies such as heat recovery and biogas. Savings of 3% on electricity and 5% on fossil fuels were achieved in 2003.

Since our new brewery in Nigeria, which came on stream in 2003, is equipped with the latest technology and our existing breweries in Nigeria have been updated, water and energy consumption and hydrocarbon emissions are low at both locations. In the new brewery, sustainable energy is produced by the combustion (with heat recovery) of the brewers grains which are a by-product of the brewing process. In many countries, spent grains are used in animal feed, but, where this is not an option, burning spent grains is an alternative which is preferable on both economic and environmental grounds to disposal via landfill.

Heineken has been pursuing an intensive water-saving campaign, known as the 'Aware of Water' project, for several years. In 2001 and 2002, our breweries reduced their specific water consumption (usage per hectolitre of beer) by 8.2% and a further reduction of 4% in 2003 is estimated. New breweries with anaerobic waste-water treatment facilities came on stream in Enugu in Nigeria and Hatay in Vietnam. A treatment installation is under construction at the brewery in Kinshasa in Congo.

Heineken was not chosen for inclusion in the Dow Jones STOXX Sustainability Indexes in 2003, because preference was given to a number of other companies in the beverage sector which had expanded their reporting to cover social aspects of their corporate policy. Heineken also intends to widen the coverage of its

reporting to include social aspects of its corporate policy, particularly in regard to alcohol policy and codes of conduct.

Alcohol and Society

Most people use alcohol sensibly, as one of the pleasures of life, but a small minority abuse it, and that can lead to problems, including drink-driving. Heineken initiates and supports – in some cases working with the European trade organisation – information and education projects to combat alcohol abuse. As part of its policy, Heineken imposes its own internal rules on its marketing communication, with a view to promoting sensible alcohol use and preventing its misuse.



AMA brewery, Nigeria

In 2003, Heineken tightened up the requirements with which its operating companies' alcohol policies must comply. They are required to pursue a pro-active policy, with regard to both their own employees and the consumers, to engage in active dialogue with public authorities and social organisations and to take initiatives to prevent alcohol abuse. More rigorous reporting requirements relating to alcohol policy were also introduced, which make it easier to decide whether support is justified and facilitate the exchange of information between operating companies on successful approaches. The requirements for alcohol policy respect regional differences in society's tolerance of alcohol misuse. The requirements for the European and American markets are more demanding than those for the other markets.

In a growing number of countries, Heineken is going further than imposing internal rules to prevent our marketing communications encouraging the misuse of alcohol. In the US, the Netherlands, Ireland, Italy and a number of markets in South America and Asia/Pacific, Heineken's advertising carries warnings against alcohol abuse.

Young people

It is Heineken's policy to avoid aiming our marketing communications specifically at people under the legal drinking age, because they are not always able to make appropriate choices in their drinking behaviour or foresee its consequences, and are thus vulnerable. Heineken also seeks to disseminate this policy externally, both within the industry and in society at large. We proceed from the principle that all advertisements, events and campaigns should address an adult target group. In practice, this means that Heineken targets consumers who are over the minimum age at which the consumption of alcohol is permitted by the law of the country

concerned. In countries which have no such law, Heineken targets consumers aged 18 and over.

Information

Heineken is a founder member of The Amsterdam Group, an organisation of international producers of beers, wines and spirits which exists to develop information and education programmes at European level to promote responsible alcohol use and prevent alcohol abuse. As an active member of The Amsterdam Group, Heineken is committed to introducing information campaigns which have proved to be effective. The 'Sober Bob' campaign, which was developed in Belgium and has been running successfully in the Netherlands for several years, has been introduced in Greece with the financial support of The Amsterdam Group and similar campaigns are operating in France, Spain, Portugal, the UK and Denmark. The campaign encourages the practice of naming one member of the party as the designated driver, who agrees to stay 'on the wagon' for the evening and can drive his or her friends home safely at the end. The 'Sober Bob' campaign is supported in the Netherlands by the Dutch brewers, the Ministry of Transport, Public Works & Water Management and Stichting Verantwoord Alcoholgebruik, a foundation which promotes responsible alcohol use. Heineken also plays an active part within the Brewers of Europe trade organisation in the area of alcohol and society, particularly with regard to the introduction of self-regulation in the countries of Central and Eastern Europe. Programmes and information material have been developed on the initiative of Brewers of Europe for companies in these countries to help them introduce their own rules to support the promotion of responsible alcohol use and the prevention of alcohol abuse. These rules should relate to the content of the message (which must avoid establishing a

link between alcohol and driving, working or dealing with hazardous situations), the use of communication media, the timing of advertising and the age of the target group being addressed.

Personnel and Organisation

The average number of people employed by Heineken increased by 13,034 to 61,271, mainly due to the acquisition of BBAG. On a like-for-like basis, excluding acquisitions, the number of employees increased by 174.

Central personnel policy is involved primarily with the recruitment, development and retention of managers for senior international positions. Initiatives to harmonise personnel recruitment and development around the world are also taken and supported at central level. To facilitate this harmonisation process, which makes it easier for operating companies to exchange information and measure and compare their own performance in personnel policy with that of others, a uniform ICT system will be built in 2004. In all other respects, the operating companies pursue their own personnel policies, which take account of the local labour market, regulations and practices.

Management

Because the 'Taking Heineken to the Next Level' project aims to implement improvements on many fronts, it has repercussions for the standards required by Heineken in terms of the qualities of its managers. Decisions are increasingly informed by detailed analyses and comparisons with other methods and processes, both inside and outside Heineken. Managers are being required to adopt a more entrepreneurial approach. As well as professional expertise in their own field, they are expected to keep pace with innovation around the world, within their particular discipline and beyond. Managers are also expected to

inspire their employees to be pro-active. The current leadership development programmes, processes and criteria, including selection and remuneration, were reviewed in 2003 in the light of the demands of the 'Taking Heineken to the Next Level' project and the necessary changes will be implemented in 2004 on that basis.

Recruiting and developing top international talent is crucially important to Heineken. To support the company's global growth and the changes to the organisation which it is currently implementing, highly-trained staff are needed who are willing to take responsibility and do not shrink from international challenges, a profile which fits well with the needs of today's generation of recent graduates.

Organisation

'Taking Heineken to the Next Level' has resulted in many changes in the organisation. The purpose of these changes is to create win-win situations in joint ventures, to make Heineken more effective in takeover situations, to improve the

performance of our brands, to increase the effectiveness and efficiency of our distribution and to promote a culture in which there is scope for entrepreneurship, innovation and diversity.

As far as possible, management decisions are taken at local level, where local market knowledge is concentrated. Partly for that reason, the export operations which were previously directed from Amsterdam have now been transferred to the operating companies, making it easier for them to optimise their local brand portfolios. The tasks of many other central departments have been redefined, with some tasks being transferred to operating companies to improve effectiveness and some combined with other central services to achieve synergy gains and cost savings.

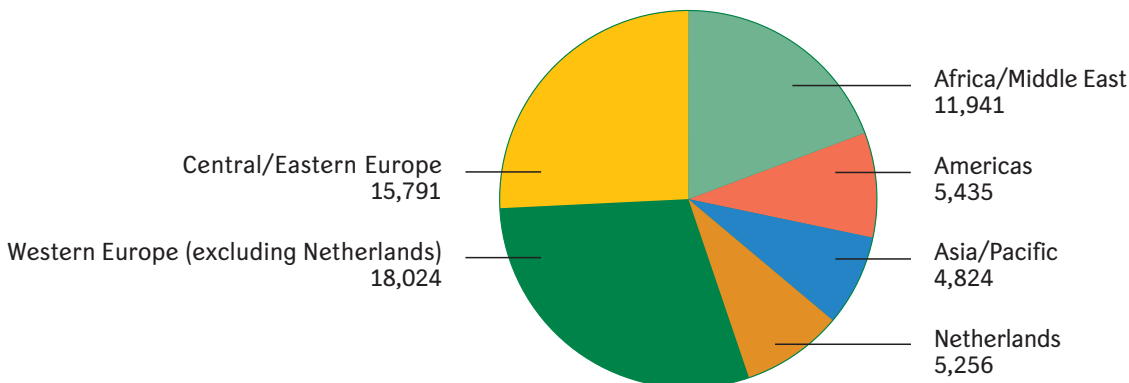
The operating companies have started work on harmonising and refining their financial reporting, so that their performance can be evaluated more accurately on the basis of performance indicators and appropriate action can be taken where necessary.

Training

Heineken as an organisation is committed to continuous learning. A comprehensive and flexible training programme is vitally important in enabling us to respond quickly and effectively to developments in the market and maintain our lead in the international beer sector. The Heineken University, which provides programmes to supplement our regular local and international training courses, celebrated its fifth birthday in 2003. The object of the Heineken University is to promote the development, sharing, dissemination and use of strategic expertise within Heineken, such that it can be applied in practice immediately. The Heineken University is constantly seeking new ways of supporting learning and development processes via the internet. Programmes are regularly updated to reflect the changing demands of management and leadership, the effectiveness of virtual teams and learning processes in different cultures. E-learning platforms are organised on a regular basis. The content of the training programmes is consistent with the

Geographical distribution of personnel

in numbers



principles underlying the 'Taking Heineken to the Next Level' project.

European works council

Pursuant to the current regulations, the Executive Board informs the European works council, via an open dialogue, of all relevant transnational issues in Europe. In 2003, the Executive Board briefed the

European works council on the group's strategy and the year's financial results.

The council was also informed of the acquisition of BBAG, the potential repercussions of that acquisition for the organisation and personnel in Central Europe and the transnational consequences of the 'Taking Heineken to the Next Level' project.

Remuneration policy for Executive and Supervisory Board members

The remuneration paid to the members of the Executive Board consists of a fixed fee, an annual profit-sharing bonus and a long-term bonus. The fixed fee and the sums which form the basis of calculation of the annual bonus and long-term bonus were redefined by the Supervisory Board with effect from the 1999 financial year.

The annual bonus is related to the dividend distribution, expressed as a percentage of the nominal value of the shares. A basic sum – €32,521 for the chairman and €19,780 for each member of the Executive Board – is multiplied by the number of percentage points by which the dividend exceeds 6%.

The long-term bonus is paid whenever Heineken N.V. makes an issue of bonus shares or undertakes a share split, which in the past has averaged once every three years. It is calculated on the same basic sums as for the annual bonus but, instead

of the dividend distribution, it is related to the actual net profit in the period to which the bonus refers (in the past, therefore, generally three years). One-third of the net profit is expressed as a percentage of the nominal share capital (share splits being treated as recapitalisations) and the basic sum is multiplied by the number of percentage points by which this exceeds 6%. The annual bonuses paid in the period concerned are deducted from the figure calculated on this basis.

A revised remuneration policy for the members of the Supervisory Board was adopted by the General Meeting of Shareholders with effect from the 2002 financial year. The application of this policy in practice in 2003 is discussed in the notes to the balance sheet and profit and loss account (page 80).

A new remuneration policy for the members of the Executive and Supervisory Boards will be developed in the course of 2004.

● Risk Profile and Internal Governance

Risk profile

Heineken is a single-product company, with a high level of commonality in its worldwide business operations and systems. The resulting consistency, comparability and standardisation has a positive impact on Heineken's overall risk profile. However, Heineken operating companies work in many different environments, markets and cultures. Heineken's activities worldwide are exposed to varying degrees of risk and uncertainty, each of which may result in a material impact on a particular operating company but may not materially affect the group as a whole. Some of these risks may also cancel one another out within the group.

In pursuit of further expansion, Heineken seeks to strike a balance between organic growth and growth through acquisitions, within the limits of a conservative financing policy.

Some of the key risks, as identified by Heineken, are discussed below.

Reputational risk

As the group and its most valuable brand both carry the same name, the management of the reputation of the group and the brand is of utmost importance.

Heineken enjoys a sound corporate reputation and most, if not all, of our operating companies are well respected in their region. Constant management attention is directed towards enhancing Heineken's social and environmental reputation.

A set of standards and regular monitoring procedures have been put in place or are being established to achieve this. Further information can be found in Heineken's environmental and social report.

The Heineken brand is key to Heineken's growth strategy. Anything that adversely affects consumer confidence in the Heineken brand could have a negative

impact on the overall business. Production and logistics are subject to rigorous quality standards and monitoring procedures.

Currency risk

Heineken has operations in over 170 countries and reports in euros. Exchange-rate movements can have a material impact on Heineken's financial results, which are particularly sensitive to the exchange rate between the euro and the US dollar and related currencies. Heineken's policy on hedging exchange risks is explained on page 66.

Taxation risk

Heineken and its operating companies are subject to a variety of local excise and other tax regulations. In principle, Heineken's sales prices are adjusted to reflect changes in the rate of excise duty, but increased rates may have a negative impact on sales volume.

Internal governance

Internal governance is based on the underlying principle of local management's accountability for managing performance and the underlying risks, within the boundaries set by the Executive Board. Local management is responsible for implementing, operating and monitoring an effective internal control system, which is designed to provide reasonable assurance of achieving the business objectives and prevent or ensure early identification of potential material errors and losses and misrepresentation of circumstances.

Policies for the control of worldwide risks in areas such as marketing, production, human resources, finance, IT, environmental and social responsibility and legal affairs are in place or are being reviewed. These elements are part of the reporting cycle. Heineken is making good progress with the development and implementation

of uniform group-wide processes and systems, in order to ensure consistency and standardisation based on best practices.

The Executive Board, under the supervision of the Supervisory Board and more particularly its Audit Committee, oversees the effectiveness of internal governance, including managing risks and monitoring the effectiveness of internal controls. Group Internal Audit, together with local internal audit departments, plays a critical role in the objective and independent assessment of business processes and the effectiveness of internal control.



Regional Review



Europe

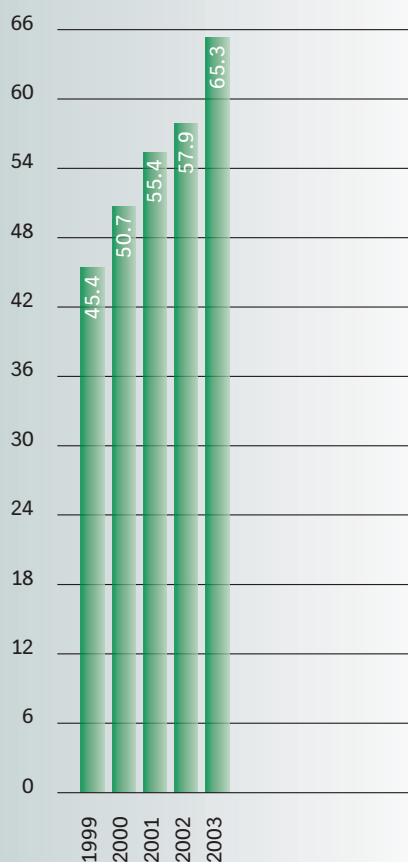
WESTERN EUROPE

Sales in Europe increased from 42.4 million hectolitres to 44.7 million hectolitres, with Spain and Italy contributing most of the growth. Higher sales of the Heineken brand and speciality beers improved the sales mix. The effects of the weak economy, including rising demand for low-priced beers (a segment in which Heineken is

hardly represented) and declining on-trade volume, were largely offset by the exceptional summer weather.

Starting with this 2003 report, the review of Heineken's European operations has been divided into a section on Western Europe and a section on Central and Eastern Europe. This change has been prompted by the acquisition of BBAG,

Group volume Europe
in millions of hectolitres



which has significantly strengthened our market position and has helped to bring our operations in Central and Eastern Europe together in a more cohesive structure.

Operations

Heineken, by far the largest brewer in Europe, is also Western Europe’s pre-eminent beer producer. Heineken is market

Group volume in Europe 2003
in millions of hectolitres

Beer consumption in Europe 2002
per capita in litres

Spain	10.8	77
Poland	9.4	70
Germany	8.0	123
France	7.4	35
Italy	6.0	28
Netherlands	6.0	81
Greece	3.4	42
Russia	3.3	49
Slovakia	2.1	93
Bulgaria	1.3	51
Ireland	1.1	146
Austria	1.1	112
Croatia	0.8	78
Hungary	0.8	78
Switzerland	0.8	59
Romania	0.7	52
Macedonia	0.5	31
Czech Republic	0.2	160

leader in the Netherlands, Spain, Italy and Greece, is in second place in France, Ireland and Switzerland and has a modest position in the German market. In several other Western European countries, the Heineken brand (and in some cases Amstel) is either brewed under licence or imported.

The West European beer market is one of the most profitable in the world, but offers little scope for volume growth, due to the ageing of the population. Growing consumer preference for premium and speciality beers is, however, creating ample opportunities for Heineken to further improve its performance. Heineken has strong brands in both segments, which yield relatively high margins, and has brand portfolios which cover all segments of the market, except the unattractive low-priced segment. Heineken also adds value in Western Europe by working constantly to cut costs.

Netherlands

Lower sales in a gradually contracting market

Despite a good summer, demographic factors and a weak economy again caused the Dutch beer market to contract slightly. The share of lager beers in the total beer market held steady at around 92%. Heineken Brouwerijen’s sales decreased from 6.3 million hectolitres to 6.0 million hectolitres and its market share declined a little, but cost savings generated an improved result.

The result benefited from the price increases applied to all brands in February 2003, the better sales mix and lower staffing levels. The reorganisation also yielded improvements in the cost structure. A supermarket price war, which broke out in the last quarter of the year, resulted in the prices of all premium

brands being cut by the retailers. Sales of higher-priced beers did not benefit from the focus on price engendered by the many discounting campaigns.

Heineken Brouwerijen's loss of market share was due to the brand's relatively strong position in the on-trade, where sales fell more sharply than the rest of the beer market, and the growing competition from low-priced canned beer brands in the take-home segment.

Heineken Brouwerijen implemented a drastic restructuring of its on-trade sales organisation, the most significant change being that both sales and advisory functions are now more clearly focused on particular types of on-trade establishment, thereby enabling Heineken to tailor its services even more closely to the customer's needs.

Brands

Heineken brand sales were down. The brand was supported by the popular 'Biertje' campaign and the fashionable new 'Six Pack' TV series. Major music events sponsored by Heineken included Pink Pop, the Fast Forward Dance Parade and Dance Valley. Heineken launched a 33-cl PET bottle which had been specially designed for events of this kind. The David dispensing system for the on-trade, which uses small 17-litre kegs, is proving a great success and over 1,500 are now in use in the Netherlands. The Tapvat, a 5-litre keg



Tapvat

with built-in tap for the take-home market, was launched in December 2003. The new 12-pack of non-returnable 25-cl green bottles was chosen by retailers as the best new product on their shelves last year.

Amstel sales were virtually static. The brand consolidated its second position in the Netherlands, helped by the 'Three Friends' campaign which was highly rated by the public. One of the spots was chosen by viewers as the best TV commercial of the year.

The timing of the relaunch of Brand Pilsener and Brand Urtyp as premium beers was unfortunate, coming only three weeks before the outbreak of the super-market price war. Brand Pilsener lost ground, but Brand Urtyp (formerly Brand Up) developed extremely well.

More fortunate, in that it benefited from the good summer sales, was the timing of Heineken Brouwerijen's relaunch of speciality beer Wieckse Witte and low-calorie Wieckse Lichte, with sales of the Wieckse beers up 30% on 2002. Wieckse Brut, a modern beer brewed with champagne yeast, was launched in 2003. While Desperados recorded healthy growth, sales of Amstel Bright were lower.

The anti-litter campaign launched by Heineken in partnership with other parties in the brewing sector has been shown to have had a significant effect.

Soft drinks

Despite the good summer, sales of Vrumona were lower. The traditional carbonated soft drinks, including cola, lemon/lime and orange, continued to decline in popularity and Vrumona responded by expanding its range of still and low-carbonated drinks. From the summer onwards, Vrumona started building a position in the carton-packed drinks segment, with the successful launch of several products including Sisi Fruitmania, Crystal Clear and JOY, a new tooth-friendly children's drink. Vrumona started work in late 2003 on a

carton-filling line. The varieties launched in 2002 and 2003 already account for almost 10% of total volume. The reorganisation on which Vrumona embarked in 2003 will involve a 15% reduction in staffing levels in 2004.

France

Improved result in a slightly firmer market

The exceptionally good weather brought modest growth in the beer market. Heineken France's sales remained stable at 7.4 million hectolitres. Home-market sales grew in line with the market, so that the market share remained unchanged, and export sales were lower. The result improved, mainly due to the growth of the Heineken brand.

Growth in the beer market was tempered by the downward trend in beer consumption, the marked decrease in the number of tourists from countries outside the euro zone and the government's campaign to combat drink-driving. Most of the growth potential in the French beer market is in the premium and speciality beer segments. With the economy remaining weak, the low-priced segment also grew last year.

Brands

The Heineken brand increased its share of the premium segment, helped by the launch of the new international can, the wider availability of the exclusive aluminium bottle in clubs and dance venues and the new print-media and billboard advertising campaigns. Sales of Amstel, which is only distributed via the on-trade, were slightly lower, in line with the on-trade market for mainstream beers, but sales of "33" Export, the local mainstream beer, improved a little. Desperados consolidated its leading position in the speciality beers segment by

expanding its distribution. Sales of Affligem abbey beer rose sharply, helped by the effective 'Bière-de-Lumière' advertising campaign which brought together elements of spirituality, sensuality and supreme quality. The shandy segment grew strongly and Panach' Peche, a new peach-flavoured addition to the Panach' range of shandies, was successfully launched. Pelforth Ambrée, a newcomer to the Pelforth speciality beer range, was also well received. Kriska, a vodka-flavoured speciality beer which was introduced in 2002, performed exceptionally well. "33" Export Demi-Rondelle, the lemon-flavoured beer introduced in 2002, did not come up to expectations and was withdrawn.

Spain

Higher sales and higher result

After a disappointing 2002, the Spanish beer market picked up in 2003, thanks to the improving economic conditions, including relatively low inflation, and the high temperatures. Heineken España's sales increased from 10.1 million hectolitres to 10.8 million hectolitres. Both the sales mix and the result improved significantly.

The take-home segment continued to grow and now accounts for 42% of the Spanish beer market. Price competition among the supermarket chains' own-label beers is an important factor in this market and the price gap with beers in the mainstream segment is widening. The premium and speciality beer segments advanced at the expense of the mainstream segment and interest in alcohol-free beers continued to grow.

Heineken España's strategy of focusing on selling its own brands in preference to brewing own-label products for third parties translated into significant growth in own-brand sales and profitability and a stable market share.



Artist's impression of an Amstel themed bar in Spain

Brands

Consistent with the market trend, Heineken España's sales grew fastest in the take-home segment. The Heineken brand again posted double-digit growth, as did Buckler, the alcohol-free beer, helped by the launch of a new alcohol-free variant and an ambitious advertising campaign which positioned it as the alcohol-free beer with the best flavour. The mainstream Amstel and Cruzcampo beers also achieved significant growth. The brand portfolio was strengthened with the addition of Paulaner, the speciality beer.

Marketing

Amstel was supported by a new advertising campaign and local events in the main regions. Amstel beer in the 1-litre Champions PET bottle, which was introduced in 2003, sold extremely well. Distribution of Legado de Yuste, the first Spanish abbey beer, was much expanded and this speciality brew is now available nationwide in the on-trade and on a limited scale in the take-home segment. The themed bar designs developed by Heineken España for on-trade establishments continued to play a significant part in stimulating growth in this segment. These themed outlets are also helping to establish a beer culture and strengthen our relationship with our customers. A new concept, the Amsteleria, was devised in 2003 which takes as its theme the world of the Amstel brand. The first Amsteleria opened in January 2004.

The multi-year cost-cutting programme,

on which Heineken España embarked after the enforced sale of breweries in 2001, is proceeding according to plan. A further cost-reduction programme was developed in 2003 and will be implemented in 2004.

Italy

Higher sales and result

The Italian beer market in 2003 showed a marked improvement on 2002, with Heineken Italia's sales up from 5.7 million hectolitres to 6.0 million hectolitres. An enforced change in the portfolio of speciality beers resulted in a slight loss of market share, but the sales mix improved and the result was higher.

Despite lower consumer confidence, reduced purchasing power and smaller tourist numbers than in 2002, the Italian beer market posted growth of over 7%, due entirely to the exceptionally good summer.

Brands

The principal brands – Heineken, Birra Moretti and Ichnusa – gained market share, but sales of our other mainstream beers, with the exception of Dreher, were lower. Interbrew decided to bring the distribution of its beers in-house and terminated its licensing agreement for several of its beers prematurely. The Interbrew portfolio was replaced by the Heineken brands Fischer Blond, Brand, Wieckse Witte and Affligem. Having also

entered into a licensing agreement with US brewer Anheuser-Busch at the end of 2003 for production and distribution of the Budweiser brand, Heineken Italia now has a balanced range of complementary beer brands once again.

Marketing

The introduction of Heineken's aluminium beer bottle was a success. A great deal of publicity, including media attention, was generated by the more than one thousand Halloween parties held all over the country. Heineken is increasingly profiling itself as the driving force behind this event. Sponsorship of music festivals, such as the Heineken Jammin' Festival and the Umbria Jazz Festival, still provides valuable marketing support for the Heineken brand. Birra Moretti continued its sponsorship of soccer tournaments, including the Trofeo Birra Moretti competition for the top Italian clubs. Heineken Italia has expanded Birra Moretti's marketing support in the countries to which it exports, especially the United States and United Kingdom which are the most important markets.

Changes were made to the commercial organisation in 2003 to improve customer-management efficiency and effectiveness.

Partesa, Heineken Italia's wholesale distribution organisation, reported higher sales and an improved result, reflecting both acquisitions and organic growth. Partesa is integrating its businesses in order to achieve critical mass and hence greater efficiency at the operating level. A start was made in late 2003 on increasing the capacity at the Massafra brewery and making the modifications needed for brewing Budweiser.

Greece

Stable share of a softer beer market

The Greek beer market was lower in 2003. In line with the market, Athenian Brewery's sales were down from 3.7 million hectolitres

to 3.4 million hectolitres, but its market share remained stable.

In contrast to many other European countries, Greece had a relatively poor summer. Consumer spending and tourism were down and inflation was above the EU average, which depressed sales particularly in the on-trade.

Athenian Breweries' result benefited from price increases and an improved sales mix.

Brands

The decrease in Heineken brand sales was relatively small. The brand was supported with new packaging variants, such as the new international can and the Magnum bottle, in 1.5-litre and 3-litre sizes, which were launched in time for the December holiday season. The XLN (Extra Long Neck) bottle, which is proving very popular with consumers, is helping the brand's penetration in the on-trade and sales have grown rapidly since its introduction in 2002. As one of the 'grand sponsors' of the 2004 Olympic Games in Athens, Heineken has already launched numerous marketing and advertising campaigns in the media and at point of sale. These are being expanded in 2004, based around the central theme of celebration of this spectacular event.

Sales of both Amstel and Alfa, a Greek brand, were significantly lower, in the case of Amstel mainly due to stockpiling at the

end of 2002. Amstel Big, a wide-necked 33-cl bottle, was successfully introduced at a select group of on-trade outlets. Amstel, which is market leader in the mainstream segment, was supported by various promotions in the take-home channel and TV commercials based on the theme of friendship.

Germany

Higher sales in a declining market

While the German beer market contracted by 4%, under pressure from new government packaging regulations and a weak economy, growth was reported by most of the brands produced by the Paulaner and Kulmbacher breweries, which are part of BrauHolding International, our joint venture with the Schörghuber group. Total sales increased to 8.0 million hectolitres and the result was sharply higher, helped by the proportional consolidation with effect from 1 January 2003 of the BrauHolding International's 45% interest in Karlsberg International Brand GmbH.

The mandatory introduction of a charge on non-returnable packaging resulted in a dramatic drop in sales of beer in cans and one-way bottles which was not fully compensated by higher sales of beer in returnable bottles.

Home-market sales of Paulaner beer, the eponymous brewery's leading brand, were 1% higher. Paulaner Weissbier sales advanced strongly, despite the decline in canned-beer sales. Hacker-Pschorr and Auerbräu were also able to increase their sales volume in the contracting market. Paulaner exports were up by over 5%, due in part to utilisation of Heineken's existing distribution channels. Paulaner has embarked on a restructuring programme with a view to improving its financial performance.

The Kulmbacher brewery's sales turned out 7% higher, with Mönchshof, Sternquell





and Braustolz performing well. The activities of the Scherdel brewery, which operates in the same region and was acquired in October 2003, will be integrated into Kulmbacher's organisation.

Karlsberg had a difficult year, due to its relatively strong position in the canned-beer segment, but managed to hold the loss of sales volume at 9%, by introducing new packaging and other measures. Karlsberg nevertheless made a satisfactory contribution to earnings in the first year of its inclusion in the consolidation.

Sales of Desperados, our international speciality beer, which had grown strongly in Germany in 2002, fell back abruptly last year as a result of the new packaging charges, coupled with strong competition from ready-to-drink mixes.

Switzerland

Higher sales and an improved result

Profiting from the very hot summer, the Swiss beer market recorded modest growth. Heineken Switzerland's beer sales were up from 760,000 hectolitres to 805,000 hectolitres and the result improved slightly, mainly due to cost savings.

Growth in the beer market was restrained by the continuing weakness of the economy and on-trade sales declined. Heineken Switzerland maintained its market share. Heineken brand sales remained stable and the local brands achieved modest growth.

The BeerTender®, a dispenser for home use, was launched on a trial basis and more David dispensing systems were installed at on-trade outlets. Draught beer volume increased at the expense of other packaging variants.

The modernisation of the fully automated distribution centres in Domat Ems was completed in the third quarter of 2003 and the wholesalers which had been acquired by Heineken Switzerland earlier in the year were fully integrated into the organisation.

Ireland

The Irish beer market, which contracted significantly in 2003, is expected to continue on its downward trend, in the light of the government's plans for a more restrictive alcohol policy and a smoking ban in pubs, bars and restaurants. Despite the shrinking market, Heineken Ireland's sales remained stable at 1.1 million hectolitres and it increased its market share.

The worsening economy, waning consumer confidence and the public debate on alcohol and health all brought pressure to bear on the beer market. Lager volume was down a little, while stout sales again declined sharply. Lager now accounts for over half of total beer sales. The Heineken brand strengthened its leading market position in the lager beer segment. Sales of Murphy's Stout were down, following the trend in the stout segment, but Coors Light, which is brewed under licence, and Amstel recorded vigorous growth.

The Heineken brand was supported by sponsorship of the Green Energy music event and the Green Room Sessions. There was also a tie-in with Heineken's sponsorship of the European Rugby Cup and the Rugby World Cup in Australia, in which there was exceptionally strong interest in Ireland.

Other Western European countries

Heineken beer with a 5% alcohol content was launched in the premium segment in the **United Kingdom** in 2003, and Heineken Cold Filtered, a beer brewed to a different recipe, was withdrawn. As a consequence, sales in the UK decreased from 2.1 million hectolitres to 0.6 million hectolitres.

While the UK beer market overall showed little growth, lager beers continued to gain in popularity and now account for 39% of the total beer market. In this segment, the premium lagers recorded the fastest growth, at 2.4%. For historical reasons, the position of Heineken beer in the UK, which is available worldwide, is still modest.

The relaunch of the Heineken brand was given intensive marketing support. In the 'Heineken, you have changed' PR campaign, UK celebrities posed for a top photographer in barely recognisable guises. The advertising campaign, which emphasised that the 'new' Heineken beer has a 5% alcohol content, had as its theme 'Heineken: tested around the world, now ready for the UK.' Various promotions, local sponsorship, on-trade support to ensure optimum draught beer quality and the new international can and aluminium bottle contributed to the successful relaunch. The marketing strategy is fully focused on sustainable brand development.

Amstel was positioned in the mainstream segment, as in other markets around the world. Amstel is now available only on draught in the on-trade, which enables Heineken to offer its on-trade customers a more cohesive brand portfolio. Sales of Amstel developed well, but sales of Murphy's Irish Stout and Murphy's Irish Red, which are brewed under licence and distributed by a partner, were lower.

The Affligem brewery in **Belgium** reported sustained sales growth, with

exports to the important Italian and French markets performing particularly well. After the expansion of the production capacity in 2003, investment in 2004 will focus primarily on efficiency improvements, mainly through automation.

Because Mouterij Albert, our malt-house in Belgium, was undergoing renovation, it was only able to produce 230,000 tonnes in 2003, instead of its maximum output of 250,000 tonnes. Mouterij Albert, which exports to some 40 Heineken breweries around the globe, is one of the largest and most efficient malt-houses in the world. Mouterij Albert is involved in several sustainable-agriculture projects.

Heineken's distribution partner in **Denmark** opened a local filling plant for Heineken beer and Heineken sales rose strongly. Marketing support via sponsorship of music and dance events was extended.

Sales of Heineken beer in **Sweden**, where it is brewed under licence, were higher.

In **Norway**, where production of Heineken beer under licence started in 2003, sales grew strongly. High priority was given to sponsorship and promotional activities.

CENTRAL AND EASTERN EUROPE

Sales in Central and Eastern Europe increased from 15.7 million hectolitres to 20.6 million hectolitres. Most of this growth was due to the acquisition in 2003 of BBAG, whose activities have been included in the consolidation as from 1 October 2003. Pro-forma sales excluding BBAG were 15% higher at 18.0 million hectolitres, with Poland and Russia accounting for most of the improvement.

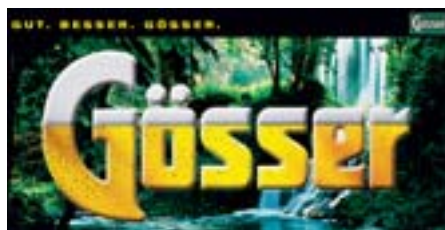
Rising purchasing power in Central and Eastern Europe will translate mainly into growth in the premium segment, particularly in the Central European countries which are soon to join the EU. In some countries, such as Poland, Russia, Hungary, Romania, Bulgaria and Macedonia, per capita beer consumption is below the European average, so there is potential there for volume growth as well.

Acquisition of BBAG

In BBAG, Heineken has acquired a large European brewer with leading market positions in Austria, Romania and Hungary and regional positions in Poland and the Czech Republic, in which it owns 22 breweries and sells around 13 million hectolitres of beer. It also exports from virtually all of these countries. Like Heineken, BBAG combines strong local market positions, a close affinity with local cultures and expertise in international brand portfolios. Its most important brands are premium beers Kaiser and Gösser and Schlossgold alcohol-free beer, which are on sale in several European countries.

The acquisition of the BBAG operations has made Heineken market leader in eight Central European countries: Austria, Poland, Romania, Hungary, Slovakia, Bulgaria, Macedonia and Albania. The existing and newly acquired activities will be integrated and grouped under Brau Union, the new central European operating company. This will generate significant cost synergy, greater growth potential and more efficient and effective brand portfolio management.

The acquisition of BBAG will enhance the



Heineken brand's growth potential, especially in Austria, Romania, Hungary and the Czech Republic. Heineken beer sales in the countries of Central Europe are expected to grow to at least 500,000 hectolitres by 2008, an increase of over 72% compared with the volume sold in this region in 2003.

Poland

Higher sales, higher result and growth through BBAG acquisition

The Polish beer market grew by around 4% and Grupa Żywiec grew faster than the market. Like-for-like pro-forma sales rose from 8.4 million hectolitres to 9.2 million hectolitres and total sales, including the BBAG activities which had been acquired, amounted to 9.4 million hectolitres. Grupa Żywiec, the largest brewer in Poland, returned a greatly improved result.

Although it profited from the very good summer and inflation remained low, the Polish beer market advanced at a more modest pace than in 2002. The weakness of the economy favoured the growth of the mainstream segment, mainly at the expense of Polish premium beers. As well as the mainstream segment, there was also growth in international premium beer sales. Although the sales mix worsened, a price increase and better procurement terms translated into a substantial improvement in the result. Cost savings also contributed to the improved result.

The investment made in 2003 in a new brew-house at the Warka brewery will double production capacity to 4 million

hectolitres. The decision taken at the end of 2002 to sell the brewery in Braniewo has been implemented. The new owner plans to produce non-alcoholic beverages at the site and hopes to employ a large proportion of the current workforce.

Brands

Sales of Heineken, the leading international premium beer in Poland, posted strong growth, as did sales of Tatra, the Polish mainstream brand, and the regional Specjal brand, both of which benefited from the rising demand for lower-priced brands. Warka and Warka Strong performed well and sales of Żywiec, the Polish premium beer, held steady. The opportunities for effective marketing support improved with the relaxation of the alcohol laws, in particular the extension of the hours during which beer commercials can be broadcast on TV.

The BBAG brand portfolio

The principal brands in BBAG's Polish portfolio are Królewskie, which is positioned at the higher end of the mainstream segment, and the Czech brand Starobrno. Kaiser, the premium brand sold in several countries, is targeted mainly at the on-trade. Kujawiak and Bractwo are regional brands with strong regional positions.

Russia

Growing sales and expanding market share

The Russian beer market grew 6%, with Russian mainstream beers and international premium beers, in which Heineken Brewery Russia has a strong presence, making most of the running. Sales were up from 2.8 million hectolitres to 3.3 million hectolitres and the market share increased. The volume growth generated a higher result, despite the rouble's weakness against the euro.

The Russian economy grew 5% and, notwithstanding a relatively high inflation rate, the growth in the beer market was sustained, albeit at a slightly more modest pace than the year before. With many international brewers already active on the Russian beer market, there is scope for further consolidation, and Heineken intends to remain alert to opportunities for it to play a part.

Consumers' willingness to try new beers was undiminished, and brewers responded with many new product launches. With a combination of organic growth and new brands, the fastest growth was recorded in the international premium beer segment, whose share of the total beer market increased from 2.3% to 4.1%. The share of beer in PET bottles in total sales rose to over 30%, while that of beer in cans increased slightly. The heavy pressure on prices was maintained, one contributory factor being a 25% increase in excise duty on beer in early 2003. Our prices rose by less than the average inflation rate of 13%.

Brands

Locally produced Heineken beer went on sale in March 2003, resulting in considerable savings in import duties. The event was accompanied by substantial marketing investments. Sales of Heineken beer may still be modest, but they increased sixfold from 2002 to 2003. Sales of Bochkarov, our Russian premium beer, were



lower, but Bochkarov Light's volume increased. The Bochkarov brand is now the official partner of the UEFA Champions League in Russia. Sales of Ochota, which is positioned in the mainstream segment, grew strongly and a new PET bottling line has been built to meet the increased demand. Ochota was promoted with a national TV campaign for the first time. Sales of Löwenbräu, which is brewed under licence, also recorded significant growth.

The sales and distribution organisation was expanded and existing relationships with distributors were developed. Considerable savings were made in procurement, particularly of packaging.



Hungary

Position greatly strengthened in a competitive market

Amstel Brewery Hungary's sales were down from 486,000 hectolitres to 465,000 hectolitres. Total sales by Amstel Brewery Hungary and (since 1 October 2003) Brau Union Hungária, which is part of BBAG, amounted to 0.8 million hectolitres. The effect of the lower sales on Amstel Brewery Hungary's result was mitigated by cost savings.

The Hungarian beer market contracted, largely as a consequence of the cold and protracted winter, and margins were under pressure from intense competition. Sales of Heineken beer increased slightly,

however, which meant further growth in market share. Sales of the Amstel and Talleros brands were lower.

The integration of Heineken's and BBAG's activities boosted the market share sufficiently to secure market leadership. Although competition on the Hungarian market is still intense, due to the presence of three major international brewers, the significant strengthening of Brau Union Hungária's market position and the economies of scale which have been achieved are creating new opportunities for growth and improved profitability. The premium segment in particular offers good growth potential.

The principal brands in BBAG's Hungarian portfolio are Gösser and Kaiser in the premium segment, Soproni Ászok in the mainstream segment and Schlossgold alcohol-free beer.

At the end of 2003 it was decided on efficiency grounds to close the Komárom brewery.



Romania

Higher sales in a fast-growing market

The Romanian beer market grew 12% and sales by Brau Union Romania, which was included in the consolidation as from 1 October 2003, rose to 0.7 million hectolitres. The market share decreased slightly in 2003, reflecting the growing international competition.

The very hot summer and the introduction of new beer brands translated into rapid growth in the Romanian beer market. Romania has been among the region's

fastest-growing beer markets for some years. Regional beer brands account for one-third of the market.

Brau Union Romania's portfolio comprises local brands Silva, Ciuc and Goldenbräu, supplemented with international brands Gösser and Zipfer and speciality beer Edelweiss. International premium beers are rapidly gaining in popularity, and the addition of Heineken beer and other Heineken brands at this stage in the market's development will provide rapid reinforcement for Brau Union Romania's market position.

Brau Union Romania has seven breweries which, because of their strategic location, suffer little inconvenience from the shortcomings of the transport infrastructure. It was decided in 2003 to close the brewery in Rehgin on efficiency grounds.

Austria

High and stable volume in a stable market

In a slowly growing beer market, Brau Union Österreich, which has been included in the consolidation with effect from 1 October 2003, reported a stable sales volume at 1.1 million hectolitres.

With an average per capita consumption of 112 litres per year, the Austrians are beer enthusiasts. Brau Union Österreich, which has a stable market share, is by far the largest brewer in Austria.

Its principal brands are premium beers Zipfer and Gösser, mainstream beers Kaiser and Puntigamer, speciality beers such as Edelweiss and alcohol-free beer Schlossgold. Zipfer and Gösser each have a market share of around 10%. Brau Union Österreich is well represented in all segments of the Austrian beer market, with a portfolio which also includes ready-to-drink mixes and international beers brewed under licence. The broad coverage of the Brau Union Österreich distribution

network provides good opportunities for growing the Heineken brand in Austria.

Bulgaria

Expanding market share in fast-growing market

In a fast-growing Bulgarian beer market, the Zagorka brewery boosted sales from 1.0 million hectolitres to 1.3 million hectolitres, further consolidating its market leadership. The result improved and the market share increased.

After the setback suffered in 2002 in the form of higher excise duties, the Bulgarian beer market reverted to its growth trend. With good prospects of economic growth, the market still has great potential.

Mainstream brand Zagorka performed well. The brand benefits from various kinds of marketing support, including extensive local sponsorship activities focusing mainly on soccer. Sales of Amstel, which is positioned at the upper end of the mainstream segment, were higher. Brand support will be provided in 2004 by a new communication concept, better utilisation of the sponsorship of the international UEFA Champions League and wider distribution, for which preparations were made in 2003. The Ariana brand, the market leader by a wide margin in the low-priced segment, performed very well. The introduction of PET bottles was a major contributory factor in Ariana's growth. Beer in PET bottles now accounts for almost a quarter of the total Bulgarian market. The Heineken brand was successfully launched in early 2003.

Slovakia

Market depressed by weak economy and higher excise duties

The Slovakian beer market shrank 3.5%, reflecting the effects of diminishing purchasing power and sharply higher excise



duties. Heineken Slovensko's sales declined from 2.2 million hectolitres to 2.1 million hectolitres, but its market share showed little change.

The introduction of a number of unpopular economic measures in the course of the year and a substantial rise in excise duties on alcoholic beverages and fuel in August 2003 eroded consumer purchasing power, which depressed the Slovakian beer market. The rise in fuel excise duty also made transporting beer more expensive.

One of the four breweries, in Martiner, was closed in November 2003 in order to improve the cost structure by allowing the other breweries to operate at optimum capacity.

Sales of Zlatý Bažant, the leading Slovakian beer brand, were held back by the decline in purchasing power and Amstel sales were also down. In these market conditions, however, the Corgon brand performed well and took the lead as the country's best-selling beer. The low-priced Gemer brand also achieved higher volume.



Because low-priced beers still account for a large share of the Slovakian beer market, it should be possible over the longer term to improve the sales mix as purchasing power rises.

With planned capacity of 160,000 tonnes in 2004, Heineken Slovensko will be one of the largest malt producers in Europe.

Czech Republic

Strong regional position

Starobrno A.S., which was included in the consolidation with effect from 1 October 2003, reported total sales of 172,000 hectolitres, representing growth of 4% or double that of the total Czech beer market.

With a per capita beer consumption of 160 litres, the Czechs are the most enthusiastic beer drinkers in the world. Despite the presence of several international brewers, small regional brewers still hold over 20% of the market.

Starobrno A.S., which owns two breweries in Brno and Znojmo, secured fifth place in the Czech market in 2003. The Starobrno brand, which is positioned in the mainstream segment, accounts for over 70% of its sales. Starobrno's sales and distribution facilities will significantly enhance the Heineken brand's growth potential.

Macedonia

Higher sales and a better result

While beer consumption in Macedonia rose 4%, sales by our Pivara Skopje brewery remained stable at 0.5 million hectolitres. Its result improved despite the deteriorating economic conditions and growing competition from low-priced beers. Pivara Skopje's market share decreased slightly.

Sales of Skopsko, the country's leading beer brand, were down 7%, but sales of Amstel, by far the largest international

brand in Macedonia, were 22% higher. The Heineken brand also performed well. April 2003 saw the successful launch of Gorsko Lisec, a new beer brand in the low-priced segment, which has proved very popular in rural areas where purchasing power is well below the average.

The extension to the brewery, which also incorporates facilities for local production of Amstel, was completed in 2003.

Croatia

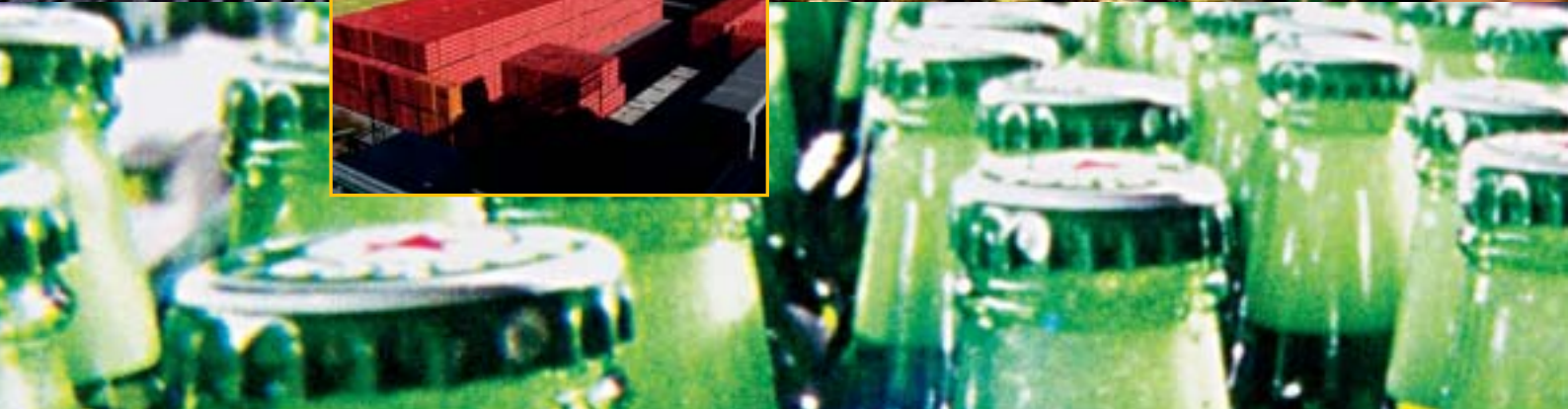
Improved position in a slowly rising market

Thanks to the good summer, the Croatian beer market recorded significant growth. The Karlovacka Pivovara brewery, in which we acquired a 94.4% stake in 2003 and which was included in the consolidation as from 1 April 2003, posted sales of 775,000 hectolitres. The result was positive and in line with expectations.

Croatia started investing heavily in its tourism infrastructure some time ago, and the rising visitor numbers have benefited the local beer market in particular. Although growth in the beer market was held back by higher excise duties, the Karlovacka Pivovara brewery's sales were up and its market share increased, mainly due to growth in the sales of Karlovacka, the local mainstream beer, and the Heineken brand. Karlovacka Pivovara is the second largest brewery in Croatia and has a substantial export business to Bosnia.

As well as local mainstream beer Karlovacka, the brand portfolio includes Heineken brand beer and speciality beers Murphy's and Desperados. Good progress was achieved in improving operational efficiency.

With the development of tourism, the Croatian beer market will offer good growth prospects, especially in the premium and speciality beer segments.



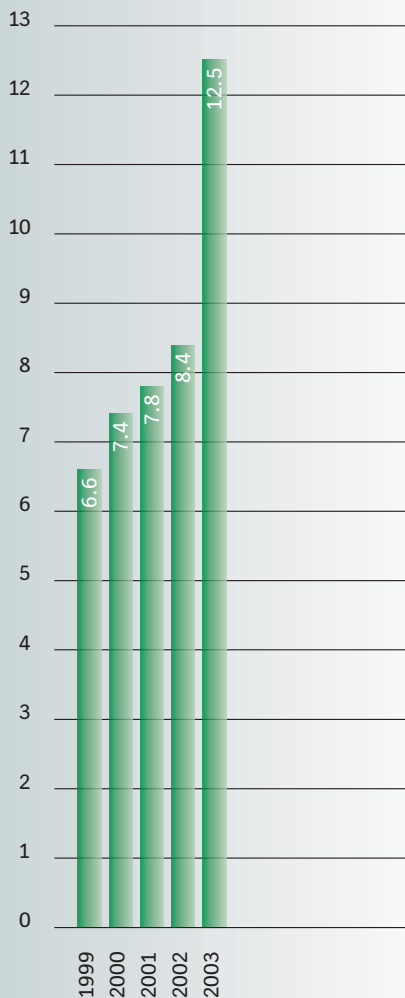
The Americas

Heineken's sales in the Americas increased from 8.4 million hectolitres to 12.5 million hectolitres, mainly due to the proportional consolidation, via our interest in CCU, of our businesses in Chile and Argentina as from 1 April 2003. The businesses in the United States, Central America and the Caribbean also contributed to the

growth. The results in all markets were adversely affected by the strength of the euro, especially those into which Heineken beer is imported from Europe.

Heineken has built a strong position in the Americas, with exports to the United States, Central and South America and

Group volume Americas
in millions of hectolitres



the Caribbean. The production, sale and distribution of Heineken beer in Chile and Argentina was transferred from former partner Quilmes to CCU, in which Heineken had acquired an indirect interest in 2003, via its 50% stake in IRSA. The latter in turn has a majority interest in CCU, which is by far the largest brewer and beverage supplier in Chile and owns breweries in

Argentina. Heineken also owns a number of breweries in the Caribbean and Central America and has interests in and licensing agreements with several brewers in Central and South America. The beer market in this region showed modest growth in 2003. On the basis of the predicted economic and demographic trends, Central and South America offer good growth prospects in the longer term.

United States
Modest growth in a virtually flat market

While the US beer market contracted by around 1%, the imported beer segment showed modest growth. Heineken and Amstel Light increased their shares of the imported beer market slightly and sales rose to just over 6 million hectolitres, but the weaker dollar meant that the result was substantially lower.

Against the background of the weakness of the economy, the war in Iraq, a cold winter in the North-East and the introduction of a smoking ban in bars and restaurants in some states, the US beer market had its worst year for a decade in terms of sales volume. As in previous years, the take-home segment grew at the expense of the on-trade.

The light beer segment carried on growing, largely due to the rising demand for low-carbohydrate beers. Heineken USA is well placed to profit both from the sustained popularity of light beers and from the emergence of the low-carb segment, because Amstel Light sells in both markets.

Performance
Mainly due to the very bad weather, the beer market in the North-East of the US was weaker than in the rest of the country. Sales of Heineken and Amstel Light, both of which have a relatively strong presence in this region, were adversely affected,

but this was made up by strong growth in the rest of the US, especially in the West.

The Heineken and Amstel Light brands occupy fundamentally strong market positions which provide a good basis for further growth. Heineken USA's main strategic objective in the years ahead will be to build even closer relationships with the major retail chains, while continuing to focus on the higher end of the on-trade segment. The growth strategy for the East Coast is to concentrate on extending the market share and for the West Coast to work on expanding the distribution.

Marketing and distribution
With the launch of Heineken's new aluminium bottle and 16-ounce PET bottle, which are helping to broaden the availability of Heineken and Amstel Light, further progress was made in creating more relevant packaging variants for a wider range of venues.

Heineken was again a principal sponsor of the Grammy Awards, the Latin Grammy Awards and the Latin Billboard Awards, and its involvement in the production of the Red Star Sounds CD, created to support new young talent, was a great success. Much publicity was also gained from sponsorship of major events such as the US Open tennis tournament and the movie *The Matrix Reloaded*.

Amstel Light, positioned as 'the beer drinker's light beer', is market leader in the imported light beer segment. The brand was supported through sponsorship of sports events and summer activities.

A significant development in this area was the appointment of Amstel Light as the official beer of the Professional Golfers' Association (PGA). Through the brand's sponsorship of the Iceland Open, Amstel Light drinkers were offered a chance to take part in a unique round-the-clock tournament by the light of the midnight sun.

Class action lawsuit

In late 2003 and early 2004, class action lawsuits were filed against Heineken and a number of other producers and distributors of alcoholic beverages, claiming that their advertising and marketing of certain drinks, were directed at under-age consumers. We shall defend ourselves energetically against these accusations. Heineken USA's advertising and marketing activities are responsible and are addressed specifically to consumers over the legal minimum age for consumption of alcohol of 21. Moreover, the Federal Trade Commission, which regulates advertising in the US, concluded after its most recent study in 2003 that there was no evidence whatever of the alcoholic beverage industry targeting under-age consumers with its advertising.

Canada

Heineken brand sales markedly higher

While the Canadian beer market overall remained static, partly due to the Sars epidemic, the imported beer segment posted substantial growth of close to 9%.

The Heineken brand outperformed the import segment by a small margin, with sales of canned beer growing fastest, thanks to various promotions.

South America

Beer consumption remained relatively stable, with the lower sales in Brazil, which accounts for over half of the South American market, being balanced by higher demand in Argentina and Chile. All of the growth in our sales, from 0.4 million hectolitres to 4.2 million hectolitres, reflects the consolidation of our interest in CCU as from 1 April 2003. Sales of Heineken beer in South America held steady at 0.5 million hectolitres.

Operations

Through its interest in CCU, Heineken has secured a very strong position in Chile, and a good position in Argentina. As well as beer, CCU also produces and markets a wide range of wines and soft drinks. Its modern breweries in Chile and Argentina have a combined annual capacity of 6 million hectolitres of beer and sell 4.3 million hectolitres of soft drinks and 1 million hectolitres of Chilean wine, of which about half is exported. CCU markets a number of lager brands and speciality beers in Chile and Argentina. CCU started brewing Heineken beer in April 2003.

Strategically, Heineken and CCU complement one another perfectly, and their alliance has enhanced the Heineken brand's growth potential in both Argentina and Chile. In Argentina in particular, the addition of the Heineken brand to CCU's portfolio is creating good opportunities for expanding the distribution, which will benefit the growth of the other brands as well as Heineken.

In Brazil, Heineken has a 20% stake in Cervejarias Kaiser Brasil, the third largest brewer in Brazil with a market share of 12%.

The other South American markets are supplied with imported Heineken beer. Sales in these countries, of which Colombia is the largest import market, are still modest.

Performance review by country

With the economy picking up, the beer market in **Argentina** improved greatly. Heineken's sales rose to 1.9 million hectolitres, reflecting the consolidation of CCU's Argentinean activities. Heineken beer volume held steady despite the transfer of the distribution licence for Heineken beer from former partner Quilmes to CCU. Ensuring sales continuity involved a major operation in which CCU and Heineken worked closely together, not only to get the brewing and distribution facilities ready on time, but also to maintain

relationships with our customers.

As the economy revived, the beer market in **Chile** grew strongly. Our sales rose to 4.0 million hectolitres, reflecting the consolidation of CCU's Chilean activities. Heineken beer volume remained stable.

Heineken brand sales in **Brazil** were down, despite growth of the premium segment.

Sales of imported beer in **Colombia** and **Bolivia** were depressed by the strong euro, compounded in Colombia by increases in local tax and import duties.



Central America

Central American beer consumption rose a little and our sales in the region increased from 0.8 million hectolitres to 1.5 million hectolitres, due to the consolidation of the interest in Cervecerias Barú-Panama and Cerveceria Costa Rica with effect from 1 October 2002. Sales of Heineken beer were up slightly.

Operations

Heineken operates in Central America in alliance with FIFCO. In Costa Rica, Heineken has had a 25% interest in Cerveceria Costa Rica, the country's only brewer, since 2002. The majority shareholder is FIFCO. In Panama, Heineken has had a majority interest in Cervecerias Barú-Panama, one of the country's two brewers, since 2002. FIFCO is the minority shareholder. Via its alliance with FIFCO, Heineken has an indirect 8% interest in Nicaragua in COCECA, the country's only brewer.



Performance review by country

While volume in **Costa Rica** remained stable, the result was lower, mainly due to losses on soft-drink sales and low prices. A reorganisation was implemented at the end of 2003 to improve effectiveness and reduce costs. With separate business units for beer, soft drinks and distribution, Cerveceria Costa Rica is seeking to increase the effectiveness of its marketing and sales function. Heineken brand sales were lower.

Sales in **Panama** were slightly lower. The focus in 2003 was on upgrading the entire portfolio, including investment in the Soberana and Panama brands. Intense competition kept prices in Panama low. Heineken brand imports were up 20%.

Caribbean

In a slightly smaller beer market, our sales increased slightly to 1.4 million hectolitres, of which Heineken beer accounted for approximately 70%. Despite good performance in most markets, the result in euros was lower. This was largely due to the weakness of the dollar, to which the local currencies are tied, but other factors were the growing competitive pressures and our increased investment in marketing to counter them.



Operations

Heineken has a total of five breweries in the region, in the Bahamas, St. Lucia, Surinam, Curaçao and Martinique, two of which brew Heineken beer as well as local brands. The brewery in Curaçao produces Amstel. Heineken beer is available in all 33 markets which constitute this region, in which distribution is organised by various routes in conjunction with several partners. The highest sales in the Caribbean were on Puerto Rico and in the Bahamas. The well developed tourist sector, the growing population and the relative political and economic stability make the Caribbean an attractive region.

Market conditions

Tourist numbers in the region remained low in the first half of 2003, which placed a heavy strain on purchasing power in many countries. Promising signs of recovery became apparent in the second half, and beer consumption was only slightly down by the end of the year. While imports of beers from Europe were lower in 2003, mainly due to the strength of the euro, movements in the exchange rates for other currencies in the region also resulted in heightened competition from low-priced South American beers.

Results in the markets into which we import were depressed by the weakness of the dollar, to which the currencies of some of our largest markets are linked. Although our sales in local currency developed satisfactorily, this did not translate into our result in euros. The strong euro also increased the cost of raw materials and packaging, most of which our breweries import from the euro zone.

Performance review by country

Heineken and our other brands were supported by sponsorship of many local music events, and on **St. Maarten** we sponsored the St. Maarten Regatta. Substantial investments were made in

2003 in training to improve the commercial skills both of the employees of our companies and those of our affiliated distributors.

The Commonwealth Brewery on the **Bahamas** reported stable sales, but the result was lower due to distribution problems.

Antilliaanse Brouwerij on **Curaçao** had a difficult year, despite good performance by the Heineken brand, with the local market contracting and imports from South America rising.

Surinaamse Brouwerij in **Surinam** reported stable sales and an improved result, in spite of the continued weakness of the local currency and the resultant inflation.

Brasserie Lorraine on **Martinique** had a disappointing year, with lower sales volume and a slightly lower result.

The beer market on **Puerto Rico** contracted by almost 10%, reflecting the higher import duties introduced in 2002, but sales only declined slightly. The Heineken brand performed quite well.

Sales of imported beers were higher on **Trinidad, Aruba, Cuba** and the **Cayman Islands** and in **French Guyana**, but lower on **Guadeloupe** and **Haiti**.

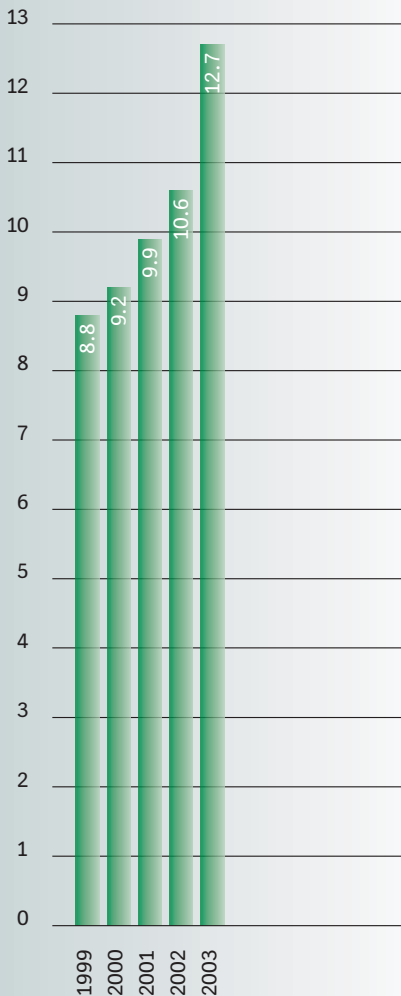


Africa/Middle East

Sales in Africa and the Middle East advanced strongly, with our breweries in Nigeria and Egypt performing especially well. The results of the operating companies suffered from the weakness of the dollar, the Nigerian naira and the Egyptian pound. Because the economies of many countries are

largely dependent on the value of the US currency, this affected consumer purchasing power in many countries in the region. Despite a good performance by most of the operating companies, the overall result in euros was lower. The war in Iraq also had a negative effect on the beer market in

Group volume
Africa/Middle East
in millions of hectolitres



Africa

Operations

Heineken owns a total of 26 breweries in 11 African countries and is active in other countries via its own sales and distribution organisations or through distribution partners. The Heineken breweries in several African countries have substantial market shares. As well as local brands, Amstel beer is brewed in some countries, and most of the operating companies also produce and market soft drinks. In several countries, the Heineken, Amstel and Mützig brands are brewed under licence and marketed by third parties. Heineken beer is imported on a modest scale. The Heineken brand has good growth potential particularly in Nigeria and South Africa.

In 2003 Heineken and Diageo together acquired a 28.9% stake in Namibia Breweries, the country's only brewer, which has been distributing imported Heineken beer in the region since May 2003. Namibia Breweries, which also has an excellent distribution network in South Africa, is to start brewing Heineken under licence for the South African market. Heineken's licensing agreement with SAB for the production and distribution of Heineken beer in South Africa was terminated in 2003. The new arrangement will provide a good basis on which to build sales of the Heineken brand in South Africa.

Agreement in principle was reached in

December 2003 on the merger of Ghana Breweries, in which Heineken has a majority interest, and Guinness Ghana, in which Diageo holds a majority shareholding. The combined company, Guinness Ghana Breweries, in which Heineken will have a 20% stake, is expected to be more profitable. The merger is still awaiting a number of approvals.

Market conditions

Although most countries were more politically stable, the position remained vulnerable. The aid and bilateral aid programmes for the Central African countries were resumed by the World Bank, the IMF and private-sector organisations. Slight to modest economic growth was achieved in the countries in the south of the continent, but private-sector investment generally was lower, which meant no improvement in consumer purchasing power. In addition, a large share of disposable income is now being spent on mobile phones, which are gaining rapidly in popularity.

Performance review by country

In **Nigeria** the sales volume reported by Nigerian Breweries was sharply higher, up from 4.6 million hectolitres to 5.7 million hectolitres, but the result was lower due to the weakness of the naira against the euro, lower prices reflecting a healthier balance between supply and demand, higher pension charges, non-recurring write-

the Middle East. Beer sales in Africa and the Middle East increased from 10.6 million hectolitres to 12.7 million hectolitres. Sales of Heineken beer in Africa and the Middle East were up 5% and Amstel beer sales were 15% higher. Heineken brand sales recorded the fastest growth in South Africa.



downs and higher depreciation charges due to the entry into service of the new brewery. With the opening of the ultra-modern AMA brewery in Enugu, brewing capacity in Nigeria increased by 3.4 million hectolitres per year. Following the announcement of a ban on imported beer in mid-2003, the AMA brewery will be equipped in 2004 for brewing and bottling Heineken beer. We are looking forward to sustained sales growth in Nigeria in 2004, but the pace of growth will be slower than in 2003, owing to the lack of improvement in purchasing power and increasing competition in the low-priced segment. Consolidated Breweries, in which Heineken has a minority interest, reported 10% sales growth.

In the **Democratic Republic of Congo**, where the economic situation showed no improvement, Brasseries, Limonaderies et Malteries (Bralima) reported slightly higher sales and increased its market share. The result was much improved, reflecting lower operating expenses. The signature of a peace

treaty and the appointment of a transitional government give some hope of a more flourishing market in 2004.

In **Rwanda**, Brasseries et Limonaderies du Rwanda (Bralirwa) reported a substantially lower result, partly due to the weakness of the currency. Sales were severely hit by a sharp increase in excise duties.

The beer market in **Burundi** posted double-digit growth. Purchasing power improved as the cost of living fell. The security situation in the country improved a little, which enabled Brasseries et Limonaderies du Burundi (Brarudi) to return a higher result despite adverse exchange rate movements.

In **Congo**, Brasseries du Congo was able to match the good result it achieved in 2002, despite the more difficult market conditions. Consumer purchasing power declined, partly as a consequence of tax changes.

In a static beer market, Brasseries de Bourbon on **Ile de la Réunion** reported slightly lower sales and an unchanged result, despite the adversely

effects of a two-week strike.

In **Ghana**, sales were higher at Ghana Breweries, which increased its market share and returned a significantly better result, mainly due to capacity problems experienced by its competitors.

Beer consumption in **Chad** was higher, but Brasseries de Logone's sales were down and it lost some market share.

Sales volume was higher at Nocal and EKA in **Angola** and both breweries posted an improved result.

Sierra Leone Breweries in **Sierra Leone** is still unable to meet demand due mainly to technical problems in the bottling plant. A new filling line is being installed and scheduled to enter service in April 2004.

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

In **Morocco**, sales of Heineken and Amstel, which are brewed under licence, were down slightly.



Brewery in Gisenyi, Rwanda



Billboard campaign in Lebanon

Middle East

Operations

Heineken has fully consolidated breweries in Egypt and Lebanon, the only breweries in those countries. Al Ahram Beverages Company, which is market leader in Egypt, also has an extremely successful product in Fayrouz, a non-alcoholic malt drink. The brewery started producing Heineken beer in December 2003. As well as generating major cost savings, local production will also enhance the Heineken brand's growth potential in Egypt.

After substantially increasing its interest in the Almaza brewery in Lebanon in 2002, Heineken also acquired the distribution operation in 2003. In addition, Almaza secured the worldwide rights to Laziza, the Lebanese beer brand, which has given it a strong position on the home market. As a result of an exchange of shares, Heineken's interest in Almaza S.A.L. decreased from 81% to 67%.

Heineken has minority interests in Tempo Beer Industries in Israel and Jordan

Brewery in Jordan, which brews Amstel beer under licence. The most attractive export markets in the region are the Gulf states.

Performance review by country

In **Egypt**, although consumer purchasing power was impaired by increased prices caused by the steep decline in the value of the Egyptian pound, the beer market grew appreciably and Al Ahram Beverages Company's sales kept pace. Sales of Fayrouz, a non-alcoholic malt drink available in a range of fruit flavours, were up by almost 50%, which translated into dramatic growth in the brand's share of the soft-drinks segment. Despite an excellent performance by Al Ahram Beverages Company, the result in euros was down slightly, due to the decrease of almost 40% in the value of the Egyptian pound.

The beer market in **Lebanon** was static and sales of Heineken and Amstel were satisfactory.

The unstable situation and low tourist

numbers in **Israel** kept the beer market weak and Tempo Beer Industries returned a lower result. Further cost savings were made.

In **Jordan**, Jordan Brewery's sales and result were slightly down on the year before.

The beer market in the **Gulf states**, the most attractive export markets in the region, softened a little, mainly due to the lack of tourists and the negative effect on purchasing power of the strong euro in making imports more expensive. As a consequence, our sales were slightly lower.





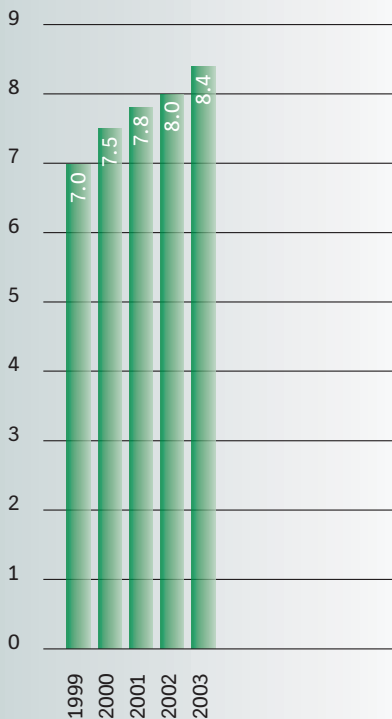
Asia/Pacific

After a difficult first half year, economic growth picked up in most markets. Our sales in the Asia/Pacific region increased from 8.0 million hectolitres to 8.4 million hectolitres. Sales of Heineken beer developed well, especially in Thailand and Vietnam.

Operations

Heineken has built a good position in this region. The main pillar supporting that position is Asia Pacific Breweries, a Singapore-based joint venture between Heineken and Fraser & Neave, which has interests in many breweries in the region. Heineken beer is brewed in several Asia Pacific breweries. Heineken has its own operating companies in Indonesia and on New Caledonia.

**Group volume
Asia/Pacific**
in millions of hectolitres



on the Chinese mainland as from 1 April 2004. The new company, Heineken Asia Pacific Breweries China (HAPBC), will combine all operations relating to the brewing and marketing of beer and other strategic activities, such as investments, mergers and acquisitions. Heineken will have a 46.1% indirect interest and Fraser & Neave a 43.9% indirect interest in HAPBC. This will make HAPBC more efficient and its commercial policy more effective and will achieve synergy gains in marketing and distribution. HAPBC will start producing Heineken beer locally from the first day, 1 April 2004. This will yield cost savings on import duties, create greater growth potential for the Heineken brand and ensure better utilisation of the available brewing capacity.

Via HAPBC, Heineken reached agreement in January 2004 on the acquisition of a minority interest in Guangdong Brewery Holdings, one of the most profitable listed Chinese brewers. Guangdong has two breweries and a third is under construction. Kingway, its principal brand, is sold not only in the province of Guangdong, which has a population of 85 million and is one of China's most prosperous provinces, but also in Hong Kong, Macau and Taiwan. The Heineken brand will benefit from the distribution network operated by Guangdong Brewery, which is making preparations to produce Heineken beer.

Market conditions

In the first half of 2003, the economy of the Asia/Pacific region suffered several setbacks, in the form of terrorist attacks on Bali and in Jakarta and the outbreak of Sars. The impact of this epidemic was mainly on China, Hong Kong, Taiwan, Vietnam and Singapore, but it also had a negative effect on a number of other countries. The economic situation improved a little from July 2003 onwards, but growth rates for most of the countries were lower than in recent years, ranging between 2% and 5%. Economic growth in China, however, turned out at around 8%.

Performance review by country

Beer sales in **China** were down. Our breweries are relatively strongly represented in the south of the country and in entertainment districts, where the impact of Sars was most marked. Hainan Asia Pacific Brewery's sales and result were slightly lower and Shanghai Asia Pacific Brewery, whose portfolio includes the Reeb Light and Tiger brands, also reported lower volume, but sales of imported Heineken beer were stable.

The process of consolidation in the Chinese beer market continued in 2003, and interests in Chinese breweries were acquired by several international brewers. The acquisition of a minority interest in Guangdong Breweries in early 2004

Imported Heineken beer is also available in several countries in the region and in some it is brewed under licence. Heineken beer has already secured a strong market position in Thailand, Vietnam, Hong Kong and Taiwan. Heineken has its own sales offices in Hong Kong, Taiwan, China, South Korea, Japan, Singapore and Australia.

In January 2004, Heineken and Asia Pacific Breweries reached agreement on the amalgamation of their operations



and the planned start of local production of Heineken beer this year will significantly strengthen Heineken's position in the fast-growing Chinese market and will improve both Heineken brand sales and profit margins. Heineken's position in China, which it sees primarily as a long-term growth market, is still modest. Further expansion in China will be pursued via local breweries, with their own brands and distribution networks in combination with the Heineken brand.

Heineken returned a weak performance in **Hong Kong**, where the economy has deteriorated over the past two years. Both sales volume and result were lower, reflecting the reduced purchasing power, increased competition from low-priced Chinese beers and the stronger euro. The Hong Kong beer market was also comparatively hard hit by the Sars epidemic.

In **Taiwan**, sales increased significantly. The premium segment, led by the Heineken brand, grew strongly.

In **Singapore**, Asia Pacific Breweries Singapore reported higher sales but a lower result.

In **Thailand**, Thai Asia Pacific Brewery's sales and result moved ahead strongly. The Thai economy performed well and the beer market grew 14%. Sales volume in the mainstream segment stabilised after a protracted decline over several years. The premium segment, in which Heineken is market leader by a considerable margin, continued to grow. Production capacity was expanded to meet the rising demand.



In **Cambodia**, both sales volume and result were sharply higher.

In **Malaysia**, Guinness Anchor Berhad achieved higher sales and an improved result. The brewery was able to maintain its market share, after having been under pressure in recent years. Guinness Anchor Berhad's good performance was due largely to the Tiger, Heineken and Anchor Ice brands.



In **Vietnam**, Vietnam Brewery's sales and result were significantly higher, with Heineken and Tiger performing particularly well. The beer market again recorded vigorous growth, adding 8%. Hatay Brewery, a new facility in the north owned by Asia Pacific Breweries, started production in October, with an initial capacity of 400,000 hectolitres. To complement Heineken and Tiger, Hatay Brewery also introduced Anchor draught beer. The draught segment accounts for 70% of the total Vietnamese beer market.

In **New Zealand**, DB Group reported slightly higher sales in a stable beer market and posted an improved result thanks to a better sales mix and cost control. Heineken and Monteith, the local premium beer, add permanent value to DB Group.

In **Papua New Guinea**, the economy remained weak and the beer market contracted a little. South Pacific Brewery's sales were also down slightly, but cost control yielded an improved result.

Sales in **Indonesia** were down. The beer market shrank 8%, due to the economic situation and the drop in tourist numbers in the wake of the terrorist

attacks on Bali and in Jakarta. Multi Bintang Indonesia lost only a little of its market share and the result improved, thanks to cost control at the Surabaya brewery. Further cost savings are still needed.

On **New Caledonia**, Grande Brasserie de Nouvelle-Caledonie posted significantly reduced sales and a lower result. As a consequence of a new law introduced in January 2003 which prohibits the sale of refrigerated beer, the total beer market has shrunk 20%.

Sales of Heineken beer in **Australia** witnessed rapid growth. Heineken's sponsorship of the Australian Open tennis tournament and the Rugby World Cup – both major and very popular events – made a valuable contribution to brand awareness and brand value. We are confident that the growth of the Heineken brand will continue to benefit from this momentum in 2004.

Sales in **Japan** were down slightly. The Japanese beer market was under pressure from the growing sales of low-priced Happoshu, a low-malt beer which attracts a lower rate of excise duty. The Heineken brand strengthened its position in prime on-trade locations. Heineken launched Buckler, a non-alcoholic beer, which has proved very successful.

In **South Korea**, Heineken opened a sales office in Seoul, which started operating in September 2003. Sales had previously been outsourced. We are convinced that, with our own sales and marketing team, we shall be better equipped to utilise the Heineken brand's growth potential in South Korea.

The beer market in **Kazakhstan** continued to grow and the Dinal LPP brewery, in which Heineken's interest was increased to 51% in 2002, reported slightly higher sales. Dinal's sales and result have been included in the consolidation since 1 January 2003. Amstel brand sales showed strong growth, but sales of the local Tian Shan brand were down slightly.

Financial Review

Net turnover and cost of sales

Net turnover rose by €773 million in 2003 to €9,255 million, an increase of 9%, of which first-time consolidations accounted for 8%. Organic growth in net turnover, reflecting improvements in the sales mix, higher selling prices and higher volume, amounted to 5%. This was offset by a 4% reduction in turnover due to lower exchange rates against the euro for the US dollar, the Nigerian naira, the Polish zloty and the Singapore dollar in particular.

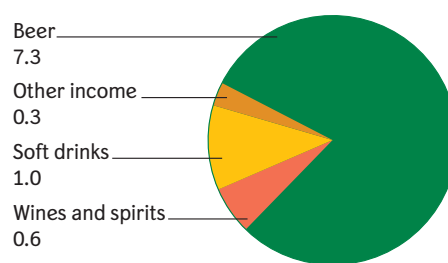
A number of companies were included in the consolidation for the first time in 2003. Karlsberg in Germany and Dinal in Kazakhstan were consolidated as from 1 January. CCU in Chile and Karlovacka in Croatia were consolidated (CCU proportionally and Karlovacka fully) as from 1 April. The BBAG group in Austria, which has businesses in Austria, Romania, Poland, Hungary and the Czech Republic, was consolidated as from 1 October. A number of beverage wholesalers were acquired in Italy, Poland and Switzerland.

There were two changes in the reporting rules in 2003 which affect the profit and loss account. Net turnover is reported excluding excise duties and all discounts directly attributable to turnover. The comparative figures for 2002 have been restated accordingly.

This change has no effect on the reported

Net turnover

in billions of euros



result. As from 2003, goodwill is capitalised and amortised. Goodwill of €1,124 million was capitalised and amortisation of €31 million was charged against the result.

Operating expenses rose 12% to €8,033 million, over half of this increase being accounted for by first-time consolidations. The cost-reducing effect of lower exchange rates was offset by a modest rise in raw material and packaging costs and a 7% increase in marketing and selling expenses, the latter amounting to 12.2% of net turnover in 2003, compared with 12.4% in 2002.

Staff costs were higher, reflecting the first-time consolidations and growth in the number of employees. The reduction in staff costs in Europe due to the lower staffing levels in the Netherlands was offset to some extent by rises in other regions, especially in Africa in connection

with the new brewery in Nigeria. Non-recurring reorganisation costs of €74 million were incurred in the Netherlands. Operating expenses also increased by €31 million by the first-time amortisation of goodwill.

Operating profit and net profit

The operating profit was 5% lower in 2003 at €1,222 million, compared with €1,282 million in 2002, mainly due to the amortisation of goodwill and the non-recurring reorganisation expenses in the Netherlands. The operating profit as a proportion of net turnover decreased from 15.1% to 13.2%.

New acquisitions made a positive contribution to operating profit of €45 million, before amortisation of goodwill of €31 million.

The negative effect of exchange rate movements on operating profit amounted to €88 million.

Income from non-consolidated participating interests increased by €53 million to €101 million, mainly due to extraordinary net income of €71 million from the sale of the 15% interest in Argentinean brewing group Quilmes.

Net interest charges rose €31 million to €140 million, largely reflecting additional interest expense in connection with loans raised to finance acquisitions, the debts

Operating profit and net profit

in millions of euros

	Operating profit	Net profit
2002	1,282	795
Organic growth	88	55
First-time consolidations	45	0
Amortisation of goodwill	- 31	- 31
Exchange effects	- 88	- 44
Reorganisation costs in the Netherlands	- 74	- 48
Book profit on Quilmes	-	71
2003	1,222	798

2003 2002 Change (%)

Turnover and costs

in millions of euros

Net turnover	9,255	8,482	9
Raw materials, consumables and services	5,557	5,029	10
Staff costs	1,832	1,642	12
Amortisation/depreciation and value adjustments	644	529	22
Total operating expenses	8,033	7,200	12
Operating profit	1,222	1,282	- 5

of these acquisitions which have been included in the consolidation and lower interest income on the reduced cash position.

Net profit rose by 0.4% to €798 million and net profit per share increased from €2.03 to €2.04.

The average tax burden decreased from 31.0% in 2002 to 29.5% in 2003, due mainly to several non-recurring tax assets in Greece and elsewhere.

Cash flow and investments

The cash flow from operating activities increased sharply from €1,184 million to €1,637 million, the net effect of higher

amortisation charges and a significant improvement in working capital management.

Net investments in tangible fixed assets in 2003 amounted to €611 million, compared with €696 million in 2002. In 2003, in addition to the substantial expenditure on the new brewery in Nigeria in 2002, another €95 million was invested. Furthermore major investments were made in Poland (€52 million), the Netherlands (€77 million), Spain (€75 million), France (€74 million) and Italy (€39 million).

A total of €1,344 million was invested in new acquisitions and expanding existing interests, compared with €1,222 million

in 2002. This related to BBAG (60%) in Austria, CCU (31%) in Chile, via the IRSA joint venture, the interest in Karlsberg (22.5%) in Germany, via the Brau Holding International joint venture, and Karlovacka (94%) in Croatia and the acquisition of several beverage wholesalers in Europe. Heineken N.V. advanced a subordinated loan of €160 million to Stichting Heineken Pensioenfonds to enable it to comply with the more onerous funding ratio requirements imposed by the Pensions and Insurance Supervisory Authority (PVK) in the Netherlands.

2003 2002 Change (%)

Operating profit and net profit

in millions of euros

Operating profit	1,222	1,282	- 5
Income of non-consolidated participating interests	101	48	110
Interest	- 140	- 109	28
Profit before tax	1,183	1,221	- 3
Taxation	- 319	- 364	4
Profit after tax	864	857	1
Minority interests	- 66	- 62	6
Net profit	798	795	0

2003 2002

Cash flow

in millions of euros

Cash flow from operating activities	1,637	1,184
Dividends paid	- 241	- 187
Cash flow from investing activities	- 2,080	- 1,973
	- 684	- 976
Borrowings	1,501	484
Repayments on loans	- 271	- 56
Other financing	3	- 1
	549	- 549

Financing and liquidity

Group equity increased from €3,030 million as at 31 December 2002 to €3,899 million as at 31 December 2003.

Shareholders' equity increased by €530 million, consisting of net profit of €798 million and revaluations of €41 million,

less exchange effects of €152 million and dividend of €157 million. As from 2003, goodwill is no longer charged against shareholders' equity.

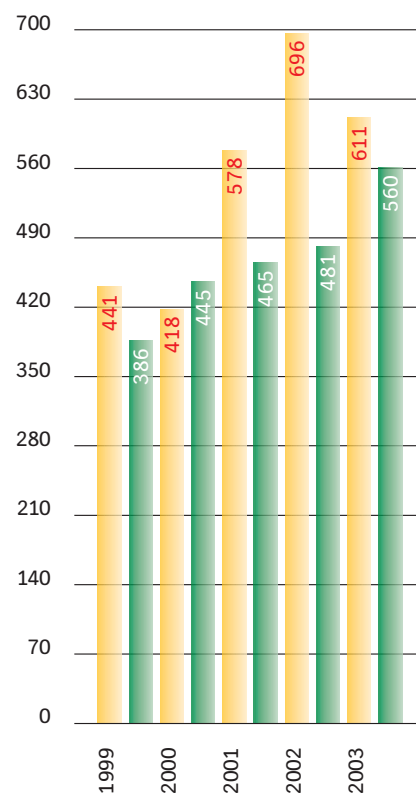
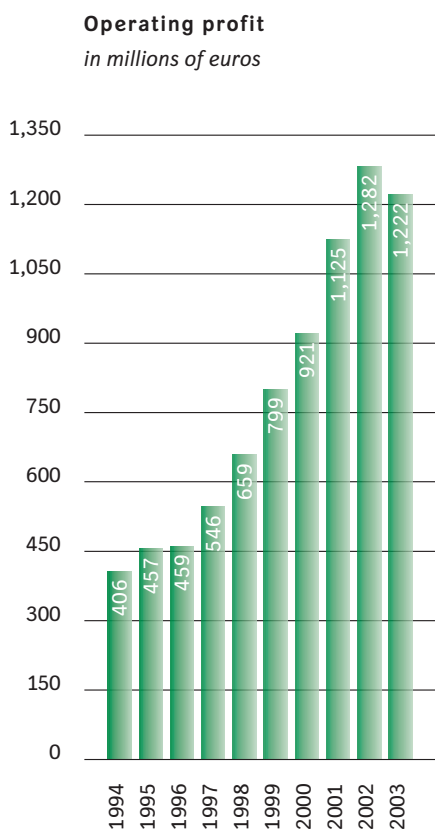
Minority interests in group equity increased significantly, from €393 million to €732 million, largely due to the first-time consolidation of BBAG in Austria and CCU in Chile.

There was also a sharp increase in the net debt position in 2003, which rose €951 million to €2,341 million, mainly reflecting the issue of two bond loans for a total of €1,100 million. Both loans were issued on 4 November 2003, one for €600 million with a coupon of 5.00% maturing in November 2013 and the other for €500 million with a coupon of 4.375% maturing in November 2010. A credit facility was also agreed with a syndicate of banks at an interest rate of 0.225 points over Euribor, which will expire in December 2008. As at 31 December 2003, none of this credit facility had been drawn down.

Tangible fixed assets, net investments and depreciation

in millions of euros

investments depreciation



Profit appropriation

Heineken N.V.'s net profit in 2003 amounted to €798 million. In accordance with Article 12 of the Articles of Association, the Annual General Meeting of Shareholders will be invited to appropriate an amount of €157 million for distribution as dividend. This proposed appropriation corresponds

2003 % 2002 %

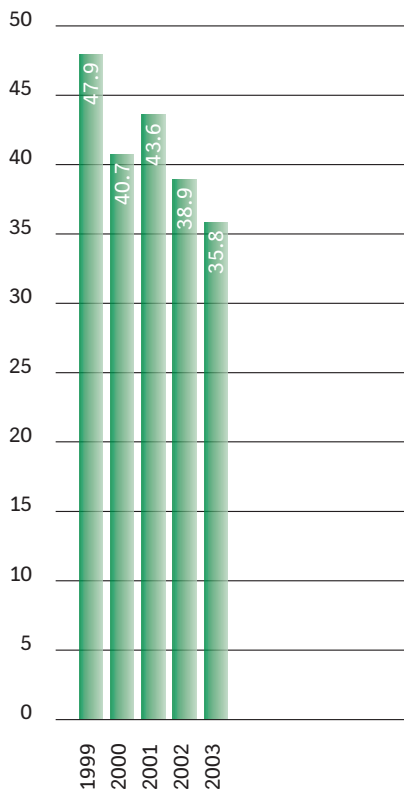
Financing structure

in millions of euros

Group equity	3,899	36	3,030	39
Deferred taxation	415	4	381	5
Other provisions	952	9	600	8
Liabilities	5,631	51	3,770	48
	10,897	100	7,781	100

Group equity

as a percentage of total assets



to a dividend of €0.40 per share of €2.00 nominal value, out of which an interim dividend of €0.16 was paid on 22 September 2003. The final dividend thus amounts to €0.24 per share. Dutch withholding tax at 25% will be deducted from the final dividend. It is proposed to add the remaining amount of €641 million to the retained profits.

Share split

Heineken N.V. 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 shares, by issuing five new shares of €1.60 nominal value for every four existing shares of €2.00 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.

Amsterdam, 24 February 2004

Ruys	Van Boxmeer
Bolland	Hooft Graafland



Financial Statements 2003



Consolidated Balance Sheet

before appropriation of profit
in millions of euros

31 December **2003**

31 December **2002**

Assets

Fixed assets

Intangible fixed assets	1,151	39
Tangible fixed assets	4,995	4,094
Financial fixed assets	1,122	835
	7,268	4,968
<i>Current assets</i>		
Stocks	834	765
Receivables	1,379	1,270
Securities	76	98
Cash	1,340	680
	3,629	2,813
	10,897	7,781

Equity and liabilities

Group equity

Shareholders' equity	3,167	2,637*
Minority interests in other group companies	732	393
	3,899	3,030
<i>Provisions</i>	1,367	981
<i>Liabilities</i>		
Long-term borrowings	2,721	1,215
Current liabilities	2,910	2,555*
	5,631	3,770
	10,897	7,781

* 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
Profit before tax	1,183	1,221
Taxation	- 319	- 364
Group profit after tax	864	857
Minority interests	- 66	- 62
Net profit	798	795
Number of shares in issue	391,979,675	391,979,675
Net profit per share	2.04	2.03

* Restated for comparison purposes

Consolidated Cash Flow Statement

in millions of euros

2003

2002

Cash flow from operating activities

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>	2,083	1,628
Interest paid and received	- 132	- 103
Taxation paid on profits	- 314	- 341
<i>Cash flow from operating activities</i>	1,637	1,184
Dividends paid	- 241	- 187
<i>Cash flow from operating activities less dividends paid</i>	1,396	997

Cash flow from investing activities

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
	- 2,080	- 1,973

Cash flow from financing activities

Long-term borrowings	1,501	484
Repayment of long-term borrowings	- 271	- 56
Share issue by group companies	3	- 1
	1,233	427

Net cash flow

	549	- 549
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Other cash movements

Changes in the consolidation	- 32	- 88
Exchange differences	15	- 36

Movement in net cash

	532	- 673
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The net cash position consists of

Cash	1,340	680
Securities	76	98
Bank overdrafts	- 679	- 573
Position as at 31 December	737	205

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

General

The financial statements and the report of the Executive Board 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 Cervecerias 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.

The financial information relating to Heineken N.V. has been included in the consolidated balance sheet and profit and loss account. Accordingly, the abridged presentation permitted by Section 402, Part 9, Book 2, of the Netherlands Civil Code has been used for the Heineken N.V. profit and loss account.

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

Consolidation

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.

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-euro zone 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-euro zone 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 lives are 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

Tangible fixed assets	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	–
Position as at 31 December 2003	4,995	1,772	2,050	982	191
<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	–
	4,995	1,772	2,050	982	191
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
Receivables		
<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	153	160
	1,379	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, mainly relating to letters of credit.

Shareholders' equity

Position as at 1 January	2,637	2,852
Exchange differences	- 152	- 107
Revaluations	41	32
Goodwill	-	- 778
Net profit for the year	798	795
Dividend	- 157	- 157
Position as at 31 December	3,167	2,637

Dividend relates to the final dividend for 2002 of €94 million and the interim dividend for 2003 of €63 million. For an analysis of shareholders' equity, reference is made to the balance sheet of Heineken N.V. as at 31 December 2003 on pages 82-83.

* The 2002 figures have been restated for comparison purposes

2003

2002

Minority interests

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

Long-term borrowings	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
	2,721	1,304	1,215	193

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 5.00%, 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
	3,761	2,169
Loans to non-consolidated participating interests	4	1
Securities	76	98
Cash	1,340	680
	1,420	779
Net interest-bearing debt position	2,341	1,390

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	223	250
Accruals and deferred income	417	303
	2,910	2,555

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.

* 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
	5,557	5,029

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
	1,837	1,648
Staff costs capitalised in connection with production of tangible fixed assets for use by the group	- 5	- 6
	1,832	1,642

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

* Restated for comparison purposes

2003

2002*

Number of employees

The average number of employees was:

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
Heineken N.V. and fully consolidated participating interests	49,133	41,257
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
Proportionally consolidated participating interests	12,138	6,980
Heineken N.V. and consolidated participating interests	61,271	48,237

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
	609	491
Value adjustments to other assets	35	38
	644	529

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.

* The 2002 figures have been 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	–
	101	48

Interest

Interest paid	– 180	– 146
Interest received	40	37
	– 140	– 109

Taxation

Taxation	– 319	– 364
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The taxation amounts to 29.5% (2002: 31.0%) of the profit before tax, excluding the results of non-consolidated participating interests.

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	29.5% 319	31.0% 364

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 ¹	
	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 turn over 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						
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

¹ 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
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 ¹		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											846	375
Total assets as per balance sheet											10,897	7,781
Total provisions and liabilities by region	4,228	3,118	1,306	380	616	340	669	731	179	182	6,998	4,751
Total liabilities as per balance sheet											6,998	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

¹ 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 profit and loss account and balance sheet 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
Revaluations/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		% interest
• 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 Exploitiemaatschappij 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 ¹	Linz (Austria)	60.3
Brewery Żywiec S.A.	Żywiec (Poland)	61.8
Heineken Ireland Ltd. ²	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. ¹	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.

		% interest
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. ¹	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. ¹	Windhoek (Namibia)	14.5
Cervecerias Kaiser Brasil S.A.	São Paulo (Brazil)	20.0

¹ Acquired in 2003

² 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.

Balance Sheet of Heineken N.V.

before proposed appropriation of profit
in millions of euros

31 December **2003**

31 December **2002**

Assets

Fixed assets

Financial fixed assets

3,832

2,550

Current assets

Receivables

8

2

Cash

574

216

582

218

4,414

2,768

Equity and liabilities

Shareholders' equity

Issued share capital

784

784

Legal reserve

114

103*

Revaluation reserve

398

414*

Retained profit

1,871

1,336*

3,167

2,637

Liabilities

Long-term borrowings

1,161

68

Current liabilities

86

63*

1,247

131

4,414

2,768

* Restated for comparison purposes

● Profit and Loss Account of Heineken N.V.

in millions of euros

	2003	2002
Net profit of group companies	819	792
Other revenues and expenses	- 21	3
Net profit according to the consolidated profit and loss account	798	795

Notes to the Balance Sheet and Profit and Loss Account of Heineken N.V. for 2003

General

The amounts disclosed in the notes are in millions of euros unless otherwise indicated. The aggregate amounts referred to in Section 383, subsection 1, Part 9, Book 2, of the Netherlands Civil Code, in respect of the remuneration, pensions etc. of existing and former members of the Executive Board and of existing and former members of the Supervisory Board disbursed by the company were as follows:

	2003	2002
Executive Board members	3.4	7.5
Supervisory Board members	0.3	0.3

Remuneration

The remuneration of the members of the Executive Board comprises a fixed component and a variable component, made up of an annual profit-sharing bonus and a long-term bonus. The profit-sharing bonus is determined individually by the Supervisory Board. The long-term bonus is linked to the issue of bonus shares or recapitalisation by Heineken N.V., which, in the past, has occurred on average once every three years.

Pensions

The pensions of the Executive Board members are administered by Stichting Heineken Pensioenfonds. In 2003, €470,000 (2002: €68,000) was charged to the company in respect of pension contributions.

Shares

As at 31 December 2003, the members of the Executive Board did not hold any of the company's shares, convertible bonds or option rights. One of the Executive Board members held 632 shares of Heineken Holding N.V. as at 31 December 2003.

Supervisory Board

The individual members of the Supervisory Board received the following remuneration:

<i>in thousands of euros</i>	2003	2002
J.M. de Jong ¹	45	31
M. Das	38	38
J. Loudon ³	12	38
H. de Ruiter	38	38
M.R. de Carvalho	38	38
A.H.J. Risseeuw	38	38
J.M. Hessels	38	38
C.J.A. van Lede ¹	38	26
R. Hazelhoff ²	–	14
A. Maas ²	–	12
L. van Vollenhoven ²	–	12

¹ Appointed 25 April 2002

² Retired 25 April 2002

³ Retired 24 April 2003

As at 31 December 2003, the Supervisory Board members did not hold any of the company's shares, convertible bonds or option rights. Two Supervisory Board members together held 7,600 shares of Heineken Holding N.V. as at 31 December 2003.

Executive Board remuneration

in thousands of euros

	Fixed		Annual bonus		Long-term bonus		Pension plan		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
A. Ruys	543	506	455	426	–	–	–	–	998	932
M.J. Bolland	358	358	277	277	–	–	–	–	635	635
J.F.M.L. van Boxmeer	358	358	277	277	–	–	–	–	635	635
D.R. Hooft Graafland ¹	358	239	277	185	–	–	–	–	635	424
S.W.W. Lubsen ²		358		412	–	–	–	1,856		2,626
K. Vuursteen ³		181		152		1,000		804		2,137

¹ Remuneration since appointment as member of the Executive Board on 2 May 2002

² Retired on 31 December 2002

³ Retired on 25 April 2002

Accounting policies for the valuation of assets and liabilities and for the determination of results

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 direct to shareholders' equity. If the goodwill had been charged to shareholders' equity in 2003 as in previous years, shareholders' equity 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 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.

Comparative figures

The presentation of the balance sheet before profit appropriation 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.

Financial fixed assets

Shares in group companies are carried at net asset value calculated in accordance with the accounting policies for the valuation of assets and liabilities.

Other assets and liabilities

Amounts receivable from group companies are stated at face value. Also stated at face value are other amounts receivable, cash, long-term borrowings and current liabilities.

Goodwill

Goodwill arising on acquisitions is calculated as the difference between the cost of the acquisition and its net asset value. 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.

Shareholders' equity

Exchange differences

Movements in exchange rates which affect foreign investments are accounted for in the statutory reserve, the revaluation reserve or the retained profit reserve.

Statutory reserve

This reserve relates to the net profit of participating interests over the distribution of which Heineken does not have control. The movement in the statutory reserve reflects retained profits of participating interests, exchange differences and dividends received.

Financial fixed assets

	Group companies		
	Total	Shares	Receivables
Position as at 1 January 2003*	2,550	603	1,947
Revaluations	- 112	- 112	-
Net profit of group companies	819	819	-
Dividend payments by group companies	- 315	- 315	-
Other movements	890	-	890
Position as at 31 December 2003	3,832	995	2,837

* Restated for comparison purposes

- Notes to the Balance Sheet and Profit and Loss Account of Heineken N.V. for 2003

	2003	2002
Receivables		
Amounts receivable	8	2
Of the amounts receivable, €6 million falls due within one year.		
Cash		
Short-term cash deposits	574	216
Shareholders' equity		
Issued capital	784	784
The issued share capital comprises 391,979,675 shares of €2.00 nominal value and the authorised share capital is €2.5 billion.		

Notes to the Balance Sheet and Profit and Loss Account of Heineken N.V. for 2003

Shareholders' equity	Issued	Statutory	Revaluation	Retained	Total*
	capital	reserve	reserve	profits	
Position as at 1 January 2002	784	79	426	1,563	2,852
Exchange differences	–	– 8	– 17	– 82	– 107
Goodwill	–	–	–	– 778	– 778
Revaluations	–	–	32	–	32
Realised revaluations	–	–	– 27	27	–
Net profit for the year	–	45	–	750	795
Released	–	– 13	–	13	–
Dividend	–	–	–	– 157	– 157
Position as at 31 December 2002	784	103	414	1,336	2,637
Position as at 1 January 2003	784	103	414	1,336	2,637
Exchange differences	–	– 14	– 22	– 116	– 152
Revaluations	–	–	41	–	41
Realised revaluations	–	–	– 35	35	–
Net profit for the year	–	37	–	761	798
Released	–	– 12	–	12	–
Dividend	–	–	–	– 157	– 157
Position as at 31 December 2003	784	114	398	1,871	3,167

The dividend figure in both years relates to a final dividend of €94 million and an interim dividend of €63 million.

* The 2002 figures have been restated for comparison purposes

2003

2002

Long-term borrowings

	Total	More than 5 years	Total	More than 5 years
<i>Amounts falling due after more than one year relate to:</i>				
Private loan, in €, interest rate 5.84% redeemable 2 June 2006	68	–	68	–
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		
	1,161	1,093	68	–

Current liabilities

<i>Amounts falling due within one year relate to:</i>				
Taxation	69		59	
Other creditors	17		4	
		86		63

Off-balance-sheet commitments

	Third parties	Group companies	Third parties	Group companies
Declarations of joint and several liability	–	836	–	780

Amsterdam, 24 February 2004

Supervisory Board

Executive Board

De Jong
Das
de Carvalho
De Ruiter

Risseeuw
Hessels
Van Lede

Ruys
Bolland
Van Boxmeer
Hooft Graafland



Other Information

Auditors' Report

Introduction

We have audited the 2003 financial statements of Heineken N.V., Amsterdam, as included on pages 52–84 of this report. The 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. These standards require that we plan and perform the audit to obtain reasonable assurance that 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. An audit also includes assessing the accounting

policies 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 policies generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2, of the Netherlands Civil Code.

Amsterdam, 24 February 2004
KPMG Accountants N.V.

Appropriation of Profit

Article 12, paragraph 4, of the Articles of Association stipulates:

'From the net profit there shall first be distributed, if possible, six per cent dividend on the issued part of the authorised share capital. The amount then remaining shall be at the disposal of the General Meeting of Shareholders.'

It is proposed to appropriate €157 million of the net profit for payment of dividend and to add €641 million to the retained profits.

Special Rights pursuant to the Articles of Association

Article 7, paragraph 2, of the Articles of Association reads:

'The appointment of the members of the Executive Board and of the Supervisory Board shall be made by the General Meeting of Shareholders from a binding nomination of at least two persons to be drawn up for each appointment by the Supervisory Board.'

Heineken N.V. is not a 'structuurvennootschap' within the meaning of Sections 152–164 of the Netherlands Civil Code.

Heineken Holding N.V., a company listed on Euro-next Amsterdam, holds 50.005% of the shares of Heineken N.V.

Authorised Capital

The company's authorised capital amounts to €2.5 billion.

Events after Balance Sheet Date

Since the balance sheet date, Heineken has acquired the remaining 28.65% of the outstanding shares of Brau-Beteiligungsgesellschaft (BBAG), 70.53% of the outstanding BBAG participation certificates and 30.36% of the outstanding shares of Brau Union Aktiengesellschaft (BUAG) for a total of €720 million.

On 9 January 2004, Heineken announced that its operations in China were being combined with those of its participating interest Asia Pacific Breweries and would continue as Heineken Asia Pacific Breweries China Pte. Ltd. (HAPBC) as from 1 April 2004.

On 28 January 2004, Heineken signed an agreement to acquire an interest of approximately 21% in Guangdong Brewery Holdings Ltd. (Guangdong Brewery) via its participating interest in Heineken Asia Pacific Breweries China Pte. Ltd. This transaction amounts to €28.5 million.

On 28 January 2004, Heineken announced that it had signed heads of agreement on the sale of its wholly owned subsidiary Glas Moerdijk, debt-free, to Rexam Beverage Packaging Euro Holding B.V., for €43 million.

Information for Shareholders

Heineken N.V.

Heineken N.V. shares and options are traded on Euronext Amsterdam, where the company is included in the main AEX index. In 2003, the average daily volume of trade was 1,046,706 shares. Heineken N.V. is not a 'structuurvennootschap' within the meaning of the Netherlands Civil Code. Consequently, decisions on all important matters are taken by the General Meeting of Shareholders.

Market capitalisation

On 31 December 2003, there were 391,979,675 shares of €2.00 nominal value in issue. At a closing price of €30.19, the market capitalisation of Heineken N.V. on 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

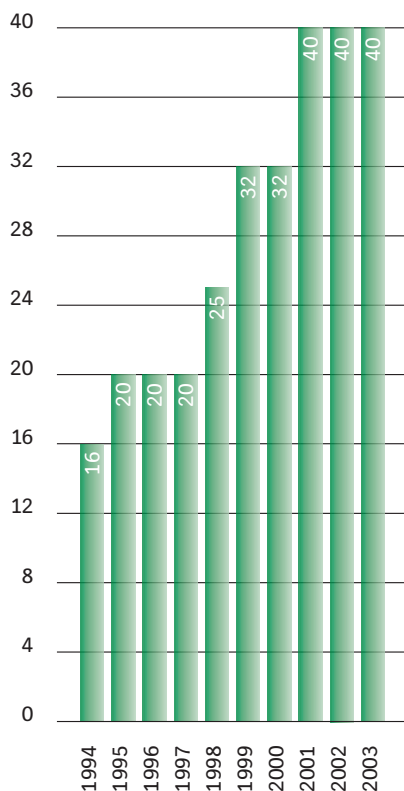
Within Heineken N.V. there are established rules governing the disclosure of transactions in shares of Heineken N.V. and Heineken Holding N.V. that are applicable to the members of the Supervisory Board and the Executive Board, to other managers and staff who might be in possession of price-sensitive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

Dividend per share

in euro cents

after restatement for

recapitalisation and share split



Heineken N.V. share price

in euros

Euronext Amsterdam

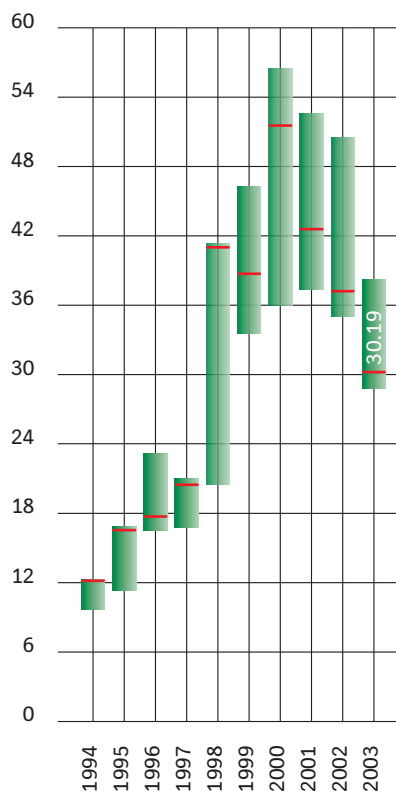
after restatement for

recapitalisation and share split

share price range closing price

Average trade in 2003:

1,046,706 shares per day



Major Holdings in Listed Companies Disclosure Act
Pursuant to the Major Holdings in Listed Companies Disclosure Act, Heineken Holding N.V., Amsterdam, 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 the company's material interest.

Heineken Holding N.V.

The A shares of Heineken Holding N.V. are traded on Euronext Amsterdam. Options on A shares of Heineken Holding N.V. 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' within the meaning of the Netherlands Civil Code. Consequently, decisions on all important matters are taken by the General Meeting of Shareholders.

Market capitalisation

On 31 December 2003, the following numbers of shares were in issue:

- 193,384,478 A shares of €2.00 nominal value
- 2,625,000 B shares of €2.00 nominal value
- 250 priority shares of €2.00 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. was €5.3 billion as at balance sheet date.

Year-end price	€27.13	31 December 2003
High	€30.22	3 September 2003
Low	€22.94	13 February 2003

Rules concerning insider dealing

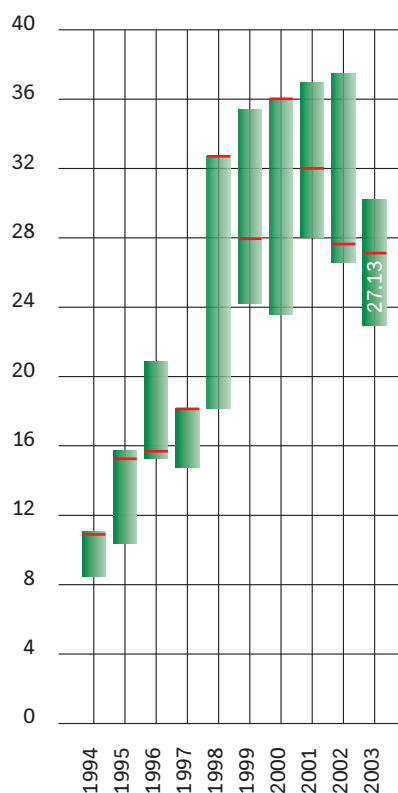
Within Heineken Holding N.V. there are established rules governing the disclosure of transactions in shares of Heineken N.V. and Heineken Holding N.V. that are applicable to the members of the Management Board and to a number of permanent advisers and employees.

Major Holdings in Listed Companies Disclosure Act
Pursuant to the Major Holdings in Listed Companies Disclosure Act, l'Arche Holding S.A., has disclosed an interest of 50.005% and Greenfee B.V. has disclosed an interest of 6.8% in Heineken Holding N.V.

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

— share price range — closing price

Average trade in 2003:
197,175 shares per day



- Information for Shareholders

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.

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

Announcement of figures for 2003	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 N.V. and Heineken Holding N.V.

Further information on Heineken N.V. is obtainable from the Corporate Communication and/or Investor Relations Department, telephone +31 20 5239239, or by e-mail: investors@heineken.com.

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 020-523 92 39 or by e-mail: investors@heineken.com. The website www.heinekeninternational.com also carries further information about both Heineken N.V. and Heineken Holding N.V.

● Historical Summary

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Turnover and profit in millions of euros										
Net turnover	9,255	8,482	7,637	6,766	5,973	5,347	5,174	4,646	3,830	3,674
Operating profit	1,222	1,282	1,125	921	799	659	546	459	457	406
Operating profit BEIA*	1,327	1,282	1,125	921	799	659	546	459	457	406
as % of net turnover	14.3	15.1	14.7	13.6	13.4	12.3	10.6	9.9	11.9	11.1
as % of total assets	12.2	16.4	15.6	14.6	13.3	12.4	10.7	9.5	10.4	10.0
Interest cover ratio	9.5	12.2	16.5	14.8	20.8	63.1	46.9	40.9	–	–
Net profit	798	795	767	621	516	445	345	297	301	300
Net profit BEIA*	806	795	715	621	516	445	345	297	301	274
as % of shareholders' equity	25.4	30.1	25.9	25.9	19.7	19.4	14.9	14.5	14.0	13.9
Dividend	157	157	157	125	125	100	80	80	80	64
as % of net profit	19.7	19.7	20.5	20.1	24.2	22.4	23.1	26.8	26.4	21.3
Bonus shares in millions of euros										
Increase in share capital	–	–	73	–	–	142	–	–	114	–
Cash payment	–	–	–	–	–	16	–	–	13	–
Distribution from reserves	–	–	73	–	–	158	–	–	127	–
Percentage increase	–	–	10	–	–	25	–	–	25	–
Per share of €2.00 in euros										
Cash flow from operating activities	4.18	3.02	2.97	2.64	2.39	2.25	1.92	1.38	1.63	1.79
Net profit BEIA*	2.06	2.03	1.82	1.58	1.32	1.14	0.88	0.76	0.77	0.70
Dividend	0.40	0.40	0.40	0.32	0.32	0.25	0.20	0.20	0.20	0.16
Shareholders' equity	8.08	6.73	7.04	6.11	6.68	5.87	5.91	5.23	5.48	5.04
Bonus shares (nominal value)	–	–	0.23	–	–	0.57	–	–	0.57	–
Cash payment	–	–	–	–	–	0.06	–	–	0.06	–
Cash flow statement in millions of euros										
Cash flow from operating activities	1,638	1,184	1,165	1,035	935	882	753	539	640	703
Dividend	241	187	168	160	112	114	94	93	93	77
Investments	2,081	1,973	783	1,503	527	728	439	840	344	334
Financing	1,223	427	–39	335	–13	80	36	111	–70	–179
Net cash flow	549	–549	175	–293	283	120	255	–283	133	113

* Before exceptional items and amortisation of goodwill

● Historical Summary

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Financing in millions of euros										
Share capital	784	784	784	711	711	711	569	569	569	455
Reserves	2,383	1,853	1,974	1,685	1,907	1,588	1,747	1,479	1,579	1,521
Shareholders' equity	3,167	2,637	2,758	2,396	2,618	2,299	2,316	2,048	2,148	1,976
Minority interests	732	393	381	124	248	256	182	186	157	160
Group equity	3,899	3,030	3,139	2,520	2,866	2,555	2,498	2,234	2,305	2,136
Provisions	1,367	981	1,024	976	770	733	769	734	637	619
Long-term borrowings	2,721	1,215	797	875	490	522	412	359	192	228
Current liabilities	2,910	2,555	2,235	1,892	1,860	1,460	1,384	1,462	1,187	1,010
Liabilities	5,631	3,770	3,032	2,767	2,350	1,982	1,796	1,821	1,379	1,238
Total equity and liabilities	10,897	7,781	7,195	6,263	5,986	5,270	5,063	4,789	4,321	3,993
Group equity/borrowed capital	0.56	0.64	0.77	0.67	0.92	0.94	0.97	0.87	1.14	1.15
Employment of capital in millions of euros										
Intangible fixed assets	1,151	39	13	–	–	–	–	–	–	–
Tangible fixed assets	4,995	4,094	3,592	3,250	2,964	2,605	2,521	2,452	2,086	2,076
Financial fixed assets	1,122	835	531	615	422	490	429	380	335	293
Fixed assets	7,268	4,968	4,136	3,865	3,386	3,095	2,950	2,832	2,421	2,369
Stocks	834	765	692	550	490	452	466	447	360	312
Receivables	1,379	1,270	1,192	1,024	903	775	799	771	563	522
Cash and securities	1,416	778	1,175	824	1,207	948	848	739	977	790
Current assets	3,629	2,813	3,059	2,398	2,600	2,175	2,113	1,957	1,900	1,624
Total assets	10,897	7,781	7,195	6,263	5,986	5,270	5,063	4,789	4,321	3,993
Group equity/fixed assets	0.54	0.61	0.76	0.65	0.85	0.83	0.85	0.79	0.95	0.90
Current assets/current liabilities	1.25	1.10	1.37	1.27	1.40	1.49	1.53	1.34	1.60	1.61

Operating Companies and Participating Interests

as at 27 February 2004

Export offices are not shown

Europe

Country	Company	Location	Brands
Austria	Brau Union Österreich (93.4%)	Schwechat, Wieselburg, Göss, Zipf, Puntigam, Kaltenhauser, Falkenstein	Zipfer, Gösser, Kaiser, Puntigamer, Schlossgold, Edelweiss
Belgium	Affligem Brouwerij BDS (100%)	Opwijk	Affligem
Bulgaria	Zagorka Brewery (48.6%)	Stara Zagora, Sofia	Zagorka, Amstel, Ariana
Croatia	Karlovacka Pivovara (94.4%)	Karlovac	Karlovačko
Czech Republic	Starobrno (91.2%)	Brno, Znojmo	Starobrno
France	Heineken France (100%)	Marseilles, Mons-en-Baroeul, Schiltigheim, St. Omer	Heineken, Amstel, Buckler, Pelforth, Murphy's Irish Stout, Kriska, "33" Export, Fischer, Desperados, Adelscott, St. Omer, Dorelei
Germany	Paulaner Brauerei (25%)	Munich, Rosenheim	Paulaner, Paulaner Weissbier, Hacker-Pschorr
Germany	Kulmbacher Brauerei (31%)	Kulmbach, Plauen, Chemnitz	Kulmbacher, Sternquell-pils, Mönchshof
Germany	Karlsberg (22.5%)	Homburg, Koblenz	Karlsberg, UrPils, Mixery, Desperados
Greece	Athenian Brewery (98.8%)	Athens, Patras, Thessaloniki	Heineken, Amstel, Buckler, Murphy's Irish Stout, Alfa
Hungary	Amstel Brewery Hungary (100%)	Komárom	Heineken, Amstel, Buckler, Talléros, Fregatt, Zlatý Bažant
Hungary	Brau Union Hungaria (79.8%)	Sopron, Martfü	Schlossgold, Gösser, Kaiser, Soproni Ászok
Ireland	Heineken Ireland (100%)	Cork	Heineken, Amstel, Murphy's Irish Stout, Coors Light
Italy	Heineken Italia (100%)	Aosta, Bergamo, Cagliari, Massafra, Messina, Pedavena	Heineken, Amstel, Murphy's Irish Stout, Dreher, Birra Messina, McFarland, Sans Souci, Ichnusa, Birra Moretti, Classica von Wunster, Prinz, Budweiser
Kazakhstan	Dinal (51%)	Almaty	Tian Shan, Amstel
Macedonia	Pivara Skopje (27.6%)	Skopje	Skopsko, Star Lisec
Netherlands	Heineken Nederland (100%)	's-Hertogenbosch, Zoeterwoude	Heineken, Amstel, Lingen's Blond, Murphy's Irish Red, Wieckse, Vos
Netherlands	Brand Bierbrouwerij (100%)	Wijlre	Brand
Norway	Hansa Borg Bryggerier (licence)	Kokstad	Heineken
Poland	Grupa Żywiec (61.8%)	Żywiec, Elblag, Warka, Leżajsk, Cieszyn	Heineken, Żywiec, Warka, Leżajsk, Specjal, Tatra
Poland	Brau Union Polska (93.4%)	Warsaw, Bydgoszoz	Królewskie, Kujawiak
Romania	Brau Union Romania (89.2%)	Arad, Bucharest, Constanta, Craiova, Hateg, Mircurea Ciuc, Reghin	Goldenbräu, Ciuc, Bucegi, Hategana, Gambrinus, Silva, Harhita, Schlossgold, Gösser
Russia	Heineken Brewery LLC (100%)	St. Petersburg	Heineken, Botchkarov, Ochota, Löwenbräu

- Operating Companies and Participating Interests

Europe

Country	Company	Location	Brands
Slovakia	Heineken Slovensko (100%)	Hurbanovo, Nitra	Zlatý Bažant, Amstel, Kelt, Corgon, Martiner, Gemer
Spain	Heineken España (98.1%)	Madrid, Valencia, Seville, Jaen, Arano	Heineken, Cruzcampo, Amstel Aguila, Buckler, Murphy's Irish Red, Guinness, Kaliber, Legado de Yuste
● Sweden	Spendrups (licence)	Grängesberg	Heineken
Switzerland	Heineken Switzerland (100%)	Chur	Heineken, Amstel, Murphy's Irish Stout, Calanda, Haldengut

The Americas

Argentina	Companias Cervecerias Unidas Argentina S.A. (24.6%)	Salta, Santa Fe	Heineken, Budweiser, Schneider, Salta, Santa Fe, Cordoba, Rosario
Bahamas	Commonwealth Brewery (53.2%)	Nassau	Heineken, Kalik, Guinness, Vitamalt
● Brazil	Cervejarias Kaiser Brasil S.A. (20%)	Feira de Santana, Gravatai, Jacarei, Ponta Grossa, Queimados, Pacatuba, Araraguara, Manous, Cuiabá, Ribeirã, Preto	Heineken, Kaiser, Santa Cerva, Bavaria, Summer, Xingu
Chile	Companias Cervecerias Unidas S.A. (30.8%)	Santiago, Temuco, Antofagasta	Heineken, Cristal, Escudo
● Costa Rica	Cerveceria Costa Rica (25%)	San José	Heineken, Imperial, Pilsen, Bavaria, Rock Ice
● Dominican Republic	Cerveceria Nacional Dominicana (9.3%)	Santo Domingo	Heineken, Presidente
● Haiti	Brasserie Nationale d'Haiti (22.5%)	Port-au-Prince	Prestige, Guinness, Malta
● Jamaica	Desnoes & Geddes (15.5%)	Kingston	Heineken, Red Stripe, Dragon Stout, Guinness
Martinique	Brasserie Lorraine (83.1%)	Lamentin	Lorraine, Porter, Malta
Netherlands Antilles	Antilliaanse Brouwerij (56.3%)	Willemstad	Amstel, Amstel Bright, Coral, Malta
● Nicaragua	Compania Cervecera Centroamericano (12%)	Managua	Victoria, Tona
Panama	Cervecerias Barú-Panama (74.5%)	Panama City, David	Panama, Soberana, Cristal, Guinness
St. Lucia	Windward & Leeward Brewery (72.7%)	Vieux-Fort	Heineken, Piton, Guinness
Surinam	Surinaamse Brouwerij (76.1%)	Paramaribo	Parbo

Africa/Middle East

Country	Company	Location	Brands
● Angola	Nocal (27.1%)	Luanda	Nocal
● Angola	EKA (45.8%)	Dondo	EKA
Burundi	Brarudi (59.3%)	Bujumbura, Gitega	Amstel, Primus
● Cameroon	Brasseries du Cameroun (8.8%)	Bafoussam, Douala, Garoua, Yaoundé	Amstel, Mützig
Chad	Brasseries du Logone (100%)	Moundou	Gala, Chari, Maltina
Congo	Brasseries du Congo (50%)	Brazzaville, Pointe Noire	Amstel, Mützig, Primus, Guinness, Ngok, Turboking, Maltina
Democratic Republic of Congo	Bralima (94.3%)	Boma, Bukavu, Kinshasa, Kisangani, Mbandaka, Lubumbashi	Amstel, Primus, Mützig, Guinness, Turboking, Maltina
Egypt	Al Ahram Beverages Company (99.9%)	El Obour, Sharka, Badr, Gianarlis	Heineken, Stella, Fayrouz, Birell, Sakara, Meister
Ghana	Ghana Breweries (75.6%)	Kumasi, Accra	Amstel Malta, Star, Gulder, ABC Golden Buba, ABC Golden Lager, ABC Stout
● Israel	Tempo Beer Industries (17.8%)	Netanya	Heineken, Maccabee, Gold Star, Neshet, Malt Star
● Jordan	General Investment (10.8%)	Zerka	Amstel
Lebanon	Almaza (67%)	Beirut	Amstel, Almaza, Laziza
● Morocco	Brasseries du Maroc (2.2%)	Casablanca, Fès, Tanger	Heineken
● Namibia	Namibia Breweries (14.5%)	Windhoek, Swakopmund	Windhoek, Guinness
Nigeria	Nigerian Breweries (54.2%)	Aba, Enugu, Ibadan, Kaduna, Lagos	Amstel Malta, Maltina, Star, Gulder, Legend
● Nigeria	Consolidated Breweries (24.8%)	Jjebu Ode, Owe Omamma	"33" Export, Hi-malt
Réunion	Brasseries de Bourbon (85.6%)	Saint Denis	Bourbon, Dynamalt, 974
Rwanda	Bralirwa (70%)	Gisenyi, Kigali	Amstel, Primus, Mützig, Guinness
● Sierra Leone	Sierra Leone Brewery (42.5%)	Freetown	Heineken, Star, Guinness, Maltina
● South Africa	South African Breweries-Miller (licence)	Cape Town, Durban, Johannesburg	Amstel

- Operating Companies and Participating Interests

Asia/Pacific

Country	Company	Location	Brands
Cambodia	Cambodia Brewery (33.7%)	Phnom Penh	Tiger, Anchor, Gold Crown, ABC Stout
China	Shanghai Asia Pacific (40.9%)	Shanghai	Tiger, Reeb
China	Hainan Asia Pacific (42.2%)	Haikou	Tiger, Anchor, Aoke
China	Guangdong Brewery (21%)	Shenzhen	Kingway
Indonesia	Multi Bintang Indonesia (84.5%)	Tangerang, Sampang Agung	Bintang, Guinness
● Japan	Kirin (licence)	Tokyo	Heineken, Buckler
● Malaysia	Guinness Anchor Berhad (10.7%)	Kuala Lumpur	Heineken, Tiger, Guinness, Anchor Ice, Baron's, Kilkenny
New Caledonia	Grande Brasserie de Nouvelle Calédonie (87.3%)	Noumea	Number One, Havannah
New Zealand	DB Breweries (32.5%)	Greymouth, Mangatainoka, Otahuhu, Timaru	Heineken, DB Draft, Murphy's Irish Stout, Export Gold, Export Dry, Tui, Monteith's, Amstel
Papua New Guinea	SP Brewery (31.9%)	Port Moresby, Lae	SP Lager, South Pacific Export Lager, Niugini Ice
Singapore	Asia Pacific Breweries (42.2%)	Singapore	Heineken, Tiger, Anchor, ABC Stout, Baron's
● Tahiti	Brasserie de Tahiti (licence)	Papeete	Heineken
● Thailand	Thai Asia Pacific Brewery (14.8%)	Bangkok	Heineken
Vietnam	Vietnam Brewery (25.3%)	Ho Chi Minh City	Heineken, Tiger, Bivina
Vietnam	Hatay Brewery (42.2%)	Hatay	Heineken, Tiger, Anchor Draft

• Colophon

A Heineken N.V. publication

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Cover illustration
Heineken France campaign

Translation
Mac Bay Consultants

*Graphic design
and electronic publishing*
Design Studio Hans Kentie BNO

Colour separations
NerocVGM

Printing
Boom Planeta

Binding
Hexspoor

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