

Supervisory Board

> as at 21 February 2005

Cees (C.J.A.) van Lede (1942)

Dutch nationality; male
Appointed in 2002;
next reappointment in 2006
Chairman (2004)
Profession: Company Director

Supervisory directorships

Dutch stock listed companies:

- Akzo Nobel N.V.
- Royal Philips Electronics N.V.
- Reed Elsevier Group

Other:

- Sara Lee Corporation
- Air Liquide S.A.
- Air France / KLM

Maarten (M.) Das (1948)

Dutch nationality; male
Appointed in 1994
Latest reappointment in 2001;
next reappointment in 2005
Delegated Member (1995)
Profession: Lawyer
Partner of Loyens & Loeff N.V.

Supervisory directorships

Dutch stock listed companies: none

Other:

- Greenfee B.V. (Chairman)
- Other posts: *
- Heineken Holding N.V. (Chairman)
 - Stichting Administratiekantoor Piores
 - LAC B.V.

Jan Maarten (J.M.) de Jong (1945)

Dutch nationality; male
Appointed in 2002;
next reappointment in 2006
Vice-Chairman (2004)
Profession: Banker

Supervisory directorships

Dutch stock listed companies:

- Nutreco Holding N.V.

Other:

- Banca Antonveneta SpA, Italy
- CRH plc, Ireland
- AON Groep Nederland, B.V.

Michel (M.R.) de Carvalho (1944)

British nationality; male
Appointed in 1996
Latest reappointment in 2003;
next reappointment in 2007
Profession: Banker
Investment Banking (Vice-Chairman)
Citigroup Inc., United Kingdom

Supervisory directorships

Dutch stock listed companies: none

Other: none

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

Ton (A.H.J.) Risseuw (1936)

Dutch nationality; male
Appointed in 2000
Latest reappointment in 2004;
will retire in 2007
Profession: Company Director

Supervisory directorships

Dutch stock listed companies:

- KPN N.V. (Chairman)
- Samas-Groep NV (Chairman)

Other:

- TNO
- Blokker Holding B.V.
- Intergamma B.V.
- Groeneveld B.V.

Jan Michiel (J.M.) Hessels (1942)

Dutch nationality; male
Appointed in 2001;
next reappointment in 2005
Profession: Company Director

Supervisory directorships

Dutch stock listed companies:

- Euronext N.V. (Chairman)
- Royal Philips Electronics N.V.
- Fortis N.V.
- Royal Vopak N.V. (until April 2005)

Other:

- Amsterdam Schiphol Group N.V.
- Schiphol Area Development Company – SADC (Chairman)
- S.C. Johnson Europlant N.V. (Chairman)

Board memberships mentioned under 'Other' only list other major board memberships.

The Supervisory Board members do not hold shares in Heineken N.V.

Report of the Supervisory Board

To the shareholders

Financial statements and profit appropriation

The Executive Board has submitted its financial statements for 2004 to the Supervisory Board. These financial statements can be found on pages 80-113 of this annual report. KPMG Accountants N.V. audited the financial statements. Their report appears on page 116.

The Supervisory Board recommends that shareholders, in accordance with the Articles of Association, adopt these financial statements and, as proposed by the Executive Board, appropriate €196 million of the profit as dividend and add the remainder, amounting to €341 million, to retained profits. The proposed dividend amounts to €0.40 per share of €1.60 nominal value, of which €0.16 was paid as interim dividend on 21 September 2004. The dividend for 2003 was €0.40. In the Annual General Meeting of Shareholders of 29 April 2004 the proposal to split the shares by issuing five new shares of €1.60 nominal value for every four existing shares of €2.00 value was approved.

Supervisory Board and Executive Board changes and appointments

Annual General Meeting of Shareholders 2004

Messrs. H. de Ruiter and A.H.J. Risseeuw resigned by rotation from the Supervisory Board in the Annual General Meeting of Shareholders on 29 April 2004. Mr. Risseeuw was eligible for immediate reappointment and was duly reappointed. Mr. De Ruiter retired in view of reaching the age limit (as laid down in the regulations of the Supervisory Board). We thank Mr. De Ruiter for his contributions over many years, especially in relation to his chairmanship of the Audit Committee.

It was announced that Mr. C.J.A. van Lede, with effect from 30 April 2004, would take over the chairmanship from Mr. J.M. de Jong. Mr. De Jong assumed the vice-chairmanship and the chairmanship of the Audit Committee.

Mr. K. Büche was appointed a member of the Executive Board with effect from 1 May 2004.

Annual General Meeting of Shareholders 2005

Messrs. M. Das and J.M. Hessels will resign by rotation from the Supervisory Board at the Annual General Meeting of Shareholders on 20 April 2005. Both are eligible for immediate reappointment for a period of four years. The Supervisory Board proposes to reappoint Messrs. Hessels and Das and binding nominations for their appointment will be submitted to the Annual General Meeting of Shareholders on 20 April 2005. Furthermore, it is proposed to reappoint Mr. Das as delegated member.

All members of the Supervisory Board will comply with best practice provision III.3.4 of the Dutch Corporate Governance Code (maximum number of Supervisory Board seats) as per 1 May, 2005.

Consultation and decision making

The Supervisory Board held six joint meetings with the Executive Board. The items discussed included a number of recurring subjects, such as the company's strategy, the financial position and results, the operating companies' policies and business plans, acquisitions and other large investment proposals and management development.

Other subjects included the evaluation of completed investment plans, interest rate and exchange rate risks, and the assessment of the structure and operation of the internal risk management and control systems. The external auditor attended the meeting in which the year results were discussed. In 2004 particular attention was devoted to the remuneration policy for the Executive Board, corporate governance, including a proposed revision of the Articles of Association and to marketing. One meeting was held in Austria, where the management team of Brau Union presented an overview of the developments in its markets.

At three meetings the Executive Board was not present while the Supervisory Board discussed and decided on the proposal for the remuneration policy for the Executive Board, the functioning of the Executive Board and its members as well as the profile, composition and competence of the Supervisory Board and the functioning of the Supervisory Board and its members.

Independence

With regard to the independence of the Supervisory Board members, please refer to the comments made regarding best practice provision III.2.2 of the Dutch Corporate Governance Code as contained in the 'Comply or Explain' report.

Committees

The Supervisory Board has four committees, the Preparatory Committee, the Audit Committee, the Selection & Appointment Committee and the Remuneration Committee. The regulations of the committees are posted on the Company's website and are available on request in written form.

Preparatory Committee

Composition: Messrs. Van Lede (chairman), Das and de Carvalho.

The Preparatory Committee met six times. The committee prepares decision making by the Supervisory Board.

Audit Committee

Composition: Messrs. De Jong (chairman), Risseeuw and Hessels. The members collectively have the experience and financial expertise to supervise the financial statements and the risk profile of Heineken N.V. The Chairman of the Executive Board and the member of the Executive Board responsible for Finance and Control & Accounting attend all meetings, as do the external auditor, the Director Control & Accounting and the Group Internal Auditor. The Audit Committee met three times. In the meetings the regular topics were discussed, such as the annual and half year results, the risk profile and risk management and the reports from the Group Internal Auditor and the external auditor.

Remuneration Committee

Composition: Messrs. Das (chairman), Van Lede and de Carvalho.

The Remuneration Committee met six times to discuss a revised policy for the remuneration of the Executive Board. The policy, stated in this report, will be submitted to the Annual General Meeting of Shareholders for adoption.

Selection & Appointment Committee

Composition: Messrs. Van Lede (chairman), Das and de Carvalho.

The Selection & Appointment Committee met in conjunction with the Remuneration Committee. In these meetings the composition of the Supervisory Board was discussed. Furthermore, the committee prepared the evaluation of the Executive Board and Supervisory Board, for discussion in a separate full Supervisory Board meeting.

Corporate Governance

The Dutch Corporate Governance Code was reviewed in detail and Heineken endorses the Code's principles and applies virtually all best practice provisions. In particular, the structure of the Heineken Group – and specifically the relationship between Heineken Holding N.V. and Heineken N.V. – prevent Heineken N.V. from applying a small number of best practice provisions.

In a separate section of the annual report, a detailed overview is submitted on how Heineken N.V. applies the Dutch Corporate Governance Code: the 'Comply or Explain' report.

The existing regulations for the Executive Board, Supervisory Board and its committees were adapted according to the Dutch Corporate Governance Code and, where necessary new regulations have been made. By the end of 2004 the different regulations were published on the website.

Articles of Association

A proposal for the amendment of the Articles of Association will be submitted to the Annual General Meeting of Shareholders on 20 April 2005. The amendments take account of the changes in Dutch Company Law and the Dutch Corporate Governance Code of 9 December 2003.

Remuneration policy of the Executive Board

General

This report sets out the policy as applied in 2004. It also outlines the proposed policy as from 2005, including a new long term incentive. The remuneration policy of Heineken was reviewed in 2004 to ensure that business objectives are most effectively met, to be in line with the culture and values of the company and to comply with the highest standards of good corporate governance.

The proposed remuneration policy will emphasize performance related pay. The total remuneration of the Executive Board will be competitive if ambitious performance targets on the short and long-term are met. In combination with performance targets for variable pay elements, fixed salary levels will be adjusted for the first time since 1999. The proposed remuneration policy is subject to shareholder adoption and the proposed long-term incentive is subject to shareholder approval, as this is a share-based plan.

Remuneration policy as applied in 2004

The remuneration of the members of the Executive Board consists of a base salary, an annual profit-sharing bonus and a long-term bonus. The Supervisory Board determined the level and structure of the remuneration package for the last time in 1999.

For the Executive Board, at target level of performance, fixed salary accounts on average for 42% of the total remuneration package. This is in line with the policy to focus on variable, performance-related remuneration.

The base salary was determined in 1999 on the basis of internal pay ratios and market data. There have been no subsequent adjustments. The 2004 annual base salary for the Chairman is €543,000 and for the members of the Executive Board €358,000.

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 €19,781 for each member of the Executive Board, is multiplied by the number of percentage points by which the dividend exceeds 6%. Based on the performance over 2004, the bonuses payable to the Executive Board will be €617,899 for the Chairman and €375,839 for the members of the Executive Board.

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. In 2004, the payment for the period 2001-2003 amounted to €897,412 for the Chairman and €534,087 for the members of the Executive Board.

Pension arrangements

The pension arrangement is executed by the Stichting Pensioenfonds Heineken.

Executive Board members: Messrs. Bolland, Van Boxmeer and Hooft Graafland

The pension arrangement for these Executive Board members is based on a hybrid system combining final pay and defined contribution elements. The pension benefit age is 65. Between age 62 and 65 a pre-pension is payable accrued at a rate of 1.081% of the salary up to €43,807 (2004) and 1.0135% for fixed salary in excess of this ceiling.

Up to a fixed salary of €43,807 (2004), a final pay arrangement is applicable. The underlying accrual rate is 2.25% per annum. For fixed salary in excess of the ceiling a defined contribution promise is applicable. Death after retirement benefits are financed out of accrued old age pension effectively reducing the old age pension accrual to 1.75% if a partner benefit is accrued.

The employee contribution amounts to 2% of fixed salary in excess of €43,807 (2004).

Chairman and Mr. Büche

The pension arrangements for Mr. Ruys, Chairman, and Mr. Büche are based on a defined benefit plan. The Chairman has a pension arrangement that equates to a pension benefit of 65% of fixed salary at the date of retirement. The employee contribution amounts to 2% of fixed salary in excess of €43,807 (2004). The partner pension is 70% of the old age pension.

Mr. Büche has a pension arrangement under the Austrian Brau Union Pension Fund, that currently equates to a benefit of 78% of fixed salary at the date of retirement. The partner pension is 50% of the old age pension.

Valuation of individual Pension Liabilities

The table below provides an overview of the pension expense per individual Executive Board member assessed in accordance with the funding system currently used in the Netherlands and Austria respectively. These are deemed to equal the finance cost to the company as referred to in the Dutch Corporate Governance Code.

Pension expense per Executive Board member (accrued locally)

> in euros

Ruys	147,500
Bolland	91,200
Van Boxmeer	86,400
Hooft Graafland	92,700
Büche	102,500

The pension policy is under review.

Loans

Heineken's policy is not to provide loans to its Chairman and Executive Board members.

There are currently no loans outstanding.

Employment contracts

Employment contracts for the Chairman and the members of the Executive Board are entered into for an indefinite period of time. The contract for Mr. Büche will end in 2006. There are no specified notice periods and no exit arrangements included.

Payments to former members of the Executive Board in 2004

In 2004 Mr. Vuursteen was entitled to a long-term bonus payment of €401,092 for the period 2001-2002 and Mr. Lubsen was entitled to a long-term bonus payment of €375,839. With respect to past Executive Board members an amount of €240,000 was paid on behalf of pensions.

Remuneration policy as from 2005

As from 2005, a new remuneration policy will be introduced. The remuneration policy is subject to shareholder adoption. It will take into account both company specific circumstances and the social context in determining the timing of implementation.

The policy aims to ensure that highly qualified managers can be attracted and retained as members of the Executive Board. The remuneration package is composed as such that it provides a strong focus on the strategic short and long-term performance of the Company.

Remuneration structure

The remuneration package of the Executive Board will include a base salary, an annual bonus and a long-term incentive. With the remuneration policy fully implemented, the fixed salary will account for 45% of the total remuneration package. The variable remuneration is divided equally between short-term and long-term. This will ensure a balanced focus, on both short-term and long-term performance.

The company aims at consistency in the structure of the remuneration packages of both Executive Board members and senior Heineken executives. The performance-related elements in Executive Board members' remuneration will be emphasized more strongly than those of senior executives, reflecting the principle of increasing performance sensitivity in line with the ability to impact on group results.

To determine the remuneration package for the members of the Executive Board, internal pay relativities and relevant market data have been used. For internal pay relativities, it was assessed what differential would fairly reflect the different levels of responsibility between the Executive Board and senior executives.

For the market reference, a specific labour market was defined. The remuneration package of the Chairman will be based on a premium of 30% above the remuneration level of the other members of the Executive Board.

Heineken operates in a highly international labour market peer group and is headquartered in the Netherlands. Consequently, the main reference for market competitive salary levels will be primarily other Dutch multinational companies (75%). To reflect the specific business of Heineken a minority of Continental European companies that operate in the market of branded consumer products will be included (25%).

Heineken Labour Market Peer Group

- Akzo Nobel (NL)
- DSM (NL)
- Reed Elsevier (NL)
- Royal Ahold (NL)
- Royal KPN (NL)
- Royal Numico (NL)
- TPG (NL)
- Unilever (NL)
- VNU (NL)
- Wolters Kluwer (NL)
- Inbev (B)
- Henkel (G)
- L'Oreal (F)
- Nestlé (CH)

The remuneration comparisons were scaled to reflect a similar size of Heineken, a technique commonly used by independent remuneration experts. It is planned to move salary levels of the members of the Executive Board to the median market level. The current salary levels are significantly below the median market level.

Base salary

For the members of the Executive Board, the remuneration policy envisages a base salary that is at the median level of the labour market peer group. The base salary for the Chairman will be set 30% above the base salary for the members of the Executive Board. The Supervisory Board intends to adjust base salaries towards policy levels in 2006, i.e. for the Executive Board members to €525,000 and for the Chairman to €680,000. In 2005, the base salary levels will be adjusted by 16.7% in line with the Consumer Price Index (CBS) since 1999 to €418,000 for the Executive Board Members and to €634,000 for the Chairman.

Short-term incentive

A new short-term incentive will be introduced. At target level, the short-term incentive level for the Chairman will be €422,500 and for the members of the Executive Board €325,000. The maximum pay-out will not exceed 1.4 times the target bonus level.

The emphasis of the short-term incentive will be on annual operational performance.

Organic net profit growth will be the strategic measure to assess the operational performance of Heineken on a one year basis and accounts for 75% of the bonus opportunity. Organic net profit growth is defined as growth in net profit excluding exchange rate effects, changes in consolidation, amortisation of goodwill, exceptional items and changes in accounting policies.

Each year, the Supervisory Board will determine an ambitious, yet realistic organic net profit growth target. The threshold level of pay-out is set at 60% of targeted performance. A linear pay-out curve applies. Part of the pay-out will be subject to meeting an acceptable cash conversion rate.

The remaining 25% of the annual bonus will be linked to special yearly targets.

The specific targets qualify as commercially sensitive information and cannot be disclosed.

Long-term incentive

A new long-term incentive for the Executive Board will be presented for shareholder approval. It will be a performance based share plan and a similar plan will also be implemented for senior management in 2006.

Each year, a number of shares will be conditionally awarded, subject to meeting a stretching performance target after three years. The value of shares that will be conditionally awarded equals €325,000 for the members of the Executive Board and €422,500 for the Chairman. Based on the share price as per 31 December 2004 (€24.53), this corresponds to 13,250 shares for the members of the Executive Board and 17,225 shares for the Chairman. When conditionally awarded, the value of one share is not discounted for the performance linkage.

The performance condition will be total shareholder return, measured over a three year period. The total shareholder return will be measured relative to a performance peer group. If, over a three year period, Heineken performs better than the median of the peer group the Executive Board will be rewarded with shares. These shares will be subject to a holding restriction of two years. Below median, no shares will be awarded. At sixth position, 25% of the target number will be awarded. A linear vesting schedule applies, with 50% of the target amount vesting at fifth position and 75% at fourth position. At third position, the target amount will vest. If Heineken is ranked first, the maximum number of shares will vest. This is 1.5 times the target amount of shares. Heineken is currently ranked eleventh.

The performance peer group is different from the labour market peer group and includes companies with which Heineken competes for shareholder preference. It is composed of other brewers, but also includes European companies that operate in the branded consumer products market.

Performance Peer Group

- Anheuser-Busch
- Carlsberg
- InBev
- SABMiller
- Scottish & Newcastle
- Henkel
- L'Oreal
- LVMH/PPR
- Nestlé
- Numico
- Unilever

Employment contracts

New contracts of employment will be agreed with the Executive Board. These contracts will include a notice period of 3 months for the Board member and 6 months for the Company. In the new contracts, similar to the previous contracts, there will be no appointment period and exit arrangement. This is not in line with the Dutch Corporate Governance Code. Best practice provision II.1.1, governing the appointment period of Executive Board members, and provision II.2.7, governing the exit arrangement for Executive Board members, cannot be complied with for as long as compliance to these provisions implies a violation of Dutch Law.

Appreciation

The Supervisory Board would like to express its thanks to the Executive Board and all the employees for their contribution and commitment in the year 2004.

Amsterdam, 21 February 2005

Supervisory Board

Van Lede	de Carvalho
De Jong	Risseeuw
Das	Hessels