Heineken NV

Annual Report 2010

Exploring Heineken

Welcome to our Annual Report 2010. Once you have explored our report, you can find out more about our performance, our brands and our objectives for the future via our corporate website www.HeinekenInternational.com

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- Quick and easy navigation through the Annual Report along with search functionality
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Key figures[1]

Results

In millions of EUR	2010	2009	Change in %
Revenue	16,133	14,701	9.7%
EBIT[2]	2,476	1,757	40.9%
EBIT (beia)[2]	2,608	2,095	24.5%
Net profit	1,436	1,018	41.1%
Net profit (beia)[2]	1,445	1,055	37.0%
EBITDA[2]	3,594	2,840	26.5%
EBITDA (beia)[2]	3,569	2,938	21.5%
Dividend (proposed)[3]	438	318	37.7%
Free operating cash flow[2]	1,993	1,741	14.5%

Balance sheet

In millions of EUR			
Total assets	26,549	20,180	31.6%
Equity attributable to equity holders of the Company[4]	10,228	5,351	91.1%
Net debt position	8,099	7,704	5.1%
Market capitalisation	21,134	16,299	29.7%

Results and balance sheet per share of EUR 1.60

Weighted average number of shares – basic[4]	562,234,726	488,666,607	15.1%
Net profit	2.55	2.08	22.6%
Net profit (beia)	2.57	2.16	19.0%
Dividend (proposed)	0.76	0.65	16.9%
Free operating cash flow	3.54	3.56	(0.6)%
Equity attributable to equity holders of the Company[4]	18.19	10.95	66.1%
Share price[5]	36.69	33.27	10.3%

Employees

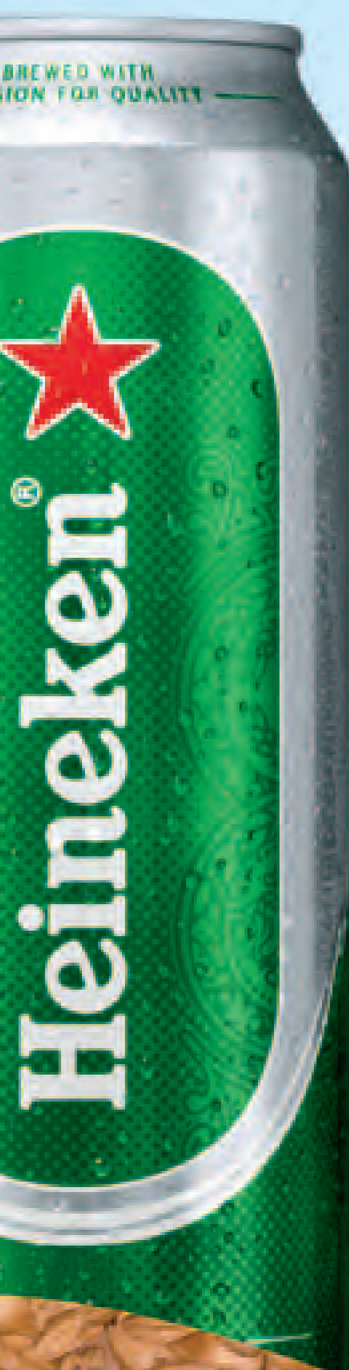
In numbers			
Average number of employees	65,730	55,301	19.6%

Ratios

EBIT as % of revenue	15.3%	12.0%	27.5%
EBIT as % of total assets	9.3%	8.7%	6.9%
Net profit as % of average equity attributable to equity holders of the Company[5]	18.4%	20.7%	(11.1)%
Net debt/EBITDA (beia)	2.27	2.62	(13.4)%
Dividend % payout[3]	30.5%	30.1%	0.7%
Cash conversion rate	126.4%	147.7%	(14.4)%
EBITDA/Net interest expenses	7.3	5.2	40.4%

[1] Please refer to the 'Glossary' for definitions.
[2] 'EBIT, EBIT (beia), net profit (beia), EBITDA, EBITDA (beia) and free operating cash flow' are not financial measures calculated in accordance with IFRS. Accordingly, it should not be considered as an alternative to 'results from operating activities' or 'profit' as indicators of our performance, or as an alternative to 'cash flow from operating activities' as a measure of our liquidity. However, we believe that 'EBIT, EBIT (beia), net profit (beia), EBITDA, EBITDA (beia) and free operating cash flow' are measures commonly used by investors and as such useful for disclosure. The presentation on these financial measures may not be comparable to similarly titled measures reported by other companies due to differences in the ways the measures are calculated. For a reconciliation of 'results from operating activities', 'profit' and 'cash flow from operating activities' to 'EBIT, EBIT (beia), net profit (beia), EBITDA, EBITDA (beia) and free operating cash flow' we refer to the financial review on pages 35 to 39.
[3] Excluding the effect of the Allotted Share Delivery Instrument (ASDI).
[4] Including the effect of the ASDI.
[5] As at 31 December.

The quick read



Financials

Organic net profit growth of 19.7 per cent

Reported net profit of EUR1,436 million

Heineken brand premium volume grew 3.4 per cent

Revenue +9.7%

€16,133 million

EBIT (beia) +25%

€2,608 million

Net profit (beia) +37%

€1,445 million

Consolidated beer volume +17%

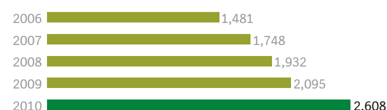
145.9 million hectolitres

Heineken volume in premium segment +3.4%

26 million hectolitres

EBIT (beia)[1]

In millions of EUR



[1] Restated for change in accounting policies as disclosed in note 3(b) of the notes to the consolidated financial statements.

Consolidated beer volume

In millions of hectolitres

Net profit (beia)

In millions of EUR

Heineken volume in premium segment

In millions of hectolitres

For more information see page 59

History

The Heineken story began almost 150 years ago in 1864 when Gerard Adriaan Heineken acquired a small brewery in the heart of Amsterdam. Since 1886, the unique Heineken A-yeast has guaranteed the pure, premium taste of Heineken beer. After 13 years of prohibition, in 1933, Heineken set foot on American soil and in 1937 the first Heineken beer was brewed outside the Netherlands, in what was then the Dutch East Indies.

Over the ensuing years, growth and acquisitions substantially expanded the Company, firstly in Western Europe and Africa followed by acquisitions in Central and Eastern Europe and Russia.

In 2010, Heineken continued to create new platforms for future growth by acquiring the beer operations of Fomento Económico Mexicano, S.A.B. de C.V. in Mexico (including its US and other export business) and Brazil, an acquisition that strengthened the Company's leading international portfolio with the addition of the Dos Equis®, Tecate® and Sol® brands.

Four generations of the Heineken family have been passionately involved in the expansion of the Heineken brand and the Heineken Company throughout the world.

Heineken today

Heineken is one of the world's great brewers and is committed to growth and remaining independent. The brand that bears the founder's family name – Heineken – is available in almost every country on the globe and is the world's most valuable international premium beer brand.

Our aim is to be a leading brewer in each of the markets in which we operate and to have the world's most prominent brand portfolio. Our principal international brand is Heineken®, but the Group brews and sells more than 200 international premium, regional, local and *specialty* beers and ciders, including Amstel®, Birra Moretti®, Cruzcampo®, Dos Equis®, Foster's®, Kingfisher®, Newcastle Brown Ale®, Ochota®, Primus®, Sagres®, Sol®, Star®, Strongbow®, Tecate®, Tiger® and Żywiec®.

Priorities

Marketing excellence and innovation are key components of our growth strategy. In everything we do, it is consumers and their changing needs that are at the heart of our efforts.

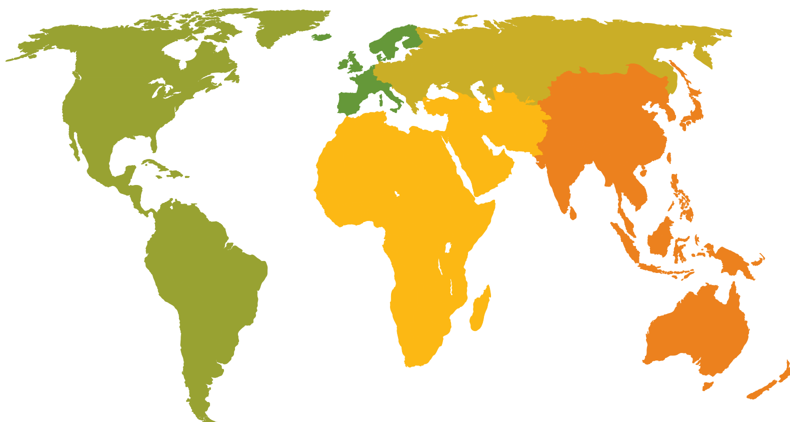
We also play an important role in society and in the communities in which we operate. Social responsibility and sustainability underpin everything we do. Being the world's most international brewer, we believe we can make a difference. As part of this, we continue to increase our initiatives to combat alcohol abuse and misuse and we work hard to reach the highest environmental standards in the industry.

For more information see page 5

Where we operate

We have the widest presence of all international brewers, thanks to our global network of distributors and 140 breweries in more than 70 countries. In Europe, we are the largest brewer and globally we are the biggest cider maker.

We achieve our global coverage through a combination of wholly-owned companies, licence agreements, affiliates and strategic partnerships and alliances. Some of our wholesalers also distribute wine, spirits and soft drinks. Our brands are well established in both profitable and mature markets and thanks to our acquisitions and joint ventures in India, Africa, Asia and Latin America we have a strong platform for future growth from emerging beer markets.



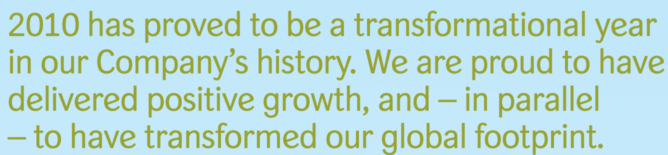
Western Europe
Central and Eastern Europe
Africa and the Middle East
Americas
Asia Pacific

For more information see page 148

Chief Executive's Statement

"We are proud to have delivered positive growth and – in parallel – to have transformed our global footprint".

Jean-François van Boxmeer
Chairman of the Executive Board/CEO



2010 has proved to be a transformational year in our Company's history. We are proud to have delivered positive growth, and – in parallel – to have transformed our global footprint.

Heineken N.V. Executive Board
Left: Jean-François van Boxmeer
Chairman of the Executive Board/CEO

Right: René Hooft Graafland
Member of the Executive Board/CFO

Performance

Against the backdrop of an improving but still challenging economic environment, we have delivered a robust double-digit organic net profit growth of 19.7 per cent.

The Heineken® brand continued to demonstrate its strength. Growing by 3.4 per cent, it outperformed our broader brand portfolio, the overall beer market and the growth of the international premium segment. It is a clear part of our strategy to continue investing behind the brand and to further strengthen its position as the world's reference premium beer.

We again made significant progress with our cash flow generation and cost savings programmes. The Hunt for Cash2 programme helped realise EUR1,993 million of cash and our Total Cost Management (TCM) programme achieved savings of EUR280 million in 2010. It enabled us to achieve our long-term Net debt/EBITDA target ahead of plan.

However, trading in many of our European businesses and in the USA, continued to be challenging. Especially markets in the Central and Eastern European region, which were strongly affected by poor economic conditions and higher excise duties. Overall, our organic consolidated volume and our revenue were impacted and declined by 3.1 per cent and 2.2 per cent respectively.

Transforming our platforms for future growth

Alongside meeting the challenges of our mature markets we continued to invest in the emerging world. In January 2010, we acquired the beer division of Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA) in Mexico and Brazil. Following this acquisition, we rapidly and successfully integrated these businesses and welcomed FEMSA as a key shareholder in the Heineken Company.

Together with our joint venture partnership in India's leading brewer, United Breweries, and the strong growth of our Africa and Middle East region (9.1 per cent) and our Asia Pacific region (6.2 per cent), 2010 marked a step change in our exposure to the emerging beer markets. At the end of 2010, 68 per cent of our Group beer volume and 57 per cent of our EBIT beia was delivered from emerging markets. At the end of 2009, these figures stood at 55 per cent and 49 per cent respectively. It demonstrates that our strategy to rebalance the business and enlarge our platforms for future growth is successful.

Meeting the challenge of Europe

We have recognised the challenge to grow both volume and value share in Europe. A clear action plan has been put in place to enable us to achieve this. It involves utilising compelling consumer insights for innovation; increased investment behind our existing and our new higher-margin brands such as Desperados®, Strongbow® and Dos Equis®; continuing to invest in premiumisation of the category and ensuring we have the right capabilities to win in both the off- and the on-trade channels. In parallel, we will place more emphasis as both a company and an industry on communicating the positive aspects of beer in order to maintain its reputation as a responsible category and an enjoyable part of everyday adult life.

At the same time, we will maintain our financial discipline, drive efficiencies and reduce the cost of doing business throughout our organisation.

Changing the way we work

During the year, we undertook a significant review of our business model. The growth in scale of our Company in the last five years has been tremendous: +74 per cent in volume; +59 per cent in revenue; +64 per cent in employees; +55 per cent in number of brands. As a result of this review, we made changes to the governance and established a new set of operating principles between Global functions, Regions and Operating Companies to better leverage our increased size and geographical scope.

Following this, in September, we announced an important strategic move to create a new Global Business Services organisation. This cross-functional organisation, with direct representation on our Executive Committee, will drive better coordination and integration of various shared services initiatives across the Company.

Taken together, the successful implementation of these decisions will strengthen the unity of the organisation and provide a more single-minded focus to our efforts.

Creating a different type of sustainable value

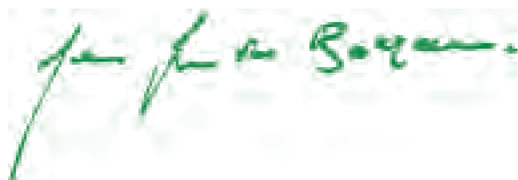
Heineken has always delivered actions that have demonstrated our desire and intention to be more than simply a business driven by profit. In April, we increased our commitment to building a sustainable business by launching 'Brewing a Better Future'. This ten-year approach to Sustainable Development is based on three strategic imperatives:

- Continually improve the environmental performance of our business
- Empower our people and the communities in which we operate
- Positively impact the role of beer in society.

We have set clear ambitions and goals towards 2020 in each of these areas. We believe it is the right thing for us to do and consistent with our long-held values. Sustainability will also be a source of fresh and innovative thinking and will help stimulate the creation of new products and services that will ultimately generate new markets and revenue streams.

Thank you

I am fully aware that it takes an enormous amount of work, energy, tenacity and sacrifice in order to deliver performance and change on this sort of scale. As with every year, I want to thank the tens of thousands of Heineken colleagues around the world and all our stakeholders for their contribution to our continued success.



Jean-François van Boxmeer
Chairman of the Executive Board/CEO

Amsterdam, 15 February 2011

Outlook 2011

Heineken expects volume development in Latin America, Africa and Asia to benefit from ongoing robust economic conditions and marketing and investment programmes. Although the Company expects an improving economic environment in Europe and the USA in 2011, the impact of austerity measures and high unemployment is expected to result in continued cautious consumer behaviour in these markets. The international premium segment will continue outgrowing the overall beer market, benefiting the Heineken® brand and supporting improved sales mix. Heineken forecasts a low single-digit increase in input costs and plans to mitigate this impact through increased pricing.

In Europe, Heineken will shift its prime focus towards volume and value share growth, with increased investments in marketing and innovation in Heineken® and other key brands, further supported by the international roll-out of higher-margin brands. Whilst this is expected to affect profit development in Europe in the near term, it underlines our commitment to strengthening our leadership position in the region. In addition, continued efforts will be made to improve the performance of companies acquired over the past few years. In the new markets of Mexico and Brazil, improved marketing effectiveness and the realisation of cost synergies will contribute to higher profitability.

The TCM programme will deliver further cost savings, although at a lower level than in 2010 following the earlier than planned realisation of savings in 2010. As a result of ongoing efficiency improvements, Heineken expects a further organic decline in the number of employees.

For 2011, capital expenditure related to property, plant and equipment is forecast to be approximately EUR850 million.

Heineken does not expect material changes to the effective tax rate (beia) in 2011 (2010: 27.3 per cent) and forecasts an average interest rate slightly above 5.5 per cent.

Free operating cash flow generation is expected to remain strong, further reducing the level of net debt in 2011. Following two consecutive years of substantially reduced capital expenditure and significantly higher cash flow generation, the cash conversion rate for 2011 will be around 100 per cent.

Executive Committee

The two members of the Executive Board, the five Regional Presidents and six Chief Officers together form the Executive Committee. The Executive Committee is the highest consultative body within Heineken. The Executive Committee supports the development of policies and ensures the alignment and continuous implementation of key priorities and strategies across the organisation.

1. Jean-François van Boxmeer (Belgian; 1961)
Chairman Executive Board/CEO
In 2001 appointed member of the Executive Board and from 1 October 2005 Chairman of the Executive Board/CEO. Joined Heineken in 1984 and held various management positions in Rwanda (Sales & Marketing Manager), Democratic Republic of Congo (DRC) (General Manager), Poland (Managing Director), Italy (Managing Director). Executive Board responsibility for Heineken Regions and Global functions: Human Resources, Corporate Relations, Supply Chain, Commerce, Legal Affairs, Strategy, Internal Audit and Company Secretary.

2. René Hooft Graafland (Dutch; 1955)
Member Executive Board/CFO
In 2002, appointed member of the Executive Board. Joined Heineken in 1981 and held various management positions in DRC (Financial Director), the Netherlands (Marketing Director), Indonesia (General Manager) and the Netherlands (Director Corporate Marketing, Director Heineken Export Group). Executive Board responsibility for Global functions: Control & Accounting, Tax & Financial Markets, Business Development and Business Services.

3. Didier Debrosse (French; 1956)
Regional President Western Europe
Joined Heineken in France in 1997 as Sales and Marketing Manager, after having worked with Nivea and Kraft Jacobs Suchard, where he had various commercial positions. He was later appointed General Manager of Brasseries Heineken in France. In 2003, he became Managing Director of Heineken France and Regional President in 2005.

4. Frans Eusman (Dutch; 1962)
Chief Business Services Officer
Joined Heineken in 1987. He has worked in various finance and general management positions in Europe and Asia, which included his role as Corporate Control & Accounting Director from 2003 to 2005. From 2005 to 2010, he was Managing Director of Heineken France. In 2010, he was appointed Chief Business Services Officer.

5. Marc Gross (French; 1958)
Chief Supply Chain Officer
Joined Heineken in Greece in 1995. In 1999 he became Regional Technical Manager North, Central and Eastern Europe. In 2002 he became Managing Director of Heineken Netherlands Supply. Prior to joining Heineken, he held various management roles with international food and consumer businesses. He was appointed Group Supply Chain Director in 2005.

6. Siep Hiemstra (Dutch; 1955)
Regional President Asia Pacific
Joined Heineken in 1978 and worked in various commercial and logistic positions. In 1989 he was appointed Country Manager of Heineken Export based in Seoul, South Korea. Subsequently, he held various management positions in several countries including Papua New Guinea, Ile de la Réunion and Singapore. In 2001, he was appointed Director of Heineken Technical Services and Regional President in 2005.

7. Tom de Man (Dutch; 1948)
Regional President Africa and the Middle East

Joined Heineken Technical Services in 1971. Following this, he held various management positions in Singapore, Korea, Japan, Nigeria and Italy. From 1992, he was Group Production Policy & Control Director. In 2003, he was appointed Managing Director of Heineken's operations in Sub-Saharan Africa and Regional President in 2005.

8. Alexis Nasard (Lebanese; 1966)
Chief Commercial Officer

Joined Heineken in February 2010, after 17 years with Proctor and Gamble (P&G) in senior marketing and management roles. From 2006, he was General Manager of the Personal Care business for Central and Eastern Europe, the Middle East and Africa. Prior to P&G, he was market analyst at Frost & Sullivan and strategic planning analyst at Bechtel Corp, both in the US.

9. Michael O'Hare (Irish; 1967)
Chief Human Resources Officer

Joined Heineken in May 2009, following 13 years at PepsiCo, of which two years as Chief Personnel Officer. Between 1998 and 2004, he was based in the US both within Head Office and operating business units. From 2004 to 2007, he held the function of Chief Personnel Officer/VP Greater China. Prior to this, he spent six years in banking and accounting. In 2009, he was appointed Group Human Resources Director.

10. John Nicolson (British; 1953)
Regional President Americas

Entered the beer industry in 1993 through Foster's Brewing Group as Group Executive Director of the Courage business. In 1995, Scottish & Newcastle acquired the Courage business and he took up the role of Group Marketing Director. From 2000 until April 2008, John was an Executive Board member of Scottish & Newcastle plc. In October 2008, he was appointed Regional President with Heineken.

11. Nico Nusmeier (Dutch; 1961)
Regional President Central and Eastern Europe

Joined Heineken in 1985 as a management trainee and graduated as a master brewer in 1988. Since then he has held various management positions within Heineken in many parts of the world. In 2001, he was appointed Managing Director of Grupa Żywiec in Poland and Regional President in 2005.

12. Sean O'Neill (British; 1963)
Chief Corporate Relations Officer

Joined Heineken in 2004 following eight years in senior roles within the alcoholic beverages sector. Prior to this, he held management roles with a global communication and corporate affairs consultancy based in the UK, Russia, the Middle East and Australia. In 2005, he was appointed Group Corporate Relations Director.

13. Floris van Woerkom (Dutch; 1963)
Chief Control & Accounting Officer

Joined Heineken in 2005 as Group Control & Accounting Director, after having worked with Unilever for 18 years, where he held various international positions including Finance Director in Mexico and regional Vice-President Finance in Latin America.

Operational Review

Heineken has embarked on an ambitious programme with the aim to move the Company to being even more consumer centred and brand led. This will lead to reinvigorated top-line growth (organic revenue growth), which will lead to sustainable profit growth. With a renewed commercial organisation, the Company wants to fulfil its ambition to put the consumer at the centre of our activities and decision-making processes, whilst driving global scale.

Heineken continues to focus on its premium brands and the Heineken® brand in particular, as a competitive advantage. Time and again, the Heineken® brand has outperformed the economic downturn. Based on this experience, more brands beyond Heineken® and Amstel®, e.g. Strongbow® and Desperados®, will be managed globally to ensure consistency and economy of scale.

In terms of infrastructure and capability, Heineken will improve its ability to generate actionable consumer insights and will further innovate across the portfolio. Last, but certainly not least, developing skills in brand building and sales, as well as developing people, remain the backbone of the Company's commitment to be consumer centred and brand-led.

The Heineken brand

In 2010, the Heineken® brand demonstrated the strength and value of its leadership position within the international premium segment (IPS). It showed IPS market share development from 20.2 per cent to 20.7 per cent and the brand continues to outperform the rest of the Heineken portfolio in both volume and profit growth.

This performance in a challenging economic environment highlights the appeal of our premium brand and its ability to permanently combine timeless quality and progressiveness as ways to engage with consumers. The brand's new 'Man of the World' positioning, which was launched at the end of 2010, is unique and underpins this.

Heineken volume by region
In millions of hectolitres

Western Europe*	7.4	28.5%
Central and Eastern Europe	2.3	9.0%
Americas	8.2	31.5%
Africa and Middle East	2.7	10.3%
Asia Pacific	5.4	20.7%
Total	26.0	100%

* In premium segment.

Some key initiatives that underpin the unique position of the Heineken brand:

- Heineken's new iconic glass bottle, completed the redesign of its global brand packaging range. The restyling aims to streamline and make even more consistent the visual identity of the brand and drive recognition in all 170 markets where Heineken® can be enjoyed. The new bottle will come in five different sizes and will be available in Western Europe at the beginning of 2011 and across the rest of the world by 2012.
- The new innovative aluminium packaging features a surprising 'glow in the dark' effect only seen in ultraviolet light. This new packaging is dedicated to top-end outlets and was launched in Shanghai, one of the world's most innovative cities.
- 2010 was the fifth season of the Heineken® – UEFA Champions League partnership, featuring a strong campaign and activating a magical Final in Madrid.
- The digital plan is a key component of Heineken® brand communication and investment in this form of communication has been significantly increased. The global Heineken brand website has been developed, including rolling out an international music promotional activity and an innovative 'Design your own Heineken' module. The Heineken® brand Facebook Social Media page was launched, actively conversing with our worldly adult consumers: 1,000,000 fans have already joined our page!

Heineken® has started the new decade with renewed passion for quality and for progress!

Developing global brands

Heineken views cider as the 'next frontier' to beer and we have identified a clear strategy for this purpose. The first lead markets have been identified for a new Strongbow Gold® proposition, which will be launched in 2011. The marketing mix has been optimised and supply chain prepared in order to enable successful brand launches in those markets. We have also started expanding Desperados®, building on a solid and proven business model. We will reinforce the Desperados brand team to support targeted launches and accelerate growth in existing markets.

Last but not least, we have identified attractive opportunities in the 'Fun&Cool' segment and have been validating this through existing brand strategies. Where necessary, new strategies will leverage opportunities and specific brand launches have been planned across the world.

Innovation

Profitable, consumer-focused innovation across the Heineken® brand, global brands and our wider portfolio continues to be an essential part of driving consumer preference and ultimately volume and value growth. To support the development of new and stronger innovation concepts, we introduced a global approach together with cross-regional and cross-functional teams. Integrated and faster development of roll-outs, combined with a stronger execution, will lead to a growth in innovation. Our objective is an increase in our innovation rate of 3 per cent today to 6 per cent by 2020.

The roll-out and leverage of existing innovations will continue: Heineken Extra Cold®, DraughtKeg®, BeerTender® and David®. Heineken Extra Cold is now available in 116 countries with 85,000 systems. We added three new brands for DraughtKeg, bringing the total now available to 11 with an overall volume of nearly 600,000 hectolitres. BeerTender, now in 12 markets, remains a strong driver for the full draught experience at home. The roll-out of the convenient and high-quality David proposition, for smaller on-trade outlets, continued. David is now being used in 60 countries with more than 65,000 systems.

Focus on consumers and portfolios

In order to support our Operating Companies in delivering top-line growth, we have successfully run and completed extensive portfolio reviews via a more standardised approach. This 'Building Winning Portfolio' process provides a clear competitive advantage.

We focused on strong portfolio strategies for the newly acquired businesses in Mexico and Brazil and completed portfolio reviews in Italy, Switzerland, Greece, Taiwan and New Zealand. We also carried out consumer segmentation projects to enhance the positioning for our key brands in the Netherlands, Serbia, Croatia, FYR Macedonia, Bulgaria and the Czech Republic.

The knowledge developed in the area of portfolio management will become an integral part of the marketing capabilities training programme so that this competence can be transferred to operating companies across the world.

Capability building

The Heineken Company has the ambition to generate greater value and drive growth from our brands' assets. In combination with new market realities in recent years, this has lead to the creation of the Marketing Capability and the Sales Capability departments within Global Commerce. These will allow us to embed more rigorous, standardised and professional tools and processes in the fields of brand, portfolio, channel and customer management. The need for this was also identified by the Functional Competencies programme. This will create and embed a common, consumer- and brand-oriented, world-class approach to Marketing and Sales management at Heineken, based on best practices.

The first competencies courses will begin in the second quarter of 2011, at the Global Commerce University (GCU), the centre for commercial learning activities at Heineken.

The GCU will deliver learning in two ways:

- Acting as the global hub for online digital learning, for commercial employees. This digital learning will be aligned with personal learning profiles.
- Acting as the global learning centre based in Amsterdam, for in-house learning using cutting-edge technology, and teaching techniques.

Sustainability: Brewing a Better Future

We have been successful in our sustainability agenda over many years and understand the importance of creating value that is lasting and which goes beyond the bottom line. In April 2010 we increased our commitment and changed our thinking with the announcement of our ten-year sustainability agenda 'Brewing a Better Future'. This new approach laid out a series of commitments, plans and targets and was launched in Amsterdam by Jean-François van Boxmeer via a multi-stakeholder symposium on sustainable development.

We believe our new approach strikes the right balance between environmental, financial and social sustainability and makes positive long-term commitments to investment in the environment, communities, people and partnerships.

The approach is built around three clearly defined strategic imperatives:

i. Continuously improve the environmental impact of our brands and business
ii. Empower our people and the communities in which we operate
iii. Positively impact the role of beer in society.

We have created 23 programmes that – over the coming ten years – will bring these imperatives and the words 'Brewing a Better Future' to life. More information on the programmes and our objectives for the coming years can be found in our Sustainability Report or on www.heinekeninternational.com/sustainability.com.

Embedding in markets

It will be action not words that will drive success and enable the agenda to be embedded into business processes and within the DNA of the Company. That's why, as a first step in 2010, in each market where we have majority ownership or control, we created a sustainability committee responsible for advancing the agenda. Each market has developed an action-based three-year plan consistent with the framework of 'Brewing a Better Future', and the subject of sustainable development has been identified as a management team agenda item in all these businesses.

It is also transparency that will be the hallmark of our approach. In 2010, we asked 21 of our markets to publish their own sustainability reports as a basis for discussion with local stakeholders. All available reports can be downloaded via our heinekeninternational.com website. By 2015, all 54 markets within the scope of 'Brewing a Better Future' will produce and publish a sustainability report.

Developing a sustainable local supply chain

The Millennium Development Goals were adopted in 2000 by all the world's governments as a 'blueprint for building a better world in the 21st century' and to seek to promote the reduction of poverty and environmental sustainability, among others. All UN member states have pledged to meet these goals by 2015. Heineken has also committed itself to contribute to these goals as part of its sustainability strategy.

Sub-Saharan Africa is a region in which Heineken operates and to which it has demonstrated a long-standing commitment as an employer. In this context, Heineken has developed projects to alleviate poverty among the millions of poor smallholders in Sub-Saharan Africa.

One of these projects was to develop a sustainable local supply chain for the local subsidiary of Heineken in Sierra Leone, Sierra Leone Breweries Ltd, that would help local sorghum farmers compete against imported grains. It has the advantage of a shorter supply chain, diversification of sources and hence reducing risk, the saving of scarce foreign currencies and the stimulation of the local economy. The competitiveness of the local sorghum sector could be increased. The second major goal was to raise farmers' income derived from sorghum and hence alleviate poverty.

Previous projects to increase productivity were typically supply-driven and lacked a clear demand pull. Key to the success of this project is a demand-led approach and the identification of stakeholders in the value chain that directly trade with consumer groups.

This project – supported by the Common Fund For Commodities (CFC) – introduced better production technologies, facilitated secure access to markets, organised farmers in order to reduce transaction costs and facilitated access to credit. The project has also introduced best agricultural practices among farmers.

Hence, the average income per family increased and Heineken has adopted an Africa-wide strategy to procure at least 60 per cent of their raw materials from local sources. This project demonstrates that building a local supply chain is a multi-step process where the confidence of the stakeholders along the commodity value chain is increasing.

Partnerships

What is also clear is that 'Brewing a Better Future' cannot be delivered by Heineken alone. Therefore, partnership with many other stakeholders will be another key part of the way we learn, share and deliver the agenda. For this reason, in 2010 stronger partnerships were established.

- In November, Heineken accepted an invitation from the United Nations to join Global Compact LEAD – an elite group of companies that will accelerate global progress on sustainability and the Millennium Development Goals
- Heineken significantly increased its participation in the World Economic Forum, in particular its commitment to work on Agricultural, Water and Health groups
- Heineken took up the role of Vice-chair of the International Center for Alcohol Policies (ICAP) and in 2011 will assume the role of Chairman
- New commitments were made to the European Forum on Alcohol and Health

In addition, Heineken's commitment to partnership with industry to deliver better, more sustainable ways of working was also increased in 2010 via:

- becoming a member of the Beverage Industry Round Table (BIER), a technical alliance of global beverage companies focused on water stewardship, energy and climate change and stakeholder engagement
- Joining forces with Smartway Europe and Clean Cargo: initiatives aimed at development of standards for carbon emission calculation in distribution, and improving the impact of distribution on the environment
- New work as part of the Global Packaging Project (GPP), a project from the Consumer Goods Forum Sustainability Pillar. The GPP addresses the need in our industry for a common language to enable informed discussion between businesses on sustainable packaging
- New membership of the Dutch Green Building Council (DGBC) and the International Sustainability Alliance (ISA); both are initiatives on measuring and reporting the environmental performance of buildings.

External measurement and recognition

It is always pleasing to be recognised for the efforts we make. In particular we were happy to be awarded the 2010 World Business and Development Award from the UN Development Programme for our ground breaking sustainable local supply chain initiative in Sierra Leone. Through a successful partnership, we are making agriculture more sustainable and empowering local communities and people.

Additionally, we retained our membership of FTSE4Good and indication that we remain on track with our efforts.

In the interests of transparency though, we were disappointed that in 2010 we did not rank as one of the top five global beverage companies in the SAM Dow Jones Sustainability Index (SAM DJSI). It is clear the beverage industry as a whole is taking the subject of sustainability as a priority but we believe that our 'Brewing a Better Future' agenda will enable us to regain our ranking.

Our 'Brewing a Better Future' journey has only just begun. As always, we will maintain dialogue with our stakeholders in order to improve our performance. We cannot deliver without this dialogue and in this spirit, we welcome any and all comments or questions on our approach. You can contact us via www.heinekeninternational.com/sustainability or via the names and mail addresses in our Sustainability Report.

Human Resources

As our business continues to increase in scale and complexity, our people remain our main source of competitive advantage. We welcomed many new employees in 2010 with the acquisition of the FEMSA beer business, hence employing more than 65,000 people. Whilst our increased global footprint presents many opportunities for our people it also requires a more disciplined approach in our staffing, succession, development and reward practices. In 2010, we laid out the HR functional foundation in four key areas:

- Career Management
- Functional and Leadership Capability
- Performance Management
- Operational Cost and Efficiency.

The HR function will continue to build on the above-mentioned foundation in 2011.

Career Management

Over the past year, steps were taken to improve the transparency and rigour of our career management processes (e.g., development planning for our senior management and talent pools, restructured resource committees with clear roles and responsibilities, detailed analysis of succession pools). One of the outcomes is that the Executive Committee will be more involved to create better alignment throughout the organisation. However, we must further clarify and communicate our career development practices and opportunities in order to continue attracting and retaining talent. In 2011, we will communicate and deploy our philosophy in Building a Career at Heineken and expand the scope of development planning processes to a broader cross-section of employees.

Functional and Leadership Capability

Our One Heineken framework emphasises the importance of functional and leadership capability. In 2010 we supported the development and deployment of functional competency frameworks, which define essential skills, knowledge, and behaviour required for effective performance. We are continuing to enhance our functional academies, which provide online and classroom courses to develop functional competence. In 2011, we will add tailored programmes to the leadership development curriculum for specific categories (e.g., first line managers – employees who have responsibility of managing two or more employees and are the first step in a management career at Heineken, talent pools, senior management).

Performance Management

Last year, we focused on improving performance management processes across Heineken in order to create a performance-driven organisation. Specifically, a more balanced objective-setting process was introduced for senior management with a split between financial targets and strategic objectives related to top-line growth, sustainability and people. In 2011, the process will continue to be enhanced to provide performance differentiation with a stronger link to compensation structure.

Operational Cost and Efficiency

Cost management is a key initiative for every business and function. As per the objectives earmarked in 2010, we will continue to take greater control and visibility on personnel costs, including pension and labour costs in 2011, and continue to design relevant compensation structures to drive the business.

In summary, we will continue building global HR capability and working closely with our Operating Companies to ensure our people have the knowledge, skills and motivation to put the consumer at the centre of our strategies to deliver our growth agenda.

Geographic distribution of personnel
In numbers

Region	Number
Western Europe	18,768
Head Office	792
Central and Eastern Europe	18,043
Americas	17,164
Africa and Middle East	10,659
Asia Pacific	304
of which the Netherlands	3,861

Regional Review

Regional performance in 2010

Region	Revenue (EUR million)	EBIT (EUR million)	EBIT (beia) (EUR million)	Consolidated beer volume (million HL)	Consolidated beer volume as % of Group	Heineken volume in premium segment (million HL)
Western Europe	7,894	768	904	45.4	31.1	7.4
Central and Eastern Europe	3,143	351	363	42.2	29.0	2.3
Africa and the Middle East	1,988	548	549	19.1	13.1	2.7
The Americas	3,431	549	651	37.9	25.9	8.2
Asia Pacific	206	280	122	1.3	0.9	5.4

PRIMUS
STAR
TATRA

Western Europe

Revenue
€7,894 million

EBIT
€768 million

EBIT (beia)
€904 million

Consolidated beer volume
45.4 million hectolitres

Consolidated beer volume as % of Group
31.1 per cent

Heineken volume in premium segment
7.4 million hectolitres

EBIT (beia) grew 17 per cent organically, primarily reflecting the achievement of significant TCM cost savings across the region, a strong profit improvement in the United Kingdom and an improved sales mix. This contributed to significantly higher operating profit margins. The reported change in revenue reflects a EUR280 million reduction related to the deconsolidation of the Waverley TBS distribution operation in the UK. The difference in organic change between consolidated beer volume and revenue is mainly due to the impact of a declining on-trade on the revenues of our wholesale operations.

Group beer volume in the region declined 3.5 per cent on an organic basis as a challenging economic environment impacted consumption, particularly in on-trade channels in Italy, Spain, the Netherlands, the UK and Ireland. Volume grew in Finland and remained stable in Portugal, France and Belgium.

Premium volume of the Heineken brand outperformed the overall regional volume trend following the success of new marketing initiatives and strong brand performances in France and Portugal.

EBIT (beia) in the United Kingdom grew strongly, primarily driven by higher pricing and significant cost savings. This was achieved despite the overall beer market declining 4 per cent. Lengthy price negotiations with certain off-trade customers in the first half of the year adversely impacted volume and market share in the off-trade channel, part of which was recovered in the second half of the year. The closure of the breweries in Reading and Dunston, the divestment of Waverley TBS and the restructuring of S&N Pub Company increased efficiency and effectiveness.

In Spain, the beer market contracted 1 per cent, with the effect of government austerity programmes impacting consumer spending, particularly in on-trade channels. A successful new marketing campaign supported growth of the Amstel brand. Whilst volumes of the Cruzcampo and Heineken brands were both affected by the overall market trend, the Heineken brand gained market share in the off-trade channel. Higher marketing investments in our brands were only partly offset by the benefit of realised cost savings, resulting in a decrease in EBIT (beia).

Heineken France continued to gain market share. EBIT (beia) grew strongly driven by TCM cost savings, an improved sales mix and improved operating efficiencies at France Boissons, the wholly-owned distributor. The key brands, Heineken, Desperados, Pelforth and Affligem, all achieved solid growth.

In Italy, volume declined 1 per cent, broadly in line with the market. The key brands Heineken and Birra Moretti grew, benefiting from effective trade marketing programmes and the successful introduction of 'Moretti Baffo d'Oro', a full-malt beer in the off-trade channel. Volume of the Dreher brand was broadly stable. The restructuring of the Partesa distribution business is well under way. EBIT (beia) was lower due to a higher provision for trade receivables.

EBIT (beia) in the Netherlands was lower, as fixed cost savings and lower marketing expenditure could not fully offset the effects of a declining beer market on volumes. Heineken Netherlands gained market share in the on-trade, but lost share in the off-trade due to lower price levels of competitors. In the fourth quarter, Heineken Netherlands successfully launched Amstel Blond.

Central and Eastern Europe

Revenue
€3,143 million

EBIT
€351 million

EBIT (beia)
€363 million

Consolidated beer volume
42.2 million hectolitres

Consolidated beer volume as % of Group
29.0 per cent

Heineken volume in premium segment
2.3 million hectolitres

Group beer volume in the region was adversely affected by challenging, but gradually improving, economic conditions and higher excise duties. Higher volumes in Romania, Austria, Serbia, Germany and Belarus could not fully offset lower volumes in Russia, Poland, Greece, Hungary, Croatia and the Czech Republic. Volume of the Heineken brand grew in Austria and Germany, but declined in Poland, Greece and Hungary.

EBIT (beia) in the region was 6.7 per cent lower as the decrease in volume was only partly offset by cost reduction, improvement in price and sales mix and foreign exchange benefits, the latter primarily in Russia and Poland. The closure of two breweries and other efficiency improvements resulted in a productivity improvement and lower fixed costs.

Domestic volume of Brau Union Austria grew 1 per cent with growth across most of the key brands. In particular, volume of the Heineken brand grew significantly, supported by increased sales of the 33 centilitres bottle and the can package. The Goesser brand benefited from the growth of Goesser Natur Radler, a beer and lemonade variant. EBIT (beia) decreased moderately, reflecting higher upfront marketing and sales investment in the on-trade channel.

In Russia, a tripling of excise duty at the start of the year led to a contraction of the beer market. A decision to fully recover the excise duty increase through higher pricing and a delayed response from the competition resulted in a substantial volume decline in lower priced brands and lower EBIT (beia). Encouragingly, our key premium brands Heineken and Zlaty Bazant proved resilient, both gaining market share.

Grupa Żywiec in Poland achieved strong growth in EBIT (beia) driven by fixed cost reduction, lower input costs and favourable currency movements. Strong sales execution and focused marketing investment for the Desperados brand, resulted in strong volume growth for this brand. Overall volume was lower following an excise duty increase and intense price competition adversely affecting volume in the premium segment. This was only partly offset by growth of the Tatra brand.

Volume of Heineken Romania was 6 per cent up, driven by growth of the Bucegi and Ciuc brands which benefited from increased distribution and higher marketing support. EBIT (beia) increased substantially, primarily driven by this strong volume performance.

In Greece, a highly challenging economic environment, reduced tourism and the negative impact of three consecutive excise duty increases resulted in a volume decrease of 9 per cent. The effect of lower volumes was only partially offset by cost savings and productivity improvements, resulting in a lower EBIT (beia) of Athenian Brewery.

On an organic basis, volume of Brau Holding International, our joint venture with the Schoerghuber Group in Germany, remained broadly stable in a declining market. Imported volume of the Heineken and Desperados brands increased strongly.

Africa and the Middle East

Revenue
€1,988 million

EBIT
€548 million

EBIT (beia)
€549 million

Consolidated beer volume
19.1 million hectolitres

Consolidated beer volume as % of Group
13.1 per cent

Heineken volume in premium segment
2.7 million hectolitres

Volumes were strong, reflecting growth across all markets in the region including Nigeria, South Africa, the Democratic Republic of Congo, Republic of Congo, Burundi, Rwanda and Egypt. The total change in consolidated beer volume reflects a shift from imported product to local production by our joint venture operation in South Africa as of January 2010.

Soft drink volume grew 10 per cent reaching 5.8 million hectolitres, with strong performances in the Democratic Republic of Congo, Burundi, Rwanda and Tunisia. In Nigeria, the growth was driven by solid performance of the Fayrouz brand. Volume of the Heineken brand increased substantially in South Africa and Nigeria.

EBIT (beia) in the region grew 10 per cent on an organic basis, driven by higher volume and pricing and a larger contribution from our joint ventures.

The beer market in Nigeria grew 10 per cent, supported by a strong economic recovery and higher prices for oil and natural gas. All key brands achieved solid volume growth, led by Heineken and Amstel. Volume of the Star brand grew, supported by strong sales of the can package. In January 2011, Heineken announced the addition of 5 breweries via the acquisition of two holding companies from the Sona Group. These acquired breweries provide an immediate additional production capacity of 3.7 million hectolitres and alleviate existing capacity constraints. In addition, the breweries broaden the Company's geographic reach in the country.

Heineken's joint venture operation in South Africa grew volume by 8.6 per cent and continued to gain market share. The Heineken and Windhoek brands led this strong volume performance. Volume of the Amstel brand was lower due to the transfer from one-way bottles to smaller size returnable bottles. An investment project is under way to expand production capacity at the Sedibeng brewery to 4.5 million hectolitres by the fourth quarter of 2011.

In Egypt, the beer market grew in the double digits, driven by a supportive economic environment and increased tourism. Volume of Al Ahram grew 12 per cent organically, driven by the Stella, Birrel and Sakara brands. EBIT (beia) increased substantially.

EBIT (beia) of Bralima in the Democratic Republic of Congo grew significantly, driven by strong growth in volume and higher pricing.

In November 2010, Heineken acquired an additional 5 per cent stake in Bralirwa, Rwanda, increasing our shareholding in the company to 75 per cent. The remaining 25 per cent of the shares were listed on the Rwandan stock exchange, representing the first initial public offering of a local company. In Burundi, volume of Brarudi increased, driven by a strong economy following an excellent coffee crop.

Americas

Revenue
€3,431 million

EBIT
€549 million

EBIT (beia)
€651 million

Consolidated beer volume
37.9 million hectolitres

Consolidated beer volume as % of Group
25.9 per cent

Heineken volume in premium segment
8.2 million hectolitres

Reported 2010 figures in the Americas region include the beer operations of FEMSA as of 1 May 2010. These have now been successfully integrated into Heineken.

Group beer volume in the region grew 0.4 per cent on an organic basis. Volume growth in the Caribbean, Canada, Chile and Argentina more than offset lower volumes in the USA. Volume of the Heineken brand performed well across most countries, largely offsetting lower brand volume in the USA.

Regional EBIT (beia), including the first-time consolidation of the beer operations of FEMSA, more than doubled. The beer operations of FEMSA contributed EUR315 million to the EBIT (beia) result for the region. On an organic basis, EBIT (beia) grew 9.8 per cent as the effect of higher pricing and realised cost savings exceeded the impact of lower volumes.

EBIT (beia) of Heineken USA increased in a beer market that declined by 2.7 per cent, reflecting lower volumes for both domestic lager and imported brands. Depletions – sales by distributors to retailers – of Heineken USA developed in line with the market. Successful marketing and increased distribution supported strong growth of the Dos Equis brand, partly offsetting lower volumes of Heineken®. Volume of Newcastle Brown Ale increased slightly.

In Mexico, EBIT (beia) of Cervecería Cuauhtémoc Moctezuma (CCM) grew strongly as the effect of increased pricing, improved brand mix and cost savings exceeded the impact of lower volumes due to unfavourable weather and excise duty and VAT increases. Favourable currency movements also contributed to the increase in EBIT. Volume of CCM developed in line with a declining market. Growth of the Tecate Light, Indio and Dos Equis brands partly offset lower volume for the Sol brand. As part of our value growth strategy for this market, we are planning to start local production of the Heineken brand in the first half of 2011.

The beer market in Brazil benefited from a supportive economic environment, favourable weather and strong brand activation around the FIFA World Cup event. The Company's key brands Heineken, Kaiser and Bavaria all achieved strong volume growth. Higher volume, better pricing and cost savings all contributed to significant EBIT (beia) growth.

Companias Cervecerias Unidas (CCU), the Company's joint venture business with leading positions in Chile and Argentina, achieved higher beer volumes and profitability despite market disruption following a major earthquake in Chile early in the year.

In the Bahamas, Heineken acquired the remaining shares in Commonwealth Brewery and distributor Burns House. Heineken will sell 25 per cent of its shares through an initial public offering in 2011.

Asia Pacific

Revenue
€206 million

EBIT
€280 million

EBIT (beia)
€122 million

Consolidated beer volume
1.3 million hectolitres

Consolidated beer volume as % of Group
0.9 per cent

Heineken volume in premium segment
5.4 million hectolitres

Group beer volume in Asia Pacific grew on an organic basis, supported by robust economic growth. The total change in Group beer volume reflects the first-time inclusion of United Breweries Limited (UBL) in India. The total change in consolidated beer volume and operating profit margin is the result of the transfer of Multi Bintang Indonesia (MBI) and Grande Brasserie de Nouvelle-Caledonie (GBNC) from Heineken to Asia Pacific Breweries (APB), Heineken's joint venture with Fraser and Neave in the region.

On an organic basis, EBIT (beia) increased 44 per cent, reflecting higher volumes, increased pricing and lower input costs.

The Heineken brand continued to grow across the region, reaching a significant milestone with more than 5 million hectolitres sold. This growth was driven by strong performances in Vietnam, Taiwan and China. Volume growth of the Tiger brand was driven by increased exports and introduction of the 'Tiger Crystal' cold filtered lager variant.

APB reported double-digit growth in EBIT (beia). In Vietnam, a supportive economic environment, successful marketing and excise duty reduction all contributed to a strong volume performance. Volumes of the Heineken, Larue and Tiger brands all grew significantly. Volume in Thailand was lower following political unrest causing a reduction in tourism. Indonesia reported a higher profit despite volume being impacted by an increase in excise duty. In China, the Heineken brand achieved strong growth, whilst the new brewery in Guangzhou commenced production in December.

Exports to South Korea and Taiwan continued to grow significantly, driven by the Heineken brand.

Heineken operates in the beer market in India through its joint venture UBL, the leading beer company in the country with a market share of more than 50 per cent. The net profit contribution of UBL to the Group's EBIT (beia) amounted to EUR9 million, reflecting solid volume growth and a better sales mix. UBL plans to launch locally produced Heineken® in the middle of 2011.

Risk Management and Control Systems

This section presents an overview of Heineken's risk management and control systems including a description of the most important risks, Heineken's exposure and its main mitigation efforts. Managing risks is explicitly on the management's agenda and embedded in the Heineken Company Rules. Our aim with the risk management and control systems is to meet our strategic objectives whilst effectively protecting the Company and the brand against reputational damage. Continuity and sustainability of the business are as important to the stakeholders as growing and operating the business. As a business, we balance our financial sustainability with playing a role in society. Social responsibility and sustainability underpin everything we do.

Risk Management and Control Systems

The Heineken Risk Management and Control Systems aim to ensure that the risks of the Company are identified and managed, and that the operational and financial objectives are met in compliance with applicable laws and regulations at a reasonable level of assurance. A system of controls that ensures adequate financial reporting is in place. Heineken's internal control system is based on the COSO Internal Control Framework.

Risk appetite

The Company is recognised for its drive for quality, consistency and financial discipline. Entrepreneurial spirit is encouraged across the Group in order to seek opportunities that support continuous growth such as business development and innovation, whilst taking controlled risks. The balanced country portfolio and the robust balance sheet continue to be a reflection of the risk appetite of the Company.

Risk profile

Heineken is a single-product company with a high level of commonality in its worldwide business operations, spread over many mature and emerging markets. The worldwide activities are exposed to varying degrees of risk and uncertainty. Some of these may result in a material impact on a particular Operating Company if not identified or effectively managed, but may not materially affect the Group as a whole. Compared to other leading beer companies, Heineken has a significantly wider spread of its businesses across the globe, and does not depend on a limited number of markets.

Risk management

Heineken strives to be a sustainable and performance-driven company. This is achieved by doing business, which involves taking risks and managing those risks. Structured risk assessments are integrated in change projects, business planning, performance monitoring processes, common processes and system implementations and acquisitions and business integration activities. The Risk Management and Control Systems are considered to be in balance with Heineken's risk profile and appetite, although such systems can never provide absolute assurance. Heineken's Risk Management and Control Systems are subject to continuous review and adaptations in order to remain in balance with its continuous growth and the changes in the risk profile.

Responsibilities

The Executive Board has overall responsibility for Heineken's Risk Management and Control Systems. It is responsible for resource allocation and risk management policy setting. Its overall effectiveness is subject to review by the Audit Committee. Regional, Operating Company and Functional Management are responsible for managing performance, identifying and managing related risks and the effectiveness of operations within the rules set by the Executive Board.

Heineken Company Rules

The Heineken Company Rules are a key element of risk management and are in place to set the boundaries within which Operating Companies should conduct their business. A governance procedure and activities ensuring continuous awareness, compliance and follow up are in place.

The annual Assurance Letter provides additional comfort on financial reporting and elected Company Rules. Regional Presidents, General and Finance Managers sign for compliance on behalf of their management teams on an annual basis.

Governance

Heineken clarified its governance cycle consisting of strategic planning, annual business planning and operational planning and performance monitoring. Operating Companies' strategies, business plans, key risks and quarterly performance are discussed with Regional Management. Regional performance is discussed with the Executive Board. The approved three-year business plans from regions and global functions include clear objectives, performance indicators and target setting that

provide the basis for monitoring performance compared to the business plan. These plans also contain an annual assessment of the main risks, mitigation plans and financial sensitivities.

Internal control in Operating Companies

Best practice processes are continuously developed and implemented on a Group-wide basis, supported by Common IT Systems with embedded key control frameworks. This ensures the integrity of information processing in supporting the day-to-day transactions and financial and management reporting. Whereas the Heineken common systems are continuously rolled out to more Operating Companies, the application of these common processes are in progress for the most recent acquisitions. Internal Audit is strongly involved in monitoring key controls embedded in main business processes and assessing their effectiveness based on a common audit approach.

Information Technology

Heineken's worldwide operations are highly dependent on the availability and integrity of its (common) information systems. Many IT processes and infrastructures are now centralised and outsourced to professional outsourcing partners. To ensure the confidentiality and integrity of information and the availability of information systems, Heineken's Operating Companies and the Central IT services must comply with a strict information security policy, which is aligned with the ISO 27001:2005 standard. An IT risk management system is in place for all sites including; IT risk identification and monitoring, annual policy compliance assessments, progress of improvement monitoring and internal audits. The IT risk management system also includes clear agreements on assurance from IT outsourcing partners. The increased harmonisation and centralisation of IT systems augment central enforcement of security measures across Operating Companies and has a positive impact on the level of control.

Code of Business Conduct and Whistle-blowing

The Code of Business Conduct and Whistle-blowing procedure is applicable to all majority-owned subsidiaries, regional offices and head office and implementation is in progress for recent acquisitions. Compliance is supported through continuous monitoring of effectiveness and compliance reviews. Employees may report suspected cases of serious misconduct to their direct superior, the local Trusted Representative or anonymously to an independently run confidential helpline. The Integrity Committee oversees the functioning of the Whistle-blowing procedure and reports bi-annually to the Executive Board and Audit Committee on reported cases and effectiveness of the procedure. In the year under review, Heineken introduced an improved case management system and an e-learning tool to support training requirements. On-going training is being performed at Operating Company level to further increase awareness and understanding.

Supervision

The Executive Board oversees the adequacy and functioning of the entire system of risk management and internal control, assisted by Global functions. Internal Audit provides independent assurance and advice on the Risk Management and Internal Control Systems. Assurance Meetings at both local and regional level oversee the adequacy and operating effectiveness of the Risk Management and Internal Control Systems in their respective environments. Regional Management and Internal Audit participate in the local meetings in order to ensure effective dialogue and transparency. The outcome and effectiveness of the Risk Management and Internal Control Systems are evaluated with the Executive Board and the Audit Committee.

Financial reporting

The risk management and control systems over financial reporting contain clear accounting policies, a standard chart of accounts and Assurance Letters signed by regional and local management. The Heineken common systems and embedded control frameworks are implemented in a large number of the Operating Companies and support common accounting and regular financial reporting in standard forms. Testing of key controls relevant for financial reporting is part of the Common Internal Audit Approach in Operating Companies on common systems. The external audit activities provide additional assurance on the financial reporting. Within the scope of the external auditors' financial audit assignment, they also report on internal control issues through their management letters, and they attend the regional and certain local assurance meetings.

In 2010, special attention was given to the integration of financial reporting of the acquired beer operations of FEMSA (Fomento Económico Mexicano, S.A.B. de C.V.), which included the application of Heineken's Accounting Policies.

The internal risk management and control systems, as described in this section, provide a reasonable assurance that the financial reporting does not contain any errors of material importance. The risk management and control systems worked properly in the year under review.

This statement cannot be construed as a statement in accordance with the requirements of Section 404 of the US Sarbanes-Oxley Act, which is not applicable to Heineken N.V.

Main risks

On the explicit understanding that this is not an exhaustive list, Heineken's main risks are described below, including the mitigation measures. The risks derived from the main risks are economic downturn, volatility of input costs, exchange rates, political instability, availability and cost of capital and increasing legislation affecting the business and are considered the most significant risks. The main Company risks have been discussed with the Supervisory Board and are annually reviewed.

Strategic risks

Heineken Brand and Company reputation

As both the Group and its most valuable brand carry the same name, reputation management is of utmost importance. Heineken enjoys a positive corporate reputation and our

Operating Companies are well respected in their regions. Constant management attention is directed towards enhancing Heineken's social, environmental and financial reputation. The Heineken brand is, along with our people, our most valuable asset and one of the key elements in Heineken's growth strategy with a portfolio that combines the power of local and international brands. Anything that adversely affects consumer or stakeholder confidence in the Heineken brand or Company could have a negative impact on the overall business.

Company reputation, brand image and revenue could be potentially impacted by unethical or irresponsible behaviour of the Company or its employees and by product integrity issues. Therefore, the whole supply chain of all Operating Companies are subject to a global framework and governance system with high quality standards and intensive monitoring procedures to secure product integrity in accordance with international legislation and locally verified by international (ISO-) certifying bodies. Starting in 2010, Heineken began to roll out a reputation survey with critical stakeholders at both a global and national level. This will further provide insight into the Company's reputation and how to mitigate risks.

The Code of Business Conduct aims to prevent any unethical and irresponsible behaviour of the Company or its employees.

During the year under review, the new practical crisis manual was further distributed throughout the business. Alongside this, a simulation workshop was rolled out across the business. A number of Operating Companies have carried out this workshop, but all Operating Companies are required to complete this workshop and undertake a 'refresher' exercise at least once every two years.

The Company also invests considerable resource in activities that drive sustainability and support the Company reputation. Heineken's Sustainability Report outlines Heineken's priorities, goals and achievements in these areas. Heineken believes that the new 'Brewing a Better Future' approach strikes the right balance and makes positive long-term commitments to investments in the environment, communities, people and partnerships. For further information on the Company's sustainability programmes, see www.heinekeninternational.com/sustainability

Alcohol under pressure

Alcohol abuse remains a serious concern in many markets and could prompt legislators to introduce further restrictive measures including restrictions and/or bans on advertising, sponsoring, points of sale and increased government tax. Further restrictions of our commercial freedom to promote and sell our products could lead to a decrease in brand equity and potentially in sales and damage the industry in general.

National debates on further restrictions could be accelerated by the fact that the World Health Organisation (WHO) adopted the Global Alcohol Strategy in May 2010. In the coming years, countries will have to implement the Strategy by developing national Alcohol Action Plans. These plans can include several of the policy options. Some of these policy options can severely restrict our commercial freedom or lead to higher taxing.

We therefore need to work with our colleagues in markets, as Heineken and through the industry, in order to ensure a balanced and evidence-based implementation of the Global Alcohol Strategy.

In 2013, the WHO will report on progress of the implementation, which could lead to calls from Member States for a stricter Global Alcohol Strategy because implementation is considered to be too slow or inadequate. Heineken will work with industry to give the necessary input to the WHO secretariat to make sure that the contribution of industry to the objectives of the Global Alcohol Strategy is known and hopefully adequately reflected in the progress report prepared by the WHO secretariat.

Heineken has offered, as part of a coalition of major alcohol beverage companies, a package of industry activities in a number of developing markets to the Director General of the WHO. The actions include ensuring responsible alcohol marketing, combating drunk-driving and to get a better insight on the impact of non-commercial (illicit) alcohol in society. These actions are called 'global actions to reduce alcohol related harm' (www.global-actions.org). Great responsibility lies with us and our partners to ensure full execution of these programmes and actions.

Heineken will continue to work through the EU Alcohol & Health Forum, chaired by the European Commission. In 2010 we put forward new commitments to support the objectives of the Forum, which is to reduce alcohol-related harm in Europe. Next to concrete commitments from the stakeholders, the Forum offers a platform for policy debate and development. Unfortunately, the focus of some of the Forum stakeholders is to attack the commercial freedom of the alcohol beverage industry. We therefore have to continuously balance this debate through evidence-based input and by ensuring strict compliance to our own rules, as Heineken and as brewers, on Responsible Commercial Communication.

Attractiveness of beer category under pressure

The image of our sector and products is of key importance in maintaining our licence to operate and to grow the beer category in a responsible manner. This is especially relevant in markets where beer sales are under pressure and/or where beer has a less favourable image. As market leader in Europe we will lead the strengthening of the image of our sector and products as Heineken and through the European and national brewers' associations. At European level we led actions by the Brewers of Europe, which included high level image-related events with the EU Council President, the European Commission, the European Parliament and media. Heineken has mitigated its relatively high gearing to mature markets by the acquisition of the beer operations of FEMSA.

Volatility of input costs

Pricing strategies are top priority in all of our markets. This includes assessments of customer, consumer and competitor responses based on different pricing scenarios, which will have different outcomes market by market. In principle, we normally pass on increased input costs, market circumstances permitting. In 2010, the poor harvest outlooks for key grain and hop markets had an adverse impact on the price level. In addition, in Central and Eastern Europe, the barley harvest of 2010 was poor in quantity and quality, which, as a direct consequence had an impact on the price level of brewers' malt.

Heineken is leveraging its scale by making use of flexibility in contracts and active hedging as well as our significant presence in the relevant markets. This brings economies of scale, minimises impact of increases in input costs, and maximises opportunities for cost reductions and other commercial terms. In 2010, a significant part of input costs were covered via Group-managed contracts. In previous years, our hedging strategy provided an effective shield against peak prices and similar strategies are now ensuring that we secure 2011 and future supply at effective, if not always minimum, cost. During 2010, we saw a continuation of volatility in certain key commodity markets and we continue to evaluate and maintain risk strategies to protect input costs from this effect. We have hedged most of the 2011 aluminium requirements. We are actively investigating a significant increase in scale of our hedging arrangements, but our approach will continue to balance longer-term contracting, close knowledge of key strategic commodity marketplaces as well as hedging strategies.

Political instability and natural disasters in developing countries

Latin America and Africa are important developing regions for Heineken as its global volume growth is driven by volume growth in these regions. Heineken has an increased exposure to the domestic environment and stability in these regions. Political instability and natural disasters (e.g. earthquakes and hurricanes) in these regions, could adversely affect earnings and cash flow.

Economic downturn

Heineken's regular business activities and performance are impacted by changes in the economic environment following the global economic downturn, in particular in the on-premises segment. The global economic downturn also impacted consumers' behaviour as a result of the rise in discount brands and retailers following the economic downturn. The economic crisis has impacted our regular business activities and performance, in particular consumer spending and solvency. Additional monitoring and mitigation actions are being implemented following recent deterioration in clients' solvency. However, the business impact differed across the regions and operations. Local management has assessed the risk exposure following Group instructions and is taking action to mitigate the higher than usual risks. Intensified and continuous focus is being given in the areas of customers (managing trade receivables and loans) and suppliers (financial position of critical suppliers). Also, management attention is given to our relationships with banks (see capital availability risk) and insurance companies (credit worthiness (re)insurance companies). Regional Management and involved Global functions oversee the effectiveness of management analysis and actions.

Operational risks

Reorganisations and change programmes

Continuous business improvement and/or restructuring projects (amongst others, initial centralisation of back office activities and other rightsizing activities) have been realised, are under way or in the process of preparation. The supply chain, wholesale business and support functions in Europe and the Americas have been impacted the most. A potential negative impact such as restructuring activities requires pro-active management and communication to prevent the continuity of daily operations from being adversely affected.

Company-wide strategic programmes are overseen by the Executive Board, whilst change projects at regional and local level are directly managed by appropriate management teams including capacity allocation and priority setting. The Operating Companies concerned manage reorganisation projects with care, the right speed, alignment with relevant industrial and external relations and consistent communication to employees. Contingency plans have been put in place and clear targets are set on achieving the main change objectives. Risk Management is an integral part of the running of change projects.

Business integration

In the pursuit of further expansion, Heineken seeks to strike a balance between organic and acquired growth. Recently, Heineken has been very acquisitive with transactions in emerging markets, e.g. the acquisition of the beer operations of FEMSA in 2010. In any acquisition, Heineken is faced with different cultures, business principles and political, economic and social environments. This may affect corporate values, image and quality standards. It may also impact the realisation of long-term business plans, including synergy objectives, underlying the value of newly acquired companies.

In order to mitigate these risks, Heineken continuously improves its business development and integration activities. This includes significant involvement of relevant Global functions, Operating Companies and Regional Management in carrying out effective due diligence processes and preparing 'take charge' and integration plans. Heineken has best practice programmes in place for acquisition and integration processes, which include standardised acquisition and due diligence processes.

Supply continuity

Discontinuity of supply of our products could adversely impact sales volume but is not considered a major risk due to both relative size and geographical spread of operations. All Operating Companies should implement a business continuity plan for all type of main crises. However, specific attention is given to the supply of beer from the Netherlands to profitable

export markets. Heineken Netherlands Supply, being a large exporting Operating Company, has implemented a Business Continuity Management process related to the export supply from the Netherlands. This process is integrated with the planning and reporting cycle, and secured through integration with ISO-certified quality assurance management systems.

Information security

A significant number of Heineken Operating Companies use the centrally managed and hosted common transaction systems. Unavailability of these central systems will affect our ability to conduct normal business. Mitigation of this risk is achieved through the implementation of redundancy measures with our outsourcing partners, which are tested annually. Measures are implemented to secure confidentiality and integrity of data, in accordance with Heineken's information security policy. Compliance is measured across all Operating Companies and central services. Where appropriate, improvement plans are executed, reducing exposure to these risks.

Financial risks

Currency risk

Heineken operates internationally and reports in euros. Currency fluctuations, relating to the US dollar, Mexican peso, Nigerian naira, Polish zloty, Russian rouble and the British pound could materially affect overall Company results.

Heineken has a clear policy on hedging transactional exchange risks, which postpones the impact on financial results. Translation exchange risks are hedged to a limited extent. Heineken raises debt in a number of its main currencies. In this way we avoid undesirable currency-impact on the Group's ability to service its debts. By matching currencies of liabilities and cash flows, this mitigates a currency impact and creates natural hedges in the financial statements.

Capital availability

The Company focuses on cash generation to reduce debt levels and to improve financing ratios. The Company focuses on ensuring sufficient access to capital markets to refinance maturing debt obligations and to finance long-term growth. The Company aims to further fine-tune the maturity profile of its long-term debts. Financing strategies are under continuous evaluation. Terms and conditions of additional refinancing may be impacted by changing credit market conditions. Strong cost and cash management and strong controls over investment proposals are in place to ensure effective and efficient allocation of financial resources.

Pension

In some of the countries where it operates, Heineken makes contributions to a number of defined benefit plans that provide pension benefits for employees (mainly the UK and the Netherlands as per disclosure in financial statements). The assumptions on discount rate may lead to short-term accounting volatility. Increase in life expectancy may have a structural impact. The contractual and regulatory arrangements with these pension funds are such that in the situation of shortfalls, based on local minimum funding requirements, additional contributions may be required. However, the additional cash contributions, if any, will be spread over a longer period of time. Heineken closely follows the developments in its pension funds and is starting to implement changes in investment strategies and benefit schemes to mitigate its future risks.

Regulatory risks

Tax

Heineken and its Operating Companies are subject to a variety of tax regulations. Heineken has further progressed in structuring tax risk management through the global roll-out of a Tax Control Framework.

Beer excise duties could have a strong impact on the financial results. 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 and, respectively, the coverage of fixed costs.

Litigation

Due to increasing legislation there is an increased possibility of non-compliance. Additionally, more supervision by regulators and the growing claim culture may increase the impact of non-compliance, both financially and on the reputation of the Company. Each half year, all majority-owned companies report outstanding claims and litigations against the Company in excess of EUR2.5 million, including an assessment of the amounts to be provided for.

There may be current risks that do not have a significant impact on the business but which could – at a later stage – develop into a material impact on the Company's business. The Company's risk management systems are focused on timely discovery of such risks.

Financial Review

Results from operating activities

In millions of EUR	2010	2009
Revenue	**16,133**	14,701
Other income	**239**	41
Raw materials, consumables and services	(10,291)	(9,650)
Personnel expenses	(2,680)	(2,379)
Amortisation, depreciation and impairments	(1,118)	(1,083)
Total expenses	**14,089**	13,112
Results from operating activities	**2,283**	1,630
Share of profit of associates, joint ventures and impairments thereof	193	127
EBIT	**2,476**	1,757

General overview

With the acquisition of the beer operations of FEMSA in Mexico and Brazil, it was a transformational year for Heineken. Next to this, we strengthened and enlarged Asia Pacific Breweries Ltd ('APB'), our successful joint venture partnership with Fraser and Neave Ltd ('F&N') through the transfer of our controlling interest in PT Multi Bintang Indonesia ('MBI') and Grande Brasserie de Nouvelle-Calédonie S.A. ('GBNC'). In June 2010, Heineken UK sold its wholesale business Waverley TBS. This company was not an integral part of our UK business, since it hardly sold any Heineken UK Beer or Cider products. On these transactions Heineken made a profit of EUR199 million, which is considered as an exceptional item.

The impact of the acquisition of the beer operations of FEMSA is significant on the financial measures of Heineken N.V. Total assets increased by EUR5.5 billion and shareholders' equity increased by EUR3.9 billion. The beer operations of FEMSA have been acquired in exchange for Heineken N.V. shares for a total value of EUR3.9 billion.

The acquisition was financed largely by the issuance of new shares and partly with a so called 'Allotted Share Delivery Instrument' (ASDI). In 2010, 10 million shares from the ASDI were delivered to FEMSA with a total value of EUR360 million.

TCM, Heineken's Company-wide cost reduction programme for the period 2009 – 2011, delivered strong results, with EUR280 million savings in 2010.

Revenue and expenses

Revenue increased by 9.7 per cent from EUR14.7 billion to EUR16.1 billion and decreased by 2.2 per cent organically. Although there was a positive impact of pricing and mix of 1.1 per cent on revenues, this was more than offset by lower volumes in Western Europe, Central and Eastern Europe and the Americas. The net increase in revenues due to the acquisition of the beer operations of FEMSA and the sale of MBI, GBNC and Waverley TBS amounted to EUR1.3 billion.

Favourable exchange rate movements, primarily in Poland, Russia, the UK and Nigeria, contributed EUR447 million to revenues as well.

Consolidated beer volume ended 17 per cent higher at 145.9 million hectolitres in 2010. The net impact of acquisitions and disposals was a positive 24.5 million hectolitres. Organically, consolidated beer volume was 3.1 per cent lower due to difficult economic circumstances and excise duty increases. Consolidated Heineken premium volume (including Heineken Premium Light) increased by 0.8 million hectolitres to 26.0 million hectolitres in 2010 (an organic increase of 3.4 per cent).

Other income increased from EUR41 million in 2009 to EUR239 million in 2010 mainly, as a result of the sale of our Asian subsidiaries MBI and GBNC to our joint venture partner APB and the sale of Waverley TBS.

Costs of raw materials and packaging increased by 16 per cent, but decreased 8.0 per cent organically, primarily reflecting lower volumes, a decrease in malting fees and lower barley prices.

The decrease in goods for resale is mainly due to the deconsolidation of our wholesale business in the UK and the fact that as from April 2010, FEMSA products sold by Heineken USA have been produced by the Heineken Group.

Marketing and selling expenses increased organically by 5.4 per cent to 12.8 per cent of revenue in 2010 from 11.3 per cent in 2009. This increase reflects our focus on increasing brand equity and enhancing sales execution to strengthen existing market positions.

TCM is Heineken's Company-wide cost reduction programme covering the period from the beginning of 2009 to the end of 2011. In 2010, the pre-tax amount of cost savings realised under TCM totalled EUR280 million, resulting in cumulative TCM savings of EUR435 million. Restructuring programmes and brewery closures were launched and realised, mainly in the UK and Spain. Related costs amount to EUR39 million and are considered exceptional items.

Mainly due to implemented restructuring programmes, personnel expenses were organically 2.6 per cent lower.

Total costs relating to the acquisition and integration of the beer operations of FEMSA amount to EUR80 million and are considered exceptional items.

The operating margin increased significantly by 1.6 per cent point, due to a combination of a higher gross profit margin and lower costs.

The increase of impairments on customer loans and receivables was due to bad economic environments mainly in Western and Eastern Europe. Impairment of receivables on one large on-trade customer in Western Europe, including related guarantees to banks, totalling EUR70 million is considered exceptional item.

Results (beia)

In millions of EUR	2010	2009
Result from operating activities	2,283	1,630
Share of profit of associates and Joint Ventures	193	127
EBIT	2,476	1,757
Amortisation of brands and customer relationships	142	79
Exceptional items	(10)	259
EBIT (beia)	**2,608**	2,095

In millions of EUR	2010	2009
Net profit	1,436	1,018
Amortisation of brands and customer relationships	103	59
Exceptional items	(94)	(22)
Net profit (beia)	**1,445**	1,055

EBIT (beia) and Net profit (beia)

In millions of EUR	EBIT beia	Net profit beia
2009	2,095	1,055
Organic growth	179	208
Changes in consolidation	264	133
Effects of movements in exchange rates	70	49
2010	**2,608**	1,445

EBIT and net profit

Net interest expenses decreased by EUR53 million from EUR543 million to EUR490 million.

Organically, interest cost decreased by EUR122 million due to the very strong cash flow generation which reduced net debt. New acquisitions and exchange rate differences impacted interest costs negatively by EUR68 million.

Other net financing expenses amount to EUR19 million, while last year a net income of EUR214 million was reported mainly due to a book gain on the Globe restructuring. Without these exceptional gains in 2009, other net financing expenses in 2010 were in line with 2009 and relate to transactional foreign exchanges differences and losses on derivatives, unwinding of discounts on the long-term tax liability in Brazil and unwinding of discounts of provisions.

The average tax burden is 22.5 per cent and is in line with 2009. The rate includes the (partly) tax exempt gain on the sale of MBI/GBNC, the disposal of Waverley TBS, exceptional tax items in 2010 related to the finalisation of the Globe transactions in the UK and various other settlements with the tax authorities. Tax rate (beia) increased from 25 per cent to 27.3 per cent mainly due to the relatively high tax rate applicable to our new Mexican business.

Despite the increase of 15 per cent in the weighted average number of shares, diluted earnings per share increased from EUR2.08 to EUR2.55.

Cash flow

In millions of EUR	2010	2009
Cash flow from operations before changes in working capital and provisions	**3,299**	2,876
Total change in working capital	454	220
Change in provisions and employee benefits	(205)	(67)
Cash flow from operations	**3,548**	3,029
Cash flow related to interest, dividend and income tax	(891)	(650)
Cash flow from operating activities	**2,657**	2,379
Cash flow used in operational investing activities	(664)	(638)
Free operating cash flow	**1,993**	1,741
Cash flow used for acquisitions and disposals	257	(149)
Cash flow from/(used in) financing activities	(2,172)	(1,837)
Net cash flow	**78**	(245)
Cash conversion ratio	**126%**	148%

Cash flow and investments

The acquisition of the beer operations of FEMSA had a substantial impact on the cash flow and is included for eight months. Higher net profit drove up cash flow from operations. Our Hunt for Cash2 programme continued to be a big success and delivered significant additional cash, mainly from the area of working capital improvement. Additionally, cash flow used for operational investment activities remained stable.

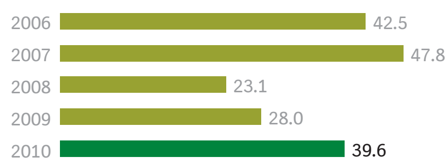
The cash conversion rate is still above our three-year target of 100 per cent. In 2010, the increase in Net profit (beia) did not result in corresponding higher free operating cash flow mainly due to:

- Tax restructuring benefits, which have not yet resulted in lower tax paid
- Interest charged to profit and loss decreased while interest paid increased due to timing of interest payments and related interest swap settlements
- Payments of restructuring costs, guarantees and claims, which have been provided for in previous years.

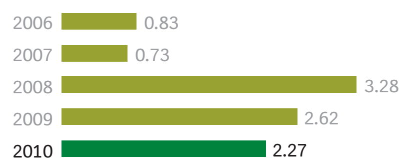
Financing structure

In millions of EUR	2010	%	2009	%
Total equity	10,517	39	5,647	28
Deferred tax liabilities	991	4	786	4
Employee benefits	687	3	634	3
Provisions	598	2	518	3
Interest-bearing loans and borrowings	8,726	33	8,239	41
Other liabilities	5,030	19	4,356	21
Net cash flow	**26,549**	**100**	20,180	100

Total equity
As a percentage of total assets



Net debt/EBITDA (beia)



In millions of EUR	2010	2009
EBIT	2,476	1,757
Depreciation and impairments of plant, property and equipment	910	931
Amortisation and impairment of intangible assets	208	152
EBITDA	**3,594**	2,840
Other exceptional items	(25)	98
EBITDA (beia)	**3,569**	2,938

Financing and liquidity

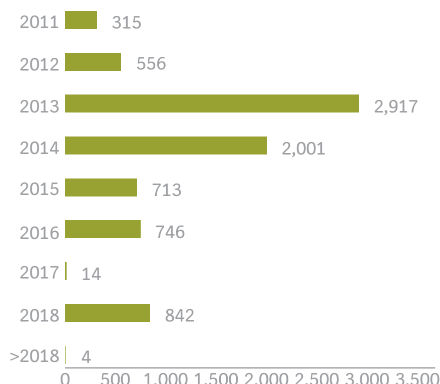
As at 31 December 2010, total equity increased by EUR4,870 million to EUR10,517 million, whilst equity attributable to equity holders of the Company increased by EUR4,877 million to EUR10,228 million. This increase is mainly due to issuance of shares for the acquisition of the beer operations of FEMSA, the ASDI, a strong profit and the positive impact of foreign currency translation differences. Net Debt as at 31 December 2010 amounted to EUR8,099 million, a slight increase of EUR395 million from EUR7,704 million. The acquired net debt position of the beer operations of FEMSA was EUR1,564 million. Excluding the beer operations of FEMSA, we managed to decrease our net debt position by EUR1,169 million in 2010, mostly from a very strong free operating cash flow of EUR1,993 million partly offset by amongst others, dividends paid of EUR483 million and share-buy backs under the ASDI instrument totalling EUR381 million.

Of total net interest-bearing debt, approximately 82 per cent is denominated in euro. This is including the effect of cross-currency interest rate swaps on non-euro denominated debt such as the GBP bond and the US private placements at both Heineken N.V. and Heineken UK. The fair value of these swaps does not form part of Net Debt.

Approximately 5 per cent of net interest-bearing debt is denominated in British pounds. This consists both of interest-bearing debt at the UK level (held at several subsidiaries) as well as debt at Heineken N.V. level.

Approximately 7 per cent of net interest-bearing debt is denominated in Mexican pesos and 6 per cent is denominated in US dollar.

Other currencies have a net zero impact on the currency denomination with smaller debt positions offset by cash positions. This currency breakdown excludes the effect of any derivatives, which are used to hedge intercompany lending denominated in currencies other than euro.



Heineken updated and increased its EMTN programme to EUR5 billion in September 2010. This programme has been approved by the Luxembourg Commission de Surveillance du Secteur Financier which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC and facilitates flexible access to Debt Capital Markets going forward.

On 4 February 2010, Heineken N.V. repaid a Euro bond with a nominal value of EUR500 million.

On 13 August 2010, Heineken N.V. funded 8-year private loan notes with institutional investors in the USA. The principal amount of the loan notes is USD725 million and the coupon was fixed at 4.6 per cent. The maturity date is 15 August 2018. Heineken has swapped the proceeds into EUR559 million with a fixed coupon of 3.9 per cent. Heineken's policy is to keep committed headroom of EUR1 billion – EUR1.5 billion for the following year. As at 31 December 2010, the available headroom (including cash available at Group level) is approximately EUR2.1 billion, as the EUR2 billion Revolving Credit Facility 2005 – 2012 is undrawn.

Heineken currently has committed financing in place until mid-2013 to cover all maturing debt obligations from forecast operational cash flows and available credit facilities.

Financing ratios

Heineken has an incurrence covenant in some of its financing facilities. Our incurrence covenant is calculated by dividing Net Debt (calculated in accordance with the consolidation method of the 2007 Annual Accounts) by EBITDA (beia) (also calculated in accordance with the consolidation method of the 2007 Annual Accounts and including the pro-forma full-year EBITDA of any acquisitions made in 2008). As at 31 December 2010 this ratio was 2.1 (2009: 2.5). If the ratio would be beyond a level of 3.50, the incurrence covenant would prevent us from conducting further significant debt-financed acquisitions.

Profit appropriation

Heineken N.V.'s profit (attributable to shareholders of the Company) in 2010 amounted to EUR1,436 million. In accordance with Article 12, paragraph 7, of the Articles of Association, the Annual General Meeting of Shareholders will be invited to appropriate an amount of EUR438 million for distribution as dividend. This proposed appropriation corresponds to a dividend of EUR0.76 per share of EUR1.60 nominal value, on account of which an interim dividend of EUR0.26 was paid on 3 September 2010. The final dividend thus amounts to EUR0.50 per share. Netherlands withholding tax will be deducted from the final dividend at 15 per cent.

Pending delivery of the Allotted Shares, any undelivered share underlying the ASDI will receive a coupon out of retained earnings, in order to replicate dividends payable on Heineken N.V. shares.

Corporate Governance Statement

Dutch Corporate Governance Code

On 10 December 2008 a new Dutch Corporate Governance Code (the 'Code') was presented amending the Corporate Governance Code of 9 December 2003. The Code can be downloaded at www.commissiecorporategovernance.nl.

As part of the Annual Report 2009 Heineken N.V. prepared a Comply or Explain report on the basis of the Code. The Comply or Explain report is also available at www.heinekeninternational.com.

As stated in the Code (principle 'Compliance with and enforcement of the Code', paragraph I) there should be a basic recognition that corporate governance must be tailored to the company-specific situation and therefore that non-application of individual provisions by a company may be justified.

Heineken endorses the Code's principles and applies virtually all best practice provisions. However, in particular, the structure of the Heineken Group and specifically the relationship between Heineken Holding N.V. and Heineken N.V., prevents Heineken N.V. from applying a small number of best practice provisions.

The following best practice provisions are not (fully) applied or applied with an explanation:

- II.2.8: severance payment Executive Board members
- III.2.1, III.2.2 a, c and e and III.2.3: independence
- III.3.5: appointment period Supervisory Board members
- III.4.1 (g): contact with Central Works Council
- III.5.11: Chairman Remuneration Committee
- III.6.6: delegated Supervisory Board member.

Other best practice provisions, which are not applied, relate to the fact that these principles and/or best practice provisions are not applicable to Heineken N.V.:

- II.2.4, II.2.6 and II.2.7: Heineken does not grant options on shares
- III.8: Heineken does not have a one-tier management structure
- IV.1.2 Heineken has no financing preference shares
- IV.2: Heineken has no depositary receipts of shares, nor a trust office
- IV.3.11: Heineken has no anti-takeover measures
- IV.4: The principle and best practice provisions relate to shareholders
- V.3.3: Heineken has an internal audit function.

The General Meeting of Shareholders of 22 April 2010 discussed the way Heineken deals with the Code and that Heineken N.V. does not (fully) apply the above best practice provisions. At the General Meeting of Shareholders of 20 April 2005, the departure from similar best practice provisions of the 2003 corporate governance code was put to the vote and approved.

Risk Management and Control Systems

The risk management and control systems over financial reporting contain clear accounting policies, a standard chart of accounts and Assurance Letters signed by regional and local management. The Heineken common systems and embedded control frameworks have been implemented in a large number of Operating Companies and support common accounting and regular financial reporting in standard forms. Testing of key controls relevant for financial reporting is part of the Common Internal Audit approach in Operating Companies on common systems. The external audit activities provide additional assurance on the financial reporting. Within the scope of the external auditors' financial audit assignment, they also report on internal control issues through their management letters, and they attend the regional and certain local assurance meetings.

In 2010, special attention was given to the integration of financial reporting of the acquired beer operations of FEMSA (Fomento Económico Mexicano, S.A.B. de C.V.), which included the application of the Heineken Accounting Policies.

The internal risk management and control systems, as described in this section, provide a reasonable assurance that the financial reporting does not contain any errors of material importance. The risk management and control systems worked properly in the year under review.

This statement cannot be construed as a statement in accordance with the requirements of Section 404 of the US Sarbanes-Oxley Act, which is not applicable to Heineken N.V.

General Meeting of Shareholders

Annually, within six months after the end of the financial year, the annual General Meeting of Shareholders shall be held, in which, inter alia, the following items shall be brought forward: (i) the discussion of the Annual Report (ii) the discussion and adoption of the financial statements, (iii) discharge of the members of the Executive Board from their management, (iv) discharge of the members of the Supervisory Board from their supervision on the management and (v) appropriation of profits. General Meetings of Shareholders shall be held in Amsterdam.

Convocation
Pursuant to the law, the Executive Board or the Supervisory Board shall convene the General Meetings of Shareholders with a convocation period of at least forty-two (42) days (excluding the date of the meeting, but including the convocation date).

The Executive Board and the Supervisory Board are obliged to convene a General Meeting of Shareholders upon request of shareholders individually or collectively owning 25 per cent of the shares. Such meeting shall then be held within eight weeks from the request and shall deal with the subjects as stated by those who wish to hold the meeting.

Right to include items on the agenda
If the Executive Board has been requested in writing not later than 60 days prior to the date of the General Meeting of Shareholders to deal with an item by one or more shareholders who solely or jointly (i) represent at least one per cent (1 per cent) of the issued capital or (ii) at least represent a value of EUR50 million, then the item will be included in the convocation or announced in a similar way. A request of a shareholder for an item to be included on the agenda of the General Meeting of Shareholders needs to be substantiated. The principles of reasonableness and fairness may allow the Executive Board to refuse the request.

The Dutch Corporate Governance Code of 10 December 2008 provides the following in best practice provision IV.4.4: "A shareholder shall exercise the right of putting an item on the agenda only after he consulted the Executive Board about this. If one or more shareholders intend to request that an item be put on the agenda that may result in a change in the Company's strategy, for example through the dismissal of one or more Executive or Supervisory Board members, the Executive Board shall be given the opportunity to stipulate a reasonable period in which to respond (the response time). This shall also apply to an intention as referred to above for judicial leave to call a general meeting pursuant to Article 2:110 of the Dutch Civil Code. The shareholder shall respect the response time stipulated by the Executive Board within the meaning of best practice provision II.1.9."

If the Executive Board invokes a response time, such period shall not exceed 180 days from the moment the Executive Board is informed by one or more shareholders of their intention to put an item on the agenda to the day of the general meeting at which the item is to be dealt with. The Executive Board shall use the response time for further deliberation and constructive consultation. This shall be monitored by the Supervisory Board. The response time shall be invoked only once for any given General Meeting and shall not apply to an item in respect of which the response time has been previously invoked.

Best practice provision IV.4.4 is written for shareholders and they are free to deviate from the recommendation of the best practice provision to respect this response time.

Record date
For each General Meeting of Shareholders, the Company shall determine a record date for the exercise of the voting rights and participation in the meeting. The record date shall be the 28th day prior to the date of the meeting. The record date shall be included in the convocation notice, as well as the manner in which those entitled to attend and/or vote in the meeting can be registered and the manner in which they may exercise their rights.

Only persons that are shareholders on the record date may participate and vote in the General Meeting of Shareholders.

Participation in person, by proxy or through electronic communication
Each shareholder is entitled, either personally or by proxy authorised in writing, to attend the General Meeting of Shareholders, to address the meeting and to exercise his voting rights.

The Executive Board may determine that the powers set out in the previous sentence may also be exercised by means of electronic communication. The Executive Board may subject the use of electronic communications to conditions, which will then be indicated in the convocation notice.

If a shareholder wants to exercise his rights by proxy authorised in writing, the written power of attorney must be received by the Company no later than on the date indicated for that purpose in the convocation notice. Through its website, the Company generally facilitates that shareholders can give electronic voting instructions.

Attendance list
Each person entitled to vote or otherwise entitled to attend a meeting or such person's representative shall have to sign the attendance list, stating the number of shares and votes represented by such person.

Chairman of the General Meeting
All General Meetings of Shareholders shall be presided by the Chairman or the Vice-Chairman of the Supervisory Board, or in his absence, by one of the Supervisory Board members present at the meeting, to be designated by them in mutual consultation. If no members of the Supervisory Board are present, the meeting shall appoint its own chairman.

Voting

All resolutions of the General Meeting of Shareholders shall be adopted by an absolute majority of the votes cast, except for those cases in which the law or the Articles of Association prescribe a larger majority.

Each share confers the right to one vote. Blank votes shall be considered as not having been cast.

The Executive Board may determine in the convocation notice that any vote cast prior to the General Meeting of Shareholders by means of electronic communication, shall be deemed to be a vote cast in the General Meeting of Shareholders. Such a vote may not be cast prior to the record date. A shareholder who has cast his vote prior to the General Meeting of Shareholders by means of electronic communication remains entitled to, whether or not represented by a holder of a written power of attorney, participate in the General Meeting of Shareholders.

Minutes

The proceedings in the General Meeting of Shareholders shall be recorded in minutes taken by a secretary to be designated by the General Meeting of Shareholders (after the proposed amendment of the Articles of Association the secretary shall be designated by the chairman of the meeting), which minutes shall be signed by the chairman of the meeting and the secretary. If, in deviation of the above, a notarial record of the proceedings of the General Meeting of Shareholders is drawn up, the chairman of the meeting shall countersign the notarial record. Upon request the record of the proceedings of the General Meeting of Shareholders shall be submitted to shareholders ultimately within three months after the conclusion of the meeting.

Resolutions to be adopted by the general meeting

The General Meeting of Shareholders has authority to adopt resolutions concerning inter alia the following matters:

(i) Issue of shares by the Company or rights on shares (and authorise the Executive Board to resolve that the Company issues shares or rights on shares
(ii) Authorise the Executive Board to resolve that the Company acquires its own shares
(iii) Cancellation of shares and reduction of share capital
(iv) Appointment of Executive Board members
(v) The remuneration policy for Executive Board members
(vi) Suspension and dismissal of Executive Board members
(vii) Appointment of Supervisory Board members
(viii) The remuneration of Supervisory Board members
(ix) Suspension and dismissal of Supervisory Board members
(x) Appointment of the Delegated Member of the Supervisory Board
(xi) Adoption of the financial statements
(xii) Granting discharge to Executive and Supervisory Board members
(xiii) The profit reservation and distribution policy
(xiv) Dividend distributions
(xv) A substantial change in the corporate governance structure
(xvi) Appointment of the external auditor
(xvii) Amendment of the Articles of Association and (xviii) Liquidation.

Resolutions on a major change in the identity or character of the Company or enterprise shall be subject to the approval of the General Meeting of Shareholders. This would at least include (a) the transfer of the enterprise or the transfer of practically the entire enterprise of the Company to a third party, (b) the entering into or the termination of a lasting co-operation of the Company or a subsidiary with another legal entity or company or as fully liable partner in a limited partnership or general partnership, if such co-operation or termination is of fundamental importance to the Company and (c) acquiring or disposing of a participation in the capital of a company by the Company or a subsidiary amounting to at least one-third of the amount of assets according to the Company's consolidated balance sheet plus explanatory notes as laid down in the last adopted financial statements of the Company.

Provision of information

The Executive Board and the Supervisory Board shall provide the General Meeting of Shareholders with all requested information, unless this would be contrary to an overriding interest of the Company. If the Executive Board and the Supervisory Board invoke an overriding interest, they shall give reasons.

Executive Board

Composition and role of the Executive Board

Executive Board members are appointed by the General Meeting of Shareholders from a non-binding nomination drawn up by the Supervisory Board.

The Executive Board currently consists of two members, Chairman/CEO Jean François (J.F.M.L.) van Boxmeer and CFO René (D.R.) Hooft Graafland.

The current Executive Board members have been appointed for an indefinite term. Best practice provision II.1.1 of the Dutch Corporate Governance Code of 10 December 2008 recommends that an Executive Board member is appointed for a period of four years and that a member may be reappointed for a term of not more than four years at a time.

In compliance with this best practice provision, the Supervisory Board has drawn up a rotation schedule in order to avoid, as far as possible, a situation in which Executive Board members retire at the same time.

A non-binding nomination for the reappointment of D.R. Hooft Graafland for a period of four years will be submitted to the Annual General Meeting of Shareholders of 21 April 2011. It is contemplated that a non-binding nomination for the reappointment of J.F.M.L. van Boxmeer for a period of four years will be submitted to the Annual General Meeting of Shareholders of 2013.

The Supervisory Board appoints one of the Executive Board members as Chairman/CEO.

The General Meeting of Shareholders can dismiss members of the Executive Board by a majority of the votes cast, if the subject majority at least represents one-third of the issued capital.

The role of the Executive Board is to manage the Company, which means, amongst other things, that it is responsible for setting and achieving the operational and financial objectives of the Company, the design of the strategy to achieve the objectives, the parameters to be applied in relation to the strategy (for example, in respect of the financial ratios), the associated risk profile, the development of results and corporate social responsibility issues that are relevant to the enterprise. The Executive Board is accountable for this to the Supervisory Board and to the General Meeting. In discharging its role, the Executive Board shall be guided by the interests of the Company and its affiliated enterprises, taking into consideration the interests of the Company's stakeholders. The Executive Board is responsible for complying with all primary and secondary legislation, for managing the risks associated with the Company's activities and for financing the Company.

A member of the Executive Board shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a conflict of interest with the Company.

Supervisory Board

Composition of the Supervisory Board

The Supervisory Board consists of ten members: Cees van Lede (Chairman), José Antonio Fernández Carbajal (Vice-Chairman), Maarten Das (delegated member), Michel de Carvalho, Jan Michiel Hessels, Jan Maarten de Jong, Annemiek Fentener van Vlissingen, Mary Minnick, Christophe Navarre and Javier Astaburuaga Sanjinés.

Information on these Supervisory Board members is provided hereunder.

Cees (C.J.A.) van Lede (1942)
Dutch nationality; male.
Appointed in 2002; latest reappointment in 2010*.
Chairman (2004).
Profession: Company Director.
Supervisory directorships Dutch stock listed companies: Royal Philips Electronics N.V.
Other positions**: Sara Lee Corporation, Air Liquide S.A., Air France/KLM, Senior Advisor Europe JP Morgan Plc., London.

José Antonio (J.A.) Fernández Carbajal (1954)
Mexican nationality; male.
Appointed in 2010*. Vice-Chairman (2010).
Profession: Chairman & CEO Fomento Económico Mexicano S.A.B. de C.V. (FEMSA).
No Supervisory directorships Dutch stock listed companies.
Other positions**: Heineken Holding N.V., Coca-Cola Femsa S.A.B. de C.V. (Chairman), Tecnológico de Monterrey (Vice-Chairman), Grupo Financiero BBVA Bancomer, Grupo Industrial Bimbo, Televisa Xignux, Cemex, Airolíneas Volaris, Industrias Peñoles.

Maarten (M.) Das (1948)
Dutch nationality; male.
Appointed in 1994; latest reappointment in 2009*.
Delegated member (1995).
Profession: Advocaat (Attorney at law).
No supervisory directorships Dutch stock listed companies.
Other positions**: Heineken Holding N.V. (Chairman), L'Arche Green N.V. (Chairman), Stichting Administratiekantoor Priores, LAC B.V., Greenfee B.V. (Chairman).

Michel (M.R.) de Carvalho (1944)
British nationality; male.
Appointed in 1996; latest reappointment in 2007*.
Profession: Banker, Investment Banking, Citi Inc., UK (Vice-Chairman) and Citi Private Bank Europe, Middle East and Africa (Chairman).
No supervisory directorships Dutch stock listed companies.
Other positions**: L'Arche Green N.V.

* For the maximum period of four years.
** Under 'Other positions' other functions are mentioned that may be relevant to performance of the duties of the Supervisory Board.

Jan Michiel (J.M.) Hessels (1942)
Dutch nationality; male.
Appointed in 2001; latest reappointment in 2009*.
Profession: Company Director.
Supervisory directorships Dutch stock listed companies:
Royal Philips Electronics N.V. (Chairman).
Other positions**: NYSE Euronext (Chairman), Central Plan Committee of the Netherlands Bureau for Economic Policy Analysis (CPB) (Chairman).

Jan Maarten (J.M.) de Jong (1945)
Dutch nationality; male.
Appointed in 2002; latest reappointment in 2010*.
Profession: Banker.
Supervisory directorships Dutch stock listed companies:
Nutreco Holding N.V.
Other positions**: CRH plc, Ireland, AON Groep Nederland B.V., Kredietbank S.A. Luxembourgeoise, Luxembourg, Krediet Bank N.V., Belgium.

Annemiek (A.M.) Fentener van Vlissingen (1961)
Dutch nationality; female.
Appointed in 2006; latest reappointment in 2010*.
Profession: Company Director.
Supervisory directorships Dutch stock listed companies:
Draka Holding N.V.
Other positions**: SHV Holdings N.V. (Chairman), De Nederlandsche Bank.

Mary (M.E.) Minnick (1959)
American nationality; female.
Appointed in 2008*.
Profession: Partner in Lion Capital LLP, UK.
No supervisory directorships Dutch stock listed companies.

Christophe (V.C.O.B.J.) Navarre (1958)
Belgian nationality; male.
Appointed in 2009*.
Profession: Chairman & CEO Moët Hennessy, LVMH Wines & Spirits Brands.
No supervisory directorships Dutch stock listed companies.

Javier (J.G.) Astaburuaga Sanjinés (1959)
Mexican nationality; male.
Appointed in 2010*.
Profession: CFO Fomento Económico Mexicano S.A.B. de C.V. (FEMSA).
No supervisory directorships Dutch stock listed companies.
Other positions**: Coca Cola Femsa S.A.B. de C.V.

* For the maximum period of four years.
** Under 'Other positions' other functions are mentioned that may be relevant to performance of the duties of the Supervisory Board.

The Supervisory Board members are appointed by the General Meeting of Shareholders from a non-binding nomination drawn up by the Supervisory Board.

The General Meeting of Shareholders can dismiss members of the Supervisory Board by a majority of the votes cast, if the subject majority at least represents one-third of the issued capital.

The composition of the Supervisory Board is such that the members are able to act critically and independently of one another and of the Executive Board and any particular interests. Five members of the Supervisory Board (Messrs. de Carvalho, de Jong, Das, Fernández Carbajal and Astaburuaga Sanjinés) do not meet the applicable criteria for being 'independent' within the meaning of best practice provision III.2.2 of the Dutch Corporate Governance Code of 10 December 2008. Reference is made to the Comply or Explain Report and the agenda for the General Meeting of Shareholders held on 22 April 2010.

A person may be appointed to the Supervisory Board for a maximum of three four-year terms. However, given the structure of the Heineken Group, the maximum appointment period will not be applied to members who are related by blood or marriage to the late Mr. A.H. Heineken or to members who are also members of the Board of Directors of Heineken Holding N.V.

The Supervisory Board has drawn up a rotation schedule in order to avoid, as far as possible, a situation in which many Supervisory Board members retire at the same time. The rotation schedule is available on www.heinekeninternational.com/corporate governance/supervisory board.

Profile

The Supervisory Board has prepared a profile of its size and composition, taking account of the nature of the business, its activities and the desired expertise and background of the Supervisory Board members. The profile deals with the aspects of diversity in the composition of the Supervisory Board that are relevant to the Company and states what specific objective is pursued by the Supervisory Board in relation to diversity. Each Supervisory Board member shall be capable of assessing the broad outline of the overall policy. At least one member of the Supervisory Board shall be a financial expert with relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities. The composition of the Supervisory Board shall be such that it is able to carry out its duties properly. The profile is available on www.heinekeninternational.com/corporate governance/supervisory board.

Role

The role of the Supervisory Board is to supervise the management of the Executive Board and the general affairs of the Company and its affiliated enterprises, as well as to assist the Executive Board by providing advice. In discharging its role, the Supervisory Board shall be guided by the interests of the Company and its affiliated enterprises and shall take into account the relevant interest of the Company's stakeholders.

The supervision of the Executive Board by the Supervisory Board includes the achievement of the Company's objectives, the corporate strategy and the risks inherent in the business activities, the design and effectiveness of the internal risk and control systems, the financial reporting process, compliance with primary and secondary legislation, the Company-shareholder relationship and corporate social responsibility issues that are relevant to the Company.

The Supervisory Board evaluates at least once a year the corporate strategy and the main risks of the business, the result of the assessment by the Executive Board of the design and effectiveness of the internal risk management and control systems, as well as any significant changes thereto.

The division of duties within the Supervisory Board and the procedure of the Supervisory Board is laid down in the Regulations for the Supervisory Board, which are available on www.heinekeninternational.com/corporate governance/ supervisory board.

A member of the Supervisory Board shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a conflict of interest with the Company.

The Executive Board provides the Supervisory Board with all information necessary for the exercise of the duties of the Supervisory Board.

The Supervisory Board evaluates at least once a year, without the Executive Board being present, its own functioning, the functioning of its committees and its individual members and the conclusions that must be drawn on the basis thereof. The Supervisory Board also evaluates the desired profile, composition and competence of the Supervisory Board.

Moreover, the Supervisory Board evaluates at least once a year, without the Executive Board being present, both the functioning of the Executive Board as an organ of the Company and the performance of its individual members and the conclusions that must be drawn on the basis thereof.

Resolutions subject to Supervisory Board approval

Certain resolutions of the Executive Board are subject to the approval of the Supervisory Board. Examples are resolutions concerning the operational and financial objectives of the Company, the strategy designed to achieve the objectives, the parameters to be applied in relation to the strategy (for example, in respect of the financial ratios) and corporate social responsibility issues that are relevant to the Company. Also decisions to enter into transactions under which Executive Board or Supervisory Board members would have conflicts of interest that are of material significance to the Company and/or to the relevant Executive Board member/ Supervisory Board member require the approval of the Supervisory Board. Further reference is made to article 8 paragraph 6 of the Articles of Association of the Company, which contains a list of resolutions of the Executive Board that require Supervisory Board approval.

Chairman

The Supervisory Board appoints from its members a Chairman (currently C.J.A. van Lede).

The Chairman of the Supervisory Board may not be a former member of the Executive Board.

The Chairman of the Supervisory Board ensures the proper functioning of the Supervisory Board and its committees and acts on behalf of the Supervisory Board as the main contact for the Executive Board and for shareholders regarding the functioning of the Executive Board Members and Supervisory Board members.

Vice-Chairman

The Supervisory Board appoints from its members a Vice-Chairman (currently J.A. Fernández Carbajal).

The Vice-Chairman of the Supervisory Board acts as deputy for the Chairman.

The Vice-Chairman acts as contact for individual Supervisory Board members and Executive Board members concerning the functioning of the Chairman of the Supervisory Board.

Delegated Member

The General Meeting of Shareholders may appoint one of the Supervisory Board members as Delegated Member (currently M. Das).

The delegation of powers to the Delegated Member does not exceed the duties of the Supervisory Board and does not comprise the management of the Company. It intends to effect a more intensive supervision and advice and more regular consultation with the Executive Board.

The Delegated Member has a veto-right concerning resolutions of the Supervisory Board to approve the resolutions of the Executive Board referred to in article 8 paragraph 6 under a, b and c of the Articles of Association of the Company.

Committees

The Supervisory Board has five committees, the Preparatory Committee, the Audit Committee, the Remuneration Committee, the Selection and Appointment Committee, and the Americas Committee.

The function of these committees is to prepare the decision-making of the Supervisory Board. The Supervisory Board has drawn up regulations for each committee, which indicate the role and responsibility of the committee concerned, its composition and the manner in which it discharges its duties. These regulations are available on www.heinekeninternational.com/corporate governance/supervisory board.

The Report of the Supervisory Board states the composition of the committees, the number of committee meetings and the main items discussed.

Preparatory Committee

The Preparatory Committee prepares decision-making of the Supervisory Board on matters not already handled by any of the other Committees, such as in relation to acquisitions and investments.

Audit Committee

The Audit Committee may not be chaired by the Chairman of the Supervisory Board or by a former member of the Executive Board.

At least one member of the Audit Committee shall be a financial expert with relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities.

The Audit Committee focuses on supervising the activities of the Executive Board with respect to (i) the operation of the internal risk management and control systems, including the enforcement of the relevant primary and secondary legislation and supervising the operation of codes of conduct, (ii) the provision of financial information by the Company, (iii) compliance with recommendations and observations of internal and external auditors, (iv) the role and functioning of the internal audit function, (v) the policy of the Company on tax planning, (vi) relations with the external auditor, including, in particular, his independence, remuneration and any non-audit services for the Company, (vii) the financing of the Company and (viii) the applications of information and communication technology.

The Audit Committee acts as the principal contact for the external auditor if he discovers irregularities in the content of the financial reporting.

The Audit Committee meets with the external auditor as often as it considers necessary, but at least once a year, without the Executive Board members being present.

Remuneration Committee

The Remuneration Committee may not be chaired by the Chairman of the Supervisory Board or by a former member of the Executive Board or by a Supervisory Board member who is a member of the management board of another listed company. However, given the structure of the Heineken Group and the character of the Board of Directors of Heineken Holding N.V., the Remuneration Committee may be chaired by a Supervisory Board member who is a member of the Board of Directors of Heineken Holding N.V. (as currently is the case with Mr. M. Das).

No more than one member of the Remuneration Committee may be a member of the management board of another Dutch listed company.

The Remuneration Committee, inter alia, makes the proposal to the Supervisory Board for the remuneration policy to be pursued, and makes a proposal for the remuneration of the individual members of the Executive Board for adoption by the Supervisory Board.

Selection and Appointment Committee

The Selection and Appointment Committee, inter alia, (i) draws up selection criteria and appointment procedures for Supervisory Board members and Executive Board members, (ii) periodically assesses the size and composition of the Supervisory Board and the Executive Board, and makes a proposal for a composition profile of the Supervisory Board, (iii) periodically assesses the functioning of individual Supervisory Board members and Executive Board members and reports on this to the Supervisory Board, (iv) makes proposals for appointments and reappointments and (v) supervises the policy of the Executive Board on the selection criteria and appointment procedures for senior management.

Americas Committee

The Americas Committee advises the Supervisory Board on the overall strategic direction of the Americas Region and reviews and evaluates the performance, the organisation and the management in the Americas Region.

Decree Article 10 Take-Over Directive

Shares

On 30 April 2010, Heineken N.V. issued 86,028,019 new shares in relation to the acquisition of the beer operations of Fomento Económico Mexicano, S.A.B. de C.V. ('FEMSA').

Pursuant to the Financial Markets Supervision Act (Wet op het financieel toezicht) and the Decree on Disclosure of Major Holdings and Capital Interests in Securities-Issuing Institutions (Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen), the Financial Markets Authority has been notified about this share issuance.

Since 30 April 2010, the issued share capital of Heineken N.V. amounts to €921,604,180.80, consisting of 576,002,613 shares of €1.60 each. Each share carries one vote. The shares are listed on Euronext Amsterdam.

All shares carry equal rights and are freely transferable (unless provided otherwise hereunder).

Shares repurchased by Heineken N.V. for the share-based long-term incentive plans or for any other purpose do not carry any voting rights and dividend rights.

Shareholders who hold shares on a predetermined record date are entitled to attend and vote at General Meetings of Shareholders. The record date for the Annual General Meeting of Shareholders of 21 April 2011 is 28 days before the Annual General Meeting of Shareholders, i.e. on 24 March 2011.

Substantial shareholdings

Pursuant to the Financial Markets Supervision Act (Wet op het financieel toezicht) and the Decree on Disclosure of Major Holdings and Capital Interests in Securities-Issuing Institutions (Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen), the Financial Markets Authority has been notified about the following substantial shareholding regarding Heineken N.V.:

- Mrs. C.L. de Carvalho-Heineken (indirectly 50.005 per cent; the direct 50.005 per cent shareholder is Heineken Holding N.V.)
- Voting Trust (FEMSA) (indirectly 7.47 per cent; the direct 7.47 per cent shareholder is CB Equity LLP); as at 31 December 2010 CB Equity LLP holds 9.24 per cent
- Massachusetts Financial Services Company (a capital interest of 2.12 per cent and a voting interest of 5.00 per cent of which 2.94 per cent is held directly and 2.06 per cent is held indirectly).

Restrictions related to shares held by FEMSA

Upon completion (on 30 April 2010) of the acquisition of the beer operations of Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA), CB Equity LLP (belonging to the FEMSA group) received Heineken N.V. shares (and Heineken Holding N.V. shares). Pursuant to the Corporate Governance Agreement of 30 April 2010 concluded between Heineken N.V., Heineken Holding N.V., L'Arche Green N.V., FEMSA and CB Equity LLP the following applies:

- Subject to certain exceptions, FEMSA, CB Equity LLP and any member of the FEMSA group shall not increase its shareholding in Heineken Holding N.V. above 20 per cent and shall not increase its holding in the Heineken Group above a maximum of 20 per cent economic interest (such capped percentages referred to as the Voting Ownership Cap).
- Subject to certain exceptions, FEMSA, CB Equity LLP and any member of the FEMSA group may not exercise any voting rights in respect of any shares beneficially owned by it, if and to the extent such shares are in excess of the applicable Voting Ownership Cap.

- FEMSA, CB Equity and any member of the FEMSA group may not sell any shares in Heineken N.V. (and in Heineken Holding N.V.) for a five-year period, subject to certain exceptions, including amongst others, (i) beginning in year three, the right to sell up to 1 per cent of all outstanding shares of each of Heineken N.V. and Heineken Holding N.V. in any calendar quarter, (ii) beginning in year three, the right to sell any Heineken N.V. shares and/or any Heineken Holding N.V. shares in any private block sale outside the facilities of a stock exchange so long as Heineken Holding N.V. (as to Heineken N.V. shares) respectively L'Arche Green N.V. (as to Heineken Holding N.V. shares) is given first the opportunity to acquire such shares at the market price thereof.
- Unless FEMSA's economic interest in the Heineken Group were to fall below 14 per cent, the current FEMSA control structure were to change or FEMSA were to be subject to a change of control, FEMSA is entitled to have two representatives on the Heineken N.V. Supervisory Board, one of whom will be Vice-Chairman, who also serves as the FEMSA representative on the Board of Directors of Heineken Holding N.V.

Share plans

There are share-based Long-Term Incentive Plans for both the Executive Board members and senior management. Eligibility for participation is based on objective criteria.

Each year, performance shares are awarded to the participants. Depending on the fulfilment of certain predetermined performance conditions during a three-year performance period, the performance shares will vest and the participants will receive real Heineken N.V. shares.

Shares received by Executive Board members upon vesting under the Long-Term Incentive Plan are subject to a holding period of five years as from the date of award of the respective performance shares, which is approximately two years from the vesting date.

Under the Short-Term Incentive Plan for the Executive Board, the Executive Board members are entitled to receive a cash bonus subject to the fulfilment of predetermined performance conditions. Under the amended remuneration policy that will be submitted for approval to the General Meeting of Shareholders of 21 April 2011, the Executive Board members shall be obliged to invest at least 25 per cent of their STI pay-out in Heineken N.V. shares (investment shares) to be delivered by Heineken N.V.; the maximum they can invest in Heineken N.V. shares is 50 per cent of their STI pay-out (at their discretion).

The investment shares are subject to a holding period of five years as from 1 January of the year in which the investment shares are acquired.

Executive Board members are entitled to receive one additional Heineken N.V. share (a matching share) for each investment share held by them at the end of the respective holding period. The entitlement to receive matching shares shall lapse upon the termination by the Company of the employment agreement for an urgent reason ('dringende reden') within the meaning of the law or in case of dismissal for cause ('ontslag met gegronde redenen') whereby the cause for dismissal concerns unsatisfactory functioning of the Executive Board member.

In exceptional non-recurring situations, extraordinary share entitlements may be awarded by the Executive Board to employees. These share entitlements are usually non-performance related and the employees involved are usually entitled to receive real Heineken N.V. shares after the expiry of a period of time.

The shares required for the share-based Long-Term Incentive Plans, the Short-Term Incentive Plan and the extraordinary share entitlements will be acquired by Heineken N.V. The transfer of shares to the participants in the share-based Long-Term Incentive Plans, to the Executive Board members under the Short-Term Incentive Plan and the recipients of extraordinary share entitlements requires the approval of the Supervisory Board of Heineken N.V.

Change of control

There are no important agreements to which Heineken N.V. is a party and that will automatically come into force, be amended or be terminated under the condition of a change of control over Heineken N.V. as a result of a public offer.

However, for the situation of a change of control over Heineken N.V. (as defined in the respective agreement), the contractual conditions of most of Heineken N.V.'s important financing agreements and the terms and conditions of Heineken N.V.'s bond issues after 2003 entitle the banks and bondholders respectively to claim early repayment of the amounts borrowed by Heineken N.V.

Also some of Heineken's important joint venture agreements provide that in case of a change of control over Heineken (as defined in the respective agreement), the other party to such agreement may exercise its right to purchase Heineken's shares in the joint venture, as a result of which the respective joint venture agreement will terminate.

Compensation rights on termination of employment agreements

There are no agreements of Heineken N.V. with Executive Board members or other employees that specifically entitle them to any compensation rights upon termination of their employment after completion of a public offer on Heineken N.V. shares.

If Heineken N.V. gives notice of termination of the employment agreement for a reason that is not an urgent reason ('dringende reden') within the meaning of the law, Heineken N.V. shall pay severance compensation to the Executive Board member on expiry of the employment agreement. This severance compensation shall be set on the basis of the notion of reasonableness taking into account all the circumstances of the matter, including whether the Executive Board member shall be bound by a non-competition obligation and whether any allowance is paid by Heineken N.V. in relation to this non-competition obligation. In case of dismissal for cause ('ontslag met gegronde reden') whereby the cause for dismissal concerns unsatisfactory functioning of the Executive Board member, the severance compensation cannot exceed one year's base salary, including holiday allowance.

Appointment and dismissal of Supervisory and Executive Board members

Members of the Supervisory Board and the Executive Board are appointed by the General Meeting of Shareholders on the basis of a non-binding nomination by the Supervisory Board.

The General Meeting of Shareholders can dismiss members of the Supervisory Board and the Executive Board by a majority of the votes cast, if the subject majority at least represents one-third of the issued capital.

Amendment of the Articles of Association

The Articles of Association can be amended by resolution of the General Meeting of Shareholders in which at least half of the issued capital is represented and exclusively either at the proposal of the Supervisory Board or at the proposal of the Executive Board that has been approved by the Supervisory Board, or at the proposal of one or more Shareholders representing at least half of the issued capital.

Acquisition of own shares

On 22 April 2010, the Annual General Meeting of Shareholders authorised the Executive Board (for the statutory maximum period of 18 months), to acquire own shares subject to the following conditions and with due observance of the law and the Articles of Association (which require the approval of the Supervisory Board):

a. The maximum number of shares which may be acquired is 10 per cent of the issued share capital of Heineken N.V.

b. Transactions must be executed at a price between the nominal value of the shares and 110 per cent of the opening price quoted for the shares in the Official Price List (Officiële Prijscourant) of Euronext Amsterdam on the date of the transaction or, in the absence of such a price, the latest price quoted therein

c. Transactions may be executed on the stock exchange or otherwise.

The authorisation to acquire own shares may be used in connection with the delivery of the Allotted Shares (the shares allotted to FEMSA (and its affiliates) with delivery over a period of not more than five years after completion (on 30 April 2010) of the acquisition of FEMSA's beer operations) to FEMSA (and its affiliates), as well with the Long-Term Incentive Plan for the members of the Executive Board and the Long-Term Incentive Plan for senior management, but may also serve other purposes, such as other acquisitions. A new authorisation will be submitted for approval to the Annual General Meeting of Shareholders of 21 April 2011.

Issue of shares

On 22 April 2010, the Annual General Meeting of Shareholders also authorised the Executive Board (for a period of 18 months) to issue shares or grant rights to subscribe for shares and to restrict or exclude shareholders' pre-emption rights, with due observance of the law and Articles of Association (which require the approval of the Supervisory Board). The authorisation is limited to 10 per cent of Heineken N.V.'s issued share capital, as at the date of issue. The authorisation may be used in connection with the Long-Term Incentive Plan for the members of the Executive Board and the Long-Term Incentive Plan for senior management, but may also serve other purposes, such as the issue of those of the Allotted Shares that may not be repurchased by Heineken N.V. (although it is envisaged that the remaining Allotted Shares will be acquired from the market by means of share repurchases) and other acquisitions. A new authorisation will be submitted for approval to the Annual General Meeting of Shareholders of 21 April 2011.

Executive Board

J.F.M.L. van Boxmeer
D.R. Hooft Graafland

Amsterdam, 15 February 2011

To the Shareholders

During the year under review, the Supervisory Board performed its duties in accordance with primary and secondary law and the Articles of Association of Heineken N.V. and supervised and advised the Executive Board on an ongoing basis.

Financial statements and profit appropriation

The Executive Board has submitted its financial statements 2010 to the Supervisory Board. The financial statements of this Annual Report can be found on pages 59 to 140 of the Annual Report. KPMG Accountants N.V. audited the financial statements. Their report appears on page 143 of this Annual Report.

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 EUR438 million for payment of dividend. The underlying principle of the dividend policy is that 30 – 35 per cent of net profit before exceptional items and amortisation of brands (net profit beia) is placed at the disposal of shareholders for distribution as dividend. The proposed dividend amounts to EUR0.76 per share of EUR1.60 nominal value, of which EUR0.26 was paid as an interim dividend on 3 September 2010.

Supervisory Board composition, independence and remuneration

Composition

The Annual General Meeting of Shareholders on 22 April 2010 appointed Mr. J.A. Fernández Carbajal as member of the Supervisory Board for a period of four years. Mr. Fernández Carbajal also became Vice-Chairman. The Annual General Meeting of Shareholders also appointed Mr. J.G. Astaburuaga Sanjinés as member of the Supervisory Board for a period of four years. Messrs. De Jong, Van Lede and Mrs. Fentener van Vlissingen were reappointed as members of the Supervisory Board for a period of four years.

Mr. M.R. de Carvalho will resign by rotation from the Supervisory Board at the Annual General Meeting of Shareholders on 21 April 2011. Mr. de Carvalho is eligible for reappointment for a period of four years. A non-binding nomination for his appointment will be submitted to the Annual General Meeting of Shareholders. The notes to the agenda contain further information.

In 2010 the Supervisory Board consisted of ten members. All members of the Supervisory Board comply with best practice provision III.3.4 of the Dutch Corporate Governance Code (maximum number of Supervisory Board seats). The Supervisory Board has a diverse composition in terms of experience, gender and age. Two out of ten members are women and five out of ten members are non-Dutch. The ages range between 49 and 68 years.

Independence

The Supervisory Board endorses the principle that the composition of the Supervisory Board shall be such that its members are able to act critically and independently of one another and of the Executive Board and any particular interests. In a strictly formal sense Messrs. De Jong, Das, de Carvalho, Fernández Carbajal and Astaburuaga Sanjinés do not meet the applicable criteria for 'independence' as set out in the Dutch Corporate Governance Code dated 10 December 2008.

In this respect, reference is made to the best practice provision III.2.2 of the Dutch Corporate Governance Code as contained in the 'Comply or Explain' report of 22 February 2010. However, the Supervisory Board has ascertained that Messrs. De Jong, Das, de Carvalho, Fernández Carbajal and Astaburuaga Sanjinés in fact act critically and independently.

Remuneration

The General Meeting of Shareholders determines the remuneration of the members of the Supervisory Board. The 2005 Annual General Meeting of Shareholders resolved to adjust the remuneration of the Supervisory Board effective 1 January 2006. The detailed amounts are stated on page 129 of the financial statements. A proposal to amend the Supervisory Board remuneration as at 1 January 2011 will be submitted to the Annual General Meeting of Shareholders on 21 April 2011. The notes to the agenda contain further information.

Meetings and activities of the Supervisory Board

The Supervisory Board held seven meetings in the presence of the Executive Board, including meetings by telephone conference. The agenda included subjects such as the Company's strategy, the financial position of the Group, the results of the Operating Companies, acquisitions, large investment proposals, the yearly budget, management changes, the yearly management review and the internal risk management and control systems. The Supervisory Board also discussed and approved the proposals for the remuneration policy for the Executive Board and the remuneration for the Supervisory Board both as at 1 January 2011. The external auditor attended the meeting in which the annual results were discussed.

Several representatives of Senior Management presented a subject, such as the Chief Human Resources Officer on the organisational structure, the Regional Presidents for Western and Central and Eastern Europe and the Executive Director Global Strategy presented their projects for growth and the Chief Corporate Relations Officer presented the sustainability agenda ('Brewing a Better Future').

One meeting was held without the Executive Board present. In this meeting, the Supervisory Board evaluated the functioning of the Supervisory Board, its committees and its members as well as the functioning of the Executive Board. The Chairman of the Supervisory Board had and will have individual interviews, based on a self-assessment survey, with the Supervisory Board and Executive Board members.

Yearly, the Supervisory Board has a two-day meeting with the Executive Board to discuss the long-term strategy and management development. This meeting was held in Italy, where the management team of Heineken Italy presented the developments in Italy. Also the Regional President Americas was invited to update the Supervisory Board on the developments in the Americas, with specific attention for the integration of the Mexican and Brazilian businesses following the acquisition of the beer operations of FEMSA.

The Chairman of the Supervisory Board met frequently with the CEO, amongst others, to prepare the Supervisory Board meetings and to monitor progress.

None of the members of the Supervisory Board were frequently absent. An absence of twice or more is considered frequent.

Committees

The Supervisory Board has five committees, the Preparatory Committee, the Audit Committee, the Selection & Appointment Committee, the Remuneration Committee, and the Americas Committee. The terms of reference for the committees are posted on the Company's website.

Preparatory Committee

Composition: Messrs. Van Lede (Chairman), Das, Fernández Carbajal and de Carvalho.

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

Audit Committee

Composition: Messrs. De Jong (Chairman), Hessels, Navarre and Astaburuaga Sanjinés. The Audit Committee met four times.

The members collectively have the experience and financial expertise to supervise the financial statements and the risk profile of Heineken N.V. The Audit Committee discussed regular topics, such as the annual and interim financial statements, the effectiveness of risk management, the adequacy of internal control policies and internal audit programmes, the external audit scope, approach and fees, as well as reports from both the internal and external auditors. Specific attention was paid to the international IT programmes and business processes through a presentation by the Director Business Processes and Technology. Also the structures of several pension funds were reviewed as well as the accounting implications of IAS 19.

The Audit Committee also reviewed the achievement of targets for the annual bonus for the Executive Board and Senior Management.

The CEO and the CFO attended all meetings, as well as the external auditor and the Chief Control & Accounting Officer and the Executive Director Global Audit.

The Annual General Meeting of Shareholders appointed in 2008 the external auditor, KPMG Accountants N.V. for a four-year period (financial statements 2008 – 2011).

Selection & Appointment Committee

Composition: Messrs. Van Lede (Chairman), Das, Fernández Carbajal, de Carvalho and Mrs. Fentener van Vlissingen. The Selection & Appointment Committee met twice. In the meetings, proposals for the composition of the Supervisory Board were developed and the rotation schedule of the Supervisory Board was discussed for approval by the Supervisory Board.

Remuneration Committee

Composition: Messrs. Das (Chairman), Van Lede, de Carvalho and Mrs. Fentener van Vlissingen.

The Remuneration Committee met six times. The Remuneration Committee developed proposals to adjust the remuneration policy for the Executive Board and the remuneration of the Supervisory Board, both as at 1 January 2011. The proposals were approved by the Supervisory Board and will be submitted to the Annual General Meeting of Shareholders on 21 April 2011.

The committee also proposed decisions by the Supervisory Board on target setting and payout levels for the annual bonus and the Long-Term Incentive Plan for the Executive Board (Heineken N.V. shares).

Americas Committee

Composition: Messrs. Fernández Carbajal (Chairman), de Carvalho and Mrs. Minnick.

As from 2010 the Supervisory Board installed a new committee, the Americas Committee. The committee advises the Supervisory Board on the overall strategic direction of the Americas Region and reviews and evaluates the performance, the organisation and the management in the Americas Regions. The Chairman of the Executive Board and the Regional President Americas also attend the Americas Committee meetings.

The committee met once in 2010 and discussed a.o. the integration activities in Mexico and Brazil and the 2011 plans for the Americas. It is the intention to meet twice a year.

Executive Board composition and remuneration

Composition

The current Executive Board members have been appointed for an indefinite term.

Best practice provision II.1.1 of the Dutch Corporate Governance Code of 10 December 2008 recommends that an Executive Board member is appointed for a period of four years and that a member may be reappointed for a term of not more than four years at a time.

In compliance with this best practice provision, the Supervisory Board has drawn up a rotation schedule in order to avoid, as far as possible, a situation in which Executive Board members retire at the same time.

A non-binding nomination for the reappointment of Mr. D.R. Hooft Graafland for a period of four years will be submitted to the Annual General Meeting of Shareholders of 21 April 2011. Mr. Hooft Graafland was appointed member of the Executive Board as at 1 May 2002 for an indefinite period. The notes to the agenda contain further information.

It is contemplated that a non-binding nomination for the reappointment of J.F.M.L. van Boxmeer for a period of four years will be submitted to the Annual General Meeting of Shareholders of 2013.

Remuneration

In 2005 the Annual General Meeting of Shareholders approved the remuneration policy for the Executive Board. In 2007 and in 2009 the Annual General Meeting of Shareholders approved adjustments. Details of the policy and its implementation are described on page 53.

Proposals to further adjust the revised remuneration policy, as from 1 January 2011, will be submitted for approval to the Annual General Meeting of Shareholders on 21 April 2011. The proposals are described on page 56.

Appreciation

2010 was again a challenging year, in view of the general economic circumstances. Much attention was given to the integration of the acquired businesses, specifically to the integration in Mexico and Brazil, to Total Cost Management and to cash flow management. The Supervisory Board wishes to express its gratitude to the members of the Executive Board and all Heineken employees for their dedication and contributions to the results in 2010.

Supervisory Board Heineken N.V.

Van Lede
Fernández Carbajal
Das
de Carvalho
Hessels
De Jong
Fentener van Vlissingen
Minnick
Navarre
Astaburuaga Sanjinés

Amsterdam, 15 February 2011

Remuneration Report

Heineken's Executive Board remuneration policy reflects our long-standing remuneration principles of supporting the business strategy, paying for performance and paying competitively and fairly. These core principles remain unchanged as we address the challenges of the economy and our increased global footprint, after having acquired the beer business of FEMSA. As announced during the 2010 Annual General Meeting of Shareholders, the Remuneration Committee reviewed the policy during 2010 to ensure competitiveness in a more relevant labour market peer group. Recommended adjustments to the policy by the Supervisory Board will be submitted to the 2011 Annual General Meeting of Shareholders to reinforce the aforementioned core principles.

Introduction

The Remuneration Report includes three sections:

- Part I – Describes the current Heineken Executive Board remuneration policy, which was adopted by the Annual General Meeting of Shareholders in 2005 and subsequently adjusted in 2007 and 2010
- Part II – Provides details of the remuneration received by the Executive Board in 2010
- Part III – Outlines the adjustments to the current policy to be submitted to the 2011 Annual General Meeting of Shareholders.

Part I – Executive Board remuneration policy

Remuneration principles

Heineken's Executive Board remuneration policy is designed to meet four key objectives:

- Support the business strategy – We align our remuneration programmes with business strategies focused on creating long-term growth and shareholder value, whilst maintaining a tight focus on short-term financial results.
- Pay for performance – We set clear and measurable goals for our short- and long-term incentives and pay higher compensation when goals are exceeded and lower compensation when goals are not met.
- Pay competitively – We set target remuneration to be competitive with other multinational corporations of similar size, value and complexity, and
- Pay fairly – We set target remuneration to be internally consistent and fair. We regularly review internal pay relativities between the Executive Board and senior managers and aim to achieve consistency and alignment where possible.

Summary overview of remuneration elements

The Executive Board remuneration policy is simple and transparent in design and consists of the following key elements:

Base salary

Base salaries are determined by reference to the relevant peer group of companies and are targeted to be at the median level of the peer group. Every year base salary levels are reviewed and the Remuneration Committee proposes appropriate adjustments to the Supervisory Board for approval taking into account external peer group data and internal pay relativities.

Remuneration element	Description	Strategic role
Base salary	• Fixed cash compensation based on level of responsibility • Target level set at the median of the labour market peer group.	• Attraction • Reward for performance of day-to-day activities.
Short-term incentive	• Variable cash payment based on achievement of annual objectives • 75 per cent of incentive opportunity is based on financial and operational measures, 25 per cent on individual leadership targets.	• Drive and reward annual Heineken performance.
Long-term incentive	• Variable long-term remuneration element paid in Heineken N.V. shares • Vesting of shares is based on meeting three-year Heineken N.V. performance objectives • Five-year holding restriction after the date of the award (equals approximately two years after vesting).	• Drive and reward sound business decisions for the long-term health of Heineken • Align Executive Board and shareholder interests • Executive retention.
Pension	• Defined contribution plan or • Capital Creation plan.	• Provide for employee welfare and retirement needs.

The current labour market peer group consists primarily of Dutch multinational companies and includes a minority of branded consumer goods companies that operate in Continental Europe. Individual companies comprising the current peer group include:

- Akzo Nobel (NL)
- Anheuser-Busch InBev (B)
- Henkel (G)
- Ahold (NL)
- DSM (NL)
- KPN (NL)
- Philips (NL)
- Nestlé (CH)
- L'Oréal (F)
- Reed Elsevier (NL)
- TNT (NL)
- Unilever (NL).

Numico (NL) was also part of the labour market peer group until its take-over in 2007. Replacement has not taken place.

Each year, the Remuneration Committee evaluates the peer group to ensure it remains relevant and may recommend adjustments to the Supervisory Board.

Short-term incentive

The short-term incentive (STI) is designed to drive and reward the achievement of Heineken's annual performance objectives.

For the 2010 performance year, the target STI opportunity for the CEO is 100 per cent of base salary and for the CFO 75 per cent of base salary.

The STI opportunity is for 75 per cent based on financial and operational measures and targets, and for 25 per cent on individual leadership measures and targets. At the beginning of the year, the Supervisory Board establishes the new measures and targets based on Heineken's business priorities. In the existing remuneration policy these are considered to be commercially sensitive and are not disclosed at that moment. At the end of the year, the Supervisory Board reviews the Company's and individual performance against the pre-set measures and targets, and approves the STI payout levels based on the performance achieved. In the Annual Report, the performance measures and their relative weight is reported after the end of the year.

For threshold, target and maximum performance the following STI payout as a percentage of target applies:

- Threshold performance – 50 per cent of target
- Target performance – 100 per cent of target
- Maximum performance – 150 per cent of target.

Payout percentage for performance between these performance levels is on a straight-line basis.

The Supervisory Board may, at its sole discretion in determining the final payout, adjust the STI amount that would have been payable under the plan rules downwards or upwards if the payout based on plan rules would produce an unfair result due to extraordinary circumstances. The Supervisory Board can also recover from the Executive Board any STI payment made on the basis of incorrect financial or other data (clawback provision).

Long-term incentive

The long-term incentive (LTI) is designed to drive and reward sound business decisions for the long-term health of Heineken and to align the Executive Board and shareholder interest.

For the 2010 – 2012 performance period, the target LTI opportunity for the CEO is 125 per cent of base salary and for the CFO 100 per cent of base salary.

Each year, a target number of performance shares is conditionally awarded, the vesting of which is, since 2010, contingent on Heineken's performance on four key fundamental financial performance measures:

- Organic gross profit beia growth – a measure to drive top-line growth – the key measure of Company strength
- Organic EBIT beia growth – a measure to drive operational efficiency
- Earnings Per Share (EPS) beia growth – a measure of overall long-term Company performance
- Free operating cash flow – a measure to drive focus on cash.

These four performance measures have equal weights to minimise the risk that participants over-emphasise one performance measure to the detriment of others. At the beginning of each performance period, the Supervisory Board establishes the targets on these measures based on Heineken's business priorities. The targets are considered to be commercially sensitive and are not disclosed at that moment. At the end of the performance period, the Supervisory Board reviews the Company's performance against the pre-set measures and targets, and approves the LTI vesting based on the performance achieved. The performance on each of the measures is reported in the Annual Report after the end of the performance period.

For each performance measure, a threshold, target and maximum performance level is set with the corresponding performance share vesting schedule:

- Threshold performance – 50 per cent of performance shares vest
- Target performance – 100 per cent of performance shares vest
- Maximum performance – 150 per cent of performance shares vest.

Vesting between these performance levels is on a straight-line basis.

The Supervisory Board may, at its sole discretion adjust the amount of shares that would have vested under the plan rules based on the above described vesting schedule downwards or upwards if the vesting of shares based on plan rules would produce an unfair result due to extraordinary circumstances. The Supervisory Board can also recover from the Executive Board any shares that vested on the basis of incorrect financial or other data (clawback provision).

The net vested performance shares are subject to an additional holding restriction of two years.

Pensions

The members of the Executive Board can either participate in the Defined Contribution Plan or in a Capital Creation Plan.

In the Capital Creation Plan the Executive Board member elects to receive as income the Defined Contribution premium amounts from the pension scheme, less an amount equivalent to the employee contribution.

The retirement age is 65, but individual Executive Board members may retire earlier with a reduced level of benefit.

Part II – 2010 Remuneration overview

The following table gives details of the remuneration received by each member of the Executive Board in 2010.

Realisation 2010 Short-Term Incentive

The STI awards for 2010 were subject to three performance measures: Organic Net Profit Growth 50 per cent, Free Operating Cash Flow 25 per cent and individual leadership targets 25 per cent. The Supervisory Board measured the results against the pre-set targets on these measures and determined the STI payment for 2010 to be equal to 137.5 per cent of payout at target level for the CEO and 137.5 per cent of payout at target level for the CFO.

The Supervisory Board conducted a scenario analysis with respect to possible outcomes of the STI awards for 2010.

Realisation 2008–2010 Long-Term Incentive

After 2010 the conditional performance shares awarded in 2008 are subject to vesting. Vesting of these performance shares, awarded before adoption of the new remuneration policy per 2010, is determined by Total Shareholder Return (TSR) over a three-year performance period relative to a performance peer group. The performance peer group consists of European branded consumer goods companies with which Heineken competes in capital markets and includes the following companies:

- Anheuser-Busch InBev (B)
- Carlsberg (DK)
- Danone (F)
- Diageo (UK)
- Henkel (G)
- LVMH (F)
- Nestlé (CH)
- L'Oréal (F)
- SABMiller (UK)
- Unilever (NL).

Cadbury (UK) was removed from the peer group after being acquired by Kraft Foods and was not replaced.

in EUR	Base salary	Short-term incentive[1,3]	Long-term incentive[2]: No. of performance shares vested	Long-term incentive[2]: Value of performance shares vested	Pension cost
Van Boxmeer	950,000	1,306,250	–	–	464,171
Hooft Graafland	650,000	670,313	–	–	404,278

[1] The short-term incentive relates to the performance year 2010 and becomes payable in 2011.
[2] The long-term incentive relates to the performance period 2008 – 2010 and will vest in 2011.
[3] Subject to approval by the Annual General Meeting of Shareholders of the proposed adjustments to the remuneration policy and with reference to the choice made by each of the Executive Board members, 50 per cent of this value will be invested in Heineken N.V. shares (investment shares). Matching entitlements on these investment shares are not included in the figures.

Before the adoption of the 2010 Remuneration Policy, the target annual LTI opportunity for the CEO was 100 per cent of base salary and for the CFO 75 per cent of base salary. If Heineken's TSR is higher than that of the median of the performance peer group, the performance shares vest according to the following schedule:

Heineken's TSR rank in the performance group	% of performance shares vesting
1	150%
2	125%
3	100%
4	75%
5	50%
6 – Median Position	25%
7 – 11	0%

For the period 1 January 2008 – 31 December 2010, Heineken ranked 11th in its performance peer group. As a result, the performance shares awarded in 2008 do not vest in 2011 and no vested shares are allocated to the members of the Executive Board.

The Supervisory Board conducted a scenario analysis with respect to possible outcomes of the LTI awards made in 2010 and previous awards made.

The table below provides an overview of outstanding LTI awards (awards made but not yet vested as of 31 December 2010).

Currently, there are no vested LTI awards subject to the two-year lock-up period, as the awards made in 2006 and 2007 did not result in any shares being vested in 2009 and 2010 respectively.

Part III – Adjustments to the Executive Board remuneration policy as from 2011

The Supervisory Board adopted the following adjustments to the remuneration policy as at 1 January 2011, which are submitted to the Annual General Meeting of Shareholders for approval. Our core remuneration principles of supporting the business strategy, paying for performance and paying competitively and fairly, remain unchanged. The adjustments are proposed to ensure that Heineken will be paying competitively and fairly in a more relevant global labour market peer group. Adjustments to this policy were already proposed and withdrawn in 2009. They have, however, again become increasingly relevant after the acquisition of the beer business of FEMSA.

The following adjustments to the remuneration policy are proposed:

1. Adoption of a new global labour market peer group
2. Increase of the base salary of the CEO to the new peer group median
3. Increase of the incentive levels of the CEO and CFO to partially close the gap with the new peer group median, whilst extending shareholders' alignment through enhanced share ownership
4. Provide disclosure on performance measures of the short-term incentive.

	Grant date	No. of shares conditionally awarded at target level[1]	Value of shares conditionally awarded at the grant date in EUR	Vesting date[2]	No. of shares vested on the vesting date (gross)	End of lock-up period	Value of unvested shares as of 31.12.2010 in EUR
Van Boxmeer							
	2010	35,692	1,323,102	02.2013	–	02.2015	1,309,539
	2009	34,247	735,626	02.2012	–	02.2014	1,256,522
	2008	16,960	619,549	02.2011	–	–	–
Hooft Graafland							
	2010	19,537	724,237	02.2013	–	02.2015	716,813
	2009	18,836	404,597	02.2012	–	02.2014	691,093
	2008	9,328	340,752	02.2011	–	–	–

[1] Determined according to plan rules, using the closing share price of 31 December of the year preceding the grant.
[2] Within five business days immediately following the publication of the annual results of the Company, to occur after completion of the performance period.

Labour market peer group

A new labour market peer group was selected using the following approach. A shortlist was composed of companies that are formally relevant for comparison with Heineken in terms of sector, revenue and geographic spread. Philips was added to the list to ensure relevance in the Dutch market.

The new labour market peer group consists of the following 15 companies:

- Anheuser-Busch InBev (B)
- Carlsberg (DK)[1]
- Coca-Cola (US)
- Colgate-Palmolive (US)
- Danone (F)
- Diageo (UK)
- Henkel (G)
- Kimberley-Clark (US)
- KraftFoods (US)
- L'Oréal (F)
- PepsiCo (US)
- Philips (NL)
- SABMiller (UK)
- Sara Lee (US)
- Unilever (NL).

[1] Although Carlsberg does not yet disclose compensation data, it has been maintained in the new peer group for future reference.

The median of this global labour market peer group is proposed by the Supervisory Board as a reference point for the total target compensation (base salary plus short-term and long-term incentive) of the CEO and CFO. Each year, the Remuneration Committee will evaluate the peer group to ensure it remains relevant and may recommend adjustments to the Supervisory Board.

Base salary

The Remuneration Committee conducted a detailed review of the base salary levels of the Executive Board against the base salary levels in the new global peer group of companies. The results showed that the current base salary level for the CEO is below the median base salary of his peers. Based on these findings, the Supervisory Board proposes to close the salary gap. The table below sets out the proposed new base salaries for 2011.

	2010 Base salary in EUR	2011 Base salary in EUR	Effective date for 2011 base salary
Van Boxmeer	950,000	1,050,000	1 January 2011
Hooft Graafland	650,000	650,000	n.a.

Incentive levels

The Remuneration Committee conducted a detailed review of the incentive levels of the Executive Board against those in the new global peer group of companies. The results showed that the incentive levels of the CEO and CFO are significantly below the median incentive levels of their peers, especially where related to long-term performance. Based on these findings, the Supervisory Board proposes three adjustments:

The first adjustment is to increase the target STI levels from 100 per cent to 140 per cent of base salary for the CEO and from 75 per cent to 100 per cent of base salary for the CFO. This increase of target *short-term* incentive levels is, however, intended to expand the portion of overall compensation linked to Heineken's *long-term* success. This is achieved by a new deferral requirement, which obliges the CEO and CFO to invest at least 25 per cent of their STI payout in Heineken N.V. shares (investment shares), to be delivered by the Company; the maximum they can invest in Heineken N.V. shares is 50 per cent of their STI payout (at their discretion). These investment shares will then be blocked for five calendar years, regardless of whether they stay in service of Heineken N.V., to link the value of the investment shares to long-term Company performance. After the five calendar years blocking period the Company will match the investment shares 1:1, i.e. one matching share for each investment share. Matching entitlements will be forfeited in case of dismissal by the Company for an urgent reason ('dringende reden') within the meaning of the law, or in case of dismissal for cause ('gegronde reden') whereby the cause for dismissal concerns unsatisfactory functioning of the Executive Board member. With this 'deferral-and-matching' proposition an increased share ownership by the Executive Board is ensured, creating an increased alignment of interest with shareholders.

In accordance with the existing clawback provision on the STI, the Supervisory Board can recover from the Executive Board any investment or matching share, which was awarded on the basis of incorrect financial or other data.

To ensure an increased share ownership by the Executive Board already in 2011, it is proposed to apply the 'deferral-and-matching' proposition already to the payout of the STI for performance year 2010. To this purpose, the CEO and CFO each have decided to defer 50 per cent of their payout.

The second adjustment is to increase the target LTI levels, under the existing LTI plan, from 125 per cent to 150 per cent of base salary for the CEO and from 100 per cent to 125 per cent of base salary for the CFO. With the increased LTI levels the gap with the median incentive levels of the peer companies is further reduced and individual interests are again better aligned with shareholder interests through enhanced share ownership. In combination with the first adjustment, the CEO will now build up a minimum of 220 per cent of base salary worth in shares per year (at target and including future matching entitlements). The CFO will build up a minimum of 175 per cent of base salary worth in shares per year (at target and including future matching entitlements). This will take place five years in a row, before any shares can be sold.

The third adjustment is to increase the maximum payout (at maximum performance) of the short-term and long-term incentives for the CEO and CFO from 150 per cent of target to 200 per cent of target. The Supervisory Board will relate this additional incentive opportunity to even more ambitious stretched financial, operational and individual leadership targets. The payout at threshold performance will remain 50 per cent of target.

After implementing the proposed adjustments to base salary and incentives, the Supervisory Board feels that further alignment of compensation with the new labour market peer group should be postponed to a later stage to a) maintain a certain prudency in providing increases, and b) verify the effects of the 'deferral-and-matching' proposition in practice.

The Supervisory Board conducted a scenario analysis with respect to possible outcomes of the adjustments made to the remuneration policy concerning variable remuneration as from 2010.

Disclosure on performance measures

The final adjustment that the Supervisory Board proposes to the Annual General Meeting of Shareholders for approval, is to increase disclosure on the financial and operational measures that determine STI payout. Under the current remuneration policy, the performance measures and their relative weight used are disclosed in the Annual Report after the end of the year. As at 2011, the financial and operational measures will be disclosed up-front. For 2011, these will be Organic gross profit beia growth, Organic net profit beia growth and Free operating cash flow.

Consolidated Income Statement

For the year ended 31 December 2010

In millions of EUR	Note	2010	2009
Revenue	5	**16,133**	14,701
Other income	8	**239**	41
Raw materials, consumables and services	9	(10,291)	(9,650)
Personnel expenses	10	(2,680)	(2,379)
Amortisation, depreciation and impairments	11	(1,118)	(1,083)
Total expenses		**(14,089)**	(13,112)
Results from operating activities		**2,283**	1,630
Interest income	12	100	90
Interest expenses	12	(590)	(633)
Other net finance expenses	12	(19)	214
Net finance expenses		**(509)**	(329)
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	16	193	127
Profit before income tax		**1,967**	1,428
Income tax expenses	13	(399)	(286)
Profit		**1,568**	1,142
Attributable to:			
Equity holders of the Company (net profit)		1,436	1,018
Non-controlling interests		132	124
Profit		**1,568**	1,142
Weighted average number of shares – basic	23	562,234,726	488,666,607
Weighted average number of shares – diluted	23	563,387,135	489,974,594
Basic earnings per share (EUR)	23	2.55	2.08
Diluted earnings per share (EUR)	23	2.55	2.08

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

In millions of EUR	Note	2010	2009
Profit		**1,568**	1,142
Other comprehensive income:			
Foreign currency translation differences for foreign operations	24	400	112
Effective portion of change in fair value of cash flow hedges	24	43	(90)
Effective portion of cash flow hedges transferred to profit or loss	24	45	88
Ineffective portion of cash flow hedges	24	9	–
Net change in fair value available-for-sale investments	24	11	26
Net change in fair value available-for-sale investments transferred to profit or loss	24	(17)	(12)
Share of other comprehensive income of associates/joint ventures	24	(29)	22
Other comprehensive income, net of tax	24	**462**	146
Total comprehensive income		**2,030**	1,288

Attributable to:			
Equity holders of the Company		1,883	1,172
Non-controlling interests		147	116
Total comprehensive income		**2,030**	1,288

Consolidated Statement of Financial Position

As at 31 December 2010

In millions of EUR	Note	2010	2009
Assets			
Property, plant & equipment	14	7,687	6,017
Intangible assets	15	10,890	7,135
Investments in associates and joint ventures		1,673	1,427
Other investments and receivables	17	1,103	568
Advances to customers	32	449	319
Deferred tax assets	18	429	561
Total non-current assets		**22,231**	16,027
Inventories	19	1,206	1,010
Other investments	17	17	15
Trade and other receivables	20	2,273	2,310
Prepayments and accrued income		206	189
Cash and cash equivalents	21	610	520
Assets classified as held for sale	7	6	109
Total current assets		**4,318**	4,153
Total assets		**26,549**	20,180
Equity			
Share capital		922	784
Share premium		2,701	–
Reserves		814	159
ASDI		666	–
Retained earnings		5,125	4,408
Equity attributable to equity holders of the Company		**10,228**	5,351
Non-controlling interests		289	296
Total equity		**10,517**	5,647
Liabilities			
Loans and borrowings	25	8,078	7,401
Tax liabilities		178	–
Employee benefits	28	687	634
Provisions	30	475	356
Deferred tax liabilities	18	991	786
Total non-current liabilities		**10,409**	9,177
Bank overdrafts	21	132	156
Loans and borrowings	25	862	1,145
Trade and other payables	31	4,265	3,696
Tax liabilities		241	132
Provisions	30	123	162
Liabilities classified as held for sale	7	–	65
Total current liabilities		**5,623**	5,356
Total liabilities		**16,032**	14,533
Total equity and liabilities		**26,549**	20,180

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

In millions of EUR	Note	2010	2009
Operating activities			
Profit		1,568	1,142
Adjustments for:			
Amortisation, depreciation and impairments	11	1,118	1,083
Net interest expenses	12	490	543
Gain on sale of property, plant & equipment, intangible assets and subsidiaries, joint ventures and associates	8	(239)	(41)
Investment income and share of profit and impairments of associates and joint ventures		(200)	(138)
Income tax expenses	13	399	286
Other non-cash items		163	1
Cash flow from operations before changes in working capital and provisions		**3,299**	2,876
Change in inventories		95	202
Change in trade and other receivables		515	337
Change in trade and other payables		(156)	(319)
Total change in working capital		**454**	220
Change in provisions and employee benefits		(205)	(67)
Cash flow from operations		**3,548**	3,029
Interest paid		(554)	(467)
Interest received		15	–
Dividend received		91	62
Income taxes paid		(443)	(245)
Cash flow related to interest, dividend and income tax		**(891)**	(650)
Cash flow from operating activities		**2,657**	2,379
Investing activities			
Proceeds from sale of property, plant & equipment and intangible assets		113	180
Purchase of property, plant & equipment	14	(648)	(678)
Purchase of intangible assets	15	(56)	(99)
Loans issued to customers and other investments		(145)	(117)
Repayment on loans to customers		72	76
Cash flow (used in)/from operational investing activities		**(664)**	(638)
Free operating cash flow		**1,993**	1,741
Acquisition of subsidiaries, net of cash acquired*	6	17	(84)
Acquisition of associates, joint ventures and other investments		(77)	(116)
Disposal of subsidiaries and non-controlling interests, net of cash disposed of	6	270	17
Disposal of associates, joint ventures and other investments		47	34
Cash flow (used in)/from acquisitions and disposals		**257**	(149)
Cash flow (used in)/from investing activities		**(407)**	(787)

*The non-controlling interests has moved from Investing to Financing in 2010, comparatives have not been adjusted.

For the year ended 31 December 2010

In millions of EUR	Note	2010	2009
Financing activities			
Proceeds from loans and borrowings		1,920	2,052
Repayment of loans and borrowings		(3,127)	(3,411)
Dividends paid		(483)	(392)
Purchase own shares and shares issued		(381)	(13)
Acquisition of non-controlling interests		(92)	–
Other		(9)	(73)
Cash flow (used in)/from financing activities		**(2,172)**	(1,837)
Net Cash Flow		**78**	(245)
Cash and cash equivalents as at 1 January		364	604
Effect of movements in exchange rates		36	5
Cash and cash equivalents as at 31 December	21	**478**	364

Consolidated Statement of Changes in Equity

In millions of EUR	Note	Share capital	Share Premium	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	ASDI	Retained earnings	Equity attributable to equity holders of the Company	Non-controlling interests	Total equity
Balance as at 1 January 2009		784	–	(595)	(122)	88	595	(40)	–	3,761	4,471	281	4,752
Other comprehensive income	24	–	–	144	(2)	12	6	–	–	(6)	154	(8)	146
Profit		–	–	–	–	–	150	–	–	868	1,018	124	1,142
Total comprehensive income		–	–	144	(2)	12	156	–	–	862	1,172	116	1,288
Transfer to retained earnings		–	–	–	–	–	(75)	–	–	75	–	–	–
Dividends to shareholders		–	–	–	–	–	–	–	–	(289)	(289)	(96)	(385)
Purchase/reissuance own/non-controlling shares		–	–	–	–	–	–	(2)	–	(11)	(13)	(2)	(15)
Share-based payments		–	–	–	–	–	–	–	–	10	10	–	10
Changes in consolidations		–	–	–	–	–	–	–	–	–	–	(3)	(3)
Balance as at 31 December 2009		784	–	(451)	(124)	100	676	(42)	–	4,408	5,351	296	5,647
Balance as at 1 January 2010		784	–	(451)	(124)	100	676	(42)	–	4,408	5,351	296	5,647
Other comprehensive income	24	–	–	358	97	(10)	75	–	–	(73)	447	15	462
Profit		–	–	–	–	–	241	–	–	1,195	1,436	132	1,568
Total comprehensive income		–	–	358	97	(10)	316	–	–	1,122	1,883	147	2,030
Transfer to retained earnings		–	–	–	–	–	(93)	–	–	93	–	–	–
Dividends to shareholders		–	–	–	–	–	–	–	–	(351)	(351)	(138)	(489)
Share issued		138	2,701	–	–	–	–	–	1,026	–	3,865	–	3,865
Purchase/reissuance own/non-controlling shares		–	–	–	–	–	–	(381)	–	–	(381)	–	(381)
Allotted Share Delivery Instrument		–	–	–	–	–	–	362	(360)	(2)	–	–	–
Own shares granted		–	–	–	–	–	–	6	–	(6)	–	–	–
Share-based payments		–	–	–	–	–	–	–	–	15	15	–	15
Share purchase mandate		–	–	–	–	–	–	–	–	(96)	(96)	–	(96)
Acquisition of non-controlling interests without a change in control		–	–	–	–	–	–	–	–	(58)	(58)	(34)	(92)
Acquisition of non-controlling interests with a change in control		–	–	–	–	–	–	–	–	–	–	20	20
Changes in consolidation		–	–	–	–	–	–	–	–	–	–	(2)	(2)
Balance as at 31 December 2010		**922**	**2,701**	**(93)**	**(27)**	**90**	**899**	**(55)**	**666**	**5,125**	**10,228**	**289**	**10,517**

Notes to the Consolidated Financial Statements

1. Reporting entity

Heineken N.V. (the 'Company') is a company domiciled in the Netherlands. The address of the Company's registered office is Tweede Weteringplantsoen 21, Amsterdam. The consolidated financial statements of the Company as at and for the year ended 31 December 2010 comprise the Company, its subsidiaries (together referred to as 'Heineken' or the 'Group' and individually as 'Heineken' entities) and Heineken's interest in jointly controlled entities and associates.

A summary of the main subsidiaries, jointly controlled entities and associates is included in note 36 and 16 respectively.

Heineken is primarily involved in the brewing and selling of beer.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. All standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) effective year-end 2010 have been adopted by the EU, except that the EU carved out certain hedge accounting provisions of IAS 39. The Company does not utilise this carve-out permitted by the EU, as it is not applicable. Consequently, the accounting policies applied by the Company also comply fully with IFRS as issued by the IASB. The Company presents a condensed income statement, using the facility of Article 402 of Part 9, Book 2, of the Dutch Civil Code.

The consolidated financial statements have been prepared by the Executive Board of the Company and authorised for issue on 15 February 2011 and will be submitted for adoption to the Annual General Meeting of Shareholders on 21 April 2011.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following assets and liabilities that are measured at fair value:

- Available-for-sale investments
- Derivative financial instruments
- Liabilities for equity-settled share-based payment arrangements
- Long-term interest-bearing liabilities on which fair value hedge accounting is applied.

The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

These consolidated financial statements are presented in euro, which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest million unless stated otherwise.

(d) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2. Basis of preparation continued

In particular, information about assumptions and estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in the following notes:

- Note 6 Acquisitions and disposals of subsidiaries and non-controlling interests
- Note 15 Intangible assets
- Note 16 Investments in associates and joint ventures
- Note 17 Other investments
- Note 18 Deferred tax assets and liabilities
- Note 28 Employee benefits
- Note 29 Share-based payments – Long-Term Incentive Plan
- Note 30 Provisions
- Note 32 Financial risk management and financial instruments
- Note 34 Contingencies.

(e) Changes in accounting policies

Accounting for business combinations

From 1 January 2010, the Group has applied IFRS 3 *Business Combinations* (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and has no impact on Earnings per Share.

For acquisition on or after 1 January 2010, the Group measures goodwill at the acquisition date as the fair value of the consideration transferred plus the fair value of any previously-held equity interest in the acquiree and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Accounting for acquisitions of non-controlling interests

From 1 January 2010 the Group has applied IAS 27 *Consolidated and Separate Financial Statements* (2008) in accounting for acquisitions of non-controlling interests. The change in accounting policy has been applied prospectively and has no impact on Earnings per Share.

Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Previously, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

Other standards and interpretations

Other standards and interpretations effective from 1 January 2010 did not have a significant impact on the Company.

3. Significant accounting policies

General

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Heineken entities.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Heineken has changed its accounting policy with respect to accounting for business combinations. See note 2(e) for further details.

(ii) Subsidiaries

Subsidiaries are entities controlled by Heineken. Control exists when Heineken has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Heineken. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iii) Special Purpose Entities (SPEs)

An SPE is consolidated if, based on an evaluation of the substance of its relationship with Heineken and the SPE's risks and rewards, Heineken concludes that it controls the SPE. SPEs controlled by Heineken were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in Heineken receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or their assets.

(iv) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

(v) Loss of control

Upon the loss of control, Heineken derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If Heineken retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3. Significant accounting policies continued

(vi) Investments in associates and joint ventures

Investments in associates are those entities in which Heineken has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of another entity. Joint ventures are those entities over whose activities Heineken has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and joint ventures are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include Heineken's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of Heineken, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When Heineken's share of losses exceeds the carrying amount of the associate, including any long-term investments, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that Heineken has an obligation or has made a payment on behalf of the associate or joint venture.

(vii) Transactions eliminated on consolidation

Intra-Heineken balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-Heineken transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted associates and JVs are eliminated against the investment to the extent of the Heineken's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Heineken entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss arising on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale (equity) investments and foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment, which are recognised in other comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at cost remain translated into the functional currency at historical exchange rates.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to euro at exchange rates approximating the exchange rates ruling at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and are presented within equity in the translation reserve. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When Heineken disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When Heineken disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the translation reserve.

The following exchange rates, for the most important countries in which Heineken has operations, were used while preparing these consolidated financial statements:

		Year-end		Average
In EUR	2010	2009	2010	2009
GBP	1.1618	1.1260	1.1657	1.1224
EGP	0.1287	0.1273	0.1339	0.1292
NGN	0.0050	0.0047	0.0051	0.0048
PLN	0.2516	0.2436	0.2503	0.2311
BRL	0.4509	0.4001	0.4289	0.3610
MXN	0.0604	0.0533	0.0598	0.0532
RUB	0.0245	0.0232	0.0248	0.0227
USD	0.7484	0.6942	0.7543	0.7170

(iii) Hedge of net investments in foreign operations

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective and regardless of whether the net investment is held directly or through an intermediate parent. These differences are presented within equity in the translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the relevant amount in the translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

3. Significant accounting policies continued

(c) Non-derivative financial instruments

(i) General

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described hereafter.

If Heineken has a legal right to offset financial assets with financial liabilities and if Heineken intends either to settle on a net basis or to realise the asset and settle the liability simultaneously then financial assets and liabilities are presented in the statement of financial position as a net amount.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of Heineken's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting policies for interest income, interest expenses and other net finance income and expenses are discussed in note 3r.

(ii) Held-to maturity investments

If Heineken has the positive intent and ability to hold debt securities to maturity, they are classified as held-to-maturity. Debt securities are loans and long-term receivables and are measured at amortised cost using the effective interest method, less any impairment losses. Investments held-to-maturity are recognised or derecognised on the day they are transferred to or by Heineken.

(iii) Available-for-sale investments

Heineken's investments in equity securities and certain debt securities are classified as available-for-sale. Subsequent to initial recognition, they are measured at fair value and changes therein – other than impairment losses (see note 3i(i)), and foreign currency differences on available-for-sale monetary items (see note 3b(i)) – are recognised in other comprehensive income and presented within equity in the fair value reserve. When these investments are derecognised, the relevant cumulative gain or loss in the fair value reserve is transferred to profit or loss.

Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the profit or loss. Available-for-sale investments are recognised or derecognised by Heineken on the date it commits to purchase or sell the investments.

(iv) Investments at fair value through profit or loss

An investment is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if Heineken manages such investments and makes purchase and sale decisions based on their fair value in accordance with Heineken's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss as incurred.

Investments at fair value through profit or loss are measured at fair value, with changes therein recognised in profit or loss as part of the other net finance income/(expenses). Investments at fair value through profit and loss are recognised or derecognised by Heineken on the date it commits to purchase or sell the investments.

(v) Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Included in non-derivative financial instruments are advances to customers. Subsequently, the advances are amortised over the term of the contract as a reduction of revenue.

(d) Derivative financial instruments (including hedge accounting)

(i) General

Heineken uses derivatives in the ordinary course of business in order to manage market risks. Generally Heineken seeks to apply hedge accounting in order to minimise the effects of foreign currency, interest rate or commodity price fluctuations in profit or loss.

Derivatives that can be used are interest rate swaps, forward rate agreements, caps and floors, commodity swaps, spot and forward exchange contracts and options. Transactions are entered into with a limited number of counterparties with strong credit ratings. Foreign currency, interest rate and commodity hedging operations are governed by internal policies and rules approved and monitored by the Executive Board.

Derivative financial instruments are recognised initially at fair value, with attributable transaction costs recognised in profit or loss as incurred. Derivatives for which hedge accounting is not applied are accounted for as instruments at fair value through profit or loss. When derivatives qualify for hedge accounting, subsequent measurement is at fair value, and changes therein accounted for as described 3b(iii), 3d(ii) and 3d(iii).

(ii) Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income and presented in the hedging reserve within equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued and the cumulative unrealised gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity, is recognised in profit or loss immediately, or when a hedging instrument is terminated, but the hedged transaction still is expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in accordance with the above-mentioned policy when the transaction occurs. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in other comprehensive income is transferred to the same line of profit or loss in the same period that the hedged item affects profit or loss.

(iii) Fair value hedges

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognised in profit or loss and adjusts the carrying amount of the hedged item.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

3. Significant accounting policies continued

(iv) Separable embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

(e) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(ii) Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares.

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase inequity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

(iii) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(f) Property, Plant and Equipment (P, P & E)

(i) Owned assets

Items of property, plant and equipment are measured at cost less government grants received (refer (q)), accumulated depreciation (refer (iv)) and accumulated impairment losses (3i(ii)).

Cost comprises the initial purchase price increased with expenditures that are directly attributable to the acquisition of the asset (like transports and non-recoverable taxes). The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use (like an appropriate proportion of production overheads), and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised as part of the cost of that asset. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Spare parts that are acquired as part of an equipment purchase and only to be used in connection with this specific equipment are initially capitalised and amortised as part of the equipment. For example, purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Leased assets

Leases in terms of which Heineken assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition P, P & E acquired by way of finance lease is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease. Lease payments are apportioned between the outstanding liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognised in Heineken's statement of financial position. Payments made under operating leases are charged to profit or loss on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(iii) Subsequent expenditure

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item or recognised as a separate asset, as appropriate, if it is probable that the future economic benefits embodied within the part will flow to Heineken and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss when incurred.

(iv) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Land is not depreciated as it is deemed to have an infinite life. Depreciation on other P, P & E is charged to profit or loss on a straight-line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Assets under construction are not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonable certain that Heineken will obtain ownership by the end of the lease term. The estimated useful lives for the current and comparative years are as follows:

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

Where parts of an item of P, P & E have different useful lives, they are accounted for as separate items of P, P & E.

The depreciation methods, residual value as well as the useful lives are reassessed, and adjusted if appropriate, at each financial year-end.

(v) Gains and losses on sale

Net gains on sale of items of P, P & E are presented in profit or loss as other income. Net losses on sale are included in depreciation. Net gains and losses are recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, and there is no continuing management involvement with the P, P & E.

3. Significant accounting policies continued

(g) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the cost of the acquisition over Heineken's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill arising on the acquisition of associates and joint ventures is included in the carrying amount of the associate, respectively the joint ventures. In respect of acquisitions prior to 1 October 2003, goodwill is included on the basis of deemed cost, being the amount recorded under previous GAAP. Goodwill on acquisitions purchased before 1 January 2003 has been deducted from equity.

Goodwill arising on the acquisition of a non-controlling interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of exchange.

Goodwill is measured at cost less accumulated impairment losses (refer accounting policy 3i(ii)). Goodwill is allocated to individual or groups of cash-generating units (CGUs) for the purpose of impairment testing and is tested annually for impairment. Negative goodwill is recognised directly in profit or loss as other income.

(ii) Brands

Brands acquired, separately or as part of a business combination, are capitalised if they meet the definition of an intangible asset and the recognition criteria are satisfied.

Brands acquired as part of a business combination are valued at fair value based on the royalty relief method. Brands acquired separately are measured at cost.

Strategic brands are well-known international/local brands with a strong market position and an established brand name. Strategic brands are amortised on an individual basis over the estimated useful life of the brand. Other brands are amortised on a portfolio basis per country.

(iii) Customer-related and contract-based intangibles

Customer-related and contract-based intangibles are capitalised if they meet the definition of an intangible asset and the recognition criteria are satisfied. If the amounts are not material these are included in the brand valuation. The relationship between brands and customer-related intangibles is carefully considered so that brands and customer-related intangibles are not both recognised on the basis of the same cash flows.

Customer-related and contract-based intangibles acquired as part of a business combination are valued at fair value. Customer-related and contract-based intangibles acquired separately are measured at cost.

Customer-related and contract-based intangibles are amortised over the period of the contractual arrangements or the remaining useful life of the customer relationships.

(iv) Software, research and development and other intangible assets

Purchased software is measured at cost less accumulated amortisation (refer (vi)) and impairment losses (refer accounting policy 3i(ii)). Expenditure on internally developed software is capitalised when the expenditure qualifies as development activities, otherwise it is recognised in profit or loss when incurred.

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products, software and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and Heineken intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation (refer (vi)) and accumulated impairment losses (refer accounting policy 3i(ii)).

Other intangible assets that are acquired by Heineken and have finite useful lives, are measured at cost less accumulated amortisation (refer (vi)) and impairment losses (refer accounting policy 3i(ii)). Expenditure on internally generated goodwill and brands is recognised in profit or loss when incurred.

(v) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed when incurred.

(vi) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Intangible assets with a finite life are amortised on a straight-line basis over their estimated useful lives, other than goodwill, from the date they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

• Strategic brands	40 – 50 years
• Other brands	15 – 25 years
• Customer-related and contract-based intangibles	5 – 20 years
• Software	3 – 7 years
• Capitalised development costs	3 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(vii) Gains and losses on sale

Net gains on sale of intangible assets are presented in profit or loss as other income. Net losses on sale are included in amortisation. Net gains and losses are recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, and there is no continuing management involvement with the intangible assets.

3. Significant accounting policies continued

(h) Inventories

(i) General

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(ii) Finished products and work in progress

Finished products and work in progress are measured at manufacturing cost based on weighted averages and takes into account the production stage reached. Costs include an appropriate share of direct production overheads based on normal operating capacity.

(iii) Other inventories and spare parts

The cost of other inventories is based on weighted averages. Spare parts are valued at the lower of cost and net realisable value. Value reductions and usage of parts are charged to profit or loss. Spare parts that are acquired as part of an equipment purchase and only to be used in connection with this specific equipment are initially capitalised and amortised as part of the equipment.

(i) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in other comprehensive income and presented in the fair value reserve in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of Heineken's non-financial assets, other than inventories (refer accounting policy (h) and deferred tax assets (refer accounting policy (s))), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or CGU is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'CGU').

For the purpose of impairment testing, goodwill acquired in a business combination, is allocated to each of the acquirer's CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored on regional, sub regional or country level depending on the characteristics of the acquisition, the synergies to be achieved and the level of integration.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate and joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate and joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(j) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with Heineken's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

3. Significant accounting policies continued

(k) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan (pension plan) under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employee renders the service are discounted to their present value.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan (pension plan) that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Heineken's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at balance sheet date on AA-rated bonds that have maturity dates approximating the terms of Heineken's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculations are performed annually by qualified actuaries using the projected unit credit method. When the calculation results in a benefit to Heineken, the recognised asset is limited to the net total of any unrecognised actuarial gains and losses and any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

In respect of actuarial gains and losses that arise, Heineken applies the corridor method in calculating the obligation in respect of a plan. To the extent that any cumulative unrecognised actuarial gain or loss exceeds ten per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

(iii) Other long-term employee benefits

Heineken's net obligation in respect of long-term employee benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at balance sheet date on high-quality credit-rated bonds that have maturity dates approximating the terms of Heineken's obligations. The obligation is calculated using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

Termination benefits are recognised as an expense when Heineken is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if Heineken has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

(v) Share-based payment plan (long-term incentive plan)

As from 1 January 2005 Heineken established a share plan for the Executive Board and as from 1 January 2006 Heineken also established a share plan for senior management (see note 29).

The grant date fair value of the share rights granted is recognised as personnel expenses with a corresponding increase in equity (equity-settled), over the period that the employees become unconditionally entitled to the share rights. The costs of the share plan for both the Executive Board and senior management members are spread evenly over the performance period.

At each balance sheet date, Heineken revises its estimates of the number of share rights that are expected to vest, for the 100 per cent internal performance conditions of the share plan 2010 – 2012 of the senior management members and the Executive Board and for the 75 per cent internal performance conditions of the share plan 2008 – 2010 and 2009 – 2011 of the senior management members. It recognises the impact of the revision of original estimates – only applicable for internal performance conditions, if any, in profit or loss, with a corresponding adjustment to equity. The fair value for the share plan 2008 – 2010 and 2009 – 2011 is measured at grant date using the Monte Carlo model taking into account the terms and conditions of the plan.

(vi) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term benefits if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(l) Provisions

(i) General

A provision is recognised if, as a result of a past event, Heineken has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenditures to be expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as part of the net finance expenses.

(ii) Restructuring

A provision for restructuring is recognised when Heineken has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating losses are not provided for. The provision includes the benefit commitments in connection with early retirement and redundancy schemes.

(iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by Heineken from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, Heineken recognises any impairment loss on the assets associated with that contract.

3. Significant accounting policies continued

(m) Loans and borrowings

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Loans and borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Loans and borrowings included in a fair value hedge are stated at fair value in respect of the risk being hedged.

Loans and borrowings for which the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date, are classified as non-current liabilities.

(n) Revenue

(i) Products sold

Revenue from the sale of products in the ordinary course of business is measured at the fair value of the consideration received or receivable, net of sales tax, excise duties, returns, customer discounts and other sales-related discounts. Revenue from the sale of products is recognised in profit or loss when the amount of revenue can be measured reliably, the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of products can be estimated reliably, and there is no continuing management involvement with the products.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Other revenue

Other revenues are proceeds from royalties, rental income, pub management services and technical services to third parties, net of sales tax. Royalties are recognised in profit or loss on an accrual basis in accordance with the substance of the relevant agreement. Rental income and technical services are recognised in profit or loss when the services have been delivered.

(o) Other income

Other income are gains from sale of P, P & E, intangible assets and (interests in) subsidiaries, joint ventures and associates, net of sales tax. They are recognised in profit or loss when ownership has been transferred to the buyer.

(p) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

(ii) Finance lease payments

Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(q) Government grants

Government grants are recognised at their fair value when it is reasonably assured that Heineken will comply with the conditions attaching to them and the grants will be received.

Government grants relating to P, P & E are deducted from the carrying amount of the asset.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

(r) Interest income, interest expenses and other net finance income and expenses

Interest income and expenses are recognised as they accrue in profit or loss, using the effective interest method unless collectability is in doubt.

Other net finance income comprises dividend income, gains on the disposal of available-for-sale investments, changes in the fair value of investments designated at fair value through profit or loss and held for trading investments and gains and losses on hedging instruments that are recognised in profit or loss. Dividend income is recognised in profit or loss on the date that Heineken's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Other net finance expenses comprise unwinding of the discount on provisions, changes in the fair value of investments designated at fair value through profit or loss and held for trading investments, impairment losses recognised on investments, and gains or losses on hedging instruments that are recognised in profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis in the other net finance expenses.

(s) Income tax

Income tax comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected income tax payable or receivable in respect of taxable profit or loss for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to income tax payable in respect of profits of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Deferred tax assets and liabilities are not recognised for the following temporary differences: (i) the initial recognition of goodwill, (ii) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, (iii) differences relating to investments in subsidiaries, joint ventures and associates resulting from translation of foreign operations and (iv) differences relating to investments in subsidiaries and joint ventures to the extent that the Company is able to control the timing of the reversal of the temporary difference and they will probably not reverse in the foreseeable future.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets are recognised in respect of the carry forward of unused tax losses and tax credits. When an entity has a history of recent losses, the entity recognises a deferred tax asset arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the entity.

3. Significant accounting policies continued

(t) Discontinued operations
A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(u) Earnings per share
Heineken presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period including the weighted average of outstanding ASDI, adjusted for the weighted average of own shares purchased in the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding including weighted average of outstanding ASDI, adjusted for the weighted average of own shares purchased in the year, for the effects of all dilutive potential ordinary shares, which comprise share rights granted to employees.

(v) Cash flow statement
The cash flow statement is prepared using the indirect method. Changes in balance sheet items that have not resulted in cash flows such as translation differences, fair value changes, equity-settled share-based payments and other non-cash items, have been eliminated for the purpose of preparing this statement. Assets and liabilities acquired as part of a business combination are included in investing activities (net of cash acquired). Dividends paid to ordinary shareholders are included in financing activities. Dividends received are classified as operating activities. Interest paid is also included in operating activities.

(w) Operating segments
Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Board, who is considered to be the Group's chief operating decision maker. An operating segment is a component of Heineken that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of Heineken's other components. All operating segments' operating results are reviewed regularly by the Executive Board to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment results, assets and liabilities that are reported to the Executive Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated result items comprise net finance expenses and income tax expenses. Unallocated assets comprise current other investments and cash call deposits.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(x) Emission rights
Emission rights are related to the emission of CO_2, which relates to the production of energy. These rights are freely tradable. Bought emission rights and liabilities due to production of CO_2 are measured at cost, including any directly attributable expenditure. Emission rights received for free are also recorded at cost, i.e. with a zero value.

(y) Recently issued IFRS

(i) Standards effective in 2010 and reflected in these consolidated financial statements

- IFRS 3 Business Combinations (revised 2008)). The IASB issued a revised version of the business combinations standard. For the main changes we refer to paragraph 2(e) Changes in accounting policies.
- IAS 27 Consolidated and Separate Financial Statements (amended 2008). The IASB amended IAS 27 to reflect changes to the accounting for non-controlling interest. For the amendments we refer to paragraph 2(e) Changes in accounting policies.
- Other standards: other standards and interpretations effective from 1 January 2010, like IFRS 2 Share based payments, IFRIC 17 Distributions of non cash assets to owners and IAS 39 Financial instruments: recognition and measurement, did not have a significant impact on the Company.

(ii) New relevant standards and interpretations not yet adopted

The following new standards and interpretations to existing standards relevant to Heineken are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these consolidated financial statements:

- IFRS 3 Business Combinations (amendments effective date 1 July 2010). The amendments:
  - Clarify that contingent consideration arising in a business combination previously accounted for in accordance with IFRS 3 (2004) that remains outstanding at the adoption date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004)
  - Limit the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and
  - Expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquired awards.
- IAS 27 Consolidated and Separate Financial Statements (amendments effective date 1 July 2010). The amendments clarify that the consequential amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 and IAS 31 resulting from IAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering.
- IAS 24 Related Party Disclosures (revised 2009 – effective date 1 January 2011). The revised IAS 24 amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.
- IFRS 7 Financial Instruments: Disclosures (amendments effective date 1 January 2011). The amendments add an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.
- IAS 1 Presentation of Financial Statements (amendments effective date 1 January 2011). The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes.
- IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets, amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after 1 January 2013, but has not yet been endorsed by the EU. Heineken is in the process of evaluating the impact of the applicability of the new standard.
- IAS 19 Pensions and IFRIC 14 (amendments effective 1 January 2011) – The limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction. These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense.

4. Determination of fair values

(i) General
A number of Heineken's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values or for the purpose of impairment testing is disclosed in the notes specific to that asset or liability.

(ii) Property, plant and equipment
The fair value of property, plant and equipment recognised as a result of a business combination is based on the quoted market prices for similar items when available and replacement cost when appropriate.

(iii) Intangible assets
The fair value of brands acquired in a business combination is based on the 'relief of royalty' method. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iv) Inventories
The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(v) Investments in equity and debt securities
The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using an appropriate valuation technique. The fair value of held-to-maturity investments is determined for disclosure purposes only. In case the quoted price does not exist at the date of exchange or in case the quoted price exists at the date of exchange but was not used as the cost, the investments are valued indirectly based on discounted cash flow models.

(vi) Trade and other receivables
The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when acquired in a business combination.

(vii) Derivative financial instruments
The fair value of derivative financial instruments are based on their listed market price, if available. If a listed market price is not available, then fair value is in general estimated by discounting the difference between the cash flows based on contractual price and the cash flows based on current price for the residual maturity of the contract using a risk-free interest rate (based on inter-bank interest rates).

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(viii) Non-derivative financial instruments
Fair value, which is determined for disclosure purposes or when fair value hedge accounting is applied, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5. Operating segments

Heineken distinguishes the following six reportable segments:

- Western Europe
- Central and Eastern Europe
- The Americas
- Africa and the Middle East
- Asia Pacific
- Head Office/eliminations.

These first five reportable segments as stated above are the Group's business regions. These business regions are each managed separately by a Regional President. The Regional President is directly accountable for the functioning of the segment's assets, liabilities and results of the region and reports regularly to the Executive Board (the chief operating decision maker) to discuss operating activities, regional forecasts and regional results. The Head Office operating segment falls directly under the responsibility of the Executive Board. For each of the six reportable segments, the Executive Board reviews internal management reports on a monthly basis.

Information regarding the results of each reportable segment is included in the table on the next page. Performance is measured based on EBIT (beia), as included in the internal management reports that are reviewed by the Executive Board. EBIT (beia) is defined as earnings before interest and taxes and net finance expenses, before exceptional items and amortisation of brands and customer relationships. Exceptional items are defined as items of income and expense of such size, nature or incidence, that in view of management their disclosure is relevant to explain the performance of Heineken for the period. EBIT and EBIT (beia) are not financial measures calculated in accordance with IFRS. EBIT (beia) is used to measure performance as management believes that this measurement is the most relevant in evaluating the results of these regions.

Heineken has multiple distribution models to deliver goods to end customers. There is no reliance on major clients. Deliveries to end consumers are done in some countries via own wholesalers or own pubs, in other markets directly and in some others via third parties. As such, distribution models are country specific and on consolidated level diverse. In addition, these various distribution models are not centrally managed or monitored. Consequently, the Executive Board is not allocating resources and assessing the performance based on business type information and therefore no segment information is provided on business type.

Inter-segment pricing is determined on an arm's-length basis. As net finance expenses and income tax expenses are monitored on a consolidated level (and not on an individual regional basis) and regional presidents are not accountable for that, net finance expenses and income tax expenses are not provided per reportable segment.

5. Operating segments continued

Information about reportable segments

In millions of EUR	Note	Western Europe 2010	Western Europe 2009	Central and Eastern Europe 2010	Central and Eastern Europe 2009	The Americas 2010	The Americas 2009
Revenue							
Third party revenue[1]		7,284	7,775	3,130	3,183	3,419	1,540
Interregional revenue		610	657	13	17	12	1
Total revenue		**7,894**	8,432	**3,143**	3,200	**3,431**	1,541
Other income		71	28	8	11	–	–
Results from operating activities		765	504	330	329	474	204
Net finance expenses							
Share of profit of associates and joint ventures and impairments thereof		3	(2)	21	18	75	69
Income tax expenses							
Profit							
Attributable to:							
Equity holders of the Company (net profit)							
Non-controlling interest							
EBIT reconciliation							
EBIT		768	502	351	347	549	273
eia		136	290	12	42	102	–
EBIT (beia)	27	**904**	792	**363**	389	**651**	273
Beer volumes[2]							
Consolidated volume		45,394	47,151	42,237	46,165	37,843	9,430
Joint Ventures' volume		–	–	7,229	8,909	9,195	8,988
Licenses		284	243	–	–	173	339
Group volume		**45,678**	47,394	**49,466**	55,074	**47,211**	18,757
Segment assets		10,123	11,047	4,583	4,826	7,756	834
Investment in associates and joint ventures		28	26	134	143	758	565
Total segment assets		**10,151**	11,073	**4,717**	4,969	**8,514**	1,399
Unallocated assets							
Total assets							
Segment liabilities		3,072	3,355	1,128	1,153	1,115	123
Unallocated liabilities							
Total equity							
Total equity and liabilities							
Purchase of P, P & E		205	291	158	216	121	13
Acquisition of goodwill		4	16	–	–	1,780	5
Purchases of intangible assets		5	31	4	20	24	1
Depreciation of P, P & E		381	401	253	244	149	15
Impairment and reversal of impairment of P, P & E		1	108	9	51	–	–
Amortisation intangible assets		90	89	22	21	73	12
Impairment intangible assets		15	21	1	4	–	–

[1] Includes other revenue of EUR439 million in 2010 and EUR432 million in 2009.
[2] For volume definitions see 'Glossary'. Joint Ventures' volume in 2009 excludes India volumes.

Africa and the Middle East		Asia Pacific		Head Office/ Eliminations		Consolidated	
2010	2009	2010	2009	2010	2009	2010	2009
1,982	1,807	206	301	112	95	16,133	14,701
6	10	–	4	(641)	(689)	–	–
1,988	1,817	**206**	305	**(529)**	(594)	**16,133**	14,701
–	2	158	–	2	–	239	41
520	470	201	72	(7)	51	2,283	1,630
						(509)	(329)
28	15	79	31	(13)	(4)	193	127
						(399)	(286)
						1,568	1,142
						1,436	1,018
						132	124
						1,568	1,142
548	485	280	103	(20)	47	2,476	1,757
1	–	(158)	–	39	6	132	338
549	485	**122**	103	**19**	53	**2,608**	2,095
19,070	19,820	1,328	2,681	–	–	145,872	125,247
5,399	2,228	22,181	10,897	–	–	44,004	31,022
1,204	1,413	806	805	–	–	2,467	2,800
25,673	23,461	**24,315**	14,383	**–**	–	**192,343**	159,069
1,911	1,673	86	185	(74)	(414)	24,385	18,151
262	226	507	472	(16)	(5)	1,673	1,427
2,173	1,899	**593**	657	**(90)**	(419)	**26,058**	19,578
						491	602
						26,549	20,180
529	466	33	107	479	571	6,356	5,775
						9,676	8,758
						10,517	5,647
						26,549	20,180
163	139	1	10	–	9	648	678
1	13	–	–	(37)	–	1,748	34
9	1	–	–	14	46	56	99
100	84	1	10	9	14	893	768
2	2	–	–	2	2	14	163
4	2	–	–	3	3	192	127
–	–	–	–	–	–	16	25

6. Acquisitions and disposals of subsidiaries and non-controlling interests

Acquisition of 100 per cent of the beer operations of FEMSA

On 30 April 2010, Heineken N.V. completed the acquisition of the beer operations of Fomento Económico Mexicano, S.A.B. de C.V. ('FEMSA') via an all share transaction (the 'transaction'). Heineken N.V. acquired all shares of common stocks in FEMSA Cerveza, comprising 100 per cent of FEMSA's Mexican beer operations (including its US and other export businesses) and the remaining 83 per cent of FEMSA's Brazilian beer business that Heineken did not own. A portion of the Heineken shares allotted to FEMSA (and its affiliates) will be delivered over a period of not more than five years (the 'Allotted Shares' or Allotted Share Delivery Instrument or ASDI). The Allotted Shares have been recognised as a separate category within equity.

The beer operations acquired from FEMSA contributed a revenue of EUR2,036 million and results from operating activities of EUR215 million (EBIT) for the eight-months period from 1 May 2010 to 31 December 2010. Amortisation of brands and customer relationships for the eight-month amounts to EUR62 million. Had the acquisition occurred on 1 January 2010, pro-forma revenue and pro-forma results from operating activities (EBIT) for the 12-month period ended 31 December 2010 would have amounted to EUR2,873 million and EUR268 million respectively. The pro-forma amortisation of brands and customer relationships would have amounted to EUR90 million. This pro-forma information does not purport to represent what our actual results would have been had the acquisition actually occurred on 1 January 2010, nor are they necessarily indicative of future results of operations. In determining the contributions, management has assumed that the fair value adjustments that arose on the date of the acquisition would have been the same as if the acquisition had occurred on 1 January 2010.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

In millions of EUR	
Property, plant & equipment	1,851
Intangible assets	2,104
Investments in associates & joint ventures	7
Other investments	342
Advances to customers	210
Inventories	273
Trade and other receivables	521
Cash and cash equivalents	69
Assets acquired	5,377

In millions of EUR	
Loans and borrowings, interest bearing	894
Loans and borrowings, non-interest bearing	124
Tax liabilities (non-current)	150
Employee benefits	162
Provisions	175
Deferred tax liabilities	449
Current part loans, interest bearing	701
Bank overdraft	38
Tax liabilities (current)	32
Other current liabilities	609
Liabilities assumed	3,334
Total net identifiable assets	2,043

Consideration transferred in exchange for shares	3,865
Consideration paid in cash	51
Recognition indemnification receivable	(134)
Fair value of previous interest in the acquiree	21
Non-controlling interests	20
Net identifiable assets acquired	(2,043)
Goodwill on acquisition	1,780

* Amounts were converted into euros at the rate of MXN/EUR16.246, BRL/EUR2.2959 and USD/EUR1.3315 for the statement of financial position.

Goodwill has provisionally been allocated to the America's region and is held in US dollars, Mexican pesos and Brazil reals. The rationale for the allocation is that the acquisition provides access to the Latin American market, cost synergies to be achieved through economies of scale due to the increased size of the operations and deferred taxes and assembled workforce will mostly be between Mexico and the USA. Additionally, the acquisition secures the distribution of FEMSA products in the USA, previously arranged via a 10-year licence agreement. The entire amount of goodwill is not expected to be tax deductible.

The consideration transferred in exchange of Heineken N.V. is based on 86,028,019 new Heineken N.V. Shares with a commitment to deliver Allotted Shares over a period of not more than five years from the date of Closing. The Allotted Shares will be delivered to FEMSA pursuant to the Allotted Share Delivery Instrument (ASDI). Simultaneously with the Closing, Heineken Holding N.V. has exchanged 43,018,320 (out of the 86,028,019 new) Heineken N.V. Shares with FEMSA for an equal number of newly issued Heineken Holding Shares. The equity consideration transferred is based on:

- Heineken N.V. issued shares (based on listed share price of Heineken N.V. and Heineken Holding N.V. of respectively EUR35.18 and EUR30.82 as at 30 April 2010)
- ASDI, number of shares 29,172,504 (based on listed share price of Heineken N.V. of EUR35.18 as at 30 April 2010).

The consideration paid in cash amounting to EUR51 million relates to the working capital adjustment for the period between 1 January and 30 April 2010 as agreed in the Share Exchange Agreement.

Between Heineken and FEMSA certain indemnifications were agreed on, that primarily relate to tax and legal matters. Upon acquisition the indemnification asset amounts to EUR134 million, this asset will subsequently change depending on the corresponding liabilities and amounts to EUR145 million as at 31 December 2010. Indemnification assets are recognised as an asset of the acquirer at the same time and on the same basis as the indemnified items are recognised as a liability. The indemnification asset is considered an included element of the business combination. Mexican contingencies will be fully indemnified by FEMSA, Brazilian contingencies, however, are covered by FEMSA for its former share of approximately 83 per cent. Items will only qualify for indemnification if they have not been previously disclosed to Heineken, exceed the floor of USD50 million individually, relate to the period prior to acquisition and the total indemnification does not exceed the cap. The indemnification is maximised at USD500 million, excluding items attributable to Brazilian tax matters.

The fair value of the previously held 17 per cent in Cervejarias Kaiser (Kaiser) is recognised at EUR21 million. The remeasurement to fair value of the Group's existing 17 per cent interest in Kaiser resulted in a net loss of EUR4 million that has been recognised in profit or loss under other net finance (expenses)/income.

Non-controlling interests are recognised based on their proportional interest in the recognised amounts of the assets and liabilities of the beer operations acquired from of FEMSA of EUR20 million.

In the net assets acquired Heineken noted trade receivables with a fair value of EUR319 million. The gross amount is EUR365 million, of which EUR46 million is considered doubtful.

As part of business combination accounting contingent liabilities amounting to EUR14 million have been recognised mainly relating to change in control provisions in existing contracts and certain onerous contracts. The cash-outflow is expected between one to seven years.

Acquisition related costs of EUR24 million have been recognised in profit or loss for the period ended 31 December 2010.

Provisional accounting other acquisitions in 2010

During 2010 several adjustments were made to provisional accounting for acquisitions in the UK and Ireland. Total impact resulted in a decrease of goodwill of EUR32 million, of which EUR37 million was received in cash. Goodwill decreased by EUR37 million due to the Scottish & Newcastle acquisition of 2008 and is caused by adjustments made to the debt allocation agreement with Carlsberg Group. For the other acquisitions in 2009, related to Universal Beverages Limited (UBL Cider Mill) in the UK, the goodwill increased by approximately EUR9 million, these adjustments were made within the window period of one year. The remainder goodwill decrease of EUR4 million relates to the finalisation of the contingent consideration of Nash Beverages Ltd. in Ireland.

6. Acquisitions and disposals of subsidiaries and non-controlling interests continued

Acquisition of non-controlling interest

On 12 May 2010, Heineken International acquired an additional interest in Commonwealth Brewery Limited (CBL) of 47 per cent and Burns House Limited (BHL) of 60 per cent , increasing its ownership to 100 per cent in both entities. Before this acquisition, Heineken International already had control in CBL / BHL. On 17 November 2010, Heineken International acquired an additional 5 per cent interest in Brasseries et Limonaderies du Rwanda S.A., increasing its ownership to 75 per cent . During the year, several other non-controlling interests were bought out, which is regular business practice within the Heineken Group. The cash paid for all the acquired non-controlling interests during 2010 amounts to EUR92 million, decreased our non-controlling interests by EUR34 million and resulted in a net decrease of our retained earnings of EUR58 million.

Due to non-disclosure agreements, Heineken cannot provide the consideration paid on an individual level. Considering the overall amounts disclosed above we deem these to be individually as well as aggregated to be immaterial in nature.

Disposals

On 10 February 2010 and 13 April 2010, Heineken N.V. transferred in total a 78.3 per cent stake in PT Multi Bintang Indonesia (MBI) and Heineken's 87 per cent stake in Grande Brasserie de Nouvelle-Caledonie S.A. (GBNC) to its joint venture Asia Pacific Breweries (APB). Heineken retains a direct shareholding in MBI of 6.8 per cent. As a result of the transaction a gain of EUR157 million before tax has been recognised in other income including the remeasurement to fair value of the Group's remaining 6.8 per cent share amounting to EUR29 million. The sale price of this transaction was EUR265 million.

Other disposals during 2010 include TBS Waverley in the UK and certain smaller entities in the Caribbean. Due to competitive sensitivity and the non-disclosure agreements with the parties involved, the disposal prices are not individually disclosed.

The disposals had the following effect on Heineken's assets and liabilities on disposal date:

In millions of EUR	Total Disposals
Property, plant & equipment	(61)
Intangible assets	–
Investments in associates & joint ventures	–
Other investments	(2)
Deferred tax assets	(4)
Inventories	(35)
Trade and other receivables	(69)
Cash and cash equivalents	(24)
Assets	**(195)**
Loans and borrowings	2
Employee benefits	1
Provisions	17
Deferred tax liabilities	6
Trade and other payables	147
Tax liabilities	5
Liabilities	**178**
Net identifiable assets and liabilities	**(17)**
Non-controlling interests	5
Gain on sale of subsidiaries	(282)*
Consideration received in cash	(294)
Net cash disposed of	24
Net cash outflow/(inflow)	**(270)**

* EUR101 million of the gain on disposal is eliminated, reflecting the Heineken share in APB.

7. Assets (or disposal groups) classified as held for sale

Other assets classified as held for sale represent land and buildings following the commitment of Heineken to a plan to sell certain land and buildings. Efforts to sell these assets have commenced and are expected to be completed during 2011.

Assets classified as held for sale

In millions of EUR	2010	2009
Current assets	–	39
Non-current assets	6	70
	6	109

In millions of EUR	2010	2009
Current liabilities	–	57
Non-current liabilities	–	8
	–	65

8. Other income

In millions of EUR	2010	2009
Net gain on sale of property, plant & equipment	37	39
Net gain on sale of Intangible assets	13	–
Net gain on sale of subsidiaries, joint ventures and associates	189	2
	239	41

9. Raw materials, consumables and services

In millions of EUR	2010	2009
Raw materials	1,474	1,140
Non-returnable packaging	1,863	1,739
Goods for resale	1,655	2,253
Inventory movements	(8)	(5)
Marketing and selling expenses	2,072	1,664
Transport expenses	979	934
Energy and water	442	319
Repair and maintenance	375	299
Other expenses	1,439	1,307
	10,291	9,650

Other expenses include rentals of EUR224 million (2009: 184 million), consultant expenses of EUR126 million (2009: EUR109 million), telecom and office automation of EUR156 million (2009: EUR145 million) and other fixed expenses of EUR933 million (2009: EUR820 million).

10. Personnel expenses

In millions of EUR	Note	2010	2009
Wages and salaries		1,787	1,554
Compulsory social security contributions		317	287
Contributions to defined contribution plans		16	17
Expenses related to defined benefit plans	28	104	107
Increase in other long-term employee benefits		9	7
Equity-settled share-based payment plan	29	15	10
Other personnel expenses		432	397
		2,680	2,379

The increase in other personnel expenses of EUR35 million is mainly due to the acquisition of the beer operations of FEMSA for (EUR70 million) and partly offset by lower amounts paid (EUR35 million) for restructurings compared to 2009.

The average number of full-time equivalent (FTE) employees during the year was:

In millions of EUR	2010	2009
The Netherlands	3,861	3,938
Other Western Europe	15,751	17,557
Central and Eastern Europe	18,043	20,253
The Americas	17,164	1,698
Africa and the Middle East	10,607	10,882
Asia Pacific	304	973
Heineken N.V. and subsidiaries	**65,730**	55,301

11. Amortisation, depreciation and impairments

In millions of EUR	Note	2010	2009
Property, plant & equipment	14	907	931
Intangible assets	15	208	152
Impairment on available for sale assets		3	–
		1,118	1,083

12. Net finance expenses

Recognised in profit or loss

In millions of EUR	2010	2009
Interest income	**100**	90
Interest expenses	**(590)**	(633)
Dividend income on available-for-sale investments	1	1
Dividend income on investments held for trading	7	10
Net gain/(loss) on disposal of available-for-sale investments	–	12
Net change in fair value of derivatives	(75)	(7)
Net foreign exchange gain/(loss)	62	(47)
Impairment losses on available-for-sale investments	(4)	–
Unwinding discount on provisions	(7)	(3)
Other net financial income/(expenses)	(3)	248
Other net finance income/(expenses)	**(19)**	214
Net finance expenses	**(509)**	(329)

Recognised in other comprehensive income

In millions of EUR	2010	2009
Foreign currency translation differences for foreign operations	400	112
Effective portion of changes in fair value of cash flow hedges	43	(90)
Effective portion of cash flow hedges transferred to profit or loss	45	88
Ineffective portion of cash flow hedges transferred to profit or loss	9	–
Net change in fair value of available-for-sale investments	11	26
Net change in fair value available-for-sale investments transferred to profit or loss	(17)	(12)
Share of other comprehensive income of associates/joint ventures	(29)	22
	462	146
Recognised in:		
Fair value reserve	(10)	12
Hedging reserve	97	(2)
Translation reserve	375	136
	462	146

In 2009 the other net financial income/(expense) contained a total (net) book gain of EUR248 million relating to the purchase of Globe debt (Scottish & Newcastle Pub Enterprise).

The increase of the impact of foreign currency translation differences for foreign operations in other comprehensive income is mainly due to the impact of revaluation of the British pound on the net assets and goodwill measured in British pounds of total EUR98 million. Remaining impact is related to the appreciation of the Russian ruble, Polish zloty, Swiss franc and the Chilean peso, partly offset by the devaluation of the Mexican peso.

13. Income tax expense

Recognised in profit or loss

In millions of EUR	2010	2009
Current tax expense		
Current year	498	360
Under/(over) provided in prior years	52	8
	550	368
Deferred tax expense		
Origination and reversal of temporary differences	(19)	(84)
Previously unrecognised deductible temporary differences	(2)	–
Changes in tax rate	3	–
Utilisation/(benefit) of tax losses recognised	(39)	10
Under/(over) provided in prior years	(94)	(8)
	(151)	(82)
Total income tax expense in profit or loss	**399**	286

Reconciliation of the effective tax rate

In millions of EUR	2010	2009
Profit before income tax	1,967	1,428
Share of net profit of associates and joint ventures and impairments thereof	(193)	(127)
Profit before income tax excluding share of profit of associates and joint ventures (inclusive impairments thereof)	**1,774**	1,301

	%	2010	%	2009
Income tax using the Company's domestic tax rate	25.5	452	25.5	332
Effect of tax rates in foreign jurisdictions	1.9	34	1.6	21
Effect of non-deductible expenses	4.1	72	2.8	36
Effect of tax incentives and exempt income	(8.2)	(146)	(8.2)	(107)
Recognition of previously unrecognised temporary differences	(0.1)	(2)	(0.1)	(1)
Utilisation or recognition of previously unrecognised tax losses	(1.2)	(21)	(0.5)	(7)
Unrecognised current year tax losses	0.8	15	0.9	12
Effect of changes in tax rate	0.2	3	–	–
Withholding taxes	1.4	25	1.2	16
Under/(over) provided in prior years	(2.4)	(42)	–	–
Other reconciling items	0.5	9	(1.2)	(16)
	22.5	**399**	22.0	286

The effective tax rate of the Company increased from 22 per cent to 22.5 per cent. The 2009 rate included the effects of the tax-exempt book gain on the purchase of the Globe Bonds, whilst the 2010 rate includes the effects of the (partly) tax-exempt gain on the sale of the shares in MBI, GBNC and Waverley TBS (book gain EUR199 million), and exceptional tax items in 2010 related to the finalisation of the Globe transactions in the UK and various other settlements with the tax authorities (tax effect EUR52 million).

Income tax recognised in other comprehensive income

In millions of EUR	Note	2010	2009
Changes in fair value		(5)	2
Changes in hedging reserve		(38)	(4)
	18	**(43)**	(2)

14. Property, plant and equipment

In millions of EUR	Note	Land and buildings	Plant and equipment	Other fixed assets	Under construction	Total
Cost						
Balance as at 1 January 2009		3,381	5,169	3,459	457	12,466
Changes in consolidation		15	91	(9)	3	100
Purchases		45	110	232	291	678
Transfer of completed projects under construction		89	199	78	(366)	–
Transfer to/(from) assets classified as held for sale		19	(39)	(39)	(3)	(62)
Disposals		(94)	(122)	(204)	(68)	(488)
Effect of movements in exchange rates		5	(71)	1	1	(64)
Balance as at 31 December 2009		3,460	5,337	3,518	315	12,630
Balance as at 1 January 2010		3,460	5,337	3,518	315	12,630
Changes in consolidation	6	745	635	253	72	1,705
Purchases		38	82	249	279	648
Transfer of completed projects under construction		106	142	104	(352)	–
Transfer to/(from) assets classified as held for sale		26	34	39	2	101
Disposals		(49)	(130)	(285)	(1)	(465)
Effect of movements in exchange rates		71	107	61	15	254
Balance as at 31 December 2010		**4,397**	**6,207**	**3,939**	**330**	**14,873**
Depreciation and impairment losses						
Balance as at 1 January 2009		(1,282)	(2,720)	(2,150)	–	(6,152)
Changes in consolidation		2	–	3	–	5
Depreciation charge for the year	11	(117)	(286)	(365)	–	(768)
Impairment losses	11	(81)	(95)	(5)	–	(181)
Reversal impairment losses	11	1	16	1	–	18
Transfer (to)/from assets classified as held for sale		8	22	19	–	49
Disposals		62	169	166	–	397
Effect of movements in exchange rates		2	19	(2)	–	19
Balance as at 31 December 2009		(1,405)	(2,875)	(2,333)	–	(6,613)
Balance as at 1 January 2010		(1,405)	(2,875)	(2,333)	–	(6,613)
Changes in consolidation	6	12	31	35	–	78
Depreciation charge for the year	11	(117)	(342)	(434)	–	(893)
Impairment losses	11	(15)	(19)	(6)	–	(40)
Reversal impairment losses	11	4	21	1	–	26
Transfer (to)/from assets classified as held for sale		(6)	(14)	(23)	–	(43)
Disposals		37	128	263	–	428
Effect of movements in exchange rates		(36)	(54)	(39)	–	(129)
Balance as at 31 December 2010		**(1,526)**	**(3,124)**	**(2,536)**	**–**	**(7,186)**
Carrying amount						
As at 1 January 2009		2,099	2,449	1,309	457	6,314
As at 31 December 2009		2,055	2,462	1,185	315	6,017
As at 1 January 2010		2,055	2,462	1,185	315	6,017
As at 31 December 2010		**2,871**	**3,083**	**1,403**	**330**	**7,687**

Impairment losses

In 2010 a total impairment loss of EUR40 million (2009: EUR181 million) was charged to profit or loss. These impairment losses included EUR20 million in Serbia. Management performed an impairment of assets analysis after identifying a triggering event relating to the then current market conditions. The remaining impairments mainly relate to restructuring in Belgium, Egypt, Italy and Austria.

14. Property, plant and equipment continued

Financial lease assets

The Group leases PP&E under a number of finance lease agreements. At 31 December 2010 the net carrying amount of leased property, plant and equipment was EUR95 million (2009: EUR108 million). During the year, the Group acquired leased assets of EUR17 million (2009: EUR4 million).

Security to authorities

Property, plant & equipment EUR281 million (2009: EUR27 million) has 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. Increase mainly relates to Brazil (see note 34).

Property, plant and equipment under construction

Property, plant & equipment under construction mainly relates to expansion of the brewing capacity in Mexico, the UK, Russia, Spain and Nigeria.

Capitalised borrowing costs

During 2010 no borrowing costs have been capitalised (2009: EUR nil).

15. Intangible assets

In millions of EUR	Note	Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total
Cost							
Balance as at 1 January 2009		5,604	1,332	311	108	225	7,580
Changes in consolidation		34	4	24	7	1	70
Purchases/internally developed		–	9	–	19	71	99
Disposals		–	(7)	–	–	(47)	(54)
Transfers to assets held for sale		–	–	–	–	(2)	(2)
Effect of movements in exchange rates		75	44	16	(10)	11	136
Balance as at 31 December 2009		**5,713**	**1,382**	**351**	**124**	**259**	**7,829**
Balance as at 1 January 2010		5,713	1,382	351	124	259	7,829
Changes in consolidation	6	1,748	924	943	86	39	3,740
Purchased/internally developed		–	–	–	–	56	56
Disposals		(1)	(8)	–	–	(16)	(25)
Transfers to assets held for sale		–	–	–	–	3	3
Effect of movements in exchange rates		132	23	(10)	12	3	160
Balance as at 31 December 2010		**7,592**	**2,321**	**1,284**	**222**	**344**	**11,763**
Amortisation and impairment losses							
Balance as at 1 January 2009		(290)	(68)	(29)	(11)	(152)	(550)
Amortisation charge for the year	11	–	(36)	(43)	(18)	(30)	(127)
Impairment losses	11	(1)	(4)	–	(20)	–	(25)
Disposals		(1)	–	–	–	5	4
Transfers to assets held for sale		–	–	–	–	2	2
Effect of movements in exchange rates		12	–	(2)	(1)	(7)	2
Balance as at 31 December 2009		(280)	(108)	(74)	(50)	(182)	(694)

In millions of EUR	Note	Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total
Balance as at 1 January 2010		(280)	(108)	(74)	(50)	(182)	(694)
Changes in consolidation	6	–	–	–	25	3	28
Amortisation charge for the year	11	–	(54)	(88)	(16)	(34)	(192)
Impairment losses	11	–	(1)	–	(15)	–	(16)
Disposals		1	2	–	–	10	13
Transfers to assets held for sale		–	–	–	–	(2)	(2)
Effect of movements in exchange rates		–	(2)	(1)	(4)	(3)	(10)
Balance as at 31 December 2010		**(279)**	**(163)**	**(163)**	**(60)**	**(208)**	**(873)**
Carrying amount							
As at 1 January 2009		5,314	1,264	282	97	73	7,030
As at 31 December 2009		5,433	1,274	277	74	77	7,135
As at 1 January 2010		5,433	1,274	277	74	77	7,135
As at 31 December 2010		**7,313**	**2,158**	**1,121**	**162**	**136**	**10,890**

Brands and customer-related/contract-based intangibles

The main brands capitalised are the brands acquired in 2008: Scottish & Newcastle (Fosters and Strongbow) and 2010: Cervecería Cuauhtémoc Moctezuma (Dos Equis, Tecate and Sol). The main customer-related and contract-based intangibles were acquired in 2008 and are related to customer relationships with pubs or retailers in the UK (constituting either by way of a contractual agreement or by way of non-contractual relations). The contract-based and customer related intangibles acquired as a result of the acquisition of the beer operations of FEMSA are a large part of the 2010 intangibles.

Impairment tests for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill in respect of Western Europe, Central and Eastern Europe (excluding Russia) and the Americas (excluding Brazil) is allocated and monitored on a regional basis. In respect of less integrated Operating Companies of Russia, Brazil and Africa and the Middle East, goodwill is allocated and monitored on an individual country basis.

The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

In millions of EUR	2010	2009
Western Europe	3,328	3,282
Central and Eastern Europe (excluding Russia)	1,494	1,467
Russia	105	99
The Americas (excluding Brazil)	2,031	349
Brazil	110	–
Africa and the Middle East	245	236
	7,313	5,433

Throughout the year total goodwill mainly increased due to the acquisition of the FEMSA beer business in Mexico and Brazil and net foreign currency gains.

Goodwill is tested for impairments annually. The recoverable amounts of the CGUs are based on value-in-use calculations. Value in use was determined by discounting the future cash flows generated from the continuing use of the unit using a pre-tax discount rate.

The key assumptions used for the value in use calculations are as follows:

15. Intangible assets continued

- Cash flows were projected based on actual operating results and the three-year business plan. Cash flows for a further seven-year period were extrapolated using expected annual per country volume growth rates, which are based on external sources. Management believes that this forecasted period is justified due to the long-term nature of the beer business and past experiences.
- The beer price growth per year after the first three-year period is assumed to be at specific per country expected annual long-term inflation, based on external sources.
- Cash flows after the first ten-year period were extrapolated using a perpetual growth rate equal to the expected annual long-term inflation, in order to calculate the terminal recoverable amount.
- A per CGU-specific pre-tax Weighted Average Cost of Capital (WACC) was applied in determining the recoverable amount of the units.

The values assigned to the key assumptions used for the value-in-use calculations are as follows:

	Pre-tax WACC	Expected annual long-term inflation 2014-2020	Expected volume growth rates 2014-2020
Western Europe	9.6%	1.7%	(0.2)%
Central and Eastern Europe (excluding Russia)	11.9%	2.2%	2.3%
Russia	12.8%	5.5%	3.0%
The Americas (excluding Brazil)	13.4%	2.9%	1.9%
Brazil	19.3%	4.1%	2.9%
Africa and Middle East	11.0-23.2%	1.7-8.3%	1.4-5.0%

The values assigned to the key assumptions represent management's assessment of future trends in the beer industry and are based on both external sources and internal sources (historical data). For Russia, management has decreased the perpetual growth rate by 3 per cent to reflect management's best estimate, resulting in a perpetual growth rate of 2.5 per cent and a more conservative value in use.

Sensitivity to changes in assumptions

The outcome of a sensitivity analysis of a 100 basis points adverse change in key assumptions (lower growth rates or higher discount rates respectively) did not result in a materially different outcome of the impairment test.

16. Investments in associates and joint ventures

Heineken has the following significant investments in associates and joint ventures:

	Country	Ownership 2010	Ownership 2009
Joint ventures			
Brau Holding International GmbH & Co KgaA	Germany	49.9%	49.9%
Zagorka Brewery A.D.	Bulgaria	49.0%	49.0%
Brewinvest S.A.	Greece	50.0%	50.0%
Pivara Skopje A.D.	FYC Macedonia	27.6%	27.6%
Brasseries du Congo S.A.	Congo	50.0%	50.0%
Asia Pacific Investment Pte. Ltd.	Singapore	50.0%	50.0%
Asia Pacific Breweries Ltd.	Singapore	41.9%	41.9%
Compania Cervecerias Unidas S.A.	Chile	33.1%	33.1%
Tempo Beverages Ltd.	Israel	40.0%	40.0%
Heineken Lion Australia Pty.	Australia	50.0%	50.0%
Sirocco FZCo	Dubai	50.0%	50.0%
Diageo Heineken Namibia B.V.	Namibia	50.0%	50.0%
United Breweries Limited	India	37.5%	37.5%
Millenium Alcobev Private Limited*	India	68.8%	68.8%
DHN Drinks (Pty) Ltd.	South Africa	44.5%	44.5%

	Country	Ownership 2010	Ownership 2009
Sedibeng Brewery Pty Ltd.*	South Africa	75.0%	75.0%
UB Nizam Breweries Pvt. Ltd	Singapore	50.0%	0%
UB Ajanta Breweries Pvt. Ltd	Singapore	50.0%	0%
Associates			
Cerveceria Costa Rica S.A.	Costa Rica	25.0%	25.0%
JSC FE Efes Karaganda Brewery	Kazakhstan	28.0%	28.0%

* Heineken has joint control as the contract and ownership details determine that for certain main operating and financial decisions unanimous approval is required. As a result these investments are not consolidated.

Reporting date

The reporting date of the financial statements of all Heineken entities and joint ventures disclosed are the same as for the Company except for (i) Asia Pacific Breweries Ltd., Heineken Lion Australia Pty. and Asia Pacific Investment Pte. Ltd which have a 30 September reporting date (the APB results are included with a three-month delay in reporting), (ii) DHN Drinks (Pty) Ltd. which has a 30 June reporting date, and (iii) United Breweries Limited and Millenium Alcobev Private Limited which have a 31 March reporting date. The results of (ii) and (iii) have been adjusted to include numbers for the full financial year ended 31 December 2010.

Shareholdings India

On 10 February 2010, Heineken acquired APB's existing Indian investments: Asia Pacific Breweries Aurangabad Pte Ltd ('APB Aurangabad'), currently named UB Ajanta Breweries, and Asia Pacific Breweries-Pearl Pte Ltd ('APB Pearl'), currently named UB Nizam Breweries. The total acquisition price for 100 per cent of the shares amounted to EUR27 million. We deemed these acquisitions individually to be immaterial in respect of IFRS disclosure requirements. If the acquisitions had occurred on 1 January 2010, management estimates that consolidated results from operating activities and consolidated revenue would not have been materially different. On 27 October 2010 Heineken sold 50 per cent of its share in these acquired entities to our joint venture partner VJM Group.

Share of profit of associates and joint ventures and impairments thereof

In millions of EUR	2010	2009
Income associates	28	7
Income joint ventures	165	120
Impairments	–	–
	193	127

In 2010 no impairments were recognised in respect of associates and JVs (2009: EUR nil).

Summary financial information for equity accounted joint ventures

In millions of EUR	Joint ventures 2010	Joint ventures 2009
Non-current assets	1,696	1,375
Current assets	869	681
Non-current liabilities	(611)	(430)
Current liabilities	(684)	(631)
	1,270	995
Revenue	2,108	1,540
Expenses	(1,887)	(1,377)
	221	163

17. Other investments and receivables

In millions of EUR	Note	2010	2009
Non-current other investments			
Loans	32	455	329
Indemnification receivable	32	145	–
Other receivables	32	174	–
Held-to-maturity investments	32	4	4
Available-for-sale investments	32	190	219
Non-current derivatives	32	135	16
		1,103	568
Current other investments			
Investments held for trading	32	17	15
		17	15

Included in loans are loans to customers with a carrying amount of EUR166 million as at 31 December 2010 (2009: EUR150 million). Effective interest rates range from 2 to 13 per cent. EUR164 million (2009: EUR145 million) matures between 1 and 5 years and EUR2 million (2009: EUR5 million) after 5 years.

The other non-current receivables mainly originate from the acquisition of the beer operations of FEMSA and represent a receivable on the Brazilian Authorities on which interest is calculated in accordance with Brazilian legislation. Collection of this receivable is expected to be beyond a period of five years. The indemnification receivable represents the receivable on FEMSA and is a mirror of the corresponding indemnified liabilities originating from the acquisition of the beer operations of FEMSA.

The main available-for sale-investments are Consorcio Cervecero de Nicaragua S.A. and Desnoes & Geddes Ltd. As far as these investments are listed they are measured at their quoted market price. For others the value in use or multiples are used. Debt securities (which are interest-bearing) with a carrying amount of EUR21 million (2009: EUR21 million) are included in available-for-sale investments.

Sensitivity analysis – equity price risk

An amount of EUR69 million as at 31 December 2010 (2009: EUR57 million) of available-for-sale investments and investments held for trading is listed on stock exchanges. A 1 per cent increase in the share price at the reporting date would have increased equity by EUR1 million (2009: EUR1 million); an equal change in the opposite direction would have decreased equity by EUR1 million (2009: EUR1 million).

18. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

	Assets		Liabilities		Net	
In millions of EUR	2010	2009	2010	2009	2010	2009
Property, plant & equipment	86	55	(550)	(385)	(464)	(330)
Intangible assets	62	41	(789)	(310)	(727)	(269)
Investments	87	15	(9)	(6)	78	9
Inventories	33	17	(6)	(6)	27	11
Loans and borrowings	1	1	(2)	–	(1)	1
Employee benefits	141	92	11	24	152	116
Provisions	133	92	1	–	134	92
Other items	77	215	(51)	(207)	26	8
Tax losses carry-forwards	213	137	–	–	213	137
Tax assets/(liabilities)	**833**	665	**(1,395)**	(890)	**(562)**	(225)
Set-off of tax	(404)	(104)	404	104	–	–
Net tax assets/(liabilities)	**429**	**561**	**(991)**	**(786)**	**(562)**	**(225)**

The set-off in 2010 was higher compared to 2009 due to the formation of additional tax groups and the effect of the acquisition of FEMSA.

Tax losses carry-forwards

Heineken has losses carry-forwards for an amount of EUR1,833 million as per 31 December 2010 (2009: EUR983 million), which expire in the following years:

In millions of EUR	2010	2009
2010	–	11
2011	11	16
2012	8	11
2013	32	18
2014	30	18
2015	32	–
After 2015 respectively 2014 but not unlimited	314	91
Unlimited	1,406	818
	1,833	983
Recognised as deferred tax assets gross	(807)	(479)
Unrecognised	**1,026**	504

Movement in deferred tax on temporary differences during the year

In millions of EUR	Balance 1 January 2009	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	Balance 31 December 2009
Property, plant & equipment	(338)	(3)	10	(3)	–	4	(330)
Intangible assets	(281)	(1)	(4)	49	–	(32)	(269)
Investments	(25)	–	(2)	34	2	–	9
Inventories	5	–	–	6	–	–	11
Loans and borrowings	1	–	–	–	–	–	1
Employee benefits	117	1	3	(4)	–	(1)	116
Provisions	64	(4)	(4)	–	–	36	92
Other items	30	1	(4)	10	(4)	(25)	8
Tax losses carry-forwards	128	–	6	(10)	–	13	137
Net tax assets/(liabilities)	(299)	(6)	5	82	(2)	(5)	(225)

In millions of EUR	Balance 1 January 2010	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	Balance 31 December 2010
Property, plant & equipment	(330)	(161)	–	28	–	(1)	(464)
Intangible assets	(269)	(475)	3	17	–	(3)	(727)
Investments	9	54	(3)	18	–	–	78
Inventories	11	(4)	(1)	20	–	1	27
Loans and borrowings	1	(1)	–	(1)	–	–	(1)
Employee benefits	116	53	(2)	(15)	–	–	152
Provisions	92	14	(2)	30	–	–	134
Other items	8	40	(2)	15	(43)	8	26
Tax losses carry-forwards	137	33	5	39	–	(1)	213
Net tax assets/(liabilities)	**(225)**	**(447)**	**(2)**	**151**	**(43)**	**4**	**(562)**

19. Inventories

In millions of EUR	2010	2009
Raw materials	241	170
Work in progress	147	132
Finished products	261	140
Goods for resale	231	269
Non-returnable packaging	120	107
Other inventories	206	192
	1,206	1,010

During 2010 and 2009 no write-down of inventories to net realisable value was required.

20. Trade and other receivables

In millions of EUR	Note	2010	2009
Trade receivables due from associates and joint ventures		102	78
Trade receivables		1,680	1,730
Other receivables		481	453
Derivatives		10	49
	32	**2,273**	2,310

A net impairment loss of EUR115 million (2009: EUR64 million) in respect of trade and other receivables was included in expenses for raw materials, consumables and services.

21. Cash and cash equivalents

In millions of EUR	Note	2010	2009
Bank balances		430	482
Call deposits		180	38
Cash and cash equivalents	32	**610**	520
Bank overdrafts	25	(132)	(156)
Cash and cash equivalents in the statement of cash flows		**478**	364

22. Capital and reserves

Share issuance

On 30 April 2010 Heineken N.V. issued 86,028,019 ordinary shares with a nominal value of EUR1.60, as a result of which the issued share capital consists of 576,002,613 shares. To these shares a share premium value was assigned of EUR2,701 million based on the quoted market price value of 43,018,320 shares Heineken N.V. and 43,009,699 shares Heineken Holding N.V. combined being the share consideration paid to Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA) for its beer operations.

Allotted Share Delivery Instrument

In addition to the shares issued to FEMSA, Heineken also committed itself to deliver 29,172,504 additional shares to FEMSA (the 'Allotted Shares') over a period of no longer than five years. This financial instrument is classified to be equity as the number of shares is fixed. Heineken N.V. has the option to accelerate the delivery of the Allotted Shares at its discretion. Pending delivery of the Allotted Shares, Heineken N.V. will pay a coupon on each undelivered Allotted Share such that FEMSA will be compensated, on an after tax basis, for dividends FEMSA would have received had all such Allotted Shares been delivered to FEMSA on or prior to the record date for such dividends. During the period of 8 March through 31 December 2010 Heineken N.V. acquired 10,765,258 shares with an average quoted market price of EUR35.85. During the year a total of 10,240,553 shares were delivered to FEMSA under the ASDI.

During 2010, Heineken announced several share buy-back programmes relating to the ASDI. The most recent share buy-back programmes of EUR150 million was announced on 17 November 2010. Heineken has mandated a bank to repurchase Heineken N.V. shares in the open market starting 18 November 2010 up to and including 16 June 2011. Up to 31 December 2010, EUR54 million of this EUR150 million was paid by Heineken for 1,501,690 shares. The remaining outstanding share purchase mandate liability of EUR96 million has been presented as a current liability (see note 31) in accordance with IAS 32.23.

Share capital

	Ordinary shares	
In millions of EUR	2010	2009
On issue as at 1 January	784	784
Issued	138	–
On issue as at 31 December	**922**	784

As at 31 December 2010 the issued share capital comprised 576,002,613 ordinary shares (2009: 489,974,594). The ordinary shares have a par value of EUR1.60. All issued shares are fully paid.

The Company's authorised capital amounts to EUR2.5 billion, comprising of 1,562,500,000 shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. In respect of the Company's shares that are held by Heineken (see next page), rights are suspended.

Translation reserve
The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations of the Group (excluding amounts attributable to non-controlling interests) as well as value changes of the hedging instruments in the net investment hedges. Heineken considers this a legal reserve.

Hedging reserve
This reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred. Heineken considers this a legal reserve.

Fair value reserve
This reserve comprises the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised or impaired. Heineken considers this a legal reserve.

Other legal reserves
These reserves relate to the share of profit of joint ventures and associates over the distribution of which Heineken does not have control. The movement in these reserves reflects retained earnings of joint ventures and associates minus dividends received. In case of a legal or other restriction which causes that retained earnings of subsidiaries cannot be freely distributed, a legal reserve is recognised for the restricted part.

Reserve for own shares
The reserve for the Company's own shares comprises the cost of the Company's shares held by Heineken. As at 31 December 2010, Heineken held 1,630,258 of the Company's shares (2009: 1,251,201), of which 524,705 are ASDI and 1,105,553 are LTIP shares.

The coupon paid on the ASDI in 2010 amounts to EUR7 million.

22. Capital and reserves continued

Dividends

The following dividends were declared and paid by Heineken:

In millions of EUR	2010	2009
Final dividend previous year EUR0.40, respectively EUR0.34 per qualifying ordinary share	195	167
Interim dividend current year EUR0.26, respectively EUR0.25 per qualifying ordinary share	156	122
Total dividend declared and paid	**351**	289

Heineken's policy is for an annual dividend payout of 30 – 35 per cent of Net profit BEIA. The interim dividend is fixed at 40 per cent of the total dividend of the previous year.

After the balance sheet date the Executive Board proposed the following dividends. The dividends, taken into account the interim dividends declared and paid, have not been provided for.

In millions of EUR	2010	2009
per qualifying ordinary share EUR0.76 (2009: EUR0.65)	**438**	318

23. Earnings per share

Basic earnings per share

The calculation of basic earnings per share as at 31 December 2010 is based on the profit attributable to ordinary shareholders of the Company (net profit) of EUR1.436 million (2009: EUR1,018 million) and a weighted average number of ordinary shares – basic outstanding during the year ended 31 December 2010 of 562,234,726 (2009: 488,666,607). Basic earnings per share for the year amounts to EUR2.55 (2009: EUR2.08).

Weighted average number of shares – basic

	2010	2009
Number of shares basic 1 January	489,974,594	489,974,594
Effect of LTIP own shares held	(1,152,409)	(1,307,987)
Effect of undelivered ASDI shares	14,726,761	–
Effect of new shares issued	58,685,780	–
Weighted number of basic shares 31 December	**562,234,726**	488,666,607

ASDI

Allotted Share Delivery Instrument (ASDI) representing Heineken's obligation to deliver shares to FEMSA, either through issuance and/or purchasing of its own shares in the open market. EPS is impacted by ASDI as in the formula, calculating EPS, the net profit is divided by the weighted average number of ordinary shares. In this weighted average number of ordinary shares, the weighted average of outstanding ASDI is included. This means that the ASDI leads to a lower basic EPS until all shares have been repurchased.

Diluted earnings per share

The calculation of diluted earnings per share as at 31 December 2010 was based on the profit attributable to ordinary shareholders of the Company (net profit) of EUR1,436 million (2009: EUR1,018 million) and a weighted average number of ordinary shares – basic outstanding after adjustment for the effects of all dilutive potential ordinary shares of 563,387,135 (2009: 489,974,594). Diluted earnings per share for the year amounted to EUR2.55 (2009: EUR2.08).

Weighted average number of shares – diluted

	2010	2009
Weighted number of basic shares 31 December	562,234,726	488,666,607
Effect of LTIP own shares held	1,152,409	1,307,987
Weighted average diluted shares 31 December	**563,387,135**	489,974,594

24. Income tax on other comprehensive income

In millions of EUR	Amount before tax	Tax	Amount net of tax	Amount before tax	Tax	Amount net of tax
			2010			2009
Other comprehensive income						
Foreign currency translation differences for foreign operations	400	–	400	112	–	112
Effective portion of changes in fair value of cash flow hedge	61	(18)	43	(121)	31	(90)
Effective portion of cash flow hedges transferred to profit or loss	65	(20)	45	117	(29)	88
Ineffective portion of cash flow hedges transferred to profit or loss	9	–	9	–	–	–
Net change in fair value available-for-sale investments	16	(5)	11	34	(8)	26
Net change in fair value available-for-sale investments transferred to profit or loss	(17)	–	(17)	(16)	4	(12)
Share of other comprehensive income of associates/joint ventures	(29)	–	(29)	22	–	22
Total other comprehensive income	**505**	**(43)**	**462**	148	(2)	146

25. Loans and borrowings

This note provides information about the contractual terms of Heineken's interest-bearing loans and borrowings. For more information about Heineken's exposure to interest rate risk and foreign currency risk, see note 32.

Non-current liabilities

In millions of EUR	Note	2010	2009
Secured bank loans		48	179
Unsecured bank loans		3,260	2,958
Unsecured bond issues		2,482	2,445
Finance lease liabilities	26	47	89
Other non-current interest-bearing liabilities		1,895	1,267
Non-current interest-bearing liabilities		**7,732**	6,938
Non-current derivatives		291	370
Non-current non-interest-bearing liabilities		55	93
		8,078	7,401

25. Loans and borrowings continued

Current interest-bearing liabilities

In millions of EUR	Note	2010	2009
Current portion of secured bank loans		11	96
Current portion of unsecured bank loans		346	78
Current portion of unsecured bond issues		–	500
Current portion of finance lease liabilities	26	48	19
Current portion of other interest-bearing liabilities		32	75
Total current portion of non-current interest-bearing liabilities		**437**	768
Deposits from third parties		425	377
		862	1,145
Bank overdrafts	21	132	156
		994	1,301

Net interest-bearing debt position

In millions of EUR	Note	2010	2009
Non-current interest-bearing liabilities		7,732	6,938
Current portion of non-current interest-bearing liabilities		437	768
Deposits from third parties		425	377
		8,594	8,083
Bank overdrafts	21	132	156
		8,726	8,239
Cash, cash equivalents and current other investments		(627)	(535)
Net interest-bearing debt position		**8,099**	7,704

Non-current liabilities

In millions of EUR	Secured bank loans	Unsecured bank loans	Unsecured bond issues	Finance lease liabilities	Other non-current interest-bearing liabilities	Non-current derivatives	Non-current non-interest-bearing liabilities	Total
Balance as at 1 January 2010	179	2,958	2,445	89	1,267	370	93	**7,401**
Consolidation changes	(1)	880	–	–	(56)	24	35	**882**
Effect of movements in exchange rates	7	(9)	3	2	85	(68)	1	**21**
Transfers	(3)	(171)	–	(42)	(1)	14	(59)	**(262)**
Charge to/(from) profit or loss i/r derivatives	–	–	–	–	–	(29)	–	**(29)**
Charge to/(from) equity i/r derivatives	–	–	–	–	–	(13)	–	**(13)**
Proceeds	–	1,358	–	–	572	(6)	3	**1,927**
Repayments	(134)	(1,702)	–	(4)	(3)	(1)	(13)	**(1,857)**
Other	–	(54)	34	2	31	–	(5)	**8**
Balance as at 31 December 2010	48	3,260	2,482	47	1,895	291	55	**8,078**

Terms and debt repayment schedule

Terms and conditions of outstanding non-current and current loans and borrowings were as follows:

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2010	Face value 2010	Carrying amount 2009	Face value 2009
Secured bank loans	Bank facilities	GBP	1.9	2016	23	23	234	234
Secured bank loans	Various	various	various	various	36	36	41	41
Unsecured bank loans	2008 Syndicated Bank Facility	EUR	0.7-1.0	2013	1,708	1,709	1,700	1,709
Unsecured bank loans	Bank Facility	EUR	0.4-5.0	2011-2016	434	434	486	486
Unsecured bank loans	German Schuld schein notes	EUR	1.0-6.0	2016	111	111	111	111
Unsecured bank loans	German Schuld schein notes	EUR	1.0-6.0	2013	102	102	102	102
Unsecured bank loans	German Schuld schein notes	EUR	1.0-6.0	2014	207	207	207	207
Unsecured bank loans	2008 Syndicated Bank Facility	GBP	0.60	2013	336	340	329	329
Unsecured bank loans	Bank Facilities	PLN	3.7	2011	60	60	61	61
Unsecured bank loans	Bank Facilities	USD	0.80	2011-2013	167	172	–	–
Unsecured bank loans	Bank Facilities	MXN	4.5-10.6	2011-2014	444	445	–	–
Unsecured bank loans	Various	various	various	various	37	37	40	40
Unsecured bond	Issue under EMTN programme	GBP	7.3	2015	461	465	442	450
Unsecured bond	Eurobond on Luxembourg Stock Exchange	EUR	4.3	2010	–	–	500	500
Unsecured bond	Eurobond on Luxembourg Stock Exchange	EUR	5.0	2013	599	600	598	600
Unsecured bond	Issue under EMTN programme	EUR	7.1	2014	1,009	1,000	996	1,000
Unsecured bond	Issue under EMTN programme	EUR	4.6	2016	397	400	397	400
Unsecured bond issues	n/a	various	various	various	16	16	12	12
Other interest-bearing liabilities	2010 US private placement	USD	4.6	2018	541	546	–	–
Other interest-bearing liabilities	2002 S&N US private placement	USD	5.4-5.6	2012-2014	616	569	557	521
Other interest-bearing liabilities	2005 S&N US private placement	USD	5.4	2015	247	225	221	208
Other interest-bearing liabilities	2008 US private placement	USD	5.9-6.3	2015-2018	331	333	306	307
Other interest-bearing liabilities	Private placement	EUR	2.0	2012	50	50	100	100
Other interest-bearing liabilities	Various	various	various	various	142	142	158	158
Deposits from third parties	n/a	various	various	various	425	425	377	377
Finance lease liabilities	n/a	various	various	various	95	100	108	108
					8,594	**8,547**	8,083	8,061

As at 31 December 2010, no amount was drawn on the existing Revolving Credit Facility of EUR2 billion. This revolving credit facility is expiring in 2012. Interest is based on EURIBOR plus a margin.

25. Loans and borrowings continued

As part of the acquisition of the beer operations of FEMSA, Heineken acquired a net debt position of EUR1,564 million. From this amount loans and borrowings in Mexico and Brazil amount to EUR1,595 million, the remainder is cash (net of bank overdrafts) of EUR31 million. This position largely consisted of bank loans from local financial institutions as well as several loans from FEMSA, the seller of FEMSA. These loans, which amounted to EUR573 million as at 30 April 2010, were repaid in May and June 2010. These loans have been refinanced by drawings under the Revolving Credit Facility of Heineken. As at 31 December 2010 the available headroom (including cash available in the Group cash pool) is approximately EUR2.1 billion, as the Revolving Credit Facility was undrawn.

On 13 August 2010, Heineken N.V. received the funds related to the 8-year private loan notes, which were placed on 7 May 2010 with institutional investors in the United States. The principal amount of the loan notes is USD725 million and the coupon was fixed at 4.6 per cent. The maturity date is 15 August 2018. Heineken has swapped the proceeds into EUR559 million with a fixed coupon of 3.9 per cent.

EMTN Programme

The Euro Medium Term Note Programme ('EMTN') was updated and increased to EUR5 billion in September 2010 and is registered on the Luxembourg Stock Exchange. As currently approximately EUR1.9 billion is outstanding, Heineken still has a capacity of EUR3.1 billion under this programme. The programme can be used for issuing up to one year after its latest update.

26. Finance lease liabilities

Finance lease liabilities are payable as follows:

In millions of EUR	Future minimum lease payments 2010	Interest 2010	Present value of minimum lease payments 2010	Future minimum lease payments 2009	Interest 2009	Present value of minimum lease payments 2009
Less than one year	49	(1)	48	22	(3)	19
Between one and five years	39	(3)	36	76	(9)	67
More than five years	13	(2)	11	23	(1)	22
	101	**(6)**	**95**	121	(13)	108

27. Non-GAAP measures

In the internal management reports Heineken measures its performance primarily based on EBIT and EBIT (beia), these are non-GAAP measures not calculated in accordance with IFRS. A similar non-GAAP adjustment can be made to the IFRS profit or loss as defined in IAS 1 paragraph 7 being the total of income less expense. Exceptional items are defined as items of income and expense of such size, nature or incidence, that in view of management their disclosure is relevant to explain the performance of Heineken for the period. The table below presents the relationship with IFRS terms, the results from operating activities and profit and Heineken non-GAAP measures being EBIT, EBIT (beia) and profit (beia) for the financial year 2010.

In millions of EUR	2010
Results from operating activities	**2,283**
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	193
Heineken EBIT	2,476
Exceptional items and amortization included in EBIT	132
Heineken EBIT (beia)	2,608
Profit attributable to equity holders of the Company	**1,436**
Exceptional items and amortization included in EBIT	132
Exceptional items included in finance costs	(5)
Exceptional items included in tax expense	(118)
Heineken net profit beia	**1,445**

The exceptional items included in EBIT contain the amortisation of brands and customer relations for EUR142 million. The total book gain on the sale of MBI and GBNC as well as Waverley TBS for EUR199 million. The bankruptcy of a large on-trade customer in Western Europe resulted in impairments of loans, receivables and guarantees for a total of EUR70 million and Femsa acquisition and integration expense for EUR80 million. The remaining EUR39 million relates to TCM expenses and one-off expenses due to contract terminations.

Exceptional items in the other net financing costs reflect interest hedges made by Scottish & Newcastle in the past that do not qualify for hedge accounting under IFRS. The tax expense exceptional items are for EUR39 million related to amortisation of brands and customer relations and EUR27 million to the other exceptional items. Tax specific exceptional items are EUR52 million and relate to the finalisation of the Globe transaction as well as various other settlements with the UK tax authorities.

EBIT and EBIT (beia) are not financial measures calculated in accordance with IFRS. The presentation on these financial measures may not be comparable to similarly titled measures reported by other companies due to differences in the ways the measures are calculated.

28. Employee benefits

In millions of EUR	2010	2009
Present value of unfunded obligations	118	198
Present value of funded obligations	6,525	5,738
Total present value of obligations	**6,643**	5,936
Fair value of plan assets	(5,646)	(4,858)
Present value of net obligations	**997**	1,078
Actuarial (losses)/gains not recognised	(411)	(548)
Recognised liability for defined benefit obligations	**586**	530
Other long-term employee benefits	101	104
	687	634

Plan assets comprise:

In millions of EUR	2010	2009
Equity securities	2,484	2,195
Government bonds	2,421	2,119
Properties and real estate	436	385
Other plan assets	305	159
	5,646	4,858

28. Employee benefits continued

Liability for defined benefit obligations

Heineken makes contributions to a number of defined benefit plans that provide pension benefits for employees upon retirement in a number of countries being mainly: the Netherlands, the UK, Ireland, Greece, Austria, Italy, France, Spain, Mexico and Nigeria. In other countries the pension plans are defined contribution plans and/or similar arrangements for employees.

Other long-term employee benefits mainly relate to long-term bonus plans, termination benefits and jubilee benefits.

Movements in the present value of the defined benefit obligations

In millions of EUR	2010	2009
Defined benefit obligations as at 1 January	5,935	4,963
Changes in consolidation and reclassification	286	(6)
Effect of movements in exchange rates	131	153
Benefits paid	(298)	(271)
Employee contributions	19	16
Current service costs and interest on obligation (see below)	411	363
Past service costs	(9)	12
Effect of any curtailment or settlement	(15)	(16)
Actuarial (gains)/losses	183	722
Defined benefit obligations as at 31 December	**6,643**	5,936

Movements in the present value of plan assets

In millions of EUR	2010	2009
Fair value of plan assets as at 1 January	4,858	4,231
Changes in consolidation and reclassification	115	(5)
Effect of movements in exchange rates	127	160
Contributions paid into the plan	226	157
Benefits paid	(298)	(255)
Expected return on plan assets	298	252
Actuarial gains/(losses)	320	318
Fair value of plan assets as at 31 December	**5,646**	4,858
Actual return on plan assets	**618**	570

Expense recognised in profit or loss

In millions of EUR	Note	2010	2009
Current service costs		77	70
Interest on obligation		334	293
Expected return on plan assets		(298)	(252)
Actuarial gains and losses recognised		15	–
Past service costs		(9)	12
Effect of any curtailment or settlement		(15)	(16)
	10	**104**	107

Principal actuarial assumptions as at the balance sheet date

The defined benefit plans in the Netherlands and the UK cover 86.8 per cent of the present value of the plan assets (2009: 88.8 per cent) and 81.7 per cent of the present value of the defined benefit obligations (2009: 86.3 per cent) as at 31 December 2010. For the Netherlands and the UK the following actuarial assumptions apply as at 31 December 2010:

	The Netherlands		UK	
	2010	2009	2010	2009
Discount rate as at 31 December	5.1	5.3	5.4	5.7
Expected return on plan assets as at 1 January	5.7	6.3	6.4	6.3
Future salary increases	3	3	4.6	4.8
Future pension increases	1.5	1.5	3	3
Medical cost trend rate	–	–	7	7

For the other defined benefit plans the following actuarial assumptions apply as per 31 December 2010:

	Other Western, Central and Eastern Europe		The Americas		Africa and the Middle East		Asia Pacific	
	2010	2009	2010	2009	2010	2009	2010	2009
Discount rate as at 31 December	2.4-5.8	3.3-5.6	7-7.6	5.3-7	7-10	11	–	–
Expected return on plan assets as at 1 January	2.9-7.3	3.5-6.6	6.5-8.2	6.5	–	11	–	–
Future salary increases	1-10	1.5-3.5	3.8-5.5	2.5-5.5	5-10	11	–	–
Future pension increases	1-2.1	1-3	2.8-3	–	–	11	–	–
Medical cost trend rate	3.5-4.5	3.5-4.5	5.1	5	–	10	–	–

Assumptions regarding future mortality rates are based on published statistics and mortality tables, with a relevant age setback.

The overall expected long-term rate of return on assets is 6 per cent (2009: 6.1 per cent), which is based on the asset mix and the expected rate of return on each major asset class, as managed by the pension funds.

Assumed healthcare cost trend rates have no effect on the amounts recognised in profit or loss. A one percentage point change in assumed healthcare cost trend rates would not have any effect on profit or loss neither on the statement of financial position as at 31 December 2010.

Based on the most recent triannial review finalised in early 2010, Heineken has agreed a 12-year plan aimed at funding the recovery of the Scottish & Newcastle pension fund through additional Company contributions. These could total GBP504 million of which GBP35 million was paid during 2010. As at 31 December 2010 the IAS 19 present value of the net obligations of the Scottish & Newcastle pension fund represents a GBP409 million (EUR475 million) deficit. The next review of the funding position and the recovery plan will take place no later than around year-end 2012.

The Group expects the 2011 contributions to be paid for the defined benefit plans to be in line with 2010, excluding the additional GBP35 million additional payment made to the UK pension fund in 2010.

Historical information

In millions of EUR	2010	2009	2008	2007	2006
Present value of the defined benefit obligation	6,643	5,936	4,963	2,858	2,984
Fair value of plan assets	(5,646)	(4,858)	(4,231)	(2,535)	(2,397)
Deficit in the plan	**997**	1,078	732	323	587
Experience adjustments arising on plan liabilities, losses/(gains)	(24)	(116)	71	(4)	(159)
Experience adjustments arising on plan assets, (losses)/gains	320	313	(817)	16	9

29. Share-based payments – Long-Term Incentive Plan

As from 1 January 2005 Heineken established a performance-based share plan (Long-Term Incentive Plan; LTIP) for the Executive Board. As from 1 January 2006 a similar LTIP was established for senior management.

The LTIP 2008 – 2010 and 2009 – 2011 for the Executive Board includes share rights, which are conditionally awarded to the Executive Board each year and are subject to Heineken's Relative Total Shareholder Return (RTSR) performance in comparison with the TSR performance of a selected peer group.

The LTIP share rights conditionally awarded to senior management each year in the 2008 – 2010 plan and the 2009 – 2011 plan are for 25 per cent subject to Heineken's RTSR performance and for 75 per cent subject to internal performance conditions.

The LTIP share rights conditioning awarded to senior management and the Executive Board for the 2010 – 2012 plan are fully subject to internal performance conditions.

These performance conditionally are Organic Gross Profit beia growth, Organic EBIT beia growth, Earnings Per Share (EPS) beia growth and Free Operating Cash Flow.

At target performance, 100 per cent of the shares will vest. At maximum performance 150 per cent of the shares will vest.

The performance period for share rights granted in 2008 is from 1 January 2008 to 31 December 2010. The performance period for share rights granted in 2009 was from 1 January 2009 to 31 December 2011. The performance period for share rights granted in 2010 is from 1 January 2010 to 31 December 2012.

The vesting date for the Executive Board is within five business days, and for senior management the latest of 1 April and 20 business days, after the publication of the annual results of 2009, 2010, 2011 and 2012 respectively.

As Heineken will withhold the tax related to vesting on behalf of the individual employees, the number of Heineken N.V. shares to be received by the Executive Board and senior management will be a net number.

The terms and conditions of the share rights granted are as follows:

Grant date/employees entitled	Number*	Based on share price	Vesting conditions	Contractual life of rights
Share rights granted to Executive Board in 2008	26,288	44.22	Continued service and RTSR performance	3 years
Share rights granted to senior management in 2008	263,958	44.22	Continued service, 75% internal performance conditions and 25% RTSR performance	3 years
Share rights granted to Executive Board in 2009	53,083	21.90	Continued service and RTSR performance	3 years
Share rights granted to senior management in 2009	562,862	21.90	Continued service, 75% internal performance conditions and 25% RTSR performance	3 years
Share rights granted to Executive Board in 2010	55,229	33.27	Continued service, 100% internal performance conditions	3 years
Share rights granted to senior management in 2010	516,765	33.27	Continued service, 100% internal performance conditions	3 years
	1,478,185			

* The number of shares is based on target performance.

Based on RTSR and internal performance, it is expected that approximately 218,903 shares will vest in 2011 for senior management. No vesting occurred for the Executive Board. The expenses relating to these expected additional grants are recognised in profit or loss during the performance period.

The number and weighted average share price per share is as follows:

	Weighted average share price 2010	Number of share rights 2010	Weighted average share price 2009	Number of share rights 2009
Outstanding as at 1 January	31.17	1,153,748	37.48	905,537
Granted during the year	33.44	571,994	21.90	615,945
Forfeited during the year		(102,510)	–	(74,813)
Vested during the year		(262,048)	–	(292,921)
Outstanding as at 31 December	**30.70**	**1,361,184**	31.17	1,153,748

The 262,048 (gross) shares vested in 2010 are related to the 2007 – 2009 LTIP of senior management. No vesting occurred under the 2007 – 2009 LTIP of the Executive Board.

The fair value of services received in return for share rights granted is based on the fair value of shares granted, measured using the Monte Carlo model, with following inputs:

In EUR	Executive Board 2009	Senior management 2009
Fair value at grant date	512,359	8,478,659
Expected volatility	22.8%	22.8%
Expected dividends	2.1%	2.1%

Personnel expenses

In millions of EUR	Note	2010	2009
Share rights granted in 2007		–	3
Share rights granted in 2008		3	3
Share rights granted in 2009		5	4
Share rights granted in 2010		7	–
Total expense recognised as personnel expenses	10	**15**	10

In the 2010 LTIP expense an amount of EUR0.5 million is included for some extraordinary grants that only have a service condition and vest between 1 and 5 years. Total granted shares amount to 32,132 shares.

30. Provisions

In millions of EUR	Note	Restructuring	Onerous contracts	Other	Total
Balance as at 1 January 2010		171	55	292	518
Changes in consolidation	6	(2)	(4)	154	148
Provisions made during the year		50	48	132	230
Provisions used during the year		(87)	(38)	(116)	(241)
Provisions reversed during the year		(23)	(9)	(50)	(82)
Effect of movements in exchange rates		2	2	12	16
Unwinding of discounts		1	1	7	9
Balance as at 31 December 2010		**112**	**55**	**431**	**598**
Non-current		59	40	376	475
Current		53	15	55	123
		112	**55**	**431**	**598**

Restructuring
The provision for restructuring of EUR112 million mainly relates to restructuring programmes in Spain, the Netherlands and the UK.

Other provisions
Included are, amongst others, surety and guarantees provided EUR56 million (2009: EUR61 million), litigations and claims EUR230 million (2009: EUR50 million) and environmental provisions EUR4 million (2009: EUR8 million).

31. Trade and other payables

In millions of EUR	Note	2010	2009
Trade payables		1,660	1,361
Returnable packaging deposits		434	408
Taxation and social security contributions		652	551
Dividend		53	24
Interest		97	134
Derivatives		66	94
Share purchase mandate		96	–
Other payables		298	233
Accruals and deferred income		909	891
	32	**4,265**	3,696

32. Financial risk management and financial instruments

Overview

Heineken has exposure to the following risks from its use of financial instruments, as they arise in the normal course of Heineken's business:

- Credit risk
- Liquidity risk
- Market risk.

This note presents information about Heineken's exposure to each of the above risks, and it summarises Heineken's policies and processes that are in place for measuring and managing risk, including those related to capital management. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Executive Board, under the supervision of the Supervisory Board, has overall responsibility and sets rules for Heineken's risk management and control systems. They are reviewed regularly to reflect changes in market conditions and the Group's activities. The Executive Board oversees the adequacy and functioning of the entire system of risk management and internal control, assisted by Group departments.

The Global Treasury function focuses primarily on the management of financial risk and financial resources. Some of the risk management strategies include the use of derivatives, primarily in the form of spot and forward exchange contracts and interest rate swaps, but options can be used as well. It is the Group policy that no speculative transactions are entered into.

Credit risk

Credit risk is the risk of financial loss to Heineken if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Heineken's receivables from customers and investment securities.

The economic crisis has impacted our regular business activities and performance, in particular in consumer spending and solvency. However, the business impact differed across the regions and operations. Local management has assessed the risk exposure following Group instructions and is taking action to mitigate the higher than usual risks. Intensified and continuous focus is being given in the areas of customers (managing trade receivables and loans) and suppliers (financial position of critical suppliers).

As at the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial instrument, including derivative financial instruments, in the consolidated statement of financial position.

Loans to customers

Heineken's exposure to credit risk is mainly influenced by the individual characteristics of each customer.
Heineken's held-to-maturity investments includes loans to customers, issued based on a loan contract.
Loans to customers are ideally secured by, amongst others, rights on property or intangible assets, such as the right to take possession of the premises of the customer. Interest rates calculated by Heineken are at least based on the risk-free rate plus a margin, which takes into account the risk profile of the customer and value of security given.

Heineken establishes an allowance for impairment of loans that represents its estimate of incurred losses. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar customers in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics.

In a few countries the issue of new loans is outsourced to third parties. In most cases, Heineken issues sureties (guarantees) to the third party for the risk of default of the customer. Heineken in return receives a fee.

32. Financial risk management and financial instruments continued

Trade and other receivables

Heineken's local management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Under the credit policies all customers requiring credit over a certain amount are reviewed and new customers are analysed individually for creditworthiness before Heineken's standard payment and delivery terms and conditions are offered. Heineken's review includes external ratings, where available, and in some cases bank references. Purchase limits are established for each customer and these limits are reviewed regularly. As a result of the deteriorating economic circumstances in 2008 and 2009, certain purchase limits have been redefined. Customers that fail to meet Heineken's benchmark creditworthiness may transact with Heineken only on a prepayment basis.

In monitoring customer credit risk, customers are, on a country base, grouped according to their credit characteristics, including whether they are an individual or legal entity, which type of distribution channel they represent, geographic location, industry, ageing profile, maturity and existence of previous financial difficulties. Customers that are graded as 'high risk' are placed on a restricted customer list, and future sales are made on a prepayment basis only with approval of Management.

Heineken has multiple distribution models to deliver goods to end customers. Deliveries are done in some countries via own wholesalers, in other markets directly and in some others via third parties. As such distribution models are country specific and on consolidated level diverse, as such the results and the balance sheet items cannot be split between types of customers on a consolidated basis. The various distribution models are also not centrally managed or monitored.

Heineken establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The components of this allowance are a specific loss component and a collective loss component.

Advances to customers

Advances to customers relate to an upfront cash-discount to customers, for which the amortised amounts are deducted from the revenue on a straight-line basis.

In monitoring customer credit risk, refer to the paragraph above relating to trade and other receivables.

Investments

Heineken limits its exposure to credit risk by only investing available cash balances in liquid securities and only with counterparties that have a credit rating of at least single A or equivalent for short-term transactions and AA- for long-term transactions. Heineken actively monitors these credit ratings.

Guarantees

Heineken's policy is to avoid issuing guarantees where possible unless this leads to substantial savings for the Group. In cases where Heineken does provide guarantees, such as to banks for loans (to third parties), Heineken aims to receive security from the third party.

Heineken N.V. has issued a joint and several liability statement to the provisions of Section 403, Part 9, Book 2 of the Dutch Civil Code with respect to legal entities established in the Netherlands.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

In millions of EUR	Note	2010	2009
Loans	17	455	329
Indemnification receivable	17	145	–
Other long term receivables	17	174	–
Held-to-maturity investments	17	4	4
Available-for-sale investments	17	190	219
Non-current derivatives	17	135	16
Investments held for trading	17	17	15
Trade and other receivables, excluding derivatives	20	2,263	2,261
Current derivatives	20	10	49
Cash and cash equivalents	21	610	520
		4,003	3,413

The maximum exposure to credit risk for trade and other receivables (excluding derivatives) at the reporting date by geographic region was:

In millions of EUR	2010	2009
Western Europe	997	1,256
Central and Eastern Europe	458	554
The Americas	497	134
Africa and the Middle East	151	131
Asia Pacific	19	32
Head Office/eliminations	141	154
	2,263	2,261

Impairment losses

The ageing of trade and other receivables (excluding derivatives) at the reporting date was:

In millions of EUR	Gross 2010	Impairment 2010	Gross 2009	Impairment 2009
Not past due	1,894	(49)	1,895	(34)
Past due 0 – 30 days	250	(21)	202	(26)
Past due 31 – 120 days	271	(106)	198	(67)
More than 120 days	250	(226)	300	(207)
	2,665	**(402)**	2,595	(334)

32. Financial risk management and financial instruments continued

The movement in the allowance for impairment in respect of trade and other receivables (excluding derivatives) during the year was as follows:

In millions of EUR	2010	2009
Balance as at 1 January	334	280
Changes in consolidation	–	1
Impairment loss recognised	168	109
Allowance used	(52)	(26)
Allowance released	(53)	(45)
Effect of movements in exchange rates	5	15
Balance as at 31 December	**402**	334

The movement in the allowance for impairment in respect of loans during the year was as follows:

In millions of EUR	2010	2009
Balance as at 1 January	185	177
Changes in consolidation	(8)	–
Impairment loss recognised	37	48
Allowance used	(23)	(27)
Allowance released	(2)	(9)
Effect of movements in exchange rates	2	(4)
Balance as at 31 December	**191**	185

Impairment losses recognised for trade and other receivables (excluding derivatives) and loans are part of the other non-cash items in the consolidated statement of cash flows.

The income statement impact of EUR35 million (2009: EUR39 million) in respect of loans and the income statement impact of EUR115 million (2009: EUR64 million) in respect of trade receivables (excluding derivatives) were included in expenses for raw materials, consumables and services.

The allowance accounts in respect of trade and other receivables and held-to-maturity investments are used to record impairment losses, unless Heineken is satisfied that no recovery of the amount owing is possible, at that point the amount considered irrecoverable is written off against the financial asset.

Liquidity risk

Liquidity risk is the risk that Heineken will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Heineken's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Heineken's reputation.

Recent times have proven the credit markets situation could be such that it is difficult to generate capital to finance long-term growth of the Company. Although currently the situation is more stable, the Company has a clear focus on ensuring sufficient access to capital markets to finance long-term growth and to refinance maturing debt obligations. Financing strategies are under continuous evaluation. In addition, the Company focuses on a further fine-tuning of the maturity profile of its long-term debts with its forecasted operating cash flows. Strong cost and cash management and controls over investment proposals are in place to ensure effective and efficient allocation of financial resources.

Contractual maturities

The following are the contractual maturities of non-derivative financial liabilities and derivative financial assets and liabilities, including interest payments and excluding the impact of netting agreements:

							2010
In millions of EUR	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Secured bank loans	59	(64)	(5)	(7)	(16)	(34)	(2)
Unsecured bank loans	3,606	(3,788)	(228)	(174)	(387)	(2,670)	(329)
Unsecured bond issues	2,482	(3,135)	(105)	(49)	(153)	(2,410)	(419)
Finance lease liabilities	95	(104)	(47)	(6)	(8)	(29)	(12)
Other interest-bearing liabilities	1,927	(2,420)	(62)	(70)	(266)	(944)	(1,078)
Non-interest-bearing liabilities	55	(58)	(37)	(1)	(7)	(11)	(2)
Deposits from third parties	425	(425)	(422)	(3)	–	–	–
Bank overdrafts	132	(137)	(90)	(48)	–	–	–
Trade and other payables, excluding interest, dividends and derivatives	4,049	(4,073)	(3,668)	(405)	–	–	–
Derivative financial (assets) and liabilities							
Interest rate swaps used for hedge accounting							
Inflow	(121)	2,911	107	52	266	1,484	1,002
Outflow	244	(2,998)	(96)	(88)	(297)	(1,562)	(955)
Forward exchange contracts used for hedge accounting:							
Inflow	(11)	1,411	542	580	288	–	–
Outflow	18	(1,427)	(567)	(575)	(284)	–	–
Commodity swaps contracts used for hedge accounting							
Inflow	(26)	26	7	1	18	1	–
Outflow	33	(33)	(7)	(8)	(15)	(3)	–
Other derivatives not used for hedge accounting, net	75	(121)	(52)	(26)	(15)	(29)	–
	13,042	**(14,435)**	**(4,730)**	**(827)**	**(876)**	**(6,207)**	**(1,795)**

32. Financial risk management and financial instruments continued

The total carrying amount and contractual cash flows of derivatives are included in trade and other receivables (note 20) and trade and other payables (note 31) and non-current non-interest bearing liabilities (note 25).

In millions of EUR	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
							2009
Financial liabilities							
Secured bank loans	275	(304)	(13)	(16)	(89)	(153)	(33)
Unsecured bank loans	3,036	(3,249)	(96)	(170)	(1,375)	(1,263)	(345)
Unsecured bond issues	2,945	(3,786)	(626)	(49)	(152)	(2,032)	(927)
Finance lease liabilities	108	(114)	(10)	(9)	(15)	(49)	(31)
Other interest-bearing liabilities	1,342	(1,690)	(91)	(54)	(67)	(803)	(675)
Non-interest-bearing liabilities	93	(120)	(20)	(23)	(31)	(45)	(1)
Deposits from third parties	377	(377)	(368)	(9)	–	–	–
Bank overdrafts	156	(156)	(156)	–	–	–	–
Trade and other payables, excluding interest, dividends and derivatives	3,444	(3,444)	(3,278)	(166)	–	–	–
Derivative financial (assets) and liabilities							
Interest rate swaps used for hedge accounting							
Inflow	(17)	1,490	43	36	88	732	591
Outflow	438	(1,819)	(74)	(89)	(102)	(965)	(589)
Forward exchange contracts used for hedge accounting:							
Inflow	(48)	1,015	615	282	118	–	–
Outflow	26	(996)	(608)	(268)	(120)	–	–
	12,175	(13,550)	(4,682)	(535)	(1,745)	(4,578)	(2,010)

The total carrying amount and contractual cash flows of derivatives are included in trade and other receivables (note 20), other investments (note 17), trade and other payables (note 31) and non-current non-interest bearing liabilities (note 25).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect Heineken's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

Heineken uses derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. Generally, Heineken seeks to apply hedge accounting or make use of natural hedges in order to minimise the effects of foreign currency fluctuations in profit or loss.

Derivatives that can be used are interest rate swaps, forward rate agreements, caps and floors, commodity swaps, spot and forward exchange contracts and options. Transactions are entered into with a limited number of counterparties with strong credit ratings. Foreign currency, interest rate and commodity hedging operations are governed by internal policies and rules approved and monitored by the Executive Board.

Foreign currency risk

Heineken is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Heineken entities. The main currencies that give rise to this risk are the US dollar and British pound.

In managing foreign currency risk, Heineken aims to reduce the impact of short-term fluctuations on earnings. Over the longer term, however, permanent changes in foreign exchange rates would have an impact on profit.

Heineken hedges up to 90 per cent of its mainly intra-Heineken US dollar cash flows on the basis of rolling cash flow forecasts in respect to forecasted sales and purchases. Cash flows in other foreign currencies are also hedged on the basis of rolling cash flow forecasts. Heineken mainly uses forward exchange contracts to hedge its foreign currency risk. The majority of the forward exchange contracts have maturities of less than one year after the balance sheet date.

The Company has a clear policy on hedging transactional exchange risks, which postpones the impact on financial results. Translation exchange risks are hedged to a limited extent, as the underlying currency positions are generally considered to be long-term in nature. The result of the net investment hedging is recognised in the translation reserve as can be seen in the consolidated statement of comprehensive income.

It is Heineken's policy to provide intra-Heineken financing in the functional currency of subsidiaries where possible to prevent foreign currency exposure on subsidiary level. The resulting exposure at Group level is hedged by means of forward exchange contracts. Intra-Heineken financing in foreign currencies is mainly in British pounds, US dollars, Russian rubles and Polish zloty. In some cases Heineken elects to treat intra-Heineken financing with a permanent character as equity and does not hedge the foreign currency exposure.

The principal amounts of Heineken's British pound, Polish zloty, Mexican peso and Egyptian pound bank loans and bond issues are used to hedge local operations, which generate cash flows that have the same respective functional currencies. Corresponding interest on these borrowings is also denominated in currencies that match the cash flows generated by the underlying operations of Heineken. This provides an economic hedge without derivatives being entered into.

In respect of other monetary assets and liabilities denominated in currencies other than the functional currencies of the Company and the various foreign operations, Heineken ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to foreign currency risk

Heineken's transactional exposure to the British pound, US dollar and euro was as follows based on notional amounts. The euro column relates to transactional exposure to the euro within subsidiaries which are reporting in other currencies.

			2010			2009
In millions	EUR	GBP	USD	EUR	GBP	USD
Loans and held-to-maturity investments	–	–	–	–	–	–
Trade and other receivables	11	–	6	25	–	7
Cash and cash equivalents	40	–	6	46	–	2
Secured bank loans	–	–	–	–	–	(1)
Unsecured bank loans	–	(349)	–	–	(57)	–
Unsecured bond issues	–	(397)	–	–	(400)	–
	(50)	–	(2,217)	(100)	–	(1,492)
Non-interest-bearing liabilities	–	–	–	(10)	–	(1)
Bank overdrafts	(4)	–	–	(63)	–	(2)
Trade and other payables	(46)	–	(2)	(88)	–	(26)
Gross balance sheet exposure	**(49)**	**(746)**	**(2,207)**	(190)	(457)	(1,513)
Estimated forecast sales next year	129	1	947	140	1	885
Estimated forecast purchases next year	(463)	(1)	(539)	(402)	(1)	(88)
Gross exposure	**(383)**	**(746)**	**(1,799)**	(452)	(457)	(716)
Cash flow hedge accounting forward exchange contracts	73	395	392	61	427	(375)
Other hedge accounting forward exchange contracts	(988)	1	1,056	(945)	–	1,061
Net exposure	**(1,298)**	**(350)**	**(351)**	(1,336)	(30)	(30)

Included in the US dollar amounts are intra-Heineken cash flows. Within the other hedge accounting forward exchange contracts, the cross-currency interest rate swaps of Heineken UK forms the largest component.

32. Financial risk management and financial instruments continued

The following significant exchange rates applied during the year:

	Average rate		Year-end rate	
In EUR	2010	2009	2010	2009
GBP	1.1657	1.1224	1.1618	1.1260
USD	0.7543	0.7170	0.7484	0.6942

Sensitivity analysis

A 10 per cent strengthening of the euro against the British pound and US dollar or in case of the euro a strengthening of the euro against all other currencies as at 31 December would have increased (decreased) equity and profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

		Equity		Profit or loss	
In millions of EUR	31 December	2010	2009	2010	2009
EUR		(5)	1	–	(3)
GBP		–	2	(1)	2
USD		38	39	–	–

A 10 per cent weakening of the euro against the British pound and US dollar or in case of the euro a weakening of the euro against all other currencies as at 31 December would have had the equal but opposite effect on the basis that all other variables remain constant.

Interest rate risk

In managing interest rate risk, Heineken aims to reduce the impact of short-term fluctuations on earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit.

Heineken opts for a mix of fixed and variable interest rates in its financing operations, combined with the use of interest rate instruments. Currently Heineken's interest rate position is more weighted towards fixed rather than floating. Interest rate instruments that can be used are interest rate swaps, forward rate agreements, caps and floors.

Swap maturity follows the maturity of the related loans and borrowings and have swap rates for the fixed leg ranging from 2.0 to 8.8 per cent (2009: from 2.0 to 7.3 per cent).

Interest rate risk – Profile

At the reporting date the interest rate profile of Heineken's interest-bearing financial instruments was as follows:

In millions of EUR	2010	2009
Fixed rate instruments		
Financial assets	84	157
Financial liabilities	(5,275)	(4,664)
Interest rate swaps floating to fixed	(456)	(2,505)
	(5,647)	(7,012)
Variable rate instruments		
Financial assets	633	88
Financial liabilities	(2,786)	(2,947)
Interest rate swaps fixed to floating	456	2,505
	(1,697)	(354)

Fair value sensitivity analysis for fixed rate instruments

During 2010, Heineken opted to apply fair value hedge accounting on certain fixed rate financial liabilities. The fair value movements on these instruments are recognised in profit or loss. The change in fair value on these instruments was EUR(67) million in 2010 (2009: EUR73 million), which was offset by the change in fair value of the hedge accounting instruments, which was EUR70 million (2009: EUR(73) million).

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below (after tax).

	Profit or loss		Equity	
In millions of EUR	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2010				
Instruments designated at fair value	39	(40)	40	(40)
Interest rate swaps	(25)	27	(4)	5
Fair value sensitivity (net)	**14**	(13)	**36**	(35)
31 December 2009				
Instruments designated at fair value	45	(48)	45	(48)
Interest rate swaps	(19)	21	49	(47)
Fair value sensitivity (net)	26	(27)	94	(95)

As part of the acquisition of Scottish & Newcastle in 2008, Heineken took over a specific portfolio of euro floating-to-fixed interest rate swaps of which currently EUR940 million is still outstanding. Although interest rate risk is hedged economically, it is not possible to apply hedge accounting on this portfolio. A movement in interest rates will therefore lead to a fair value movement in the profit or loss under the other net financing income/(expenses). Any related non-cash income or expenses in our profit or loss are expected to reverse over time.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates constantly applied during the reporting period would have increased (decreased) equity and profit or loss by the amounts shown below (after tax). This analysis assumes that all other variables, in particular foreign currency rates, remain constant and excludes any possible change in fair value of derivatives at period-end because of a change in interest rates. The analysis is performed on the same basis for 2009.

	Profit or loss		Equity	
In millions of EUR	100 bp increase	100 bp decrease	100 bp increase	100 bp Decrease
31 December 2010				
Variable rate instruments	(16)	16	(16)	16
Net interest rate swaps fixed to floating	3	(3)	3	(3)
Cash flow sensitivity (net)	**(13)**	**13**	**(13)**	**13**
31 December 2009				
Variable rate instruments	(21)	21	(21)	21
Interest rate swaps fixed to floating	19	(19)	19	(19)
Cash flow sensitivity (net)	(2)	2	(2)	2

32. Financial risk management and financial instruments continued

Other market price risk

Management of Heineken monitors the mix of debt and equity securities in its investment portfolio based on market expectations. Material investments within the portfolio are managed on an individual basis.

The primary goal of Heineken's investment strategy is to maximise investment returns in order to partially meet its unfunded defined benefit obligations; management is assisted by external advisors in this regard.

Commodity price risk

Commodity price risk is the risk that changes in commodity price will affect Heineken's income. The objective of commodity price risk management is to manage and control commodity risk exposures within acceptable parameters, whilst optimising the return on risk. The main commodity exposure relates to the purchase of cans, glass bottles, malt and utilities. Commodity price risk is in principle addressed by negotiating fixed prices in supplier contracts with various contract durations. So far, commodity hedging with financial counterparties by the Company is limited to the incidental sale of surplus CO_2 emission rights and to aluminium and, to a limited extent, gas hedging, which is done in accordance with risk policies. Heineken does not enter into commodity contracts other than to meet Heineken's expected usage and sale requirements. As at 31 December 2010, the market value of aluminium swaps was EUR12million.

Cash flow hedges

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges, are expected to occur.

							2010
In millions of EUR	Carrying amount	Expected cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Interest rate swaps:							
Assets	89	1,902	65	30	90	715	1,002
Liabilities	(105)	(1,921)	(84)	(74)	(118)	(690)	(955)
Forward exchange contracts:							
Assets	10	1,093	412	393	288	–	–
Liabilities	(18)	(1,117)	(439)	(394)	(284)	–	–
Other derivatives used for hedge accounting:							
Assets	26	27	7	1	18	1	–
Liabilities	(33)	(33)	(7)	(8)	(15)	(3)	–
	(31)	**(49)**	**(46)**	**(52)**	**(21)**	**23**	**47**

The periods in which the cash flows associated with forward exchange contracts that are cash flow hedges are expected to impact profit or loss is on average two months earlier than the occurrence of the cash flows as in the above table.

In millions of EUR	Carrying amount	Expected cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
							2009
Interest rate swaps:							
Assets	(17)	503	16	16	27	66	378
Liabilities	226	(740)	(65)	(78)	(80)	(163)	(354)
Commodity swaps:							
Assets	(48)	1,015	615	282	118	–	–
Liabilities	26	(996)	(608)	(268)	(120)	–	–
Other derivatives used for hedge accounting:							
Assets	–	–	–	–	–	–	–
Liabilities	–	–	–	–	–	–	–
	187	(218)	(42)	(48)	(55)	(97)	24

Fair value hedges/net investment hedges

The following table indicates the periods in which the cash flows associated with derivatives that are fair value hedges or net investment hedges are expected to occur.

In millions of EUR	Carrying amount	Expected cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
							2010
Interest rate swaps:							
Assets	32	1,009	42	22	176	769	–
Liabilities	(139)	(1,077)	(12)	(14)	(179)	(872)	–
Forward exchange contracts:							
Assets	1	317	130	187	–	–	–
Liabilities	–	(309)	(128)	(181)	–	–	–
	(106)	**(60)**	**32**	**14**	**(3)**	**(103)**	**–**

In millions of EUR	Carrying amount	Expected cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
							2009
Interest rate swaps:							
Assets	–	987	27	20	61	666	213
Liabilities	(212)	(1,079)	(9)	(11)	(22)	(802)	(235)
Forward exchange contracts:							
Assets	–	–	–	–	–	–	–
Liabilities	–	–	–	–	–	–	–
	(212)	(92)	18	9	39	(136)	(22)

32. Financial risk management and financial instruments continued

Capital management

There were no major changes in Heineken's approach to capital management during the year. The Executive Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of business and acquisitions. Capital is herein defined as equity attributable to equity holders of the Company (total equity minus non-controlling interests).

Heineken is not subject to externally imposed capital requirements other than the legal reserves explained in note 22. Shares are purchased to meet the requirements under the Long-Term Incentive Plan as further explained in note 29.

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

In millions of EUR	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
Loans	455	455	329	329
Indemnification receivable	145	145	–	–
Other long-term receivables	174	174	–	–
Held-to-maturity investments	4	4	4	4
Available-for-sale investments	190	190	219	219
Advances to customers	449	449	319	319
Investments held for trading	17	17	15	15
Trade and other receivables, excluding derivatives	2,263	2,263	2,261	2,261
Cash and cash equivalents	610	610	520	520
Interest rate swaps used for hedge accounting:				
Assets	121	121	17	17
Liabilities	(244)	(244)	(438)	(438)
Forward exchange contracts used for hedge accounting:				
Assets	11	11	48	48
Liabilities	(18)	(18)	(26)	(26)
Other derivatives used for hedge accounting:				
Assets	26	26	–	–
Liabilities	(33)	(33)	–	–
Other derivatives not used for hedge accounting, net	(75)	(75)	–	–
Bank loans	(3,665)	(3,734)	(3,311)	(3,362)
Unsecured bond issues	(2,482)	(2,739)	(2,945)	(3,058)
Finance lease liabilities	(95)	(95)	(108)	(108)
Other interest-bearing liabilities	(1,927)	(2,260)	(1,342)	(1,423)
Non-interest-bearing liabilities	(55)	(55)	(93)	(93)
Non-current derivatives	(291)	(291)	(370)	(370)
Deposits from third parties	(425)	(425)	(377)	(377)
Trade and other payables excluding dividend, interest and derivatives	(4,049)	(4,049)	(3,444)	(3,444)
Bank overdrafts	(132)	(132)	(156)	(156)

Basis for determining fair values

The significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above are discussed in note 4.

Fair value hierarchy

IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

In millions of EUR	Level 1	Level 2	Level 3
31 December 2010			
Available-for-sale investments	70	–	120
Non-current derivative assets used for hedge accounting	–	135	–
Current derivative assets used for hedge accounting	–	10	–
Investments held for trading	17	–	–
	87	145	120
Non-current derivative liabilities used for hedge accounting	–	291	–
Current derivative liabilities used for hedge accounting	–	66	–
	–	357	–
31 December 2009	Level 1	Level 2	Level 3
Available-for-sale investments	57	–	162
Non-current derivative assets used for hedge accounting	–	16	–
Current derivative assets used for hedge accounting	–	49	–
Investments held for trading	15	–	–
	72	65	162
Non-current derivative liabilities used for hedge accounting	–	370	–
Current derivative liabilities used for hedge accounting	–	94	–
	–	464	–

In millions of EUR	2010	2009
Available-for-sale investments based on Level 3		
Balance as at 1 January	162	174
Fair value adjustments recognised in other comprehensive income	(8)	18
Disposals	(26)	(34)
Transfers	(8)	4
Balance as at 31 December	**120**	162

33. Off-balance sheet commitments

In millions of EUR	Total 2010	Less than 1 year	1-5 years	More than 5 years	Total 2009
Lease & operational lease commitments	433	85	214	134	322
Property, plant & equipment ordered	49	49	–	–	46
Raw materials purchase contracts	4,503	1,055	2,469	979	3,564
Other off-balance sheet obligations	1,943	457	1,207	279	2,199
Off-balance sheet obligations	6,928	1,646	3,890	1,392	6,131
Undrawn committed bank facilities	**2,188**	138	2,050	–	2,077

Heineken leases buildings, cars and equipment.

Raw material contracts include long term purchase contracts with suppliers in which prices are fixed or will be agreed based upon pre-defined price formulas. These contracts mainly relate to malt, bottles and cans.

33. Off-balance sheet commitments continued

During the year ended 31 December 2010 EUR224 million (2009: EUR184 million) was recognised as an expense in profit or loss in respect of operating leases and rent.

Other off-balance sheet obligations mainly include distribution, rental, service and sponsorship contracts.

Committed bank facilities are credit facilities on which a commitment fee is paid as compensation for the bank's requirement to reserve capital. For the details of these committed bank facilities see note 25. The bank is legally obliged to provide the facility under the terms and conditions of the agreement.

34. Contingencies

Netherlands

Heineken is involved in an antitrust case initiated by the European Commission for alleged violations of the European Union competition laws. By decision of 18 April 2007 the European Commission stated that Heineken and other brewers operating in the Netherlands, restricted competition in the Dutch market during the period 1996 – 1999. This decision follows an investigation by the European Commission that commenced in March 2000. Heineken fully cooperated with the authorities in this investigation. As a result of its decision, the European Commission imposed a fine on Heineken of EUR219 million in April 2007.

On 4 July 2007 Heineken filed an appeal with the European Court of First Instance against the decision of the European Commission as Heineken disagrees with the findings of the European Commission. Pending appeal, Heineken was obliged to pay the fine to the European Commission. This fine was paid in 2007 and was treated as an expense in the 2007 Annual Report. A final decision by the European Court of First Instance is expected in 2011.

Carlsberg

During 2010, the existing contingency between Heineken and Carlsberg was settled. The consideration paid (purchase price) for the acquisition of Scottish & Newcastle was finalised. The impact on goodwill was immaterial.

Brazil

As part of the acquisition of the beer operations of FEMSA, Heineken also inherited existing legal proceedings with labour unions, tax authorities and other parties of its, now wholly-owned, subsidiary Cervejarias Kaiser (Heineken Brasil). The proceedings have arisen in the ordinary course of business and are common to the current economic and legal environment of Brazil. The proceedings have partly been provided for, see note 30. The contingent amount being claimed against Heineken Brasil resulting from such proceedings as at 31 December 2010 is EUR1,267 million. Such contingencies were classified by legal counsel as less than probable but more than remote of being settled against Heineken Brasil. However, Heineken believes that the ultimate resolution of such legal proceedings will not have a material adverse effect on its consolidated financial position or result of operations. Heineken does not expect any significant liability to arise from these contingencies. A significant part of the aforementioned contingencies (EUR364 million) are tax related and qualify for indemnification by FEMSA, see note 6.

As is customary in Brazil, Heineken Brasil has been requested by the tax authorities to collateralise tax contingencies currently in litigation amounting to EUR218 million by either pledging fixed assets or entering into available lines of credit which cover such contingencies.

Guarantees

In millions of EUR	Total 2010	Less than 1 year	1-5 years	More than 5 years	Total 2009
Guarantees to banks for loans (to third parties)	384	213	111	60	371
Other guarantees	271	68	9	194	177
Guarantees	**655**	281	120	254	548

Guarantees to banks for loans relate to loans to customers, which are given by external parties in the ordinary course of business of Heineken. Heineken provides guarantees to the banks to cover the risk related to these loans.

35. Related parties

Identification of related parties

Heineken has a related party relationship with its associates and joint ventures (refer note 16), Heineken Holding N.V., Heineken pension funds (refer note 28), Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA) and with its key management personnel (Executive Board and the Supervisory Board).

Key management remuneration

In millions of EUR	2010	2009
Executive Board	5.6	4.2
Supervisory Board	0.5	0.4
	6.1	4.6

Executive Board

The remuneration of the members of the Executive Board comprises a fixed component and a variable component. The variable component is made up of a Short-Term Incentive Plan and a Long-Term Incentive Plan. The Short-Term Incentive Plan is based on financial and operational measures and on individual leadership targets as set by the Supervisory Board. It will be subject to the approval of the General Meeting of Shareholders to be held on 21 April 2011. It is partly paid out in shares that are blocked over a period of five calendar years. For the Long-Term Incentive Plan see note 29. The separate remuneration report is stated on page 53.

As at 31 December 2010, J.F.M.L. van Boxmeer held 9,244 Company shares and D.R. Hooft Graafland 6,544 (2009: J.F.M.L. van Boxmeer 9,244 and D.R. Hooft Graafland 6,544 shares). D.R. Hooft Graafland held 3,052 shares of Heineken Holding N.V. as at 31 December 2010 (2009: 3,052 shares).

Executive Board

	Fixed Salary		Short-Term Incentive Plan		Long-Term Incentive Plan*		Pension Plan		Total	
In thousands of EUR	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
J.F.M.L. van Boxmeer	950	750	1,306	1,125	595	303	464	379	3,315	2,557
D.R. Hooft Graafland	650	550	670	619	326	167	404	315	2,050	1,651
Total	**1,600**	1,300	**1,976**	1,744	**921**	470	**868**	694	**5,365**	4,208

* The remuneration reported as part of Long-Term Incentive Plan is based on IFRS accounting policies based on target shares and does not reflect the value of vested performance shares.

Supervisory Board

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

In thousands of EUR	2010	2009
C.J.A. van Lede	67	66
J.A. Fernández Carbajal**	35	–
M. Das	52	52
M.R. de Carvalho	53	50
J.M. Hessels	50	50
J.M. de Jong	53	52
A.M. Fentener van Vlissingen	50	50
M.E. Minnick	48	45
V.C.O.B.J. Navarre	48	31
J.G. Astaburuaga Sanjinés**	35	–
I.C. MacLaurin*	15	50
Total	**506**	446

* Stepped down as at 22 April 2010.
** Appointed as at 30 April 2010.

M.R. de Carvalho held 8 shares of Heineken N.V. as at 31 December 2010 (2009: 8 shares). As at 31 December 2010 and 2009, the Supervisory Board members did not hold any of the Company's bonds or option rights. C.J.A. van Lede held 2,656 and M.R. de Carvalho held 8 shares of Heineken Holding N.V. as at 31 December 2010 (2009: C.J.A. van Lede 2,656 and M.R. de Carvalho 8 shares).

35. Related parties continued

Other related party transactions

In millions of EUR	Transaction value		Balance outstanding as at 31 December	
	2010	2009	2010	2009
Sale of products and services				
To associates and joint ventures	18	142	12	12
To FEMSA	244	–	78	–
	262	142	**90**	12
Raw materials, consumables and services				
Goods for resale – joint ventures	57	89	–	1
Other expenses – joint ventures	–	12	1	–
Other expenses FEMSA	12	–	–	–
	69	101	**1**	1

Heineken Holding N.V.

In 2010, an amount of EUR7.4 million (2009: EUR712,129) was paid to Heineken Holding N.V. for management services for the Heineken Group, the increase in comparison to 2009 was caused by the acquisition of FEMSA and related services performed by Heineken Holding N.V..

This payment is based on an agreement of 1977 as amended in 2001, providing that Heineken N.V. reimburses Heineken Holding N.V. for its costs. Best practice provision III.6.4 of the Dutch Corporate Governance Code of 10 December 2008 has been observed in this regard.

FEMSA

As consideration for Heineken's acquisition of the beer operations of Fomento Economico Mexicano, S.A.B. de C.V. (FEMSA). FEMSA, became a major shareholder of Heineken N.V. Therefore, several existing contracts between FEMSA and former FEMSA-owned companies acquired by Heineken have become related-party contracts. The total revenue amount related to these related-party relationships amounts to EUR244 million.

APB

On 10 February 2010 and 13 April 2010, Heineken transferred its stakes in PT Multi Bintang Indonesia (MBI) and Grande Brasserie de Nouvelle-Caledonie S.A. (GBNC) to its joint venture Asia Pacific Breweries (APB). The total consideration was EUR265 million. Additionally, on 10 February 2010, Heineken acquired from APB, APB Aurangabad and APB Pearl of which 50 per cent of each entity was subsequently sold to the UBL joint venture partner VJM Group.

36. Heineken entities

Control of Heineken

The shares and options of the Company are traded on Euronext Amsterdam, where the Company is included in the main AEX index. Heineken Holding N.V. Amsterdam has an interest of 50.005 per cent in the issued capital of the Company. The financial statements of the Company are included in the consolidated financial statements of Heineken Holding N.V.

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

Significant subsidiaries

	Country of incorporation	Ownership interest 2010	2009
• Heineken Nederlands Beheer B.V.	The Netherlands	100%	100%
• Heineken Brouwerijen B.V.	The Netherlands	100%	100%
• Heineken Nederland B.V.	The Netherlands	100%	100%
• Heineken International B.V.	The Netherlands	100%	100%
• Heineken Supply Chain B.V.	The Netherlands	100%	100%
• Amstel Brouwerij B.V.	The Netherlands	100%	100%
• Amstel Internationaal B.V.	The Netherlands	100%	100%
• Vrumona B.V.	The Netherlands	100%	100%
• Invebra Holland B.V.	The Netherlands	100%	100%
• B.V. Beleggingsmaatschappij Limba	The Netherlands	100%	100%
• Brand Bierbrouwerij B.V.	The Netherlands	100%	100%
• Heineken CEE Holdings B.V.	The Netherlands	100%	100%
• Brasinvest B.V.	The Netherlands	100%	100%
• Heineken Beer Systems B.V.	The Netherlands	100%	100%
Central Europe Beverages B.V.	The Netherlands	72%	72%
Heineken France S.A.S.	France	100%	100%
Heineken UK Ltd.	United Kingdom	100%	100%
Sociedade Central de Cervejas et Bebidas S.A.	Portugal	100%	100%
Oy Hartwell Ab.	Finland	100%	100%
Heineken España S.A.	Spain	98.7%	98.7%
Heineken Italia S.p.A.	Italy	100%	100%
Athenian Brewery S.A.	Greece	98.8%	98.8%
Brau Union AG	Austria	100%	100%
Brau Union Österreich AG	Austria	100%	100%
Grupa Żywiec S.A.	Poland	61.9%	61.9%
Heineken Ireland Ltd.[1]	Ireland	100%	100%
Heineken Hungária Sorgyárak Zrt.	Hungary	100%	100%
Heineken Slovensko a.s.	Slovakia	100%	100%
Heineken Switzerland AG	Switzerland	100%	100%
Karlovacka Pivovara d.o.o.	Croatia	100%	100%
Mouterij Albert N.V.	Belgium	100%	100%
Ibecor S.A.	Belgium	100%	100%
N.V. Brouwerijen Alken-Maes Brasseries S.A.	Belgium	99.9%	99.7%
LLC Heineken Breweries	Russia	100%	100%
Heineken USA Inc.	United States	100%	100%
Heineken Ceská republika a.s.	Czech Republic	100%	100%
Heineken Romania S.A.	Romania	98.6%	98.5%
FCJSC Heineken Breweries	Belarus	100%	100%
OJSC, Rechitsapivo	Belarus	95.4%	86.2%
Commonwealth Brewery Ltd.	Bahamas	100%	53.2%
Windward & Leeward Brewery Ltd.	St Lucia	72.7%	72.7%
Cervecerias Baru-Panama S.A.	Panama	74.9%	74.9%
Nigerian Breweries Plc.	Nigeria	54.1%	54.1%
Al Ahram Beverages Company S.A.E.	Egypt	99.9%	99.9%
Brasserie Lorraine S.A.	Martinique	100%	100%
Surinaamse Brouwerij N.V.	Surinam	76.2%	76.2%
Cuauhtémoc Moctezuma Holding, S.A. de C.V.	Mexico	100%	–
Fabricas Monterrey, S.A. de C.V.	Mexico	100%	–
Silices de Veracruz, S.A. de C.V.	Mexico	100%	–
Cervejarias Kaiser Brazil S.A.	Brazil	100%	17%

	Country of incorporation	Ownership interest 2010	Ownership interest 2009
Consolidated Breweries Ltd.	Nigeria	50.5%	50.4%
Brasserie Almaza S.A.L.	Lebanon	67.0%	67.0%
Brasseries, Limonaderies et Malteries 'Bralima' S.A.R.L.	D.R. Congo	95.0%	95.0%
Brasseries et Limonaderies du Rwanda 'Bralirwa' S.A.	Rwanda	75.0%	70.0%
Brasseries et Limonaderies du Burundi 'Brarudi' S.A.	Burundi	59.3%	59.3%
Brasseries de Bourbon S.A.	Réunion	85.7%	85.7%
Sierra Leone Brewery Ltd.	Sierra Leone	83.1%	83.1%
Tango s.a.r.l.	Algeria	100%	100%
Société Nouvelle des Boissons Gazeuses S.A. ('SNBG')	Tunisia	74.5%	74.5%
Société Nouvelle de Brasserie S.A. 'Sonobra'	Tunisia	49.9%	49.9%

[1] In accordance with article 17 of the Republic of Ireland Companies (Amendment) Act 1986, the Company issued an irrevocable guarantee for the year ended 31 December 2010 and 2009 regarding the liabilities of Heineken Ireland Ltd., Heineken Ireland Sales Ltd., West Cork Bottling Ltd., Western Beverages Ltd., Beamish and Crawford Ltd. and Nash Beverages Ltd as referred to in article 5l of the Republic of Ireland Companies (Amendment) Act 1986.

37. Subsequent events

Acquisition of business in Nigeria

On 12 January 2011 Heineken announced that it had strengthened its platform for growth in Nigeria via the acquisition of two holding companies from the Sona Group. The two acquired businesses have controlling interests in each of the Sona, IBBI, Benue, Life and Champion breweries in Nigeria.

Heineken will explore the possibility of selling the newly acquired breweries to its existing businesses in Nigeria during 2011. Discussions with Nigerian Breweries and Consolidated Breweries will begin now the transaction has been finalised. The acquired breweries will continue to provide and expand contract brewing services to Nigerian Breweries and Consolidated Breweries for the meantime, whilst continuing to own, brew and support the Goldberg, Williams Dark Ale and Malta Gold brands as well as various smaller regional brands.

The acquisition has been funded from existing resources.

Allotted Share Delivery Instrument

Between 1 January and 11 February 2011, Heineken has bought 710,437 additional Heineken N.V. shares, which are in portfolio pending delivery to FEMSA.

Heineken N.V. Balance Sheet

Before appropriation of profit
As at 31 December 2010

In millions of EUR	Note	2010	2009
Fixed assets			
Financial fixed assets			
Investments in participating interests	38	16,142	11,345
Other investments		243	35
Deferred tax assets		12	38
Total financial fixed assets		**16,397**	11,418
Trade and other receivables		–	22
Cash and cash equivalents		–	2
Total current assets		–	24
Total assets		**16,397**	11,442

Shareholders' equity			
Issued capital		922	784
Share Premium		2,701	–
Translation reserve		(93)	(451)
Hedging reserve		(27)	(124)
Fair value reserve		90	100
Other legal reserves		899	676
Reserve for own shares		(55)	(42)
ASDI		666	–
Retained earnings		3,689	3,390
Net profit		1,436	1,018
Total shareholders' equity	39	**10,228**	5,351
Liabilities			
Loans and borrowings	40	5,942	5,406
Deferred tax liability		5	–
Total non-current liabilities		**5,947**	5,406
Loans and borrowings		–	500
Trade and other payables		211	171
Tax payable		11	14
Total current liabilities		**222**	685
Total liabilities		**6,169**	6,091
Total shareholders' equity and liabilities		**16,397**	11,442

Heineken N.V. Income Statement

For the year ended 31 December 2010

In millions of EUR	Note	2010	2009
Share of profit of participating interests, after income tax		1,618	1,305
Other profit after income tax		(182)	(287)
Net profit	39	**1,436**	1,018

Notes to the Heineken N.V. Financial Statements

Reporting entity

The financial statements of Heineken N.V. (the 'Company') are included in the consolidated statements of Heineken N.V.

Basis of preparation

The Company financial statements have been prepared in accordance with the provisions of Part 9, Book 2, of the Dutch Civil Code. The Company uses the option of Article 362.8 of Part 9, Book 2, of the Dutch Civil Code to prepare the Company financial statements, using the same accounting policies as in the consolidated financial statements. Valuation is based on recognition and measurement requirements of accounting standards adopted by the EU (i.e., only IFRS that is adopted for use in the EU at the date of authorisation) as explained further in the notes to the consolidated financial statements.

Significant accounting policies

Financial fixed assets

Participating interests (subsidiaries, joint ventures and associates) are measured on the basis of the equity method.

Shareholders' equity

The translation reserve and other legal reserves were previously formed under and still recognised in accordance with the Dutch Civil Code.

Profit of participating interests

The share of profit of participating interests consists of the share of the Company in the results of these participating interests. Results on transactions, where the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are not recognised.

38. Investments in participating interests

In millions of EUR	Participating interests	Loans to participating interest	Total
Balance as at 1 January 2009	4,155	6,568	10,723
Profit of participating interests	1,305	–	1,305
Dividend payments by participating interests	(688)	688	–
Effect of movements in exchange rates	144	–	144
Changes in hedging and fair value adjustments	62	–	62
Investments/additions	151	(1,040)	(889)
Balance as at 31 December 2009	5,129	6,216	11,345
Balance as at 1 January 2010	5,129	6,216	11,345
Profit of participating interests	1,618	–	1,618
Dividend payments by participating interests	(307)	307	–
Effect of movements in exchange rates	359	–	359
Changes in hedging and fair value adjustments	(4)	–	(4)
Acquisition of non-controlling interests without a change in control	(58)	–	(58)
Investments/(repayments)	3,885	(1,003)	2,882
Balance as at 31 December 2010	**10,622**	**5,520**	**16,142**

39. Shareholders' equity

In millions of EUR	Share capital	Share Premium	Translation reserve	Hedging reserve	Fair value reserve
Balance as at 1 January 2009	784	–	(595)	(122)	88
Other comprehensive income	–	–	144	(2)	12
Profit	–	–	–	–	–
Total comprehensive income	–	–	144	(2)	12
Transfer to retained earnings	–	–	–	–	–
Dividends to shareholders	–	–	–	–	–
Purchase/reissuance own shares	–	–	–	–	–
Share-based payments	–	–	–	–	–
Balance as at 31 December 2009	784	–	(451)	(124)	100
Balance as at 1 January 2010	784	–	(451)	(124)	100
Other comprehensive income	–	–	358	97	(10)
Profit	–	–	–	–	–
Total comprehensive income	–	–	358	97	(10)
Transfer to retained earnings	–	–	–	–	–
Dividends to shareholders	–	–	–	–	–
Share Issued	138	2,701	–	–	–
Purchase/reissuance own shares	–	–	–	–	–
ASDI	–	–	–	–	–
Own shares granted	–	–	–	–	–
Share-based payments	–	–	–	–	–
Share purchase mandate	–	–	–	–	–
Acquisition of non-controlling interests without a change in control	–	–	–	–	–
Balance as at 31 December 2010	**922**	**2,701**	**(93)**	**(27)**	**90**

For more details on reserves, please see note 22 of the consolidated financial statements.
For more details on LTIP, please see note 29 of the consolidated financial statements.

Other legal reserves	Reserve for own shares	ASDI	Retained earnings	Net profit	Shareholders' equity
595	(40)		3,552	209	4,471
6	–		(6)	–	154
150	–		(150)	1,018	1,018
156	–		(156)	1,018	1,172
(75)	–		284	(209)	–
–	–		(289)	–	(289)
–	(2)		(11)	–	(13)
–	–		10	–	10
676	**(42)**		**3,390**	**1,018**	**5,351**
676	(42)	–	3,390	1,018	5,351
75	–	–	(73)	–	447
241	–	–	(241)	1,436	1,436
316	–	–	(314)	1,436	1,883
(93)	–	–	1,111	(1,018)	–
–	–	–	(351)	–	(351)
–	–	1,026	–	–	3,865
–	(381)	–	–	–	(381)
–	362	(360)	(2)	–	–
–	6		(6)	–	–
–	–	–	15	–	15
–	–	–	(96)	–	(96)
–	–	–	(58)	–	(58)
899	**(55)**	**666**	**3,689**	**1,436**	**10,228**

40. Loans and borrowings

Non-current liabilities

In millions of EUR	Note	2010	2009
Unsecured bank loans		2,461	2,448
Unsecured bond issues		2,467	2,433
Other		938	371
Non-current interest-bearing liabilities		5,866	5,252
Non-current non-interest-bearing liabilities	25	–	7
Non-current derivatives		76	147
		5,942	5,406

Non-current liabilities

In millions of EUR	Unsecured bank loans	Unsecured bond issues	Other non-current interest-bearing liabilities	Non-current derivatives	Non-current non-interest bearing liabilities	Total
Balance as at 1 January 2010	2,448	2,433	371	147	7	5,406
Charge from/to profit or loss i/r derivatives	–	–	–	(18)	–	(18)
Effects of movements of exchange rates	(46)	32	37	(14)	–	9
Proceeds	1,796	–	–	–	–	1,796
Repayments	(1,208)	–	(1)	–	–	(1,209)
Transfers	–	2	2	(39)	(7)	(42)
Balance as at 31 December 2010	2,990	2,467	409	76	–	5,942

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Face value 2010	Carrying amount 2010	Face value 2009	Carrying amount 2009
Unsecured bank loans	German Schuldschein notes	EUR	1.0-6.0	2013	102	102	102	102
Unsecured bank loans	German Schuldschein notes	EUR	1.0-6.0	2016	111	111	111	111
Unsecured bank loans	2008 Syndicated Bank Facility	EUR	0.7-1.0	2013	1,708	1,709	1,700	1,709
Unsecured bank loans	German Schuldschein notes	EUR	1.0-6.0	2014	207	207	207	207
Unsecured bank loans	2008 Syndicated Bank Facility	GBP	0.60	2013	336	340	329	329
Unsecured bond	Issue under EMTN programme	GBP	7.3	2015	461	465	442	450
Unsecured bond	Eurobond on Luxembourg Stock Exchange	EUR	4.3	2010	–	–	500	500
Unsecured bond	Eurobond on Luxembourg Stock Exchange	EUR	5.0	2013	599	600	598	600
Unsecured bond	Issue under EMTN programme	EUR	7.1	2014	1,009	1,000	996	1,000
Unsecured bond	Issue under EMTN programme	EUR	4.6	2016	397	400	397	400
Other interest-bearing liabilities	2010 US private placement programme	USD	4.6	2018	541	546	–	–
Other interest-bearing liabilities	Private placement	USD	5.9 -6.3	2015-2018	331	333	306	307
Other interest-bearing liabilities	Various	various	various	various	66	66	64	64
					5,868	**5,879**	5,752	5,779

For financial risk management and financial instruments, see note 32.

41. Audit fees

Other expenses in the consolidated financial statements include EUR15.2 million of fees in 2010 (2009: EUR11.7 million) for services provided by KPMG Accountants N.V. and its member firms and/or affiliates. Fees for audit services include the audit of the financial statements of Heineken and its subsidiaries. Fees for other audit services include sustainability, subsidy and other audits. Fees for tax services include tax compliance and tax advice. Fees for other non-audit services include due diligence related to mergers and acquisitions, review of interim financial statements, agreed upon procedures and advisory services.

	KPMG Accountants N.V.		Other KPMG member firms and affiliates		Total	
	2010	2009	2010	2009	2010	2009
Audit of Heineken and its subsidiaries	2.3	2.0	7.4	5.5	9.7	7.5
Other audit services	0.3	0.4	0.6	0.4	0.9	0.8
Tax services	–	–	1.7	1.6	1.7	1.6
Other non-audit services	0.2	0.8	2.7	1.0	2.9	1.8
Total	**2.8**	3.2	**12.4**	8.5	**15.2**	11.7

42. Off-balance sheet commitments

In millions of EUR	Total	Less than 1 Year	1-5 Years	More than 5 Years	Total 2009
Undrawn committed bank facility	2,000	–	2,000	–	1,530

	2010		2009	
	Third parties	Heineken companies	Third parties	Heineken companies
Declarations of joint and several liability	–	2,193	–	1,563

Fiscal unity

The Company is part of the fiscal unity of Heineken in the Netherlands. Based on this the Company is liable for the tax liability of the fiscal unity in the Netherlands.

43. Subsequent events

For subsequent events, see note 37.

44. Other disclosures

Remuneration

We refer to note 35 of the consolidated financial statements for the remuneration and the incentives of the Executive Board members and the Supervisory Board. The Executive Board members are the only employees of the Company.

Participating interests

For the list of direct and indirect participating interests, we refer to notes 16 and 36 to the consolidated financial statements.

Executive and Supervisory Board statement

The members of the Supervisory Board signed the financial statements in order to comply with their statutory obligation pursuant to art. 2:101 paragraph 2 Civil Code.

The members of the Executive Board signed the financial statements in order to comply with their statutory obligation pursuant to art. 2:101 paragraph 2 Civil Code and art. 5:25c paragraph 2 sub c Financial Markets Supervision Act.

Amsterdam, 15 February 2011	Executive Board	Supervisory Board
	Van Boxmeer	Van Lede
	Hooft Graafland	Fernández Carbajal
		Das
		de Carvalho
		Hessels
		De Jong
		Fentener van Vlissingen
		Minnick
		Navarre
		Astaburuaga Sanjinés

Statement of the Executive Board

Statement ex Article 5:25c Paragraph 2 sub c Financial Markets Supervision Act ('Wet op het Financieel Toezicht')

To our knowledge,

1°. the Financial Statements give a true and fair view of the assets, liabilities, financial position and profit of Heineken N.V. and its consolidated companies;

2°. the Report of the Executive Board gives a true and fair view of the position as at 31 December 2010 and the developments during the financial year 2010 of Heineken N.V. and its related companies included in its Financial Statements; and

3°. the Report of the Executive Board describes the material risks Heineken N.V. is facing.

Executive Board

J.F.M.L. van Boxmeer
D.R. Hooft Graafland

Amsterdam, 15 February 2011

Appropriation of Profit

Article 12, paragraph 7, of the Articles of Association stipulates:

"Of the profits, payment shall first be made, if possible, of a dividend of six per cent of the issued part of the authorised share capital. The amount remaining shall be at the disposal of the General Meeting of Shareholders."

It is proposed to appropriate EUR438 million of the profit for payment of dividend and to add EUR998 million to the retained profits.

Civil code

Heineken N.V. is not a 'structuurvennootschap' within the meaning of Sections 2: 152-164 of the Netherlands Civil Code. Heineken Holding N.V., a company listed on the Euronext Amsterdam, holds 50.005 per cent of the issued shares of Heineken N.V.

Authorised capital

The Company's authorised capital amounts to EUR2.5 billion.

Independent Auditor's Report

To: Annual General Meeting of Shareholders of Heineken N.V.

Report on the financial statements
We have audited the accompanying financial statements 2010 of Heineken N.V., Amsterdam. The financial statements include the consolidated financial statements and the Company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2010, the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes, comprising a summary of the significant accounting policies and other explanatory information. The Company financial statements comprise the Company balance sheet as at 31 December 2010, the Company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the report of the Executive Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position of Heineken N.V. as at 31 December 2010 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the Company financial statements
In our opinion, the Company financial statements give a true and fair view of the financial position of Heineken N.V. as at 31 December 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements
Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the report of the Executive Board, to the extent we can assess, has been prepared in accordance with part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b-h has been annexed. Further, we report that the report of the Executive Board, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 15 February 2011

KPMG ACCOUNTANTS N.V.
G.L.M. van Hengstum RA

Shareholder Information

Investor relations
Heineken takes a proactive role in maintaining an open dialogue with shareholders and bondholders, providing accurate and complete information in a timely and consistent way. We do this through press releases, the Annual Report, presentations, webcasts, regular briefings and open days with analysts, fund managers and shareholders.

Ownership structure
Heading the Heineken Group, Heineken Holding N.V. is no ordinary holding company. Since its formation in 1952, the objective of Heineken Holding N.V., pursuant to its Articles of Association has been to manage and/or supervise the Heineken Group and to provide services to the Heineken Group. 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 activities of the Heineken Group. This stability 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. Every Heineken N.V. share held by Heineken Holding N.V. is matched by one share issued by Heineken Holding N.V. The net asset value of one Heineken Holding N.V. share is therefore identical to the net asset value of one Heineken N.V. share. The dividend payable on the two shares is also identical. Historically, however, Heineken Holding N.V. shares have traded at a lower price due to technical factors that are market-specific. Heineken Holding N.V. holds 50.005 per cent of the Heineken N.V. issued shares. On 31 December 2010, L'Arche Green N.V. held 50.56 per cent of the Heineken Holding N.V. shares. The Heineken family holds 88.55 per cent of L'Arche Green N.V. The remaining 11.45 per cent of L'Arche Green N.V. is held by the Hoyer family. Mrs. de Carvalho-Heineken also owns a direct 0.03 per cent stake in Heineken Holding N.V.

Pursuant to the Financial Markets Supervision Act (Wet op het financieel toezicht) and the Decree on Disclosure of Major Holdings and Capital Interests in Securities-Issuing Institutions (Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen), the Financial Markets Authority has been notified about the following other substantial shareholdings:

As regards Heineken N.V.:
- Massachusetts Financial Services Company
  - a capital interest of 2.12 per cent
  - a voting interest of 5.00 per cent (2.94 per cent held directly and 2.06 per cent held indirectly).

As regards Heineken Holding N.V.:
- Davis Investments, LLC
  - a capital interest of 6.46 per cent
  - a voting interest of 5.84 per cent.

FEMSA acquisition
On 11 January 2010 Heineken N.V. announced the acquisition of the beer businesses of Fomento Económico Mexicano, S.A.B. de C.V. ('FEMSA'). The acquisition was completed on 30 April 2010 (the 'Completion Date') following the approval from all relevant anti-trust authorities and shareholders of Heineken N.V., Heineken Holding N.V. and FEMSA.

On the Completion Date Heineken N.V. issued 86,028,019 new shares to FEMSA in exchange for the transfer by FEMSA of its beer operations to Heineken N.V.

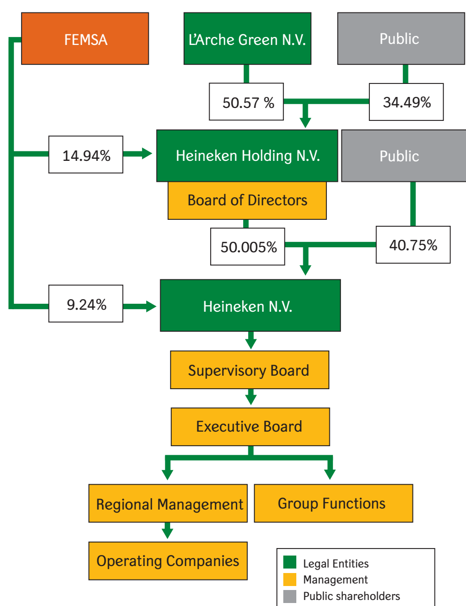
Simultaneously on the Completion Date, Heineken Holding N.V. issued 43,018,320 new shares to FEMSA in exchange for the transfer by FEMSA of an equal amount of the new Heineken N.V. shares to Heineken Holding N.V.

Heineken N.V. also entered into a commitment to deliver an additional 29,172,504 Heineken N.V. shares (the 'Allotted Shares') to FEMSA over a period of not more than five years from the Completion Date in two instalments per year.

In 2010, 10,240,553 Allotted Shares were delivered to FEMSA.

These Allotted Shares have been repurchased by Heineken N.V. on the market under share repurchase programmes announced in March, July and November 2010. Details of the share repurchase programmes can be found on the Heineken international website: www.heinekeninternational.com/femsa_acquisition.aspx

As at 31 December 2010, FEMSA (through its affiliate CB Equity LLP) holds a 14.94 per cent shareholding in Heineken Holding N.V. and a 9.24 per cent shareholding in Heineken N.V. Following delivery of all remaining Allotted Shares, the shareholding of FEMSA in Heineken N.V. will be 12.53 per cent. All FEMSA's Heineken Holding N.V. and Heineken N.V. shares (including all Allotted Shares) represent a 20 per cent economic interest in the Heineken Group.



January 2011

Share distribution comparison year-on-year Heineken N.V. shares*

Based on Free float (excluding the holding of Heineken Holding N.V. and FEMSA in Heineken N.V.)

Based on 234.8 million shares in free float

North America	30.7%
UK/Ireland	16.5%
Netherlands	4.1%
Rest of Europe (ex. Netherlands)	24.4%
Rest of the world	3.1%
Domestic and foreign retail	5.5%
Undisclosed	15.7%

* Source: Capital Precision, based on best estimate January 2011.

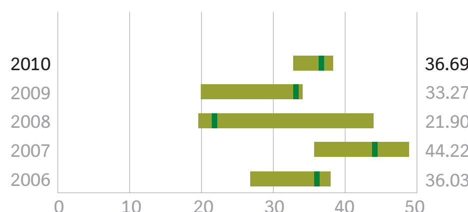
Heineken N.V. shares and options

Heineken N.V. shares are traded on Euronext Amsterdam, where the Company is included in the main AEX Index. The share is listed under ISIN code NL0000009165. Prices for the ordinary shares may be accessed on Bloomberg under the symbol HEIA. NA and on the Reuters Equities 2000 Service under HEIA.AS. Options on Heineken N.V. shares are listed on Euronext.Liffe. Additional information is available on the website: www.heinekeninternational.com

In 2010, the average daily trading volume of Heineken N.V. shares was 1,272,404 shares.

Heineken N.V. share price

In EUR, Euronext Amsterdam



Share price range

Year-end price

Average trade in 2010: 1,272,404 shares per day

Market capitalisation

On 31 December 2010, there were 576,002,613 shares of EUR1.60 nominal value in issue. At a year-end price of EUR36.69 on 31 December 2010, the market capitalisation of Heineken N.V. on the balance sheet date was EUR21.1 billion.

Year-end price	EUR36.69	31 December 2010
Highest closing price	EUR38.55	25 March 2010
Lowest closing price	EUR32.90	7 January 2010

Dividend per share (proposed)

In EUR

Heineken Holding N.V. shares

The ordinary shares of Heineken Holding N.V. are traded on Euronext Amsterdam. The shares are listed under ISIN code NL0000008977. Prices for the ordinary shares may be accessed on Bloomberg under the symbol HEIO.NA and on the Reuters Equities 2000 Service under HEIO.AS.

In 2010, the average daily trading volume of Heineken Holding N.V. shares was 193,315 shares.

Market capitalisation

On 31 December 2010, there were 288,030,168 ordinary shares of EUR1.60 nominal value in issue and 250 priority shares of EUR2.00 nominal value in issue.

At a year-end price of EUR32.53 on 31 December 2010 the market capitalisation of Heineken Holding N.V. on balance sheet date was EUR9.4 billion.

Year-end price	EUR32.53	31 December 2010
Highest closing price	EUR33.19	24 December 2010
Lowest closing price	EUR28.65	21 May 2010

Financial calendar in 2011 for both Heineken N.V. and Heineken Holding N.V.

Announcement of 2010 results	16 February
Publication of Annual Report	7 March
Trading update first quarter 2011	20 April
Annual General Meeting of Shareholders	21 April
Quotation ex-final dividend	27 April
Final dividend 2010 payable	5 May
Announcement of half-year results 2011	24 August
Quotation ex-interim dividend	26 August
Interim dividend 2011 payable	6 September
Trading update third quarter 2011	26 October

Share distribution comparison year-on-year Heineken Holding N.V. shares*

Based on Free float (excluding the holding of L'Arche Green N.V. and FEMSA in Heineken Holding N.V.)

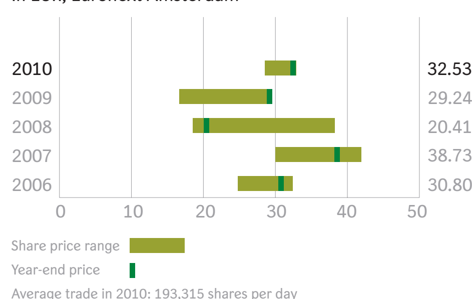
Based on 99.3 million shares in free float

North America	47.0%
UK/Ireland	14.1%
Netherlands	5.8%
Rest of Europe (ex. Netherlands)	9.8%
Rest of the world	1.3%
Domestic and foreign retail	1.5%
Undisclosed	20.5%

* Source: Capital Precision, based on best estimate January 2011.

Heineken Holding N.V. share price

In EUR, Euronext Amsterdam



Dividend policy

The dividend policy of Heineken N.V. intends to preserve the independence of the Company, to maintain a healthy financial structure and to retain sufficient earnings in order to grow the business both organically and through acquisitions.

The dividend payments are related to the annual development of the net profit before exceptional items and amortisation of brands (net profit beia), which translates in a dividend payout of 30 – 35 per cent.

Dividends are paid in the form of an interim dividend and a final dividend. The interim dividend is fixed at 40 per cent of the total dividend of the previous year. Annual dividend proposals will remain subject to shareholder approval.

Bondholder information

On 4 November 2003, Heineken N.V. issued two bonds for a total of EUR1.1 billion, of which a bond with a face value of EUR500 million and a coupon of 4.375 per cent was repaid at maturity in February 2010.

In September 2008, Heineken established a Euro Medium Term Note (EMTN) Programme which was subsequently updated in 2009 and 2010. The programme allows Heineken N.V. from time to time to issue Notes. Currently, the programme allows to issue Notes for a total amount of up to EUR5 billion. As currently approximately EUR1.9 billion is outstanding, Heineken still has capacity of EUR3.1 billion under the programme. The programme can be used for issuance up to one year after its latest update. The EMTN programme and all Heineken N.V. bonds are listed on the Luxembourg Stock Exchange.

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

Further information on Heineken N.V. is obtainable from the Global Corporate Relations and/or Investor Relations department, telephone +31 20 523 99 99 or by email: 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 +31 20 523 97 77 or by email: investors@heineken.com.

The website www.heinekeninternational.com also carries further information about both Heineken N.V. and Heineken Holding N.V.

	Heineken N.V. Bond 2013	Heineken N.V. EMTN 2014	Heineken N.V. EMTN 2015	Heineken N.V. EMTN 2016
Issue date	4 November 2003	6 April 2009	10 March 2009	8 October 2010
Total face value*	EUR600 million	EUR1 billion	GBP400 million	EUR400 million
Interest rate	5.0%	7.125%	7.25%	4.625%
Maturity	4 November 2013	7 April 2014	10 March 2015	10 October 2016
ISIN code	XS0179266753	XS0421464719	XS0416081296	XS0456567055

* The difference versus the amount displayed in the balance sheet is due to the amortisation of issue costs.

Countries and Brands

As at 31 December 2010

At Heineken we aim to be a leading brewer in each of the markets in which we operate and to have the world's most prominent brand portfolio. The tables in this section show our breweries and brands worldwide.

1. Western Europe

Heineken is Western Europe's largest and leading beer brewer. We have market leadership positions in the UK, France, Italy and the Netherlands and we are the number two player in Belgium, Finland, Ireland, Portugal, Spain and Switzerland. Heineken is also brewed under licence and various Group brands are imported into several other Western European markets.

2. Central and Eastern Europe

Heineken is the largest brewing group in Central Europe, leading in Greece, Austria, Slovakia, Bulgaria and FYR Macedonia. We are the number two player in Poland, Romania, Croatia and Hungary. Heineken has strong market positions in Russia, Germany, Serbia, the Czech Republic and Belarus. Heineken, and in some cases Amstel, are also brewed under licence or imported into several other Central and Eastern European markets.

3. Africa and the Middle East

Heineken is also very successful in Africa and the Middle East. We have owned breweries and have enjoyed substantial market positions in several African countries for more than 50 years. As well as brewing a variety of local brands, we also brew and export the Heineken and Amstel brands across the region. Most of the Operating Companies also produce and market soft drinks.

4. The Americas

The position of Heineken in the region was strengthened in 2010 with the acquisition of the beer operations of FEMSA. These included a strong number two position in Mexico and a position in Brazil, plus the significant volume from the export activities of brands such as Sol, Dos Equis and Tecate. Heineken also has a number of breweries in Panama, Surinam and the Caribbean territory and a strong export presence in the USA, the Caribbean and Latin America. Significant interests also exist in Compania Cervecerias Unidas (CCU) in Chile and Argentina, and in Cerveceria Costa Rica (CCR). In addition, the Heineken brand is brewed under licence in a number of markets, most notably Canada.

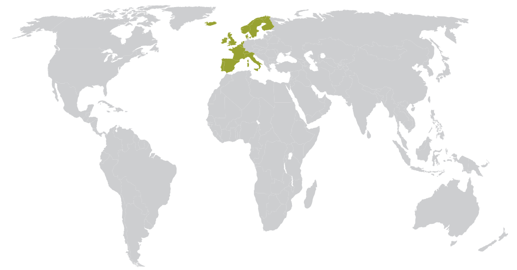
5. Asia Pacific

Underpinning our position in the region is our Singapore-based joint venture with Fraser and Neave, Asia Pacific Breweries (APB). It operates breweries in Singapore, Laos, Malaysia, Mongolia, Thailand, Vietnam, Cambodia, China, New Zealand, Papua New Guinea and Sri Lanka, and as from February 2010 also in Indonesia and New Caledonia.[1] Heineken is brewed at several of APB's breweries throughout the region. In India, we have a 37.5 per cent stake in United Breweries Limited (UBL) and a 50/50 (voting interest) joint venture in Millennium Alcobev with UBL. UBL is the market leader in India. We also import Heineken into the region. Heineken beer has a strong market position, particularly in Thailand, Vietnam, Australia, New Zealand, Singapore and Taiwan.

Geographic distribution of consolidated beer volume

In thousands of hectolitres	2010	2009	%
Western Europe	45,394	47,151	31.1
Central and Eastern Europe	42,237	46,165	29.0
Africa and the MIddle East	19,070	19,820	13.1
The Americas	37,843	9,430	25.9
Asia Pacific	1,328	2,681	0.9
Consolidated beer volume	**145,872**	125,247	100

[1] On 10 February 2010 we transferred a significant part of our controlling interest in PT Multi Bintang Indonesia and our controlling interest in Grande Brasserie de Nouvelle Calédonie to APB.



Western Europe

Country	Company	Locations	Brands
Belgium	Alken-Maes (99.9%)	Alken, Kobbegem, Opwijk	Maes, Grimbergen, Cristal, Mort Subite, Ciney, Affligem, Judas, Hapkin, Brugs, Postel
Finland	Hartwall (100%)	Lahti, Karijoki	Lapin Kulta, Karjala, Foster's, Heineken, 1836 Classic Gourmet, Jaffa, Pepsi, Novelle, Original Long Drink, Upcider
France	Heineken France (100%)	Marseille, Mons-en-Baroeul, Schiltigheim	Heineken, Pelforth, Desperados, Affligem, Fischer tradition, '33' Export, Panach', Adelscott, Amstel, Georges Killians, Murphy's Irish Stout,
Ireland	Heineken Ireland (100%)	Cork	Heineken, Amstel, Coors Light, Desperados, Tiger, Sol, Murphy's Irish Stout, Beamish Stout, Foster's, Paulaner, Birra Moretti, Żywiec, Affligem
Italy	Heineken Italia (100%)	Pollein (Aosta), Comun Nuovo (Bergamo), Massafra, Assemini (Cagliari)	Birra Moretti, Heineken, Dreher, Ichnusa, Classica von Wunster, Birra Messina, Prinz Brau, Sans Souci, Amstel, Fischer
Netherlands	Heineken Nederland (100%)	's-Hertogenbosch, Zoeterwoude	Heineken, Amstel, Wieckse Witte, Jillz, Strongbow, Desperados, Lingen's Blond, Murphy's Irish Red
	Brand Bierbrouwerij (100%)	Wijlre	Brand
	Vrumona (100%)	Bunnik	Crystal Clear, Royal Club, Sisi, Sourcy, Vitamin Water, Pepsi, 7-Up, Rivella
Portugal	Sociedade Central de Cervejas et Bebidas (100%)	Vialonga, Luso, Cruzeiro	Sagres, Luso, Cruzeiro, Cergal, Imperial, Heineken, Foster's, Jansen, São Jorge, Bulmer
Spain	Heineken España (98.7%)	Seville, Madrid, Valencia, Jaen	Cruzcampo, Amstel, Heineken, Buckler, Shandy, Kaliber, Paulaner, Guinness, Latino, Foster's
Switzerland	Heineken Switzerland (100%)	Chur, Lucerne	Heineken, Eichhof, Calanda, Desperados, Ittinger, Haldengut, Ziegelhof, Erdinger, Clausthaler, Amstel
United Kingdom	Heineken UK (100%)	Manchester, Tadcaster, Edinburgh, Hereford, Ledbury	Foster's, Strongbow, John Smith's, Kronenbourg, Bulmers, Heineken, Newcastle Brown Ale, Amstel, Sol, Woodpecker

Central and Eastern Europe

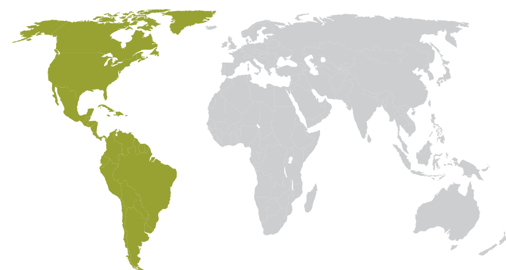
Country	Company	Locations	Brands
Austria	Brau Union Österreich (100%)	Leoben-Göss, Graz-Puntigam, Schladming, Schwechat, Wieselburg, Zipf, Linz, Hallein-Kaltenhausen	Heineken, Edelweiss, Gösser, Kaiser, Puntigamer, Schlossgold, Schwechater, Wieselburger, Zipfer, Schladminger, Reininghaus
Belarus	Heineken Breweries (100%) Rechitsapivo (95.4%)	Babruysk Rechitsa	Bobrov, Zlaty Bazant Rechitskoe, Dneprovska, BergG
Bulgaria	Zagorka Brewery (49%)	Stara Zagora	Heineken, Amstel, Ariana, Stolichno, Zagorka, Starobrno, Kaiser
Croatia	Karlovacka Pivovara (100%)	Karlovac	Heineken, Karlovačko, Gösser, Edelweiss Kaiser, Golden Brau
Czech Republic	Heineken Ceská Republika, a.s. (100%)	Krušovice, Brno, Znojmo, Usti nad Labem	Krušovice, Heineken, Amstel, Hostan, Starobrno, Zlaty Bazant, Cerveny Drak, Baron Trenck, Zlatopramen, Breznak, Dacicky, Louny
Germany	Paulaner Brauerei (25%) Kulmbacher Brauerei (31.4%) Fürstlich Fürstenbergische Brauerei (49.9%) Hoepfner Brauerei (49.9%) Schmucker Brauerei (49.9%) Würzburger Hofbräu (31.4%)	Munich, Rosenheim Chemnitz, Kulmbach, Plauen Donaueschingen Karlsruhe Mossautal, Odenwald Würzburg, Poppenhausen	Hacker-Pschorr, Paulaner, Paulaner, Weissbier Kulmbacher, Mönchshof, Sternquell-pils Bären Pilsner, Fürstenberg, Riegeler, QOWAZ Arnegger, Edel-Weizen, Export, Goldköpfle, Grape, Hefe Weißbier, Hoepfner Pilsner, Jubelbier, Keller Weißbier, Kräusen, Leicht, Maibock, Porter, Radler Schmucker, Odenwälder Zwickel Würzburger Hofbräu, Werner Bräu, Lohrer Bier, Wächtersbacher
Greece	Athenian Brewery (98.8%)	Athens, Patras, Thessaloniki	Heineken, Alfa, Amstel, Buckler, Desperados, Fischer, McFarland, Murphy's Irish Stout, Zorbas
Hungary	Heineken Hungaria (100%)	Martfü, Sopron	Heineken, Amstel, Buckler, Gösser, Kaiser, Schlossgold, Soproni Ászok, Talléros, Zlaty Bazant, Edelweiss, Steffl, Adambrau
Kazakhstan	Efes Karaganda (28%)	Almaty, Karaganda	Heineken, Tian Shan, Efes, Beliy Medved, Stary Melnik, Sokol, Gold Mine

Central and Eastern Europe continued

Country	Company	Locations	Brands
FYR Macedonia	Pivara Skopje (27.6%)	Skopje	Heineken, Amstel, Gorsko, Skopsko
Poland	Grupa Żywiec (61.9%)	Cieszyn, Elblag, Lezajsk, Warka, Żywiec	Heineken, Królewskie, Kujawiak, Lezajsk, Specjal, Strong, Tatra, Warka, Jasne Pelne, Żywiec
Romania	Heineken Romania (98.6%)	Constanta, Craiova, Miercurea Ciuc, Targu Mures	Heineken, Bucegi, Ciuc, Gambrinus, Golden Brau, Gösser, Schlossgold, Silva, Neumarkt, Dracula, Sovata
Russia	Heineken Breweries (100%)	St. Petersburg	Heineken, Amstel, Bochkarov, Ochota, Zlaty Bazant, Kirin, Guinness, Kilkenny, Buckler, Stepan Razin, Kalinkin, Ordinar PIT, Amur-Pivo, Docter Diesel,
		Khabarovsk	Three Bears, Patra, Strelets, Zhigulevskoye
		Ekaterinburg	Zhigulevskoye, Yantarnoe, Rizhkoye,
		Irkutsk	Kumanda, Gubernatorskoye, Brandmayor
		Nizhnyi Novgorod	Okskoye, Rusich, Volga, Heineken
		Novosibirsk	Sobol, Zhigulevskoye,
		Sterlitamak	Sedoy Ural, Shikhan, Solyanaya Pristan
		Kaliningrad	PIT, Docter Diesel, Ostmark, Three Bears, Gösser, Bitburger, Buckler
Serbia	United Serbian Breweries (72%) United Serbian Breweries Zajecarsko (52.5%)	Novi Sad Zajecar	Heineken, MB, Master, Amstel, Pils Plus, Efes, Zajecarsko
Slovakia	Heineken Slovensko (100%)	Hurbanovo	Heineken, Amstel, Corgon, Gemer, Kelt, Martiner, Zlaty Bazant, Starobrno

Africa and the Middle East

Country	Company	Locations	Brands
Algeria	Tango (100%)	Algiers	Tango, Samba, Fiesta, Heineken, Amstel
Burundi	Brarudi (59.3%)	Bujumbura, Gitega	Amstel, Primus, Heineken
Cameroon	Brasseries du Cameroun (8.8%)	Bafoussam, Douala, Garoua, Yaoundé	Amstel, Mützig, Heineken
Congo	Brasseries du Congo (50%)	Brazzaville, Pointe Noire	Guinness, Maltina, Mützig, Ngok, Primus, Turbo King, Heineken
Democratic Republic of Congo	Bralima (95%)	Boma, Bukavu, Kinshasa, Kisangani, Mbandaka, Lubumbashi	Amstel, Maltina, Mützig, Primus, Turbo King, Heineken, Legend
Egypt	Al Ahram Beverages Company (99.9%)	Badr, El Obour, Sharkí, 6th of October City, Gianaclis, El Gouna	Heineken, Birell, Fayrouz, Meister Max, Sakara, Stella, Amstel Zero Luxor
Ghana	Guinness Ghana Breweries Ltd. (20%)	Accra, Kumasi	Amstel Malta, Guinness, Gulder, Star, Malta, Heineken
Israel	Tempo Beverages Limited (40%)	Netanya	Heineken, GoldStar, Maccabi, Nesher Malt, Newcastle Brown Ale
Jordan	General Investment (10.8%)	Zerka	Amstel, Heineken
Lebanon	Almaza (67%)	Beirut	Almaza, Laziza, Amstel, Heineken
Morocco	Brasseries du Maroc (2.2%)	Casablanca, Fès, Tanger	Heineken, Fayrouz
Namibia	Namibia Breweries (14.6%)	Windhoek	Heineken, Guinness, Windhoek, Amstel, Tafel
Nigeria	Nigerian Breweries (54.1%)	Aba, Ama, Ibadan, Kaduna, Lagos	Heineken, Amstel Malta, Gulder, Legend, Maltina, Star, Fayrouz
	Consolidated Breweries (50.5%)	Jjebu Ode, Awa-Omamma	'33' Export, Hi-malt, Maltex, Turbo King
Réunion	Brasseries de Bourbon (85.7%)	Saint Denis	Bourbon, Dynamalt, Heineken
Rwanda	Bralirwa (75%)	Gisenyi, Kigali	Amstel, Guinness, Mützig, Primus, Turbo King, Heineken
Sierra Leone	Sierra Leone Brewery (83.1%)	Freetown	Heineken, Guinness, Maltina, Star
South Africa	Sedibeng Brewery (75%)	Johannesburg (Sedibeng)	Heineken, Amstel, Windhoek, Strongbow, Guinness
Tunisia	Nouvelle de Brasserie 'Sonobra' (49.99%)	Grombalia, Ksar Lemsa	Heineken, Golden Brau, Fayrouz

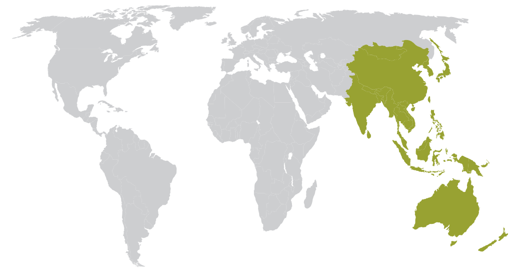


The Americas

Country	Company	Locations	Brands
Argentina	Companias Cervecerías Unidas Argentina (33.1%)	Salta, Santa Fe, Lujan	Heineken, Budweiser, Cordoba, Imperial, Salta, Santa Fe, Schneider
Bahamas	Commonwealth Brewery (100%)	Nassau	Heineken, Guinness, Kalik, Vitamalt
Brazil	Cervejarias Kaiser (100%)	Araraquara	Kaiser, Bavaria, Sol
		Cuibabá	Kaiser, Bavaria, Sol
		Feira de Santana	Kaiser, Bavaria, Sol, Summer Draft
		Gravataí	Kaiser, Bavaria, Sol, Gold
		Jacareí	Kaiser, Bavaria, Sol, Heineken, Kaiser Bock, Gold, Xingú, Summer Draft
		Manaus	Kaiser, Bavaria, Sol
		Pacatuba	Kaiser, Bavaria, Sol
		Ponta Grossa	Kaiser, Bavaria, Sol, Summer Draft, Gold
Chile	Companias Cervecerías Unidas (33.1%)	Antofagasta, Santiago, Temuco	Heineken, Cristal, Escudo, Royal, Kunstmann
Costa Rica	Cervecería Costa Rica (25%)	San José	Heineken, Bavaria, Imperial, Pilsen, Rock Ice
Dominican Republic	Cervecería Nacional Dominicana (9.3%)	Santo Domingo	Presidente
Haiti	Brasserie Nationale d'Haïti (23.3%)	Port-au-Prince	Guinness, Malta, Prestige
Jamaica	Desnoes & Geddes (15.5%)	Kingston	Heineken, Dragon Stout, Guinness, Red Stripe
Martinique	Brasserie Lorraine (100%)	Lamentin	Heineken, Lorraine, Malta, Porter
Mexico	Cervecería Cuauhtémoc Moctezuma (100%)	Monterrey, Tecate, Orizaba, Guadalajara, Toluca, Navojoa	Tecate, Sol, Dos Equis, Bohemia, Coors Light, Indio, Carta Blanca, Superior, Kloster, Noche Buena, Soul Citric
Nicaragua	Consorcio Cervecero Centroamericano (12.4%)	Managua	Heineken, Bufalo, Tona, Victoria
Panama	Cervecerías Barú-Panama (74.9%)	Panama City	Heineken, Crystal, Guinness, Panama, Soberana, Budweiser
St. Lucia	Windward & Leeward Brewery (72.7%)	Vieux-Fort	Heineken, Guinness, Piton
Suriname	Surinaamse Brouwerij (76.2%)	Paramaribo	Heineken, Parbo
Trinidad	Carib Development Corporation (20%)	Port of Spain	Carib, Stag, Guinness

Asia Pacific

Country	Company	Locations	Brands
Cambodia	Cambodia Brewery (33.5%)	Phnom Penh	ABC Extra Stout, Anchor, Gold Crown, Tiger
China	Shanghai Asia Pacific Brewery (46.0%)	Shanghai	Heineken, Reeb, Tiger, Strongbow, Murphy’s Irish Stout
		Haikou	Anchor, Aoke, Tiger
	Hainan Asia Pacific (46%)	Shenzhen, Shantou,	Kingway
	Kingway Brewery (9.9%)	Dongguan,Tianjin, Xian, Chengdu, Foshan	
		Guangzhou	
	Guangzhou Asia Pacific Brewery (46%)		
India	UB Ajanta Breweries (50%)	Chowgule, Aurangabad	Cannon 10000, Arlem, Baron’s Strong Brew, Tiger
	UB Nizam Breweries (50%)	Hyderabad	Tiger
	United Breweries (37.5%)	Taloja, Cherthala, Palakkad, Hyderabad, Ponda, Kalyani, Ludhiana, Chopanki, Mangalore, Nelamangla, Khurda	Kingfisher, Kalyani, UB
		Rewari, Aurangabad, Srikakulam,	
	Millenium Alcobev (84.6%)	Thiruvallur	
Indonesia	Multi Bintang Indonesia (40.6%)	Sampang Agung, Tangerang	Heineken, Bintang, Guinness, Bintang Zero, Green Sands
Laos	Lao Asia Pacific Breweries (28.5%)	Vientiane	Tiger, Heineken, Namkong
Malaysia	Guinness Anchor Berhad (10.7%)	Kuala Lumpur	Heineken, Anchor, Baron’s, Guinness, Strongbow, Kilkenny, Tiger, Lion, Malta, Anglia
Mongolia	MCS Asia Pacific Brewery (23.1%)	Ulaan Baatar	Tiger, Sengur
New Caledonia	Grande Brasserie de Nouvelle Calédonie (36.6%)	Nouméa	Heineken, Number One, Desperados



Asia Pacific continued

Country	Company	Locations	Brands
New Zealand	DB Breweries (41.9%)	Greymouth, Mangatainoka, Otahuhu	Heineken, Amstel, DB Draught, Export Gold, Export Dry, Tiger, Monteith's, Tui, Fuse, Barrel 51, Murphy's Irish Stout
	DB South Island Brewery (23.1%)	Timaru	Murphy's Irish Red, Double Brown, Bushmans Draught, DB Draught, Export 33, Export Dry, Export Gold, Flame, Monteith's, Skippers Draught, Tui
Papua New Guinea	South Pacific Brewery (31.8%)	Lae, Port Moresby	Niugini Ice Beer, South Pacific Export Lager, SP Lager, SP Gold
Singapore	Asia Pacific Breweries (Singapore) (41.9%)	Singapore	Heineken, ABC Extra Stout, Anchor, Baron's, Tiger, Strongbow, Bulmers, Newcastle Brown Ale, John Smith
Sri Lanka	Asia Pacific Brewery (Lanka) (25.2%)	Mawathagama	Archipelago, Bison, Kings Stout, Baron's Lager, Baron's Strong Brew
Thailand	Thai Asia Pacific Brewery (15.4%)	Bangkok	Heineken, Tiger, Cheers
Vietnam	Vietnam Brewery (25.2%)	Ho Chi Minh City	Heineken, Bivina, Tiger, Coors Light
	Asia Pacific Breweries (Hanoi) (41.9%)	Hatay	Heineken, Anchor Draft, Tiger
	VBL Da Nang Co (25.2%)	Da Nang	Coors Light, Foster's, Bière Larue
	VBL Tien Giang (25.2%)	Tien Giang	
	VBL Quang Nam (20.1%)	Guang Nam	

Historical Summary

	2010	2009	2008	2007	2006
Revenue and profit					
In millions of EUR					
Revenue	16,133	14,701	14,319	11,245	10,556
Results from operating activities	2,283	1,630	1,182	1,364	1,637
Results from operating activities (beia)	2,415	1,968	181	1,642	1,391
as % of revenue	15.0	13.4	1.3	14.6	13.2
as % of total assets	9.1	9.8	0.9	13.7	11.6
EBITDA/net interest expenses	7.3	5.2	6.0	22.6	19.7
Net profit	1,436	1,018	209	807	1,211
Net profit (beia)	1,445	1,055	1,013	1,119	930
as % of equity attributable to equity holders of the Company	14.1	19.7	22.7	20.7	18.6
Dividend proposed	438	318	304	343	294
as % of net profit	30.5	31.2	145.5	42.5	24.3
Per share of EUR1.60					
In millions of EUR					
Cash flow from operating activities	4.61	4.87	3.39	3.12	3.55
Net profit (beia)	2.6	2.16	2.07	2.28	1.90
Dividend proposed	0.76	0.65	0.62	0.70	0.60
Equity attributable to equity holders of the Company including the effect of the ASDI	18.19	10.95	9.14	11.04	10.23
Cash flow statement					
In millions of EUR					
Cash flow from operations	3,548	3,029	2,168	1,945	2,164
Cash flow used for interest, dividend and income tax	(891)	(650)	(508)	(416)	(498)
Cash flow from operating activities	**2,657**	2,379	1,660	1,529	1,666
Cash flow from operational investing activities	(664)	(638)	(1,110)	(866)	(612)
Free operating cash flow	**1,993**	1,741	550	663	1,054
Cash flow used for acquisitions and disposals	257	(149)	(3,634)	(259)	(14)
Dividend paid	(483)	(392)	(485)	(417)	(268)
Cash flow from/(used in) financing activities, excluding dividend	(1,689)	(1,445)	3,794	(214)	(381)
Net cash flow	**79**	(245)	225	(227)	391
Cash conversion ratio	126.4%	147.7%	47.8%	53.4%	103.7%
Financing ratios					
Net debt/EBITDA (beia)	2.27	2.62	3.28	0.73	0.83

	2010	2009	2008	2007	2006
EBITDA (beia)/Net interest expense	7.29	5.41	7.2	26.2	17.1
Free operating cash flow/Net debt	25%	23%	6%	38%	62%
Net debt/Equity	0.8	1.4	1.9	0.3	0.3

Financing

In millions of EUR

	2010	2009	2008	2007	2006
Share capital	922	784	784	784	784
Reserves and retained earnings	9,306	4,567	3,687	4,620	4,225
Equity attributable to equity holders of the Company	**10,228**	5,351	4,471	5,404	5,009
Minority interests	289	296	281	307	284
Total equity	**10,517**	5,647	4,752	5,711	5,293
Employee benefits	687	634	688	586	600
Provisions (including deferred tax liabilities)	1,589	1,304	1,163*	728	780
Non-current loans and borrowings	8,078	7,401	9,084	1,295	1,883
Other liabilities (excluding provisions)	5,678	5,194	4,900	3,634	3,482
Liabilities (excluding provisions)	**13,756**	12,595	13,984	4,929	5,365
Total equity and liabilities	**26,549**	20,180	20,587	11,954	12,038

	2010	2009	2008	2007	2006
Equity attributable to equity holders of the Company/ (employee benefits, provisions, and liabilities)	0.64	0.37	0.28	0.87	0.74

Employment of capital

In millions of EUR

	2010	2009	2008	2007	2006
Property, Plant and Equipment	7,687	6,017	6,314	4,673	4,248
Intangible assets	10,890	7,135	7,030*	2,110	1,976
Other non-current assets	3,654	2,875	2,494*	1,814	2,056
Total non-current assets	**22,231**	16,027	15,838	8,597	8,280
Inventories	1,206	1,010	1,246	883	777
Trade and other current assets	2,502	2,623	2,805	1,900	1,718
Cash, cash equivalents and current other investments	610	520	698	574	1,263
Total current assets	**4,318**	4,153	4,749	3,357	3,758
Total assets	**26,549**	20,180	20,587	11,954	12,038

	2010	2009	2008	2007	2006
Total equity/Total non-current assets	0.47	0.35	0.30	0.66	0.64
Current assets/Current liabilities (excluding provisions)	0.76	0.80	0.97	0.92	1.08

* Adjusted due to the finalisation of the purchase price accounting of the Scottish & Newcastle acquisition as disclosed in note 6 of the Notes to the consolidated financial statements.

Glossary

ASDI
Allotted share delivery instrument (ASDI) representing Heineken's obligation to deliver shares, either through issuance and or purchasing of its own shares.

Beia
Before exceptional items and amortisation of brands and customer relationships.

Cash conversion ratio
Free operating cash flow/Net profit (beia) before deduction of minority interests.

Depletions
Sales by distributors to the retail trade.

Dividend payout
Proposed dividend as percentage of net profit (beia).

Earnings per share
Basic
Net profit divided by the weighted average number of shares – basic – during the year.

Diluted
Net profit divided by the weighted average number of shares – diluted – during the year.

EBIT
Earnings before interest and taxes and net finance expenses.

EBITDA
Earnings before interest and taxes and net finance expenses before depreciation and amortisation.

Effective tax rate
Taxable profit adjusted for share of profit of associates and joint ventures, dividend income and impairments of other investments.

Fixed costs
Fixed costs include personnel costs, depreciation and amortisation, repair and maintenance costs and other fixed costs. Exceptional items are excluded from these costs.

Fixed costs ratio
Fixed costs as a percentage of revenue.

Free operating cash flow
This represents the total of cash flow from operating activities, and cash flow from operational investing activities.

Gearing
Net debt/total equity.

Net debt
Non-current and current interest-bearing loans and borrowings and bank overdrafts less investments held for trading and cash.

Net debt/EBITDA (beia) ratio
The ratio is based on a 12-month rolling calculation for EBITDA (beia).

Net profit
Profit after deduction of minority interests (profit attributable to equity holders of the Company).

Organic growth
Growth excluding the effect of foreign exchange rate movements, consolidation changes, exceptional items, amortisation of brands and customer relationships and changes in accounting policies.

Organic volume growth
Increase in consolidated volume, excluding the effect of the first time consolidation of acquisitions.

Profit
Total profit of the Group before deduction of minority interests.

®
All brand names mentioned in this report, including those brand names not marked by an ®, represent registered trade marks and are legally protected.

Region
A region is defined as Heineken's managerial classification of countries into geographical units.

Revenue
Net realised sales proceeds in euros.

Top-line growth
Growth in net revenue.

Volume
Amstel® volume
The Group beer volume of the Amstel brand.

Consolidated beer volume (excluding Joint Ventures)
100 per cent of beer volume produced and sold by fully consolidated companies excluding the beer volume brewed and sold by joint venture companies.

Group beer volume
The part of the total Group volume that relates to beer.

Heineken® volume
The Group beer volume of the Heineken brand.

Heineken® volume in premium segment
The Group beer volume of the Heineken brand in the premium segment (Heineken volume in the Netherlands is excluded).

Total beer volume
The Group beer volume in a country.

Total Group volume
100 per cent of beer, soft drinks and other beverages volume produced and sold by fully consolidated companies and joint venture companies as well as the volume of Heineken's brands produced and sold under licence by third parties.

Weighted average number of shares
Basic
Weighted average number of issued shares including the weighted average of outstanding ASDI, adjusted for the weighted average of own shares purchased in the year.

Diluted
Weighted average number of issued shares including weighted average of outstanding ASDI.

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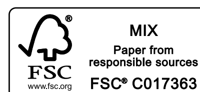

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