Our year in review

ANNUAL REPORT 2009

Heineken NV

Contents

Did you know:

Tasting beer involves all five senses

Beer should be enjoyed with all five senses, opening up a wide variety of flavours. Every style of beer has its own balance of characteristics. Appearance, aroma, taste, after-taste and finish all determine a great beer drinking experience.

AGENDA

Heineken NV

for the Annual General Meeting of Shareholders of Heineken N.V., to be held at Beurs van Berlage, Damrak 243, Amsterdam on Thursday 22 April 2010 at 2:00 p.m.

Opening

1
   a. Report for the financial year 2009.
   b. Adoption of the financial statements for the financial year 2009.
   c. Decision on the appropriation of the balance of the income statement in accordance with Article 12 paragraph 7 of the company's Articles of Association.
   d. Discharge of the members of the Executive Board.
   e. Discharge of the members of the Supervisory Board.

2 Proposal to approve the acquisition of 100% of the beer operations of Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA) via an all share transaction

3 Authorisations
   a. Authorisation of the Executive Board to acquire own shares.
   b. Authorisation of the Executive Board to issue shares to FEMSA (and its affiliates).
   c. Authorisation of the Executive Board to issue (rights to) shares for other purposes.
   d. Authorisation of the Executive Board to restrict or exclude shareholders' pre-emptive rights.

4 Corporate Governance, 'Comply or Explain' report

5 Remuneration Executive Board
   a. Adjustments to the Remuneration Policy for the Executive Board.
   b. Related amendment to the Long Term Incentive Plan for the Executive Board.

6 Composition Supervisory Board (non-binding nominations)
   a. Appointment of Mr. J.A. Fernández Carbajal as member of the Supervisory Board.
   b. Appointment of Mr. J.G. Astaburuaga Sanjinés as member of the Supervisory Board.
   c. Re-appointment of Mr. C.J.A. van Lede as member of the Supervisory Board.
   d. Re-appointment of Mr. J.M. de Jong as member of the Supervisory Board.
   e. Re-appointment of Mrs. A.M. Fentener van Vlissingen as member of the Supervisory Board.

Closing

Agenda items 1b to 3, 5 and 6 are subject to approval of the Annual General Meeting of Shareholders.

EXPLANATORY NOTES

to the agenda for the Annual General Meeting of Shareholders of Heineken N.V., to be held on Thursday 22 April 2010

Item 1c: Decision on the appropriation of the balance of the income statement.

In 2007 a new dividend policy came into force. The new policy reinforces the relation between dividend payment and the annual development of net profit beia and continues to support the intention of Heineken N.V. to preserve its independence, to maintain a healthy financial structure and to retain sufficient earnings in order to grow the business both organically and through acquisitions. The annual dividend payout is 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.

Within the scope of the dividend policy, it is proposed to the Annual General Meeting of Shareholders to determine the dividend for the financial year 2009 at EUR 0.65 of which EUR 0.25 was paid as interim dividend on 2 September 2009. The final dividend of EUR 0.40 per share will be made payable on 29 April 2010. The total dividend will amount to EUR 318 million.

Item 2: Acquisition of 100% of the beer operations of Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA) via an all share transaction.

On 11 January 2010 Heineken N.V. announced the acquisition of the beer operations of FEMSA via an all share transaction (the 'transaction'). Heineken N.V. will acquire all shares of common stock in Emprex Cerveza, S.A. de C.V. (FEMSA Cerveza), comprising 100% of FEMSA's Mexican beer operations (including its US and other export businesses) and the remaining 83% of FEMSA's Brazilian beer business that Heineken does not currently own. As a result of the transaction FEMSA (and its affiliates) will hold a 20.0% economic interest in the Heineken Group (with shareholdings both in Heineken N.V. and Heineken Holding N.V.). 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'). FEMSA will have the right to nominate two representatives for appointment to the Supervisory Board of Heineken N.V., one of whom will be the Vice-Chairman of the Supervisory Board of Heineken N.V. and will also be nominated for appointment to the Board of Directors of Heineken Holding N.V.

Subject to, among other things, the approval of the Annual General Meetings of Shareholders of Heineken N.V. and Heineken Holding N.V., and the meeting of priority shareholders of Heineken Holding N.V., the approval of the General Meeting of Shareholders of FEMSA and approval of certain regulatory authorities, closing of the acquisition is currently expected to occur in the second quarter of 2010. Heineken Holding N.V., as majority shareholder of Heineken N.V., and L'Arche Green N.V., as a majority shareholder of Heineken Holding N.V., have given irrevocable undertakings to FEMSA to vote in favour of the transaction. In addition, the Voting Trust, which controls 39% of FEMSA's voting shares entered into an undertaking to vote in favour of the acquisition at the FEMSA shareholders meeting.

The acquisition represents a significant strategic step for Heineken that creates a platform for future value growth in three of the four largest beer profit pools (USA, Mexico and Brazil). Heineken believes that the acquisition has a clear strategic rationale, as it will enable Heineken to transform its presence in the Americas, offering the potential to grow the Heineken brand in Mexico and Brazil, access value and volume growth in Mexico, the world's fourth largest beer profit pool, strengthen Heineken's leading position in the import and growing Hispanic segments in the USA and provide an opportunity to build value in Brazil, the world's second largest beer profit pool. The acquisition will give Heineken better geographic diversification as well as strengthen our exposure to emerging markets.

The details of the acquisition are described in the shareholder's circular which will be published on the Heineken website (www.heinekeninternational.com/agm) and can be obtained at the offices of Heineken N.V. in Amsterdam.

Item 3a: Authorisation of the Executive Board to acquire own shares.

The Annual General Meeting of Shareholders held on 23 April 2009 last gave an authorisation to the Executive Board to acquire own shares. The Annual General Meeting of Shareholders is now requested to extend the authorisation of the Executive Board.

It is proposed that the Executive Board be authorised by the Annual General Meeting of Shareholders, for the statutory maximum period of 18 months, starting 22 April 2010, to acquire own shares subject to the following conditions and with due observance of the law and the Articles of Association:

a. the maximum number of shares which may be acquired is 10 percent of the issued share capital of the company at any time during the authorisation;
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 to FEMSA (and its affiliates) in connection with the acquisition of the beer operations of FEMSA, as well as 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.

Pursuant to the Articles of Association, a resolution of the Executive Board to acquire own shares is subject to the approval of the Supervisory Board. Subject to the completion of the acquisition of the beer operations of FEMSA, the Supervisory Board has given its approval for the acquisition by the company of the Allotted Shares, being 29,172,504 shares (representing 5.1 per cent of the issued share capital of the company after the issue of 86,028,019 new shares referred to at item 3b), which shares will be repurchased for further delivery to FEMSA (and its affiliates).

Item 3b: Authorisation of the Executive Board to issue shares to FEMSA (and its affiliates).
It is proposed that the Annual General Meeting of Shareholders authorises the Executive Board for a period of 18 months, starting 22 April 2010, to issue 86,028,019 shares to FEMSA (and its affiliates) in exchange for the transfer by FEMSA of its beer operations (consisting of all shares of common stock in FEMSA Cerveza held by FEMSA and its affiliates) to the company and subject to FEMSA (and its affiliates) transferring 43,018,320 of these new shares to Heineken Holding N.V. in exchange for 43,018,320 new Heineken Holding N.V. shares to be issued to FEMSA (and its affiliates).

Pursuant to the Articles of Association, a resolution of the Executive Board to issue (rights to) shares is subject to the approval of the Supervisory Board. The Supervisory Board has given its approval for the issue of 86,028,019 new shares to FEMSA (and its affiliates).

Item 3c: Authorisation of the Executive Board to issue (rights to) shares for other purposes.
The Annual General Meeting of Shareholders held on 23 April 2009 last gave a general authorisation to the Executive Board to issue (rights to) shares. The Annual General Meeting of Shareholders is now requested to extend the existing authorisation of the Executive Board.

It is proposed that the Annual General Meeting of Shareholders authorises the Executive Board for a period of 18 months, starting 22 April 2010, to issue shares or grant rights to subscribe for shares. The authorisation will be limited to 10 per cent of the company's issued share capital, as per 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 the senior management, but may also serve other purposes, such as the issue of those of the Allotted Shares that will not be repurchased under item 3a and other acquisitions.

Pursuant to the Articles of Association, a resolution of the Executive Board to issue shares or to grant rights to subscribe for shares is subject to the approval of the Supervisory Board.

Item 3d: Authorisation of the Executive Board to restrict or exclude shareholders pre-emptive rights.
The Annual General Meeting of Shareholders held on 23 April 2009 last gave an authorisation to the Executive Board to restrict or exclude shareholders pre-emptive rights. The Annual General Meeting of Shareholders is now requested to extend the authorisation of the Executive Board.

It is proposed that the Annual General Meeting of Shareholders authorises the Executive Board for a period of 18 months, starting 22 April 2010, to restrict or exclude shareholders pre-emptive rights in relation to the issue of shares or the granting of rights to subscribe for shares.

Pursuant to the Articles of Association, a resolution of the Executive Board to restrict or exclude shareholders pre-emptive rights in relation to the issue of shares or the granting of rights to subscribe for shares is subject to the approval of the Supervisory Board. Pursuant to article 2:96a paragraph 1 of the Dutch Civil Code shareholders do not have a pre-emptive right in relation to the issue of 86,028,019 shares to FEMSA (and its affiliates) because the shares will be issued against contribution-in-kind.

Item 4: Corporate Governance, 'Comply or Explain' report.
In a separate section of the 2009 annual report (the 'Comply or Explain' report), a detailed overview is given of the way in which Heineken applies the revised Dutch Corporate Governance Code (published on 10 December 2008). The full 'Comply or Explain' report is also available on the company website (www.heinekeninternational.com).

Heineken endorses the Code's principles and applies virtually all best practice provisions. However, as already stated in Heineken's previous 'Comply or Explain' report of 21 February 2005 relating to the Dutch Corporate Governance Code of 9 December 2003, 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.
We have included the ownership structure in this report. 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.

The Supervisory Board proposes to re-appoint Mr. J.M. de Jong in view of his financial expertise, both nationally and internationally. Mr. De Jong is a former member of the Managing Board of ABN AMRO Bank N.V. Mr. De Jong serves on various boards of listed and private companies. He complies with the Dutch Corporate Governance Code of 10 December 2008 (DCGC) with regard to number of board seats. Mr. De Jong is not independent, as defined in the DCGC of 10 December 2008 as he was, prior to his appointment in 2002, member of the Management Board of Heineken Holding N.V. for one year. Currently, Mr. De Jong owns no shares in the company. Mr. De Jong (1945) is a Dutch national.

Item 6e: Re-appointment of Mrs. A.M. Fentener van Vlissingen.

In accordance with the Articles of Association of the Company, the Supervisory Board has made a non-binding nomination for the re-appointment of Mrs. Fentener van Vlissingen as member of the Supervisory Board with effect from 22 April 2010, for the maximum period of four years (i.e. until the end of the Annual General Meeting of Shareholders to be held in 2014). She is a member of the Supervisory Board since 2006. Mrs. Fentener van Vlissingen fits the profile drawn up by the Supervisory Board, as set out on our website.

The Supervisory Board proposes to re-appoint Mrs. Fentener van Vlissingen in view of her broad strategic and financial expertise in several industries. Mrs. Fentener van Vlissingen is Chairman of SHV Holdings N.V. and serves on various boards of listed and private companies. She complies with the Dutch Corporate Governance Code of 10 December 2008 (DCGC) with regard to the number of board seats.

Mrs. Fentener van Vlissingen is independent, as defined in the Dutch Corporate Governance Code of 10 December 2008. Currently, Mrs. Fentener van Vlissingen owns no shares in the company. Mrs. Fentener van Vlissingen (1961) is a Dutch national.

Also visit www.heinekeninternational.com/agm

The meeting will be audiowebcast on www.heinekeninternational.com/webcast/investors

Mr. Fernández Carbajal co-chairs the Mexico Institute of the Woodrow Wilson Center, and for the last 15 years, he has been a professor of the course of Strategic Planning in the Industrial and Systems Engineering degree at Monterrey Tec.
Mr. Fernández Carbajal earned a bachelor's degree in Industrial and Systems Engineering and an MBA from Monterrey Tec.

Mr. Fernández Carbajal fits the profile drawn up by the Supervisory Board, as set out on our website.

He complies with the Dutch Corporate Governance Code of 10 December 2008 (DCGC) with regard to the number of board seats. Mr. Fernández Carbajal is not independent, as defined in the Dutch Corporate Governance Code of 10 December 2008 as he is CEO of FEMSA, which company currently has an important relationship with Heineken USA concerning the sale and distribution by Heineken USA of FEMSA Cerveza's beer brands in the United States of America. Mr. Fernández Carbajal (1954) is Mexican and has currently no shares in Heineken N.V.

The Supervisory Board has appointed Mr. Fernández Carbajal as Vice-Chairman of the Supervisory Board on condition of his appointment as member of the Supervisory Board. He succeeds in this position Mr. J.M. de Jong. Upon his appointment, Mr. Fernández Carbajal will become Chairman of the new Americas Committee to be formed, as well as a member of the Preparatory Committee and the Selection & Appointment Committee.

Item 6b: Appointment of Mr. J.G. Astaburuaga Sanjinés.
In accordance with the Articles of Association of the Company, the Supervisory Board has made a non-binding nomination for the appointment, subject to the completion of the acquisition of the beer operations of FEMSA, of Mr. Astaburuaga Sanjinés as member of the Supervisory Board, for the maximum period of four years (i.e. until the end of the Annual General Meeting of Shareholders to be held in 2014).

The Supervisory Board proposes to appoint Mr. Astaburuaga Sanjinés in view of his large financial and commercial experience. Javier Gerardo Astaburuaga Sanjinés joined FEMSA in 1982. In 2006 he was named FEMSA's CFO and Vice-President of Strategic Development. Prior to that, Mr. Astaburuaga Sanjinés served as co-CEO of FEMSA Cerveza, Vice-President of Sales for Northern Mexico, CFO of FEMSA Cerveza, Vice-President of Corporate Development for FEMSA and Chief Information Officer of FEMSA Cerveza. Mr. Astaburuaga Sanjinés earned a bachelor's degree in public accounting from Monterrey Tec.

Mr. Astaburuaga Sanjinés fits the profile drawn up by the Supervisory Board, as set out on our website.

He complies with the Dutch Corporate Governance Code of 10 December 2008 (DCGC) with regard to the number of board seats. Mr. Astaburuaga Sanjinés is not independent, as defined in the Dutch Corporate Governance Code of 10 December 2008 as he is CFO of FEMSA, which company currently has an important relationship with Heineken USA concerning the sale and distribution by Heineken USA of FEMSA Cerveza's beer brands in the United States of America. Mr. Astaburuaga Sanjinés (1959) is Mexican and has currently no shares in Heineken N.V.

Upon his appointment, Mr. Astaburuaga Sanjinés will become a member of the Audit Committee.

Item 6c: Re-appointment of Mr. C.J.A. van Lede.
In accordance with the Articles of Association of the Company, the Supervisory Board has made a non-binding nomination for the re-appointment of Mr. Van Lede as member of the Supervisory Board with effect from 22 April 2010, for the maximum period of four years (i.e. until the end of the Annual General Meeting of Shareholders to be held in 2014).
Mr. Van Lede was first appointed in 2002 and became Chairman in 2004. Mr. Van Lede fits the profile drawn up by the Supervisory Board, as set out on our website.

The Supervisory Board proposes to re-appoint Mr. C.J.A. van Lede in view of his extensive knowledge and broad management experience in the national and international business environment and the way Mr. Van Lede fulfils his role as Chairman of the Supervisory Board. Mr. Van Lede is a former CEO of Akzo Nobel N.V. Mr. Van Lede serves on various boards of listed and private companies.
He complies with the Dutch Corporate Governance Code of 10 December 2008 (DCGC) relating to number of board seats and is independent, as defined in the DCGC. Currently Mr. Van Lede owns no shares in the company. Mr. Van Lede (1942) is a Dutch national.

The Supervisory Board has re-appointed Mr. van Lede as chairman of the Supervisory Board on condition of his re-appointment as member of the Supervisory Board.

Item 6d: Re-appointment of Mr. J.M. de Jong.
In accordance with the Articles of Association of the Company, the Supervisory Board has made a non-binding nomination for the re-appointment of Mr. De Jong as member of the Supervisory Board with effect from 22 April 2010, for the maximum period of four years (i.e. until the end of the Annual General Meeting of Shareholders to be held in 2014). Mr. De Jong was first appointed in 2002 and became Vice-Chairman in 2004. Mr. De Jong fits the profile drawn up by the Supervisory Board, as set out on our website.

The following best practice provisions are not (fully) applied or applied with an explanation:
II.1.1: appointment period Executive Board members;
II.2.8: severance payment Executive Board members;
III.2.1, III.2.2 a, c and e and III.2.3: independence of Supervisory Board members;
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 Annual General Meeting of Shareholders of 22 April 2010 will have the opportunity to discuss the way Heineken deals with the Code.

Item 5a: Adjustments to the Remuneration policy for the Executive Board.
The Annual General Meeting of Shareholders is invited to adopt the adjustments to the remuneration policy for the Executive Board as per 1 January 2010. The core remuneration principles of supporting the business strategy, paying for performance and paying competitively and fairly remain unchanged. The proposed adjustments are to further strengthen the link between pay and performance and more effectively drive Heineken's long term success.
The adjustments relate to the Short Term Incentive (a.o. allowing to set specific financial and operational measures on an annual basis) and to the Long Term Incentive (a.o. replacing Total Shareholder Return (TSR) with key fundamental financial performance measures. The present policy and the adjustments to the policy are stated in the remuneration report in the annual report (pages 65 to 70) and are posted on the website.

Item 5b: Related amendment to the Long Term Incentive Plan for the Executive Board.
In order to align the long term incentive for the Executive Board to the principles of the current remuneration policy (remuneration at the median of the labour market peer group) the Supervisory Board determined that the value at target level of the shares that will be conditionally awarded (starting with award of 2010) will be 125% of base salary for the CEO and 100% of base salary for the CFO. As part of the proposed adjustment to the remuneration policy for the Executive Board (also starting with the award of 2010) TSR will be replaced as performance measure by the following financial performance measures: Organic Gross Profit beia Growth, Organic EBIT beia Growth, Earnings per Share (EPS) beia Growth and Free Operating Cash Flow, each having equal weight. At threshold performance 50% of the performance shares will vest (which is 25% under the current TSR measure), at target performance 100% of the performance shares will vest and at maximum performance 150% of the performance shares will vest.
The Annual General Meeting of Shareholders is invited to approve the amended level of the shares that will be conditionally awarded under the current remuneration policy and the adjustments to the Long Term Incentive plan.

Item 6a: Appointment of Mr. J.A. Fernández Carbajal.
In accordance with the Articles of Association of the Company, the Supervisory Board has made a non-binding nomination for the appointment, subject to the completion of the acquisition of the beer operations of FEMSA, of Mr. Fernández Carbajal as member of the Supervisory Board, for the maximum period of four years (i.e. until the end of the Annual General Meeting of Shareholders to be held in 2014).

The Supervisory Board proposes to appoint Mr. Fernández Carbajal in view of his broad strategic and operational experience in the beer business in Latin America and specifically in Mexico.
José Antonio Fernández Carbajal joined FEMSA in 1987. He was named Chief Executive Officer of FEMSA in January 1995 and has served as Chairman of the Board of FEMSA since 2001. Before becoming CEO of FEMSA, Mr. Fernández Carbajal served as the Chief Executive Officer of OXXO, the largest convenience store chain of Latin America.

He also held positions in FEMSA's corporate area, as well as in the commercial department of the Cuauhtémoc Moctezuma Brewery. Mr. Fernández Carbajal is also Chairman of the Board of Coca-Cola FEMSA, Vice Chairman of the Board of Monterrey Tecnológico, and participates on Boards of important national and international companies, such as Grupo Financiero BBVA Bancomer, Grupo Industrial Bimbo, Televisa.

Key figures[1]

Results

In millions of EUR	2009	2008	Change in %
Revenue	14,701	14,319	2.7
EBIT[3]	1,757	1,080	62.7
EBIT (beia)[3]	2,095	1,932	8.4
Net profit	1,018	209	387.1
Net profit (beia)[3]	1,055	1,013	4.1
EBITDA[3]	2,840	2,286	24.2
EBITDA (beia)[3]	2,938	2,720	8.0
Dividend (proposed)	318	304	4.6
Free operating cash flow[3]	1,741	550	216.5

Balance sheet

In millions of EUR			
Total assets	20,180	20,587[2]	(2.0)
Equity attributable to equity holders of the Company	5,351	4,471	19.7
Net debt	7,704	8,932	(13.7)
Market capitalisation	16,299	10,708	52.2

Results and balance sheet per share of EUR 1.60

Weighed average number of shares – basic	488,666,607	488,930,340	(0.1)
Net profit	2.08	0.43	383.7
Net profit (beia)	2.16	2.07	4.3
Dividend (proposed)	0.65	0.62	4.8
Free operating cash flow	3.56	1.12	217.9
Equity attributable to equity holders of the Company	10.95	9.14	19.8
Share price[4]	33.27	21.90	51.9

Employees

In numbers			
Average number of employees	55,301	58,453	(5.4)

Ratios

EBIT as % of revenue	12.0%	7.5%	60.0
EBIT as % of total assets	8.7%	5.2%	67.3
Net profit as % of average equity attributable to equity holders of the Company	20.7%	4.2%	392.9
Net debt/EBITDA (beia)	2.62	3.28	(20.1)
Dividend % payout	30.1%	30.0%	0.3
Cash conversion rate	147.7%	47.8%	209.0
EBITDA/Net interest expenses	5.2	6.0	(13.3)

[1] Please refer to the 'Glossary' for definitions.

[2] Comparatives have been adjusted due to the finalisation of the purchase price accounting of the Scottish & Newcastle acquisition.

[3] '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 49 to 53.

[4] As at 31 December.

The quick read

History

The Heineken story began 145 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 the Dutch East Indies.

Over the ensuing years, growth and acquisitions substantially expanded the Company, particularly in Europe, which created a stronger, more competitive business focused on sustainable growth.

Four generations of the Heineken family have been passionately involved in the expansion of the Heineken brand and the Heineken Company throughout the world. By the 21st century, the small 19th century local Amsterdam brewer has grown into a worldwide business with a global brand, employing more than 55,000 people.

For more information see page 164

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 valuable 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®
- Foster's®
- Kingfisher®
- Newcastle Brown Ale®
- Ochota®
- Primus®
- Sagres®
- Star®
- Strongbow®
- Tiger®
- Żywiec®

For more information see page 12

Where we operate

We have the widest presence of all international brewers, thanks to our global network of distributors and over 125 breweries in more than 70 countries in 2009. In Europe we are the largest brewer and we are the world's largest cider producer.

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 with recent agreements and proposed acquisitions in India, Asia and Latin America, are growing in emerging beer markets.

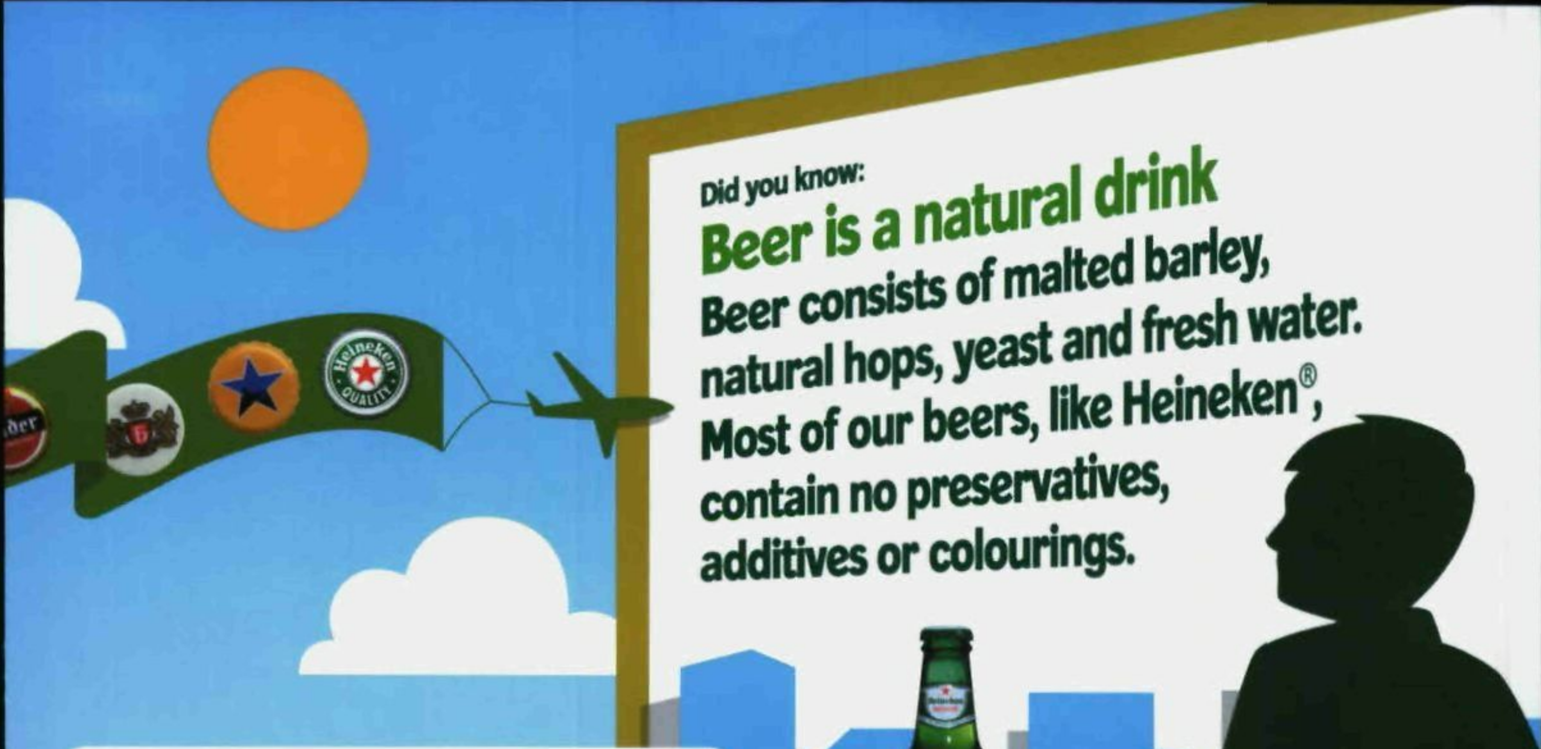
For more information see page 164

Priorities

Marketing excellence and innovation are key components of our growth strategy. In everything we do, it is the 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. As part of this, we continue to increase our initiatives to combat alcohol abuse and misuse and we will work hard to reach the highest environmental standards in the industry.

For more information see page 7



Financials

- Strong organic net profit growth of 18 per cent
- Reported net profit of EUR 1,018 million
- Free operating cash flow EUR 1,741 million

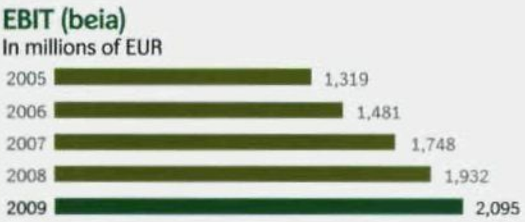
Revenue +2.7%
€ 14,701 million

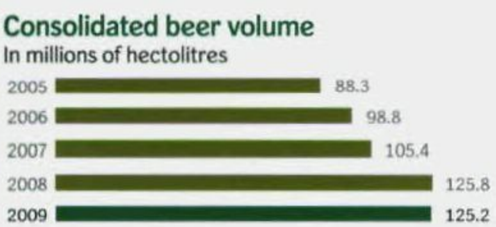
EBIT (beia) +8.4%
€ 2,095 million

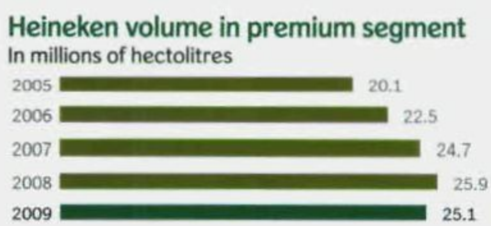
Net profit (beia) +4.1%
€ 1,055 million

Consolidated beer volume (0.5)%
125.2 million hectolitres

Heineken volume in premium segment (3.1)%
25.1 million hectolitres







For more information see page 71

Milestones 2009

International Graduate Programme

Heineken® launches the International Graduate Programme. This creates a multi-cultural, multi-functional, multi-skilled talent pool capable of undertaking international roles from the beginning of their career. For the first year of the programme, 12 graduates are selected.

It is a two-year programme in which graduates complete four placements specialising in Sales & Marketing, Finance, Supply Chain or Human Resources. Around 4,500 graduates applied for 12 positions on the programme.

The new recruits started the programme in September.

Heineken® partners with Rugby World Cup 2011 in New Zealand

Heineken® announces that it will be worldwide partner and the official beer of Rugby World Cup 2011 in New Zealand. This will be the fourth time that Heineken® has been a sponsor and worldwide partner of the Rugby World Cup, having been involved in South Africa in 1995, Australia in 2003 and France in 2007.

The Rugby World Cup is the pinnacle of the sport and will be held in a nation that really knows and loves its rugby. As the world's most valuable, international premium beer brand, Heineken® has been associated with many high profile global sporting tournaments and has been a long-standing supporter of Rugby World Cup and Rugby.

RUGBY WORLD CUP 2011

Heineken

WORLDWIDE PARTNER

Heineken endorses UN Water Mandate

Heineken® endorses the United Nations CEO Water Mandate. This United Nations-led initiative encourages companies to play a more active role in solving issues related to water availability and quality. The signing of the CEO Water Mandate by Jean-François van Boxmeer re-confirms Heineken's existing commitment to both sustainability and water management.

Water has long been one of Heineken's focus areas for sustainability. In recent years, the Company has improved its water efficiency by more than 10 per cent and in parallel, has installed wastewater treatment plants at virtually all its breweries that do not have access to municipal wastewater facilities. Heineken has also consistently improved the quality of the water the Company emits at the end of the brewing process. Given the increasing challenges around water availability and quality, the CEO Water Mandate provides Heineken with an excellent platform to share and learn best practice from others in this vitally important area.

Heineken launches global careers site

Heineken launches the first global careers site, giving a focal point for job seekers worldwide who may be interested in a career with Heineken and who are looking for opportunities across the business.

The site links the Heineken corporate website, the websites for our key brands and local country sites and is designed to inspire the visitor to explore the Heineken business and explain how rewarding a career with Heineken can be.

It provides visitors with information about Heineken, showing potential candidates just how much there is to the business – the scale, the geographic spread of our business, our cultural diversity, our brand portfolio – and the opportunities a career with Heineken can offer.

Scottish & Newcastle UK changes name to Heineken UK

Following the acquisition of Scottish & Newcastle in 2008, Heineken's UK business marks the completion of integration with a change in name.

The switch to Heineken UK is the beginning of an exciting, new chapter in the history of the UK business and a significant milestone for Heineken.

Heineken® launches UEFA Champions League campaign

Heineken®, in its fifth year as a sponsor of the UEFA Champions League, launches the new 2009/2010 season campaign titled, *'The Heineken Star Experience'*. Heineken® brings the UEFA Champions League even closer to football fans, offering a new viewing experience and encouraging them to share that experience of the world's most admired club football competition.

Heineken® continues to integrate its responsible consumption programme into the sponsorship of the UEFA Champions League. Every stadium hosting a UEFA Champions League match will feature *"Enjoy Responsibly"* on one of its three perimeter boards around the pitch, complementing the regular Heineken® boarding. In addition, an *Enjoy Heineken Responsibly* five-second match bumper will be broadcast several times during UEFA Champions League matches with an estimated audience of 150 million viewers per match week.

Heineken Africa Foundation

Heineken announced the Heineken Africa Foundation to support and enhance the improvement of health for the people who live in the Sub-Saharan African communities where Heineken operates. The Heineken Africa Foundation supports health projects and health-related education. Heineken has taken this initiative to underpin its long-standing commitment to Africa.

One of the first projects to receive funding from the Heineken Africa Foundation was an agreement for the purchase and distribution of long-lasting insecticidal nets to help control malaria infection by mosquitoes in Rwanda. This is one of a number of projects supported by the Heineken Africa Foundation.

Heineken Experience receives Thea Award

The Heineken Experience, one of Amsterdam's most popular tourist attractions, receives the Thea Award for Outstanding Achievement in the field of Brand Experience by the Themed Entertainment Association (THEA). This association represents the world's leading creators, developers, designers and producers of compelling places and experiences. The Thea Award is the industry's highest recognition and granted to the Heineken Experience for its outstanding product.

After undergoing extensive remodelling and expansion, the Heineken Experience reopened its doors in December 2008 with a scale of new attractions such as a mini brewery, a tasting bar and multi-media experiences. The Heineken Experience had welcomed the 250,000th visitor by September 2009. The number of visitors throughout the year remained in line with original projections despite the downturn in tourism, which saw a 30 per cent fall in the number of visitors from the US and the UK. The new Heineken Experience brings the values of the Heineken brand to life in an entertaining and contemporary way.

Heineken partners for growth in India and strengthens Asia Pacific joint venture

Heineken and United Breweries Limited (UBL), India's leading brewer, create a strong partnership that will drive growth in one of the world's fastest-growing and most exciting beer markets.

Through the transaction, Heineken will gain joint majority control of India's Number 1 brewer, UBL and agree terms for the brewing and distribution of the Heineken brand in India. As part of the new agreement, Heineken acquires Asia Pacific Breweries(APB) India and in a subsequent transaction intends to transfer this into UBL during 2010.

Heineken will strengthen and enlarge APB, its successful joint venture partnership with Fraser & Neave through the transfer of a significant part of its controlling interest in PT Multi Bintang Indonesia and its controlling interest in Grande Brasserie de Nouvelle-Calédonie S.A. in 2010. This creates a more profitable business and a stronger platform for growth in South East Asia and the Pacific Islands.

Chief Executive's Statement

"In 2009 we delivered an outstanding financial performance, transformed our platform for future growth and built a stronger, more competitive global business."

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

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

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

Twelve months ago, we assured our stakeholders that Heineken would emerge a stronger business from the global financial crisis. Whilst the downturn is not yet over, in 2009 we delivered an outstanding financial performance, transformed our platform for future growth and built a stronger, more competitive global business.

We were able to do so by harnessing our core strengths: the commitment and excellence of our people, the strength of our brands and our ambition to build profitable future growth.

An outstanding financial performance

At the start of 2009 we aligned our business behind three clear priorities: maximising free operating cash flow, improving the profitability of our newly acquired businesses and reinforcing our market positions.

During 2009, every single manager in Heineken had, and in 2010 will continue to have, a cash flow target as their priority. This rigorous, Company-wide focus drove a 216.5 per cent increase in our free operating cash flow to EUR1,741 million. In addition, we met our commitment to achieve a cash conversion rate greater than 100 per cent, achieving 147.7 per cent.

In critical markets such as the UK and Russia, we developed specific turnaround plans to increase profitability. In both, robust pricing, cost reduction, stock keeping unit and portfolio rationalisation played a significant role in the success. These improved performances combined with continued growth from all regions contributed to a 387.1 per cent growth in net profit and a growth in organic net profit of 18.2 per cent.

Cost reduction across all aspects of the business has also been a major driver of our profitability. The Total Cost Management programme (TCM) identifies projects that allow us to significantly reduce our cost base. It follows the success of our 2005-2008 Fit2Fight programme and in its first year TCM bore fruit, with EUR155 million of costs taken out of the business.

But it is not only the increases in our bottom line that are notable. Our value strategy continues to be successful, despite huge recessionary pressures. This clearly demonstrates the benefit of long-term brand investment in order to build equity, relevance and resilience.

In 2009, the Heineken brand again outperformed our portfolio. To us this confirms that the trend towards premium beer continues and that it drives sales and mix improvements.

Transforming our platforms for future growth

It was the confidence in our people and the success of our strategy that convinced us in the second half of the year to take some bold steps that will transform the future of our business.

Transforming our future in the Americas

In January 2010, we announced the acquisition of FEMSA Cerveza (FEMSA) in Mexico and Brazil. Completion of the transaction is expected in the second quarter of 2010 and is subject to the approval of the relevant regulatory authorities and the approval of the shareholders meetings of Heineken N.V., Heineken Holding N.V. and FEMSA. This is one of the most exciting and significant transactions in Heineken's history. It gives us a major new platform to grow value in three of the world's four biggest beer profit pools that together account for 35 per cent of the total global profit for the beer industry.

The acquisition will bring new people, exceptional brands and different ideas into our business and will give FEMSA a 20 per cent economic holding in the total Heineken Group. FEMSA will also nominate two representatives for appointment to our Supervisory Board. We welcome FEMSA as a significant shareholder and we look forward to their valuable contribution to Heineken's future.

Transforming our future in India

In December, we announced a strong partnership in India, one of the world's fastest growing and most exciting beer markets. Our new shareholders' agreement with Dr. Vijay Mallya gives us a strong role in the governance of the market leader, United Breweries Limited (UBL), in which both Dr. Mallya and Heineken own 37.5 per cent. This will enable us to unlock the market's considerable potential and to shape the premium segment. We are now uniquely positioned to benefit from the highly favourable demographics and strong economic fundamentals in the Indian market.

Strengthening our partnership in Asia

At the same time as our Indian transaction, we announced that we had strengthened and enlarged Asia Pacific Breweries (APB), our long-standing and successful joint venture partnership with Fraser & Neave. At the beginning of 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 S.A. to APB in order to create a more profitable business and a stronger platform for growth in South East Asia and the Pacific Islands.

Chief Executive's Statement (continued)

A stronger, more competitive global business

All our actions in 2009 were carried out with the intention of creating a stronger more competitive global business. As a result of our decisions and actions, and without jeopardising our financial stability, we have:

- Extended our position as the most international brewer
- Cemented our position as the world's second largest brewer by revenue (EUR 14.7 billion) and considerably strengthened our volume position (125.2 million hectolitres)
- Increased our exposure to, and benefit from, growth in developing markets. Following approval of all transactions, 40 per cent of our EBIT will be generated from developing markets and 60 per cent from established profitable beer markets
- Achieved positions in three of the four largest beer profit pools
- Strengthened our leading international portfolio with the addition of the Kingfisher brand; our portfolio will be further strengthened by the addition of the Dos Equis, Tecate and Sol brands (which we are already distributing in the United States) following the completion of the acquisition of FEMSA Cerveza.

Future sustainable growth

In 2010 and beyond, we will focus systematically on growing our brands and our value share in critical markets. We will do this everywhere, but we will particularly look to do so in Europe where we have significant market leadership despite the intense competition. It will not be easy given the economic, market, consumer and regulatory dynamics across many markets. We will though aim to leverage our leadership position and develop specific action plans to grow and strengthen our business and the category. We must also accelerate our investment in consumer-focused innovation, especially on the Heineken brand.

It will be the responsibility of all in the business to ensure that our future growth is achieved sustainably, with integrity and responsibly. We will seek to maintain our industry-leading position in the SAM Dow Jones Sustainability Index and we will announce new targets and programmes. In our Sustainability Report, we set out our renewed sustainability agenda, which will re-enforce and embed our long-standing commitment to sustainable growth and responsible consumption.

The business agenda we are setting ourselves for the future is hard. It would, though, be impossible to meet our considerable ambition without the dedication and hard work of our people. As always, I would like to thank them for their considerable contribution to our continued success and to thank all of our stakeholders for their support through the year.

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

Amsterdam, 22 February 2010

Outlook

This outlook for 2010 provides further information on general developments in the international beer industry, their effects on Heineken's position, its profit forecast and capital investments.

Outlook 2010

The global economic environment will continue to lead to lower beer consumption and down-trading in a number of regions in 2010.

Heineken is committed to utilising its global marketing excellence to build its key brands, including Heineken, across all markets and to maintaining, or where possible improving, its price positioning. Price increases will be at levels well below those of 2009. However, Heineken aims to continue passing on excise duty increases through higher sales prices.

The Company will aim to improve both market and value share in its markets via increased brand investments.

Heineken will aggressively pursue its TCM cost reduction programme in all business areas and will continue to focus on improving the profitability of its newly acquired companies.

The likely fall in raw material costs per hectolitre due to a temporary decline in the price of brewing barley will be offset by higher energy costs, rising advertising rates and increased marketing costs.

Heineken reiterates its target of reducing its Net debt/EBITDA (beia) ratio to below 2.5 times. Heineken is confident that it will achieve its target of a cash conversion rate in excess of 100 per cent in the remaining two years of the Hunt for Cash 2 programme.

Capital expenditures related to property, plants and equipment will be broadly in line with 2009 at EUR700 million, and will be financed from cash flow. Heineken expects a further organic decline in the number of employees.

Excluding FEMSA Cerveza, Heineken expects an average interest rate of approximately 6 per cent and an effective tax rate in the range of 25-27 per cent.

Executive Committee

The two members of the Executive Board, the five Regional Presidents and five Group Directors 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), DRC (General Manager), Poland (Managing Director), Italy (Managing Director). Executive Board responsibility for Heineken Regions and Group departments: 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 Group departments: Control & Accounting, Finance, Business Development and Business Process & Technology.

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.

6 7 3 4 5 1

4. Marc Gross (French; 1958)
Group Supply Chain Director
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.

5. 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.

6. 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.

7. Alexis Nasard (Lebanese; 1966)
Group Commerce Director
Joined Heineken in February 2010 as Group Commerce Director, 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.

8. Michael O'Hare (Irish; 1967)
Group Human Resources Director
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.

9. 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.

10. 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.

11. Sean O'Neill (British; 1963)
Group Corporate Relations Director
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.

12. Floris van Woerkom (Dutch; 1963)
Group Control and Accounting Director
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.

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Operational Review

2009 clearly demonstrated that in times of economic pressure, strong brands are one of the most important pillars in enabling a consumer goods business to weather the storm.

For Heineken, 2009 has again proved there is no substitute for long-term, consumer-focused investment in brand health. It is clearly the right strategy and has helped to differentiate us from our competitors and deal with the major challenges with which we have been faced during the year.

Consumers rightly value beer brands that are relevant, provide unique experiences and are brewed with passion and quality. They will only accept paying more for brands that continually deliver on all these levels.

The Heineken brand

Once again, the Heineken brand was the outstanding example of this philosophy. As the jewel in our world-leading portfolio of brands, we invested significantly as we have always done; outperforming the rest of portfolio. This helped us reach 25.1 million hectolitres in the premium segment of the global beer market and 125.2 million hectolitres overall, including the Netherlands.

When a brand has the global footprint and awareness that Heineken does, it is a challenge to drive growth. However, as we said we would, we have now used the distribution platform provided by the former Scottish and Newcastle businesses acquired in 2008 for a platform for growth for the Heineken brand.

Whilst Heineken beer itself remains true to its traditional, natural recipe, we ensure that we continuously adapt all other aspects of the brand to ensure it remains relevant and contemporary. That's why at the beginning of 2009 we launched a new visual identity across the range of packaging and merchandising. This is being rolled out across all of our markets and brand formats and platforms.

Alongside this new identity, we also developed a new 'brand idea' for Heineken – the central thought that drives all communication planning and execution. To support the implementation of the brand idea, we have created a new visual communication style, which better reflects both the brand identity and idea. As we move into 2010, we will be developing new television and print advertising that will communicate the brand idea to the consumer.

Heineken volume by region
In millions of hectolitres

Western Europe*	7.5	29.9%
Central and Eastern Europe	2.5	9.9%
Americas	8.3	33.1%
Africa and Middle East	2.3	9.2%
Asia Pacific	4.5	17.9%
Total	25.1	100%

* in premium segment

Operational Review (continued)

These steps are vital for the health of the brand, as is providing direct consumer experiences via one of the world's most comprehensive brand sponsorship portfolios. The biggest of these is our sponsorship of the UEFA Champions League. The Heineken brand is now in its fourth year of sponsorship with year-on-year increases in awareness and greater numbers of consumers becoming more involved in the elements we create. In 2009, we received 2.5 million hits on the Star Final website, we took the UEFA Champions League Trophy 'on tour' to more than 75,000 consumers in four markets in Africa, with a total media reach of 260 million people. In addition, we provided hospitality for consumers, customers, suppliers and business partners at the Final itself in Rome and were able to show them first-hand our new brand identity.

It is not only Europe's premier football tournament around which we create consumer experiences. We also sponsor Europe's second major sporting event, the Heineken Cup, European rugby's club championship. Now in its tenth year, the tournament gives the brand a unique and identifiable association with this major international sport. Both the UEFA Champions League and Heineken Cup rugby benefit from significant media exposure with millions of consumers exposed to one or both events during the year.

Consumer communication though is now much more than only television. For many years the Heineken brand has had a strong and engaging online presence. In 2009 we invested in a new online presence, developing a more interactive digital strategy fully integrated with the brand's activities. In November, we launched our new, significantly upgraded Heineken.com consumer site.

Innovation

Profitable, consumer-focused innovation across the Heineken brand and our wider portfolio continues to be an essential part of driving volume growth and consumer preference. To facilitate innovation platforms, we have established a cross-functional, cross-regional team of 40 people to drive concept identification and development faster and in a more integrated way. So far, the team has developed 37 initial proposals, of which seven have been chosen for progression. The innovation team has also improved the methodology and techniques for developing consumer understanding and insight and linked this much more closely to the innovation process.

We continued to drive the roll-out of our key, recent innovations: Heineken Extra Cold, DraughtKeg, BeerTender and David. Extra Cold was again a driver of growth with approximately 16,500 new installations bringing the total number worldwide to approximately 84,900 and the total number of markets to 116 countries. During the year five new brands were added to the DraughtKeg range. In total, DraughtKeg is now available in seven brands and in 2009 accounted for 529,000 hectolitres. To support the right consumer experience, new DraughtKegs now come with a built-in temperature indicator to inform the consumer when the perfect temperature is reached. BeerTender sold more than 170,000 appliances during the year and after the introduction into Russia, is now available in 12 markets and 15 brands. We continued to invest behind the David system, the draught beer system aimed at lower volume on-trade outlets, installing more than 5,000 machines including a major launch in Portugal. This brings the total number of markets in which the David system is now available to nearly 100.

Capability building

Investing in brands requires a deep understanding of consumers, customers and marketing techniques and channels. Maintaining a world-leading portfolio demands that we also continually invest in training, development and competency building for our people.

In 2009 we successfully executed the roll out of the new commercial competency model along with supporting tools, and documentation. We trained 50 of our senior commercial managers in 'train-the-trainer' sessions. In turn, these trainers have now introduced the competency requirements and the personal development planning (PDP) process to approximately 1,000 managers in commerce around the business.

As a company, we have always valued, encouraged and rewarded excellence in execution. 2009 saw us introduce a new Distributor Management model, which will help us to implement our plans better and faster through Africa's unique distributor landscape. Seven key businesses in Africa are now using this new model.

The same approach was adopted for Trade Marketing in our Central and Eastern Europe region where we launched a new Trade Marketing framework, focusing on channel segmentation and on building winning-channel strategies.

We also made it clear at the end of 2008 that we would increase our performance with regard to delivering more effective and efficient marketing and promotional activities. At the start of 2009, we ensured that more than half our commercial managers worldwide had part of their personal objectives targeted on one of our key efficiency measures – GP Net – gross profit net of sales and marketing costs. Across the business, we have considerably improved our performance on this essential indicator.

Managing our world-leading portfolio

The Heineken brand is unique in its global distribution and recognition and hence is a clear differentiator for our business. However, beer continues to be essentially a locally driven industry. Eighty-five per cent of our Group Beer Volume is driven by local and sometimes regional brands such as Amstel, Zlaty Bazant or Primus. Therefore, understanding how to grow and manage portfolios has to be a core skill of our marketing teams around the world.

Operational Review (continued)

To support this, we have established some fundamental principles around the long-term growth of our premium beers at both regional and domestic levels. In parallel, we have maintained our speed and focus on reviewing the portfolio strategies and offerings in our key markets. We completed extensive portfolio reviews in Russia and the UK and have already begun to implement the recommendations of these in terms of positioning, stock-keeping unit rationalisation, pricing and marketing investment levels.

In addition, our portfolio specialists collaborated with our local consumer marketing experts in Belgium, Nigeria, Poland and the Netherlands in order to address specific brand or portfolio issues.

Each portfolio review or intervention is carefully logged so as to provide learning and insight for future and similar situations. We have now completed a review 'history' of the last five years in order to support future, faster and more locally driven reviews.

As part of the overall discussions relating to our portfolio, we have defined an approach on the Amstel brand in order to accelerate the continuing improvement in the brand equity of Amstel in its key markets. The same team also made significant steps in clarifying the role of the Amstel brand in the Heineken premium portfolio and strategic direction of its key sub-brands: Beer, Lager, Pulse and Light.

Cider

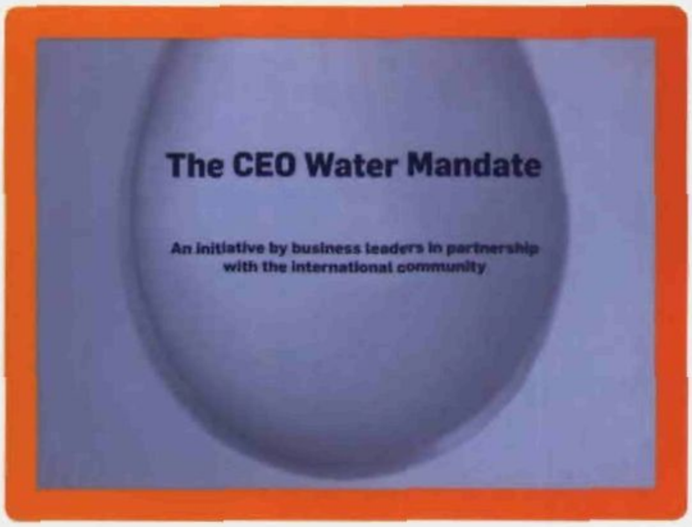
Following our acquisition of Scottish & Newcastle, Heineken is the world's biggest cider maker. Once again, the cider market in the UK was strong compared with the overall beer market. It is not only the UK though where cider can play a role in our portfolio and add to our growth. We are clear on the opportunity that exists for us to develop cider either at a brand or category level in selected markets around our business. We have begun to implement the plan behind this thinking and in 2009 launched Strongbow in the Netherlands and will introduce it in the USA and Canada.

Sustainability: an established philosophy for a new decade

We have always believed that maintaining a long-term perspective across all aspects of our Company is crucial for success and we have tried to make that an integral part of doing business.

To renew our commitment to this long-held philosophy, in January 2009, our CSR Advisory Board considered and approved a proposal to undertake a complete review of our sustainability and responsibility agenda with the idea of building a stronger, longer-term approach for the next years. In addition to the implementation of our existing sustainability programmes, much of 2009 was spent in dialogue with stakeholders both internal and external on this major undertaking. Six work streams and more than 200 people were involved. The targets and action plans are contained in our 2009 Sustainability Report.

During 2009, we accelerated our support for and investment in important global initiatives. In March, Jean-François van Boxmeer became a signatory to the UN CEO Water Mandate, reconfirming water management as a core pillar in Heineken's approach to sustainability. The CEO Water Mandate provides us with an excellent platform to share and learn best practice from others.



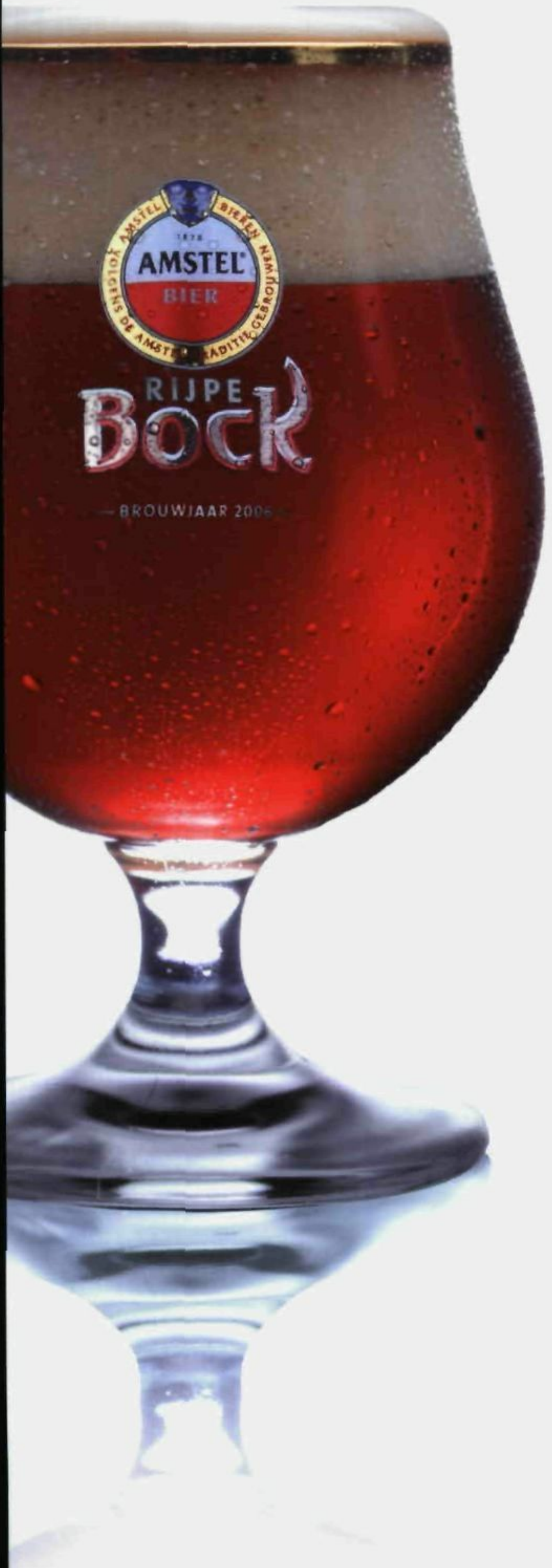
In September, Heineken, along with other key industry players informed the World Health Organisation it would co-fund a three-year international action programme to combat drinking and driving, to establish effective self-regulation and to research the impact of illicit, non-commercial alcohol in developing markets in different regions. This major commitment is being co-ordinated and run jointly by the Global Alcohol Producers Group (GAPG) and the International Centre for Alcohol Policy (ICAP).

The Heineken brand also continues to spearhead our actions on responsible consumption. Our fully integrated 'Enjoy Heineken Responsibly' platform is now in its fifth year. We apply the same approach to continual investment and improvement to this aspect of the brand as we do to every other. We have maintained our levels of responsibility messaging both on brand packaging and commercial communication globally. At the end of the year we extended and improved our Know the Signs campaign through the introduction of situation and issues-based vignettes on YouTube which make the message very 'real' for viewers. We also added additional characters on the 'Know the Signs' website and made interactivity easier for better and quicker consumer understanding. We again dedicated the most prominent 30 per cent of our pitch-side advertising at all UEFA Champions League matches to responsibility messaging. This is in addition to the responsibility broadcast messaging and the hospitality branding around the venues.

For more information regarding our policies and objectives, please see our 2009 Sustainability Report that will be published in April 2010. This report will also be available on our website heinekeninternational.com

It is the local actions and investments that also mark our positive progress and 2009 saw a significant increase in these. We now have 30 market partnerships relating to responsible consumption, our Goss Brewery in Austria is working towards CO_2 neutrality, our Greek and Russian businesses undertook major initiatives to clean areas of outstanding beauty, our French business introduced a major new sustainability strategy. And in order to emphasise the importance of local action and to show our commitment to transparency, we will be asking our 20 leading markets to publish their own Sustainability Reports for 2009.

Operational Review (continued)



Whilst we are the first to admit that we do not have all the answers and we do not always meet 100 per cent of the objectives we have set, we have made great progress on a significant number of issues and we are encouraged by the recognition we receive for these achievements. In 2009, for the third year in a row, we were again ranked as the leading brewer globally and the leading beverage company in Europe within the SAM Dow Jones Sustainability Index. Additionally, we are proud to have continued acceptance as a member of the FTSE4Good Index.

FTSE4Good

Dow Jones Sustainability Indexes
Member 2009/10

In 2009, we further developed our reputation model that gives us a deeper insight into the views and opinions of our stakeholders on our sustainability agenda and performance. From 2010 onwards, we will begin to use this model to track and trace opinions on Heineken. We cannot improve performance or reporting without feedback from our stakeholders. If you have any questions or remarks, we would like to hear from you. Please send your e-mail to: responsibility@heineken.com or see our Sustainability Report for other ways of contacting us.

Personnel and organisation

Our people are a main source of competitive advantage in Heineken and we remain committed to dedicate significant amounts of time and resources to their growth, development and well-being.

Our primary focus areas are:

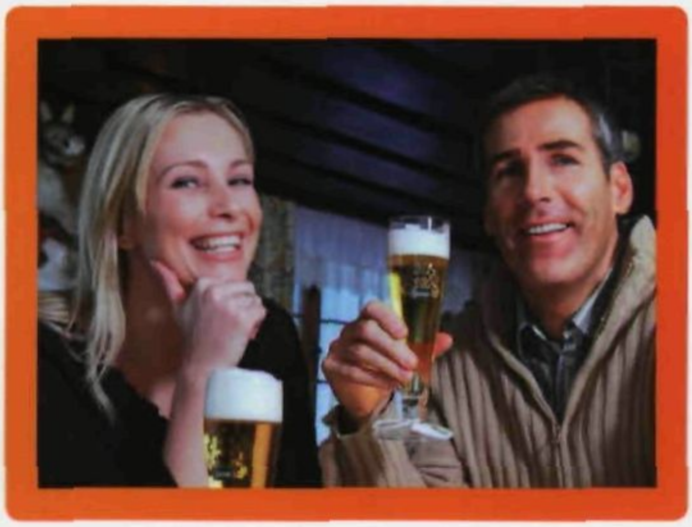
- Build and embed a new philosophy on talent development
- Upgrade the global Human Resource Function
- Create a culture that drives performance
- Examine, align and optimise the organisation structure and workflow.

In 2009 we continued our journey towards these goals by building upon existing management, leadership and reward systems in place throughout our organisation.

The professional development of our people remains a top priority. With more than 60 Operating Companies around the world, we have the capability to develop leaders by exposing them to a wide variety of businesses, with ever-increasing responsibility. We allow them to take prudent risks as they enhance their own leadership and business capabilities. Our focus on leadership development ensures smooth succession through our most senior management levels.

We have begun to establish Heineken's Development philosophy and framework. This includes the development of functional competency frameworks to identify essential functional skills, knowledge and behaviours required for effective performance and development of all employees. We are introducing resource guides to support the development of functional and leadership skills, necessary to adapt to the changing internal and external environment.

Our talent identification and development processes are being assessed and improved. This is being done, in order to ensure we identify a diverse group of talented individuals early in their careers and provide relevant, focused development opportunities for them. It is clear that the leadership and talent development programmes in place are beginning to bear fruit. In 2009, we were able to identify more emerging professional and leadership talents than in previous years.



Through the use of our climate surveys and climate reporting tools, we are seeing progress on the identification and action plans required to address the various climate needs in each of our businesses. This will be work that will be further enhanced in 2010.

Since our business continues to grow through organic means and through acquisitions, we are continuously examining, aligning and optimizing the organisation structure and workflow to ensure efficiency and effectiveness. This is work that will continue actively in 2010.

In 2009, the average number of employees decreased from 58,453 to 55,301.

Geographic distribution of personnel
In numbers

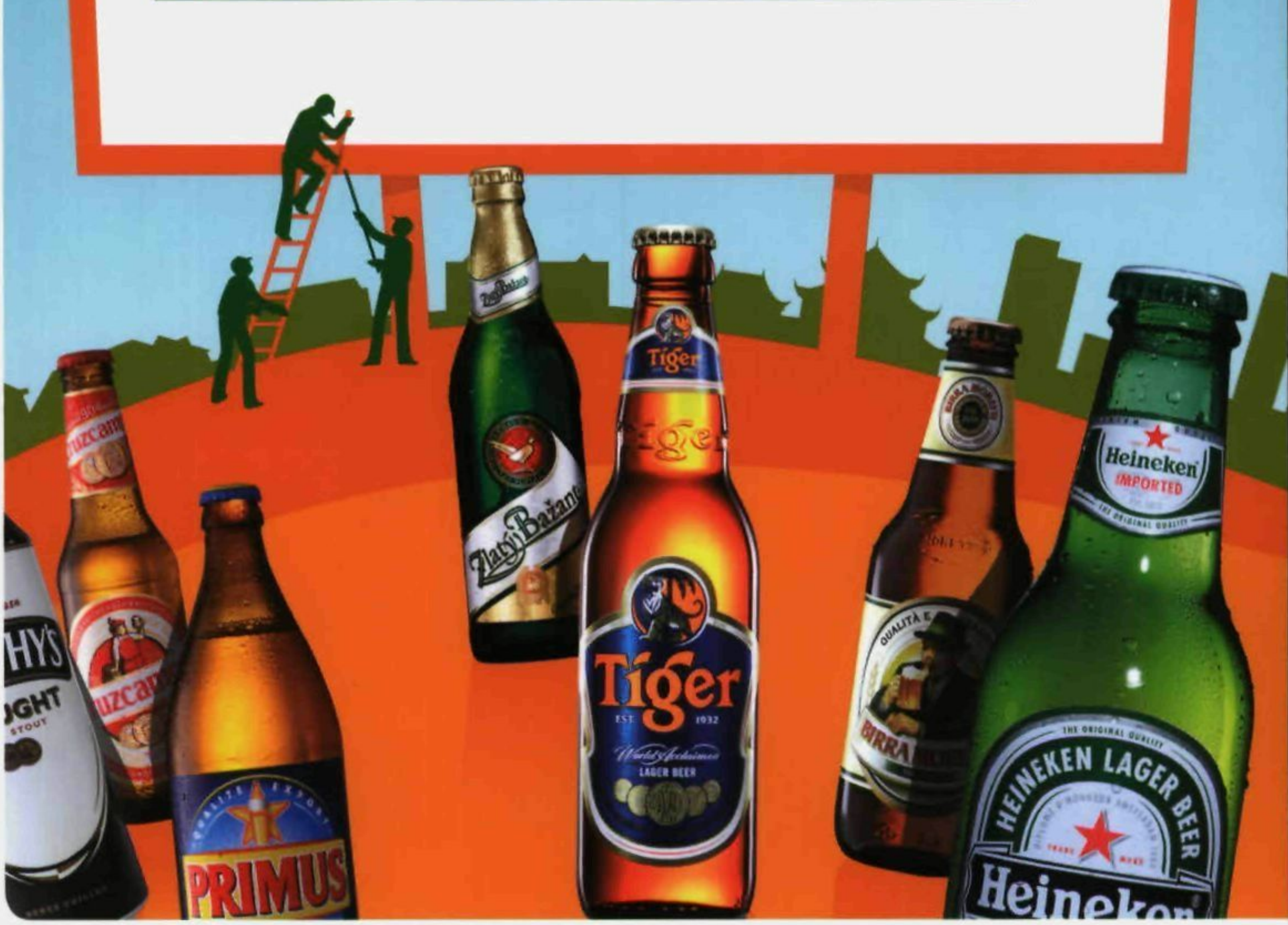
Western Europe	20,670*
Head Office	825
Central and Eastern Europe	20,253
Americas	1,698
Africa and the Middle East	10,882
Asia Pacific	973

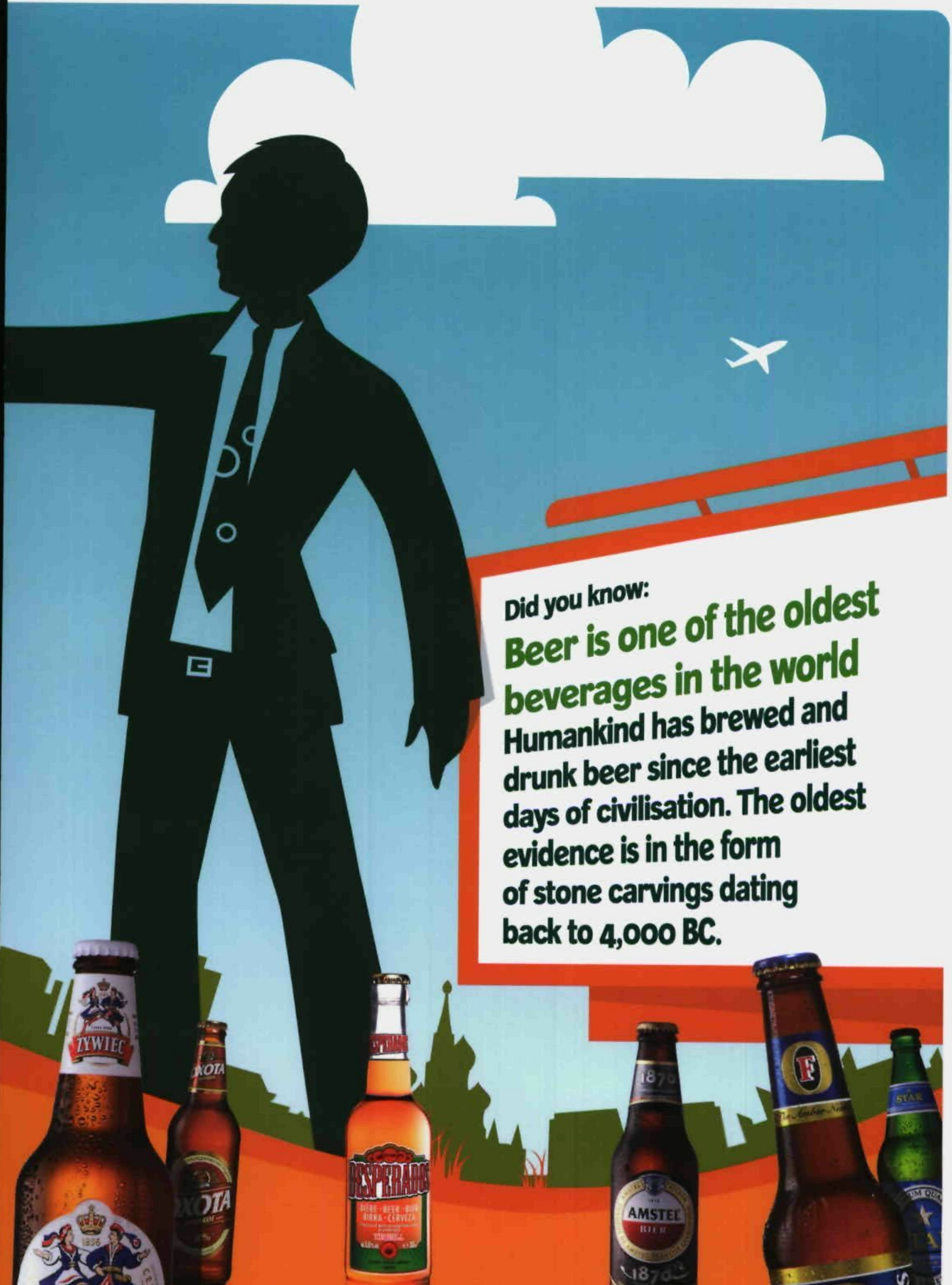
* In the Netherlands	3,938

Regional Review

Regional performance in 2009

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	8,432	502	792	47.1	37.6	7.5
Central and Eastern Europe	3,200	347	389	46.2	36.9	2.5
Africa and the Middle East	1,817	485	485	19.8	15.8	2.3
The Americas	1,541	273	273	9.4	7.5	8.3
Asia Pacific	305	103	103	2.7	2.2	4.5




Did you know:
Beer is one of the oldest beverages in the world
Humankind has brewed and drunk beer since the earliest days of civilisation. The oldest evidence is in the form of stone carvings dating back to 4,000 BC.
AMSTEL
DESPERADOS

Western Europe

Revenue
€8,432 million

EBIT
€502 million

EBIT (beia)
€792 million

Consolidated beer volume
47.1 million hectolitres

Heineken volume in premium segment
7.5 million hectolitres

CONSOLIDATED BEER VOLUME
IN MILLIONS OF HECTOLITRES

Western Europe posted a solid financial performance despite challenging market conditions. Growing revenues per hectolitre, TCM savings and the improvement of the former Scottish & Newcastle operations drove the EBIT (beia) growth.

Consolidated beer volume grew 6.6 per cent, due to the first-time consolidation effect of the new operations in the UK, Ireland, Finland, Portugal, Belgium and Switzerland. Organically, consolidated beer volume was 5.0 per cent lower. The effect of the recession and the increase in excise duties on volumes outweighed the effect of good summer weather in a number of markets. In France, consolidated beer volume increased.

Volume of the Heineken brand in the premium segment was 2.1 per cent lower. The growth recorded in France and Portugal could not compensate for market softness in Spain, Italy and Ireland.

Organically, revenue was broadly stable despite the lower volumes, especially in the on-trade segment. On average, mid-single-digit price increases and an improvement in the sales mix played a key role. Reported revenue was 10 per cent higher.

EBIT (beia) was impacted by the negative effect of first-time consolidations and currency depreciation. Organically, EBIT (beia) benefited from more efficient marketing spend and personnel costs and an improved sales mix. The EUR 184 million synergies forecast for all of Scottish & Newcastle have now been realised in full. Western Europe represented 38 per cent of the Group's consolidated EBIT (beia).


Heineken
AMSTEL LAGER
ALL OVER THE WORLD
MAES PILS
Did you know:
Yeast is the brewer's most jealously guarded secret
Yeast is a microscopic, single-celled fungus and has the unique capacity to convert the sugars in malted barley into alcohol and carbon dioxide. That's fermentation.

Western Europe (continued)

Spain

Consolidated beer volume:
10.3 million hectolitres
Market share: **29,1%**
Market position: **1**

Heineken España grew EBIT (beia) thanks to cost reductions, better prices and improved sales mix, which exceeded the effect of a 5.5 per cent decline in volumes. The Arano Brewery was closed during the year.

The Spanish beer market was broadly stable as the decline in mainstream and premium beers was largely offset by the growth in private labels (+16 per cent). This affected market share adversely. In particular, volume of the Heineken brand was affected, declining double-digit. The Cruzcampo and Amstel brands performed better, thanks to resilience in their core regions.

Italy

Consolidated beer volume:
5.3 million hectolitres
Market share: **31.3%**
Market position: **1**

The Italian beer market declined 6 per cent, affected by the economic conditions and price increases at the end of 2008.

Heineken Italia maintained its market share despite a temporary retail delisting in the first half of 2009. The Moretti brand outperformed its segment, whilst the Heineken brand was affected by downtrading in the off-trade and a temporary delisting, leading to a 7.1 per cent lower volume.

Organically, revenue and EBIT were lower as TCM cost savings, better selling prices and an improved sales mix could only partly compensate for lower volumes and a decline in the wholesale unit, Partesa. Partesa was affected by an 11 per cent decline in the on-trade channel.

France

Consolidated beer volume:
5.4 million hectolitres
Market share: **27.6%**
Market position: **2**

The market grew 1.3 per cent as exceptionally good summer weather compensated for the effect of the economy on beer consumption.

Heineken France increased its value and volume share, thanks to a strong performance in the off-trade. All key brands showed healthy growth: Heineken grew 8.4 per cent and Desperados and Pelforth also increased volumes.

EBIT (beia) was higher, driven by better volume and brand mix. The Fischer Brewery in Schiltigheim closed in September 2009.

The Netherlands

Consolidated beer volume:
5.0 million hectolitres
Market share: **46.9%**
Market position: **1**

The beer market declined 5.5 per cent, as the effect of the 1 January excise duty increase and lower on-trade consumption were only partially offset by good weather and growth in private label beers in the off-trade.

EBIT (beia) was slightly higher, as the positive effect of cost savings and better prices largely offset decline in volumes.

Volume of Heineken Netherlands was 6.4 per cent lower. Volumes of both the Heineken and Amstel brand were lower. The introduction of Strongbow Gold cider and Jillz cider in selected outlets and in the off-trade in April and May 2009 was very successful, resulting in sales of more than 30,000 hectolitres in the year.

Volume at Vrumona, the soft drinks operation, was also lower, mostly as a result of a temporary retail delisting.

Introduction of cider in the Netherlands

Cider is readily available and extremely popular across Western Europe, most notably in the UK, where around 600 million litres are produced each year. Other important European markets can be found in parts of Spain, France and Germany.

However, until recently, cider has not been widely available in the Netherlands, and was only rarely present in bars and shops. Following extensive research, Heineken identified a gap in the Dutch market to meet demand from a growing number of non and light users of beer who are looking for an alternative to beer, with many of the same positive traits.

In early 2009, Heineken launched two cider beverages in the Netherlands; Strongbow Gold, the full-flavoured traditional English apple cider brand, and a new brand called Jillz. Jillz is a refreshingly sparkling cider that plays on a strong, clear identity.

Jillz is aimed specifically at young women between the ages of 18 and 35 years; a market that is expected grow by around 7 per cent each year. Strongbow Gold is performing well alongside Jillz, helping to build consumer knowledge and the social acceptance of cider in the Netherlands.

Both Jillz and Strongbow were backed by widespread advertising campaigns aimed at presenting cider as a refreshing and natural alternative to beer and wine. These campaigns have proven very successful at raising awareness for this new category as well as the new brands.

Both on- and off-trade customers have responded positively. First year performance has met Heineken's ambitious expectations and plans are in place to drive further growth of this category in 2010 and beyond.

www.annualreport.heineken.com

Western Europe (continued)

United Kingdom

Consolidated beer volume:
12.1 million hectolitres
Market share: **26.5%**
Market position: **1**

The UK beer market declined 4.2 per cent with an improvement of the trend in the second half of the year. The premium segment recorded growth.

Heineken UK outperformed the market significantly, gaining market share with beer volume only slightly down. The Foster's brand grew 2.6 per cent, benefiting from its new brand campaign, extended distribution and improved marketing. John Smith's, the UK's leading ale brand declined but less than the market.

The cider market grew 8 per cent, driven by a stronger performance in the off-trade and a broader distribution in the on-trade. Bulmer's success is driven by the increasing consumer response and the development of bottled premium cider.

Organically, revenues grew by low single digits as better pricing and an improved brand mix more than offset lower volumes. EBIT grew organically 35 per cent, thanks to realising cost synergies, aggressive further cost cutting and lower purchasing prices.

During 2009, significant steps were taken to further streamline the business. In 2010, the Berkshire Brewery and the Dunston Brewery will be closed.

Following the acquisition of Scottish & Newcastle, Heineken consolidated the assets and liabilities of Globe in its balance sheet in 2008. In 2009, Heineken purchased most of the outstanding debt at significant discount to the face value and book value, realising an exceptional book gain of EUR215 million. In addition, Heineken has lowered the value of its interests in pubs in the UK.

Ireland

Consolidated beer volume:
1.4 million hectolitres
Market share: **26.7%**
Market position: **2**

The severe effect of the recession meant beer consumption declined by high single digits.

On an organic basis, Heineken Ireland increased its market share. In addition, it benefited from the growth of the Beamish & Crawford and Coors Light brands. Volume of the Heineken brand declined 6.8 per cent but outperformed the market thanks to strong draught beer sales.

Underlying revenue and EBIT were double digits lower due to weak volume, increased promotions and the limited scope for price increases. Heineken Ireland focused on further cost reduction and the Beamish & Crawford Brewery in Cork was closed.

Portugal

Consolidated beer volume:
3.2 million hectolitres
Market share: **47.0%**
Market position: **2**

The beer market decreased 3.3 per cent, due to the effect of the economy on the on-trade segment.

Centralcer gained market share, driven by the growth of the Heineken brand. The Sagres brand is now the largest-selling brand in Portugal. Higher selling prices contributed to the growth in revenue and, together with cost reductions, drove an organic increase in EBIT (beia).

Volume of Centralcer's mineral water business, in particular the premium brand "Luso", was affected by downtrading to private labels.

Finland

Consolidated beer volume:
1.4 million hectolitres
Market share: **27.9%**
Market position: **2**

The total beverage market was only 1 per cent lower. Private labels in ready-to-drink beverages and lower priced beers showed growth.

Hartwall's EBIT grew, thanks to strong cost control and despite lower volume due to declines in on-trade and in the premium segment. The successful repositioning of the Lapin Kulta brand at the end of 2008 had a positive effect on volume. The Heineken brand was added to Hartwall's portfolio with good sales results.

Hartwall announced that the Tornio Brewery will close in 2010.

Switzerland

Consolidated beer volume: **1.1 million hectolitres**
Market share: **24.7%**
Market position: **2**

The beer market was stable whilst the off-trade segment grew 2.5 per cent. Heineken Switzerland's revenue decreased organically as a result of lower volume ((4.4) per cent). The Heineken brand grew its market share in the premium segment, which declined double-digit.

EBIT grew significantly thanks to cost efficiencies and the better product mix. Heineken Switzerland completed the integration of Eichhof Beverages, acquired in August 2008.

Belgium

Consolidated beer volume: **1.0 million hectolitres**
Market share: **11.3%**
Market position: **2**

The beer market remained under pressure with volume in the on-trade declining in excess of 6 per cent.

Alken-Maes breweries increased market share. The key Maes brand was re-launched leading to positive consumer reactions and a reversal of its long decline. Underlying EBIT was broadly stable as the favourable effect of cost control and price increases offset lower volumes and the additional marketing efforts.

Central and Eastern Europe

Revenue

€3,200 million

EBIT

€347 million

EBIT (beia)

€389 million

Consolidated beer volume

46.2 million hectolitres

Heineken volume in premium segment

2.5 million hectolitres

CONSOLIDATED BEER VOLUME

IN MILLIONS OF HECTOLITRES

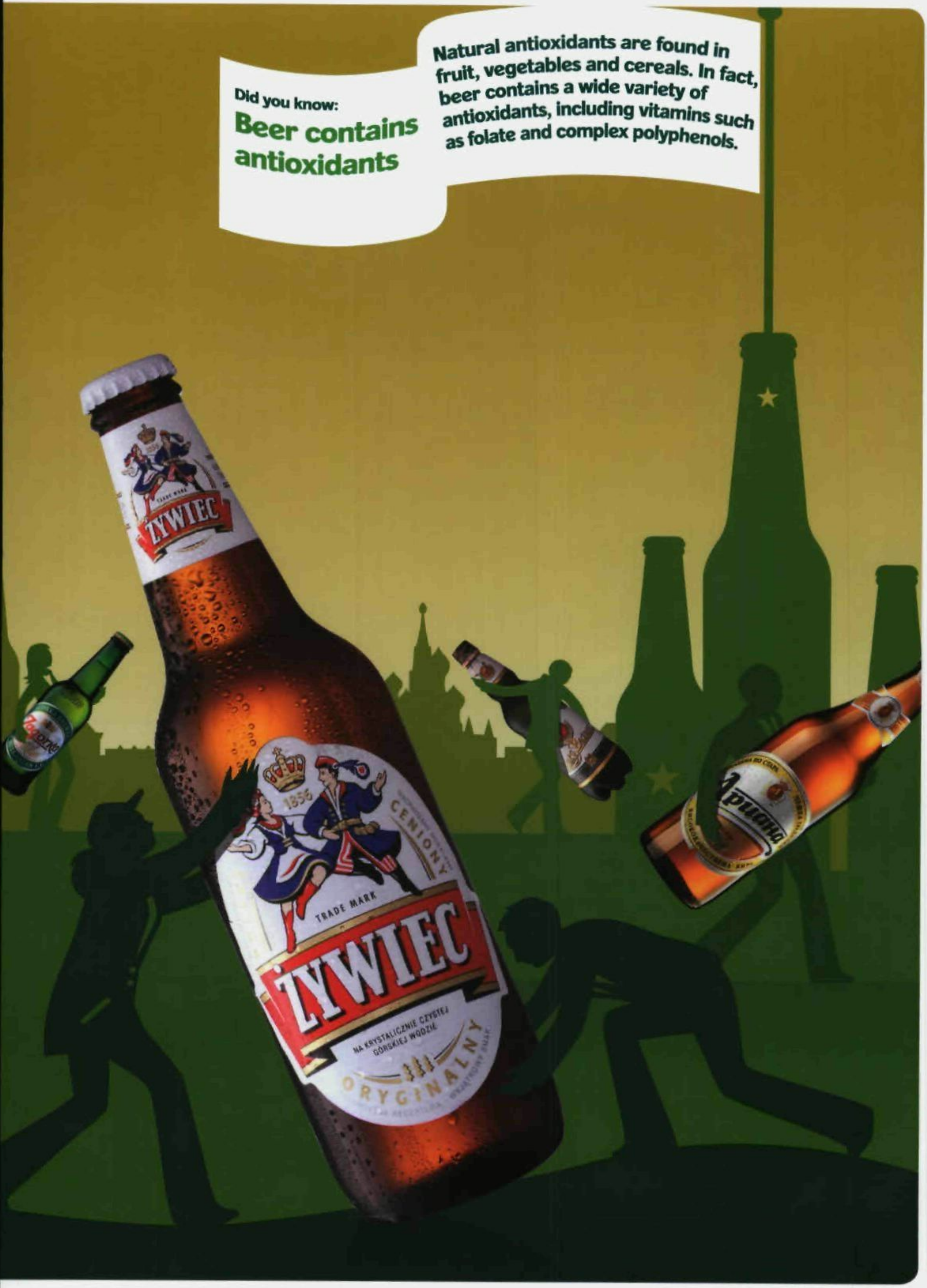
The impact of the recession, higher prices and increases in excise duties affected all key beer markets across the region, reversing the growth trend of the last few years.

EBIT (beia) grew organically thanks to strong cost control especially in Russia and the Czech Republic. TCM progressed at pace, with the closure of four breweries and four malteries. Reported EBIT (beia) was lower, largely driven by the strong devaluations of the zloty and the rouble. The cumulative translation and transaction effect of weaker currencies led to a EUR119 million reduction in EBIT (of which EUR39 million was translation).

Beer volume in the region was lower, also affected by the decision to focus on profitable brands and pack types and rationalising underperforming SKUs in Russia.

Volume of the Heineken brand was 9.3 per cent lower, due to consumers shifting toward cheaper beers and low-priced vodka. Together, Russia and Poland accounted for more than half of the region's decrease. In Austria and Serbia, the brand grew, increasing its market share.

Organically, revenue decreased slightly as better prices could only partly offset soft volumes and the unfavourable shift in sales mix towards less profitable channels and packages.


Did you know:
Beer contains antioxidants
Natural antioxidants are found in fruit, vegetables and cereals. In fact, beer contains a wide variety of antioxidants, including vitamins such as folate and complex polyphenols.
ŻYWIEC
TRADE MARK
CENIONY
ORYGINALNY

Central and Eastern Europe (continued)

Austria

Consolidated beer volume:
4.3 million hectolitres
Market share: **47.4%**
Market position: **1**

The beer market was 3.0 per cent lower, due to extra sales in 2008 driven by the European Football Cup and softer volumes in the on-trade during 2009. The shift towards off-trade and lower margin beer in cans continued.

Heineken Austria's EBIT (beia) grew mid single digit thanks to better pricing and the positive effects of cost savings, despite lower volume.

As the Company focused on higher margin segments, market share declined due to the growth of the low end of the market. This trend also affected volumes of mainstream brands, Zipfer, Goesser and Puntigamer. The Heineken brand grew 3.7 per cent.

Poland

Consolidated beer volume:
11.4 million hectolitres
Market share: **35.0%**
Market position: **2**

After years of strong volume growth, the Polish beer market fell 10 per cent, affected by the challenging economy, an excise duty increase and higher selling prices.

The Żywiec Group gained market share, thanks to a positive performance in the off-trade segment. The Warka brand, positioned in the mainstream segment, grew and Desperados volumes more than doubled. Both the Heineken and Żywiec brands declined, affected by above-average declines in the international and national premium segments.

Both reported revenue and EBIT (beia) in euro were substantially lower, mainly due to the average 23 per cent devaluation of the zloty versus the euro, which accounted for a negative translation impact of EUR37 million. Organically, EBIT (beia) declined.

Russia

Consolidated beer volume:
12.8 million hectolitres
Market share: **11.9%**
Market position: **3**

The Russian beer market decreased double digit affected by the severity of the recession that drove consumers to switch from economy beers into low-priced vodka. The premium beer segment performed relatively well.

Heineken Russia adjusted its commercial strategy. The new strategy focuses on four key national brands and six regional brands, whilst commercial support for non-strategic brands was reduced. Prices of the key premium brands were increased ahead of the competition. Underperforming SKUs were rationalised.

Due to the recession and the initial effect of the new commercial strategy, volume of Heineken Russia decreased 17 per cent, but profitability increased substantially. Reported EBIT was significantly up, despite being negatively affected by the weak rouble, which accounted for a total translation impact in excess of EUR10 million.

Strong progress was made with cost reductions. Amongst others, Heineken Russia closed the Stepan Razin Brewery in St. Petersburg and a brewery in Novotroitsk.

Per January 1st, 2010, excise duty on beer tripled and Heineken Russia passed the increase on in its prices.

Romania

Consolidated beer volume:
5.2 million hectolitres
Market share: **29.5%**
Market position: **2**

The beer market decreased 11.3 per cent driven by the off-trade channel, which was negatively affected by declining purchasing power and less money transfers by Romanians working abroad.

Heineken Romania's volume decreased in line with the market. Goldenbrau outperformed the market, but Heineken, Ciuc and Bucegi brands declined faster than the market.

Higher selling prices could not fully offset the effect of lower volume and, therefore, revenue and EBIT declined organically. In addition, the devaluation of the lei negatively affected reported EBIT in euro by more than EUR7 million. Heineken Romania continues to focus on long-term brand building, sales execution and cost reduction. In 2009, three malteries were closed and in January 2010 the closure of the Hateg Brewery was announced.

Greece

Consolidated beer volume:
3.2 million hectolitres
Market share: **71.9%**
Market position: **1**

The Greek beer market was driven 6 per cent lower due to the financial crisis, a 20 per cent increase in excise duty in February, lower tourist numbers, inventories reduction by wholesalers and less favourable summer weather compared with 2008.

Market share of Athenian Breweries decreased as microbrewers and private label beer grew market share. Amstel declined substantially, but the Heineken, Fischer and Alfa brands outperformed the market. The Heineken brand benefited from a new marketing campaign.

Revenue and EBIT were lower, as a 2 per cent net price increase was not sufficient to offset the effect of lower volume.

Czech Republic

Consolidated beer volume:
2.6 million hectolitres
Market share: **12.4%**
Market position: **3**

The beer market in the Czech Republic was 6 per cent lower, affected by the economic environment and a significant increase in excise duties. Heineken increased its market share to 12.4 per cent. Significant steps were taken to further rationalise the production footprint with the closure of two breweries in 2009. In 2010 the closure of the brewery in Louny was announced.

Germany

Volume of Brau Holding International (BHI), Heineken's joint venture with the Schoerghuber Unternehmungsgruppe in Germany, was lower, mainly due to the divestment of Karlsberg in 2009. However, market share of the underlying business increased slightly. Excluding the impact of one-off items (mainly of the Karlsberg impairment in 2008), BHI net profit increased.

Zlaty Bazant, the world-class Slovak beer

Founded in 1969, Zlaty Bazant is one of Slovakia's leading domestic brands and its best-selling export beer, with important markets in Canada, the Unites States and most recently, Sweden, among others.

Heineken Slovakia's most famous beer, Zlaty Bazant, underwent an extensive rebranding in 2009 to strengthen its position as a modern premium beer brand that reflects quality and global success.

As part of these efforts, Zlaty Bazant's distinctive label design was redesigned and an ambitious advertising and sponsorship campaign was rolled out. This included a television commercial to introduce the brand's new slogan; 'Zlaty Bazant, the world-class Slovak beer'. Domestically, the focus of the rebrand was to instil national pride in a home-grown beer that is internationally acclaimed. The overall success of the campaign was reflected in significant increases in the brand's market performance score, which at the end of 2009 had reached a high of 90 per cent, the highest level in all Central & Eastern European countries in which Heineken operates within the national premium segment.

Brand recognition has also increased through Zlaty Bazant's sponsorship of Slovakia's international Olympic team during the February 2010 Winter Games in Vancouver. This sponsorship will also extend to the Slovak squad that competes in the London Summer Olympics in 2012.

"We're delighted with how successfully we've been able to communicate the rebranding message," says Zuzana Putalova, Group Brand Manager at Heineken Slovakia. "Slovaks are surrounded with things from countries all over the world in their everyday lives, so they appreciate something that has world-class quality and character, but is overwhelmingly Slovakian, like Zlaty Bazant."

For the third consecutive year, Zlaty Bazant also brewed a special beer for the Christmas period. In 2009, it was Zlaty Bazant Porter, a 19° beer with a dark appearance and a strong, malty taste and aroma. It was brewed according to traditional recipes from four kinds of malt and selected hops. As a seasonal specialty, it was extremely popular in the local market, attracting a great deal of public attention and becoming the subject of much discussion on internet beer forums. By introducing limited editions of beer specialties on a regular basis, Zlaty Bazant has confirmed its national leadership position.

Africa and the Middle East

Revenue

€1,817 million

EBIT

€485 million

EBIT (beia)

€485 million

Consolidated beer volume

19.8 million hectolitres

Heineken volume in premium segment

2.3 million hectolitres

CONSOLIDATED BEER VOLUME
IN MILLIONS OF HECTOLITRES

Heineken is the number two brewer in Africa and the Middle East.

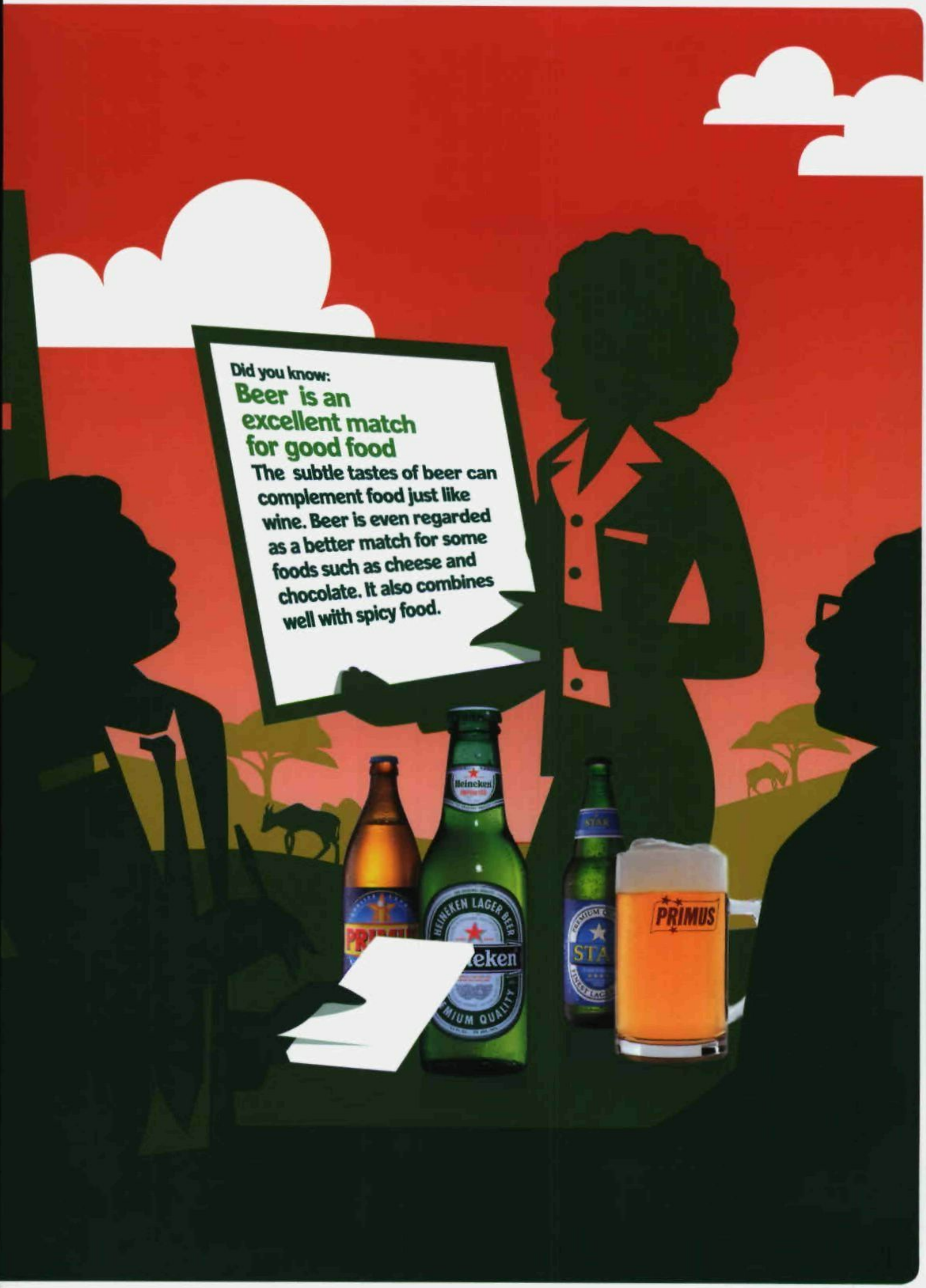
In the second half of the year, beer consumption in Nigeria slowed, affecting the region's total growth rate. In the rest of Africa, volumes continued to develop well.

Organic revenue grew 9.1 per cent, driven by higher volumes and better prices. EBIT (beia) was higher, thanks to double-digit organic growth and despite the negative currency translation effect of EUR34 million.

Volume of the Heineken brand grew 12 per cent to 2.3 million hectolitres, mainly driven by strong growth in South Africa (+29 per cent), Nigeria (+22 per cent) and Algeria (+29 per cent). *With the Heineken brand growing 29 per cent, Algeria is now the brand's third largest market in the region.*

Volume of the Amstel brand grew 24 per cent. Amstel is now the region's third largest beer brand, after Primus and Star.

Soft drinks and other beverages volumes for the region grew by 7.5 per cent to 7.2 million hectolitres.


Did you know:
Beer is an excellent match for good food
The subtle tastes of beer can complement food just like wine. Beer is even regarded as a better match for some foods such as cheese and chocolate. It also combines well with spicy food.
Heineken
HEINEKEN LAGER BEER
PREMIUM QUALITY
STAR
PRIMUS

Africa and the Middle East (continued)

Nigeria

Consolidated beer volume:
10.0 million hectolitres
Market share: **55.1%**
Market position: **1**

The beer market grew by low single digit, despite weaker volume in the second half of 2009 due to the effect of a local banking crisis and public security issues in part of the country, which caused lower on-trade traffic.

Combined beer volume of Nigerian Breweries and Consolidated Breweries increased by 2.8 per cent. The Heineken (+21 per cent), Gulder, Amstel Malta and Turbo-King brands continued to grow. Malt-based soft drink Fayrouz grew substantially and cans were added to the product range.

Revenues were lower; this was despite higher volumes, price increases and an improved sales mix, which were offset by the negative effect of the weak naira.

On a constant currency basis, EBIT grew substantially, despite higher costs of imported materials due to the weakness of the naira. EBIT in euro was slightly lower also as a result of the lower naira.

The greenfield malting plant in Aba is now fully operational and produced 30,000 tons of malt.

Egypt

Consolidated beer volume:
1.2 million hectolitres
Market share: **99.2%**
Market position: **1**

Revenue and EBIT (beia) of Al Ahram Beverages increased organically driven by better prices and cost reductions despite lower volume.

The beer and wine market was affected by a decline in tourist numbers and decline in local spending power.

The alcohol-free beers Birell and Amstel Zero, malt drink Fayrouz as well as spirits continued to perform well. Tourist and volume trends improved in the last quarter compared with the previous quarters. During the year, Al Ahram acquired the small Luxor Brewery.

Democratic Republic of Congo (DRC)

Consolidated beer volume:
2.4 million hectolitres
Market share: ***66.0%***
Market position: **1**

Volume of Bralima grew 13 per cent and the Company increased its market share to *66 per cent in a market that grew 7 per cent.*

All Bralima's beer brands, including Primus and Turbo King, grew strongly. The new brewery in Lubumbashi, commissioned at the end of 2008, is fully operational and drove volume growth in the Katanga province. Soft drink volume grew slightly.

EBIT in euro was lower due to a 45 per cent drop in value of the franc Congolais, *increased depreciation related to the brewery* and increased marketing spend. Revenue was also affected by the weak currency.

South Africa

Consolidated beer volume:
2.7 million hectolitres
Market share: **10.1%**

In South Africa, Heineken operates through joint ventures with Diageo and Namibian Breweries that offer a wide range of beers, ciders and ready-to-drink brands in the *premium segment of the market.*

Beer volume increased by 1 million hectolitres and market share grew. Volume of the Heineken brand grew 29 per cent due to better distribution and strong marketing. Amstel, also positioned in the premium segment, grew 26 per cent.

In August, production of Amstel started at the new 3 million hectolitres brewery near Johannesburg and by the end of 2009 brewing of Heineken started. Before August, Amstel *was imported from Europe; with the start* of local production, it has become profitable due to lower transportation and other costs.

Strongbow was launched in October.

Other countries in the Africa and Middle East region

Consolidated beer volume:
3.5 million hectolitres

Beer volumes of Brarudi in Burundi were broadly stable, whilst Bralirwa in Rwanda increased volumes slightly. Our joint venture Brasserie du Congo reported a double-digit increase in volumes.

Sedibeng Brewery opens in South Africa

The beer market segment in South Africa is one of the largest worldwide, with an estimated 27 million hectolitres sold annually, and an important marketplace for global premium brands such as Heineken and Amstel. South Africa's fast-growing economy is expecting an important boost in 2010 through its hosting of the FIFA World Cup.

For Heineken, the completion of its Sedibeng Brewery in 2009, in partnership with Diageo, will enable it to benefit from the existing and future opportunities in the market. During 2009, Heineken and Amstel brands experienced rapid growth of more than 25 per cent in the year.

The 80-hectare Sedibeng Brewery has an annual output of 3 million hectolitres, although this is already being increased due to growth and expected demand. Sedibeng has had a significant impact on the South African economy due to the sizeable number of high level, new jobs created and also as a result of the levels of investment in brewery-related assests.

"The brewery was built for one simple reason: you can't be a major player in this market based on imports alone," says Johan Doyer, General Manager of the Sedibeng Brewery. "Local brewing offers us the possibility to really participate in this market, and expand both the Amstel and Heineken brands. Additionally, we will brew brands that belong to the Windhoek Brewery and to Diageo's portfolio".

As well as expanding its share of the beer market, Heineken launched its popular brand Strongbow in September 2009. This will stand alongside the Brandhouse cider brand, Foundry.

"Our focus will be on the Sedibeng brewery over the coming six months as we aim to grow our share of the premium beer market, while continuing to invest in the premium beer brands we proudly exhibit through Brandhouse, which markets, distributes and sells products in South Africa on behalf of Heineken, Diageo and Namibia Breweries," adds Tom de Man, Regional President for Africa and the Middle East.

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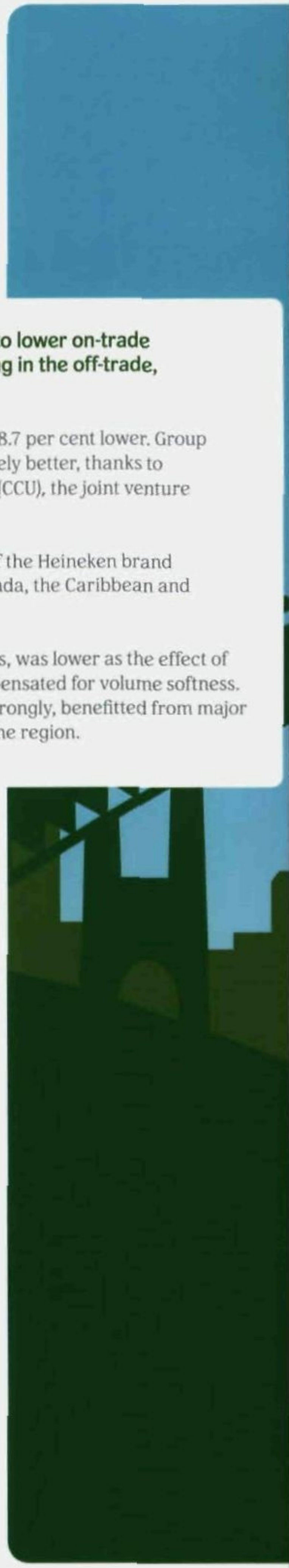
Americas



Revenue

€1,541 million

EBIT

€273 million

EBIT (beia)

€273 million

Consolidated beer volume

9.4 million hectolitres

Heineken volume in premium segment

8.3 million hectolitres

CONSOLIDATED BEER VOLUME

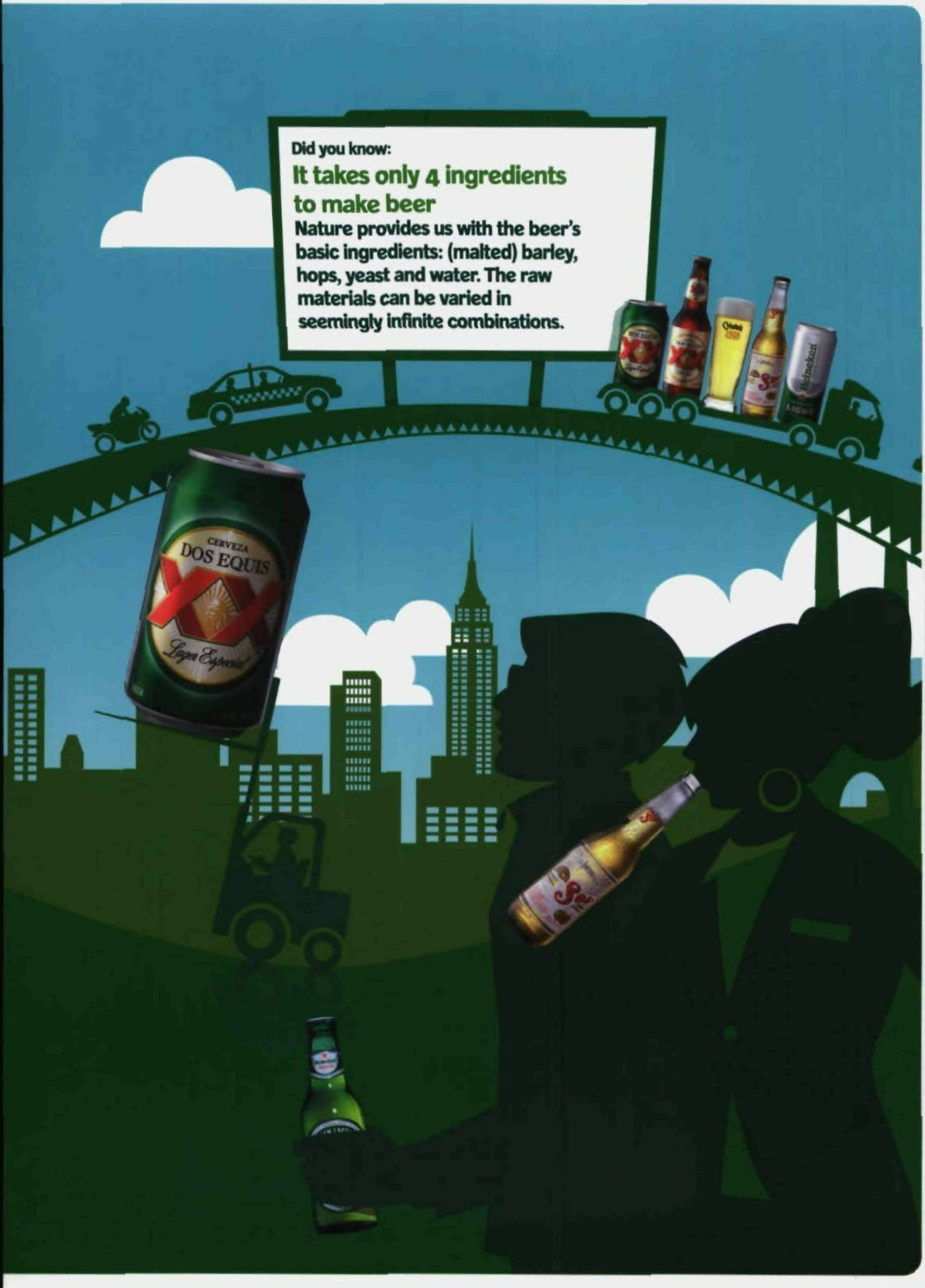
IN MILLIONS OF HECTOLITRES

The economic downturn led to lower on-trade consumption and downtrading in the off-trade, especially in the USA.

Consolidated beer volume was 8.7 per cent lower. Group beer volume performed relatively better, thanks to Compania Cervecerias Unicias (CCU), the joint venture in Chile and Argentina.

In the fourth quarter, volume of the Heineken brand showed a positive trend in Canada, the Caribbean and South America.

Revenue, in constant currencies, was lower as the effect of better pricing only partly compensated for volume softness. Organically, EBIT (beia) grew strongly, benefitted from major TCM savings initiatives across the region.


Did you know:
It takes only 4 ingredients to make beer
Nature provides us with the beer's basic ingredients: (malted) barley, hops, yeast and water. The raw materials can be varied in seemingly infinite combinations.
CERVEZA
DOS EQUIS
Lager Especial
Heineken

Americas (continued)

The USA

Consolidated beer volume:
7.1 million hectolitres
Market share: **3.8%**

The beer market declined slightly. Due to downtrading, the economy segment grew 4 per cent whilst the import segment declined 9.8 per cent.

Organically, EBIT of Heineken USA improved substantially. The key drivers were the price increase across the Dutch portfolio implemented at the end of 2008, lower marketing rates and the positive effect of the TCM initiatives which generated significant savings in marketing, logistics and general expenses. Reported EBIT was reduced by EUR 17 million due to the weaker dollar.

Beer volume of Heineken USA was 10.7 per cent lower due to the decline in the import segment and price competition. Volumes of the Dutch portfolio were 10.4 per cent lower, whilst the Mexican portfolio grew 1.0 per cent. Heineken® declined 10 per cent. Tecate Light and Dos Equis performed strongly, growing 14 per cent and 20 per cent respectively. Volume of Newcastle Brown Ale, imported from Heineken UK, increased by 1.7 per cent.

Depletions – sales by distributors to retailers – of the Dutch portfolio in 2009 were in line with sales, whilst depletions of the Mexican portfolio were higher, at 2.4 per cent.

Canada

Consolidated beer volume:
0.5 million hectolitres
Market share: **2.1%**

The market was affected by the difficult economic environment and volume of imported Heineken declined by high single digits, but witnessed an improvement in the fourth quarter.

Latin America and Caribbean

Consolidated beer volume:
1.8 million hectolitres

Heineken operates in the region through:

- Controlled operations: Panama, Bahamas, St. Lucia, Martinique and Suriname
- CCU, a joint venture with leading position in Chile and number two in Argentina
- A minority stake in FIFCO in Costa Rica
- Exports to a number of markets of which Puerto Rico is the most significant.

Beer consumption in Chile decreased. CCU's volume was broadly stable organically. Volume of the Heineken brand increased 8.3 per cent.

Despite a challenging trading environment, volume in the Caribbean markets and in Latin America grew slightly. The Heineken brand grew in Brazil (+52 per cent) and Panama (+4.5 per cent).

EBIT grew double digits as a result of lower overhead costs, and better profitability of the operations in the Bahamas and Costa Rica.

FEMSA Cerveza and the Mexican market

With a rising population, Mexico is one of the world's largest beer profit pools and is home to some large beer brands. Its second largest brewer is part of FEMSA Cerveza, which in addition to its 42 per cent share of the local market, has an established position in Brazil and a strong export business to the USA and other markets globally.

Heineken announced the acquisition of 100 per cent of FEMSA's beer operations in January 2010, planning to create a major new platform for growth and international expansion. Following completion of the transaction, the acquisition will strengthen Heineken's position in three of the top four largest beer profit pools. With a strong portfolio of brands such as Dos Equis, Tecate and Sol, Heineken will attain an foothold in the Brazilian market through the acquisition of the remaining 83 per cent of FEMSA's Brazilian business, which currently holds an 9 per cent share of the local market.

Mexico's attractive beer market offers a unique opportunity to expand beer segmentation, develop the premium segment and strengthen Heineken's position in the profitable import and growing Hispanic sector in the USA. In addition, Heineken is one of three players competing with a number one in the highly growing and profitable Brazilian beer market, which also offers huge potential for the development of the premium segment.

"This is a significant development that will transform our future in the Americas and is a natural progression to the strong association we have enjoyed with FEMSA," says Jean-François van Boxmeer. "Latin America is one of the world's most profitable and fastest-growing beer markets and the acquisition of FEMSA's beer operations strengthens our position within the global beer market and expands our portfolio of leading international brands."

Through the acquisition, Heineken expects to achieve important costs synergies and savings through operating best practices.

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Asia Pacific

Revenue

€305 million

EBIT

€103 million

EBIT (beia)

€103 million

Consolidated beer volume

2.7 million hectolitres

Heineken volume in premium segment

4.5 million hectolitres

CONSOLIDATED BEER VOLUME

IN MILLIONS OF HECTOLITRES

Despite the challenging market conditions, revenue increased 9.3 per cent. EBIT (beia) increased 59 per cent or EUR38 million, mostly due to the strong performance in Indonesia and at Asia Pacific Breweries.

Heineken operates in the region through:

- Asia Pacific Breweries (APB), the joint venture with Fraser & Neave covering large parts of Asia and the Pacific Islands
- United Breweries Limited (UBL), the joint venture in India
- Its own breweries in Indonesia and New Caledonia
- Export and licensing

Heineken® is by far Asia Pacific's most preferred international premium beer, with a total volume of 4.5 million hectolitres. In addition, Heineken's joint ventures have strong regional and local brands, including Tiger®, Kingfisher, Larue, Anchor, SP and Tui, leading in the markets where they operate.

Several markets in which APB operates, suffered from weak consumer sentiment leading to lower beer consumption and a decline in Group beer volume.

Consolidated beer volume grew 1.4 per cent as Multi Bintang Indonesia, Grande Brasserie de Nouvelle Caledonie and Taiwan performed well.

Volume of the Heineken brand grew 3.4 per cent, mainly driven by strong growth in Vietnam, China, New Caledonia and Taiwan.

On 7 December 2009, Heineken announced the intended transfer of its controlling interest in Multi Bintang Indonesia (MBI) and Grande Brasserie de Nouvelle-Caledonie (GBNC) to APB which transforms APB into an even more profitable business and a stronger platform for growth in South East Asia and the Pacific Islands. The transfer took place in February 2010.


Did you know:
Beer contains vitamins
Beer contains most of the B vitamins and several essential minerals such as potassium, calcium, magnesium and silicon.

Asia Pacific (continued)

Asia Pacific Breweries

Consolidated beer volume:
10.7 million hectolitres

Profit of APB increased substantially, mainly driven by strong performances in Singapore, Indo-China and Papua New Guinea.

In Vietnam, beer consumption continued to grow (+10 per cent), in particular in the mainstream segment. APB posted volume, revenue and profit gains as a result of the growth in Heineken and Larue volumes.

In Singapore, profit of Asia Pacific Breweries (Singapore) increased 25 per cent driven by a 3 per cent higher domestic and export volume, better prices and costs savings.

Volume of the Tiger brand increased, driven by a new advertising campaign and football sponsorships. The Heineken brand performed well thanks to the success of the Heineken Green Room, Formula One Rocks and other music events.

The portfolio of imported brands was extended with Bulmer's Original cider, Newcastle Brown Ale and John Smith's bitter from Heineken UK.

In Papua New Guinea, one of APB's most profitable beer markets, South Pacific Brewery's revenue increased 20 per cent driven by a 4 per cent higher volume and price increases. In particular, SP lager, the country's leading beer brand, reported strong volume growth. Profit increased substantially. To keep pace with volume growth SPB started an investment programme to expand and upgrade its two breweries.

In China key focus is on the premium brands Tiger and Heineken, whilst exposure to the extremely low margin mainstream segment remains intentionally limited. Operating profit improved substantially, thanks to better pricing, improved sales mix and intensified distribution. However, overall, it remained slightly negative.

Volume of Thai APB, in which APB holds a minority stake, suffered from a declining beer market due to the political and economic environment, regulatory restrictions and a drop in tourist numbers.

United Breweries, India

Consolidated beer volume:
6.9 million hectolitres
Market share: **48.0%**
Market position: **1**

United Breweries Limited (UBL) is the market leader in India with a market share of 48 per cent and sells the leading and only national beer brand Kingfisher. Heineken holds a 37.5 per cent stake in the company.

The company continued to enjoy double-digit volume growth, and in the quarter ended 31 December 2009 reached a market share of 53 per cent. Profitability improved as a result of volume growth and improved efficiency.

On 7 December 2009, Heineken signed a new shareholders' agreement with Dr. Vijay Mallya, in respect of UBL. The new agreement creates a strong partnership that will drive growth in one of the world's fastest-growing and most exciting beer markets. An agreement was also reached on the key terms for brewing and distributing the Heineken brand by UBL in India. In addition, Heineken acquired APB's breweries in India in February 2010 and intends to transfer these to UBL during 2010.

India has a population of more than 1.1 billion, of whom 70 per cent are younger than 30 years of age. In 2009, the beer market totalled 14.4 million hectolitres. Beer consumption is still low at 1.3 litres per capita, but has been growing by double digits annually.

Heineken's own operations

Consolidated beer volume grew both in Indonesia and Nouvelle Caledonie. Revenue and EBIT of Multi Bintang Indonesia grew double digits driven by price increases across the entire portfolio, a better sales mix and cost control.

EBIT of Grande Brasserie de Nouvelle Caledonie increased strongly due to higher volume, a better sales mix, increased distribution and higher prices.

In Taiwan, volume of the Heineken brand grew double digit thanks to penetration into new regional markets and expansion of the distribution in both the on- and the off-trade. The Heineken brand has very strong brand equity in the Taiwanese beer market.
In South Korea, revenue was slightly lower organically.

In Hong Kong, revenue declined slightly due to lower volume, which offset the price increase. The Heineken brand experienced a solid volume growth of 9.1 per cent in Australia.

Heineken strengthens position in Indian market

With a population of 1.1 billion, India is one of the fastest-growing and most exciting beer markets in the world. Consumption is being driven by a rapidly emerging middle class and a growing preference for beer over other beverages.

In 2009, the market represented some 14.4 million hectolitres, a comparatively small volume given the country's large population. However, demand has soared in recent years, with India's per capita consumption of 1.3 litres increasing at double-digit rates year on year.

Building on its existing presence in the market, in December 2009, Heineken announced a new partnership for growth with United Breweries Limited (UBL) and Dr. Vijay Mallya. Each of Heineken and Dr. Mallya holds a 37.5 per cent stake in UBL with the remaining 25 per cent held publicly. The new shareholders' agreement allows us to add value via the governance of UBL and includes key terms for the brewing and distribution of the Heineken brand in India.

UBL's flagship beer is Kingfisher, the number one beer brand in India and leading Indian beer in the international market.

As part of the agreement, Heineken acquired APB's operations in India in February 2010 and, in a subsequent transaction, Heineken will transfer these operations to UBL during 2010. At the same time, UBL will benefit from the strength of Heineken's global distribution network to deliver Kingfisher to new markets, around the world.

"This is a tremendously exciting deal," says Onno Rombouts, Regional Commercial Manager Heineken Asia Pacific. "The potential for the Heineken brand in this largely untapped market is enormous and we have found Indian consumers to be immensely savvy about the brands they choose. We believe the combination of the Kingfisher and Heineken brands will fortify our ability to shape the premium segment and the overall beer market in India."

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Risk Management and Control System

Managing risks and protecting the business from the effects of disasters, failures and reputational damage is explicitly on the management's agenda. Continuity and sustainability of the business is as important to stakeholders as growing and operating the business.

Risk Management and Control System

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 control 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. An 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 carefully balanced country portfolio and the robust balance sheet are 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 and managed, but may not materially affect the Group as a whole. Compared to other leading beer companies, Heineken has a significantly wider global spread of its businesses, and does not depend on a limited number of markets.

Risk management

Heineken strives to be a sustainable and performance-driven company. This involves taking risks and managing risks. Structured risk assessments are integrated into 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, under the supervision of the Supervisory Board, has overall responsibility for Heineken's Risk Management and Control Systems. Regional and Operating Companies management are responsible for managing performance, identifying and managing related risks and the effectiveness of operations within the rules set by the Executive Board. This is supported and supervised by Group functions.

Heineken Company Rules

The Heineken Company Rules are a key element of the Risk Management System and are in place to set the boundaries within which Operating Companies should conduct their business. A governance procedure and activities ensuring continuous awareness and compliance are in place. This is managed by the Heineken Company Rules Network that meets on a semi-annual basis. The annual Assurance Letter provides additional comfort on financial reporting and selected Company Rules and is signed by all Regional Presidents, General and Finance Managers on behalf of their management teams on an annual basis.

Business planning and performance monitoring

The main pillars of Heineken's internal governance activities are annual business planning and performance monitoring processes. 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 business plans 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, mitigations and financial sensitivities. This process was further improved in the year under review. Heineken is finalising the implementation of an integrated management information system for reporting to Regions and Group.

Internal control in Operating Companies

Development and implementation of best practice processes are continuously being improved on a Group-wide basis, supported by common IT systems. Based on revenue at the end of 2009, 65 per cent of the operations worked in accordance with the evolving Heineken common system. Additionally, documentation, measurement and performance of processes under the Business Process Management Initiative are continuously being improved by Group functions.

Best practice key control frameworks are embedded in developed common processes/systems. This ensures the integrity of the information processing in supporting the day-to-day transactions and financial and management reporting. Internal Audit is strongly involved in monitoring key controls embedded in main business processes and assessing its effectiveness based on a common audit approach. Control monitoring by management has strengthened with the implementation of an integrated management information system.

Information Technology
Heineken's worldwide operations are highly dependent on the availability and integrity of its (common) information systems. IT processes and infrastructures are to a large extent centralised and outsourced to professional outsourcing partners. Structured IT Risk monitoring processes are in place, which includes clear agreements on assurance from IT outsourcing partners. The harmonisation, centralisation and outsourcing of IT have a positive impact on the overall control environment.

Code of Business Conduct and Whistle-blowing
The Code of Business Conduct and Whistle-blowing procedures are applicable to all majority-owned Operating Companies, regional offices and Head Office. Compliance is supported through continuous monitoring of effectiveness and rotational audits. 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 revised and relaunched the Code of Business Conduct, and brought the Whistle-blowing procedure in line with Data Privacy regulations.

A new case-management system and e-learning tool for Operating Companies will be implemented early 2010.

Supervision
The Executive Board oversees the adequacy and functioning of the entire system of risk management and internal control, assisted by Group departments. Group Internal Audit provides independent assurance and advice on the Risk Management and Internal Control Systems. The Assurance Meetings oversee the adequacy and operating effectiveness of the Risk Management and Internal Control Systems in their respective environments at both local and regional level. Regional Management and Group 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 discussed 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 that have been implemented in a large number of the Operating Companies support common accounting and regular financial reporting in standard forms. Testing of the key controls relevant for financial reporting is part of the common Internal Audit Approach.

The worldwide external audit activities provide additional assurance on true and fair presentation of the financial reporting at the Operating Company level. 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 2009, special attention was given to the continuous integration of financial reporting of the acquired businesses from former Scottish & Newcastle and other acquisitions, including transfer to the Heineken Accounting Policies. Almost all acquired companies have already implemented the Heineken standard chart of accounts.

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

Under the explicit understanding that this is not an exhaustive list, Heineken's main risks are described below, including the mitigation measures. Risks concerning the Heineken brand and Company reputation, economic downturn, volatility of input costs, exchange and interest rates, availability and cost of capital and increasing legislation (such as alcohol excise duties and anti-trust) affecting the business are considered the most significant risks. The main Company risks have been discussed with the full Supervisory Board.

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.

Risk Management and Control System (continued)

Company reputation, brand image and revenue could be impacted by product integrity issues. Therefore, the whole supply chain of all Heineken Operating Companies are subjected to high quality standards and intensive monitoring procedures to secure product integrity in accordance with international certifying bodies.

Starting in 2010, Heineken will begin the roll out of a reputation survey with critical stakeholders at both a global and national level. This will further mitigate reputational risk and provide a clearer view of the Company's reputation.

A Code of Business Conduct and Whistle-blowing Procedure aim to prevent any unethical and irresponsible behaviour of the Company or its employees.

During the year under review, a new practical crisis manual was developed and distributed throughout the business. Alongside this, a simulation workshop is being rolled out throughout the business. All Heineken 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. The report can be viewed on www.heinekeninternational.com.

Pressure on alcohol

An increasingly negative perception in society towards alcohol and more specifically alcohol abuse could prompt legislators to take restrictive measures including restrictions, on such things as commercial freedom and increased government tax. This perception is fed by critical coverage in the media. 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.

Heineken actively participates in the EU Forum on Alcohol and Health and delivered its commitments in the area of consumer information, alcohol consumption at the workplace and commercial communication. In 2009, Heineken continued to work on establishing effective self-regulation in the EU together with the Brewers of Europe. We also filed our multi-market campaign "Know the signs" at the EU Forum. Our internal programmes Cool@Work and Responsible Commercial Communication, which are being monitored continuously, remain important building blocks of our policy. Heineken is also actively engaged in the process of the World Health Organisation in developing a global strategy on alcohol-related harm. We have reached out in markets to inform governments on what a global strategy should look like. Rather than proposing 'a one size fits all strategy' globally, we support evidence-based and tailor-made policies that truly help to reduce alcohol-related harm. Furthermore, we explain to governments that the alcohol industry has a role to play in helping to reduce alcohol-related harm.

Attractiveness of beer category under pressure

Heineken has many operations in mature beer markets where the attractiveness of the beer category is being challenged by other beverage categories. Consumers may also change behaviour following the rise of discount brands and retailers following the recession. In these markets, especially, the on-trade channel is under pressure, which makes adjustments to the cost base unavoidable. Heineken is relatively highly geared to mature markets since their acquisition of Scottish & Newcastle. Management focus is on product innovation, portfolio management and cost-effectiveness in order to secure market position and profitability.

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 will pass on increased input costs impacting volume. During the second half of 2008, commodity markets rapidly declined following the world economic climate and remained depressed for most of 2009. In addition, the run of several years' poor harvests in key grain and hop markets has reversed and world grain stocks are recovering.

Group Purchasing ensures Heineken's scale is leveraged by making use of flexibility in contracts and active hedging. This brings economies of scale, minimises the impact of increases in input costs, and maximises the opportunities for cost reductions and other commercial terms. In 2009, a total of 83 per cent 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 2010 and future supply at effective, if not always minimum, cost. In the second half of 2009, we saw a return of volatility to fluctuations in certain key commodity markets and we continue to evaluate and maintain risk strategies to protect input costs from this effect. Hedging contracts for most of the 2010 aluminium requirements are now closed.

During the year, a joint review by Finance and Purchasing functions of currency risk management resulted in the implementation of new procedures for the evaluation and monitoring of currency risk as well as the commercial evaluation of purchasing contracts involving foreign currency.

Stability of Africa and the Middle East Region

In the Africa and Middle East region, current volume growth is driven by economic growth in Nigeria, the Middle East and in Central Africa. The region remains stable and is at peace in most areas. In Nigeria, the unrest in the Niger Delta is largely resolved and that region has now returned to relative calm.

Economic downturn

The economic crisis has impacted our regular business activities and performance, in particular in consumer spending and solvency. However, the business impact differed across our regions and operations. Local management has assessed the risk exposure following Group instructions and is taking action to mitigate any 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 Group functions oversee the effectiveness of management analysis and action, supported by input from Internal Auditors.

Operational risks

Reorganisations and change programmes

Many reorganisation projects (amongst others, centralisation of back office activities, closure of breweries and other rightsizing and downsizing activities) have been realised, are under way or are in preparation. Highest impact is in the supply chain, wholesale business and support functions in Europe and Americas. Due to social unrest or temporarily reduced operational effectiveness, there is a risk that production quality and supply continuity could be affected and might negatively impact financial performance and Company reputation.

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 running 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, the Scottish & Newcastle acquisition in 2008 and the expected completion of the acquisition of FEMSA during 2010. In most acquisitions, 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 Group processes, planning and departments, 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 affect revenue and market shares. This is not considered a major risk due to the relative size and geographical spread of operations. However, specific attention is given to the supply of beer from the Netherlands to profitable export markets. Heineken Netherlands Supply is finalising the implementation of a Business Continuity Management process related to the supply from the Netherlands, which is integrated with the planning and reporting cycle. It is secured through integration with ISO certified quality management assurance systems.

Information security

Heineken's worldwide operations are increasingly reliant on information systems. The increased centralisation of IT systems allows central enforcement of security measures across Operating Companies. However, it also means that the impact of any information security incident will be much larger and therefore requires strict monitoring. Heineken's Operating Companies and the central IT services must comply with a strict information security policy to ensure the confidentiality and integrity of information and the availability of information systems. An IT risk management system is in place for all sites including IT risk identification and monitoring, biannual policy compliance assessments, progress of improvement monitoring and independent audits.

Risk Management and Control System (continued)

Financial risks

Currency risk

Heineken operates internationally and reports in euros, which has proven to be a very strong currency over the past few years. Currency fluctuations, relating to the US dollar, South African rand, Polish zloty and, to a lesser extent, the British pound could materially affect overall Company results, considering the size of exports from the eurozone to mainly the USA and South Africa.

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. In 2009, operating results of Operating Companies in countries with currencies that devaluated versus the euro are translated into euro at lower rates. Since the Group attracts funding and pays interest in these currencies as well, the impact of devaluations of such currencies like the Russian rouble, British pound and Polish zloty on our results is mitigated to a certain extent. In addition, Heineken strengthened its risk management regarding the monitoring and managing of currency and interest positions.

Capital availability

The Company has a strong focus on cash generation to reduce its debt levels and to improve its financing ratios. The Company has a clear focus 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 the 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 upon retirement (mainly the UK and the Netherlands as per disclosure in financial statements). The contractual and regulatory arrangements with these pension funds are such that in case of shortfalls, no one-off payments are required but the annual cash contributions would increase, thereby mitigating the potential cash outflow over a longer period of time.

Regulatory risks

Tax

Heineken and its Operating Companies are subject to a variety of local excise and other tax regulations. Group Fiscal Affairs has further progressed in structuring tax risk management through the 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, 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 potentially increase the impact of non-compliance, both financially and on the reputation of the Company. Each half year, all majority-owned companies formally report outstanding claims and litigations against the Company in excess of EUR 1 million to Group Legal Affairs, 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.

Did you know:

Beer glasses should be used for beer only

Using beer glasses for other beverages, like fruit juice or milk, will leave substances behind, such as grease. This will cause the beer to go flat. A good beer needs the cleanest glass possible.

Financial Review

Results from operating activities

In millions of EUR	2009	2008
Revenue	**14,701**	14,319
Other income	**41**	32
Raw materials, consumables and services	9,650	9,548
Personnel expenses	2,379	2,415
Amortisation, depreciation and impairments	1,083	1,206
Total expenses	**13,112**	13,169
Results from operating activities	**1,630**	1,182
Share of profit of associates, joint ventures and impairments thereof	127	(102)
EBIT	**1,757**	1,080

General overview

Heineken realised an organic net profit growth of 18 per cent in 2009, driven by higher revenue per hectolitres and cost reduction. The consolidated beer volume has decreased due to the global economic downturn.

Revenue and expenses

Revenue increased by 2.7 per cent from EUR 14.3 billion to EUR 14.7 billion and decreased organically by 0.2 per cent. Consolidated beer volume was 0.5 per cent lower at 125.2 million hectolitres in 2009, despite the contribution of first-time consolidations in 2008 (mainly Scottish & Newcastle, Beamish & Crawford and Eichhof Beverages). Organically, consolidated beer volume was 5.4 per cent lower due to the economic environment and excise duty increases. Heineken volume in the premium segment decreased by 0.8 million hectolitre to 25.1 million hectolitres in 2009 (a decrease of 3.1 per cent of which 2.9 per cent organically).

Heineken was able to pass on increased input price increases and higher excise duties. These have partly compensated for the volume decline. As a consequence, revenues have decreased organically by 0.2 per cent. The average gross profit per hectolitre increased as well as the average gross profit margin. Devaluations of the Nigerian naira, the Russian rouble and the Polish zloty had a negative impact on revenue.

Other income increased from EUR 32 million in 2008 to EUR 41 million in 2009 mainly as a result of increased gains on the sale of property, plant and equipment.

Total cost management (TCM), Heineken's company-wide cost reduction programme for the period 2009-2011, delivered mainly savings in fixed cost spending. Several restructuring programmes and brewery closures were launched and realised. An amount of EUR 140 million is included as part of depreciation and impairments for impairment of pubs and brewery closures in the UK, Russia, Finland, Spain and France. Other expenses were decreased by EUR 36 million. In 2009, exceptional restructuring charges as part of personnel expenses related to TCM amounted to EUR 63 million before tax.

Costs of raw materials and packaging decreased 4.4 per cent, of which 3.2 per cent was organically, due to lower volumes and lower purchasing prices for barley towards the end of 2009. Overall, the average input costs per hectolitre have shown a slight decrease.

Marketing and selling expenses decreased organically by 3.7 per cent to 11.3 per cent of revenue in 2009 from 11.7 per cent in 2008.

Personnel expenses were 1.0 per cent lower organically and the effect of first-time consolidations was offset by a reduction of headcount driven by efficiency improvements, mainly in Central and Eastern Europe and lower restructuring costs. The devaluation of the Russian rouble and the Polish zloty also contributed to the cost reduction.

Financial Review (continued)

Results (beia)

In millions of EUR	2009	2008
EBIT	1,757	1,080
Amortisation of brands and customer relationships	79	63
Exceptional items	259	789
EBIT (beia)	2,095	1,932

In millions of EUR	2009	2008
Net profit	1,018	209
Amortisation of brands and customer relationships	59	47
Exceptional items	(22)	757
Net profit (beia)	1,055	1,013

EBIT (beia) and Net profit (beia)

In millions of EUR	EBIT beia	Net profit beia
2008	1,932	1,013
Organic growth	264	186
Changes in consolidation	(19)	(118)
Effects of movements in exchange rates	(82)	(26)
2009	2,095	1,055

EBIT and net profit

In 2009 EBIT amounts to EUR1,757 million compared to EUR1,080 million in 2008, as a result of a better price mix and cost reductions. Furthermore, the effect of exceptional items was much smaller in 2009 compared with 2008.

EBIT as a proportion of revenue increased to 12 per cent in 2009 from 7.5 per cent in 2008, mainly due to the aforementioned items.

Net interest expenses increased from EUR378 million to EUR543 million mainly due to the issuance of GBP and EUR bonds and the overall higher average consolidated net debt as a result of the effect of the first-time consolidation of the financing costs of Scottish and Newcastle. On an organic basis the net interest was also higher (EUR35 million) than in 2008.

Other net financing expenses resulted in a EUR214 million income for 2009. Of this, an amount of EUR248 million is attributable to a book gain on the Globe restructuring, which is treated as exceptional item, offset by EUR33 million of exceptional expenses in other income statement lines leading to a total net book gain of EUR215 million.

The other net financing expenses include exceptional expenses related to the write-down of derivatives for EUR14 million.

The average tax burden decreased from 35.6 per cent in 2008 to 22 per cent in 2009. Without exceptional items, the effective tax rate would have been 25 per cent in 2009 compared to 26 per cent in 2008. The exceptional Globe debt restructuring gain in 2009 (mainly tax exempt) resulted in the low average tax burden, whereas in 2008 the exceptional impairment on the goodwill of Russia resulted in a high average tax burden.

Basic earnings per share increased from EUR0.43 to EUR2.08 as a result of significantly higher net profit.

Cash flow

In millions of EUR	2009	2008
Cash flow from operations before changes in working capital and provisions	**2,876**	2,329
Total change in working capital	220	(47)
Change in provisions and employee benefits	(67)	(114)
Cash flow from operations	**3,029**	2,168
Cash flow related to interest, dividend and income tax	(650)	(508)
Cash flow from operating activities	**2,379**	1,660
Cash flow used in operational investing activities	(638)	(1,110)
Free operating cash flow	**1,741**	550
Cash flow used for acquisitions and disposals	(149)	(3,634)
Cash flow from/(used in) financing activities	(1,837)	3,309
Net cash flow	**(245)**	225

Cash flow and investments

Free operating cash flow of EUR 1,741 million represents a EUR 1,191 million improvement over 2008's performance mainly due to:

- Cash flow from operations before changes in working capital and provisions increased by EUR 547 million
- Decrease in working capital; resulting in a positive contribution to cash flow of EUR 220 million, an improvement of EUR 267 million
- Decrease of EUR 472 million cash flow used in operational investing activities as a result of reduced CAPEX.

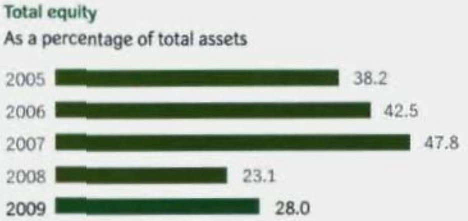
The cash conversion rate of 148 per cent has significantly improved compared with 2008's cash conversion rate of 48 per cent.

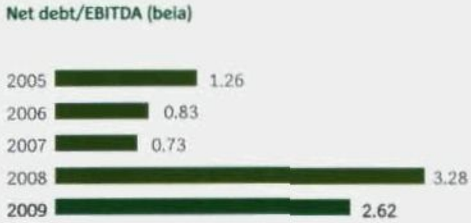
Financing structure

In millions of EUR	2009	%	2008	%
Total equity	5,647	28	4,752	23
Deferred tax liabilities	786	4	661*	3
Employee benefits	634	3	688	3
Provisions	518	3	502	3
Interest-bearing loans and borrowings	8,239	41	9,644	47
Other liabilities	4,356	21	4,340	21
	20,180	**100**	20,587	100

* Adjusted due to finalisation of the purchase price accounting of the S&N acquisition.

Financial Review (continued)





In millions of EUR	2009	2008
EBIT	1,757	1,080
Depreciation and impairments of plant, property and equipment	931	825
Amortisation and impairment of intangible assets (including goodwill)	152	381
EBITDA	**2,840**	2,286
Other exceptional items	98	434
EBITDA (beia)	**2,938**	2,720

Financing and liquidity

As at 31 December 2009, total equity increased by EUR895 million to EUR5,647 million, whilst equity attributable to equity holders of the Company increased by EUR880 million to EUR5,351 million. This increase is mainly due to strong profit and the positive impact of foreign currency translation differences.

Following the credit crunch in 2008, employee benefit assets saw a significant increase during 2009. At the same time interest rates decreased, resulting in an increase in pension obligations. The net recognised liability decreased slightly, the unrecognised actuarial losses increased significantly and future contributions to pension funds may increase if the existing situation remains.

Net debt as at 31 December 2009 amounted to EUR7,704 million. The decrease of EUR1,228 million was driven by strong operational cash generation during 2009 and the buyback of the Globe debt.

Of total gross interest-bearing debt, approximately 90 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 7 per cent of gross-bearing debt (EUR550 million) is denominated in British pounds. This consists both of interest-bearing debt at the level of UK (held at several subsidiaries) as well as debt at Heineken N.V. level.

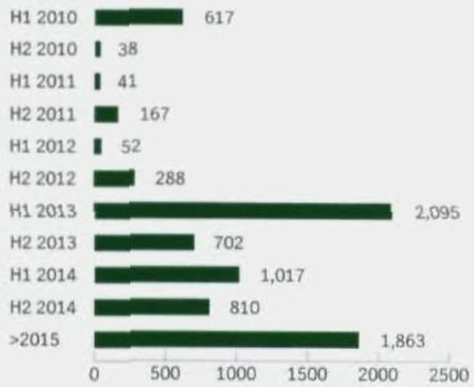
The remaining 3 per cent of gross interest debt is denominated in other currencies. This is mostly debt at subsidiary level. This currency breakdown excludes the effect of any derivatives, which are used to hedge intercompany lending denominated in currencies other than euro.

Heineken updated its EMTN-programme in September 2009. 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.

In February 2009, the Company placed 6-year Sterling Notes for a principal amount of GBP400 million with a coupon of 7.25 per cent. In March 2009, the Company placed 5-year Euro Notes for a principal amount of EUR1 billion with a coupon of 7.125 per cent. In October 2009 Heineken placed 7-year Euro Notes for a principal amount of EUR400 million with a coupon of 4.625 per cent.

Our repayment profile shows no major repayments before HY1 2013. In February 2010 our EUR500 million Bond, issued in 2003, matured. This has been refinanced from operational cash flows and existing credit facilities.

Obligatory Debt Repayments in HY
In millions of EUR



Heineken's policy is to keep committed headroom of EUR1 billion – EUR1.5 billion for the next year. As at January 2010 the available headroom (including cash available at Group level) was approximately EUR2 billion, as the EUR2 billion Revolving Credit Facility 2005-2012 was undrawn.

Heineken currently has committed financing in place until 2012 to cover all maturing debt obligations from 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 2009 this ratio was 2.5 (2008: 3.1). 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 2009 amounted to EUR1,018 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 EUR318 million for distribution as dividend. This proposed appropriation corresponds to a dividend of EUR0.65 per share of EUR1.60 nominal value, on account of which an interim dividend of EUR0.25 was paid on 2 September 2009. The final dividend thus amounts to EUR0.40 per share. Netherlands withholding tax will be deducted from the final dividend at 15 per cent.

Corporate Governance Statement

Dutch Corporate Governance Code

On 10 December 2008 an amended Dutch Corporate Governance Code was presented amending the Dutch Corporate Governance Code of 9 December 2003. As part of this Annual Report 2009 Heineken N.V. has prepared a Comply or Explain report on the basis of the Dutch Corporate Governance Code of 10 December 2008 (the 'Code').

Heineken endorses the Code's principles and applies virtually all best practice provisions. However, as already stated in Heineken's previous Comply or Explain report of 21 February 2005 relating to the Dutch Corporate Governance Code of 9 December 2003, 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. At the General Meeting of Shareholders of 20 April 2005, this departure from the 2003 Code was put to the vote and approved.

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.

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

- II.1.1: appointment period Executive Board members
- 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 provision, 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 22 April 2010 have the opportunity to discuss the way in which Heineken deals with the Code and that Heineken N.V. does not (fully) apply the above best practice provisions.

The Comply or Explain report is also available at www.heinekeninternational.com

The Dutch Corporate Governance Code can be downloaded at www.commissiecorporategovernance.nl

Risk Management and Control System

The risk management and control system over financial reporting contains 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 that have been implemented in a large number of the Operating Companies support common accounting and regular financial reporting in standard forms. Testing of the key controls relevant for financial reporting is part of the common Internal Audit approach.

The worldwide external audit activities provide additional assurance on true and fair presentation of the financial reporting at the Operating Company level. 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 2009, special attention was given to the continuous integration of financial reporting of the acquired business from the former Scottish & Newcastle and other acquisitions, including transfer to the Heineken Accounting Policies. Almost all acquired companies have implemented the Heineken standard chart of accounts.

The internal risk management and control systems as described in this section provide 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 for their management, (iv) discharge of the members of the Supervisory Board for their supervision on the management and (v) appropriation of profits.

General Meetings of Shareholders shall be held in Amsterdam.

Convocation

Pursuant to the Articles of Association, the Executive Board or the Supervisory Board shall convene the General Meetings of Shareholders with a convocation period of at least fourteen (14) days (not including the convocation date and the date of the meeting). In practice the convocation period is usually around one month.

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 four 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 a subject 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 EUR 50 million, then the subject will be included in the convocation or announced in a similar way, unless this would be contrary to an overriding interest of the Company.

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.

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 cannot be earlier than on the 30th 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 by proxy or 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 their voting rights.

If a shareholder wants to exercise their 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.

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.

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.

Corporate Governance Statement (continued)

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. But, once cast, a vote cannot be revoked.

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, which minutes shall be signed by the chairman of the meeting and the secretary. In the event 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 (v) suspension and dismissal of Executive Board members (v) appointment of Supervisory Board members, (vi) the remuneration of Supervisory Board members, (vii) suspension and dismissal of Supervisory Board members, (viii) appointment of the Delegated Member of the Supervisory Board, (ix) adoption of the financial statements, (x) granting discharge to Executive and Supervisory Board members, (xi) the profit reservation and distribution policy, (xi) dividend distributions, (xii) a substantial change in the corporate governance structure, (xiii) appointment of the external auditor, (xiv) amendment of the Articles of Association and (xv) 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

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

The Executive Board members are appointed by the General Meeting of Shareholders from a non-binding nomination drawn up by the Supervisory Board. 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 nine members: Cees (C.J.A). van Lede (Chairman), Jan Maarten (J.M.) de Jong (Vice-Chairman), Maarten (M.) Das (delegated member), Michel (M.R.) de Carvalho, Jan Michiel (J.M.) Hessels, Annemiek (A.M.) Fentener van Vlissingen, Lord Ian (I.C.) MacLaurin, Mary (M.) Minnick and Christophe (V.C.O.B.J.) Navarre.

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 2006*.
Chairman (2004).
Profession: Company Director.
Supervisory directorships Dutch stock listed companies: Royal Philips Electronics N.V.
Other: Sara Lee Corporation, Air Liquide S.A., Air France/KLM, Senior Advisor Europe, JP Morgan Plc., London.

Jan Maarten (J.M.) de Jong (1945)
Dutch nationality; male.
Appointed in 2002; latest reappointment in 2006*.
Vice-Chairman (2004).
Profession: Banker.
Supervisory directorships Dutch stock listed companies: Nutreco Holding N.V.
Other: CRH plc, Ireland, AON Groep Nederland B.V., Kredietbank S.A. Luxembourgeoise, Luxembourg, Krediet Bank N.V., Belgium.

Maarten (M.) Das (1948)
Dutch nationality; male.
Appointed in 1994; latest reappointment in 2009*.
Delegated member (1995).
Profession: Advocaat (Attorney at law).
Supervisory directorships Dutch stock listed companies: none. Other: Greenfee B.V. (Chairman).
Other directorships**: Heineken Holding N.V. (Chairman), L'Arche Green N.V. (Chairman), Stichting Administratiekantoor Priores, LAC B.V.

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 directorships**: L'Arche Green N.V.

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: NYSE Euronext (Chairman), S.C. Johnson Europlant N.V. (Chairman), Central Plan Committee of the Netherlands Bureau for Economic Policy Analysis (CPB) (Chairman).

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

Ian (I.C.) MacLaurin (1937)
British nationality; male.
Appointed in 2006*.
Profession: Company Director.
No supervisory directorships Dutch stock listed companies.
Other: Evolution Group Plc., Chartwell Group.

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: President & CEO LVMH Wines & Spirits Group.
No supervisory directorships Dutch stock listed companies.

If applicable, board memberships mentioned under 'Other' only list other key board memberships.

* For the maximum period of four years.
** Where 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.

Corporate Governance Statement (continued)

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. Three members of the Supervisory Board (M.R. de Carvalho, J.M. de Jong and M. Das) 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.

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 Mr. A.H. Heineken family 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 discusses 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 discusses 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 discusses the desired profile, composition and competence of the Supervisory Board. Moreover, the Supervisory Board discusses 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.

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

The current Chairman is Mr. C.J.A. van Lede.

The Chairman of the Supervisory Board (C.J.A. van Lede) 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 and Supervisory Board members.

Vice-Chairman

The Supervisory Board appoints from its members a Vice-Chairman.

The Vice-Chairman of the Supervisory Board (J.M. de Jong) 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 four committees, the Preparatory Committee, the Audit Committee, the Remuneration Committee, and the Selection and Appointment 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).

Corporate Governance Statement (continued)

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.

Decree Article 10 Take-Over Directive

The issued share capital of Heineken N.V. amounts to EUR783,959,350.40, consisting of 489,974,594 shares of EUR1.60 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).

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.)

- Massachusetts Financial Services Company (a capital interest of 4.07 per cent, of which 2.92 per cent is held directly and 1.14 per cent is held indirectly and a voting interest of 5.03 per cent of which 2.91 per cent is held directly and 2.12 per cent is held indirectly.

Upon completion of the acquisition of the beer operations of Fomento Económico Mexicano, S.A.B. de C.V. ('FEMSA'), as part of which FEMSA and related companies will receive Heineken N.V. shares (and Heineken Holding N.V. shares), pursuant to the Corporate Governance Agreement to be concluded between Heineken N.V., Heineken Holding N.V., L'Arche Green N.V. and FEMSA:

- subject to certain exceptions, FEMSA (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 (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 (and its respective related companies) have agreed not to 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 will be entitled to have two representatives in the Heineken N.V. Supervisory Board, one of whom will be a Vice Chairman, who will also serve as the FEMSA representative on the Board of Directors of Heineken Holding N.V.

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. The shares required for the share-based Long-Term Incentive Plans will be acquired by Heineken N.V. The transfer of shares to the participants requires the approval of the Supervisory Board of Heineken N.V.

Shares received by Executive Board members upon vesting 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.

As far as known to Heineken N.V., there are no other agreements involving a shareholder of Heineken N.V. that could lead to a restriction of the transferability of shares or of voting rights on shares.

Shares repurchased by Heineken N.V. for the share-based long-term incentive plans do not carry any voting rights and dividend rights. As regards other Heineken N.V. shares, there are no restrictions on voting 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 22 April 2010 is 21 days before the Annual General Meeting of Shareholders, i.e. on 1 April 2010.

There are no important agreements to which Heineken N.V. is a party and that will 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.

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

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.

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 which has been approved by the Supervisory Board, or at the proposal of one or more shareholders representing at least half of the issued capital.

On 20 April 2005, the Annual General Meeting of Shareholders authorised the Executive Board (which authorisation was last renewed on 23 April 2009 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 repurchased is the statutory maximum of 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 mainly in connection with the share-based Long-Term Incentive Plans for both the Executive Board members and senior management, but may also serve other purposes, such as acquisitions. A new authorisation will be submitted for approval to the Annual General Meeting of Shareholders of 22 April 2010.

On 20 April 2005, the Annual General Meeting of Shareholders also authorised the Executive Board (which authorisation was last renewed on 23 April 2009 for a period of 18 months) to issue (rights) to 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 share-based Long-Term Incentive Plans for both the Executive Board members and senior management, but may also serve other purposes, such as acquisitions. A new authorisation will be submitted for approval to the Annual General Meeting of Shareholders of 22 April 2010.

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

Amsterdam, 22 February 2010

Did you know:

'Pilsener' and 'lager' are the same

Essentially both expressions refer to the same thing. We use these names to describe a bright, pure, bottom-fermented beer, as opposed to darker and top-fermented beers (often called 'ale' or 'stout').

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 2009 to the Supervisory Board. The financial statements of this Annual Report can be found on pages 71 to 155 of this Annual Report.

KPMG Accountants N.V. audited the financial statements. Their report appears on page 158 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 EUR318 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 EUR0.65 per share of EUR1.60 nominal value, of which EUR0.25 was paid as an interim dividend on 2 September 2009.

Supervisory Board composition, remuneration and independence

The Annual General Meeting of Shareholders on 23 April 2009 appointed Mr. V.C.O.B.J. Navarre as member of the Supervisory Board for the maximum period of four years. Messrs. Das and Hessels were reappointed as members of the Supervisory Board for the maximum period of four years. Mr. Das was also reappointed delegated member.

Following the announcement of the acquisition of the beer operations of Fomento Económico Mexicano S.A.B. de C.V. (FEMSA) and subject to completion of the transaction, it is proposed to appoint Messrs. J.A. Fernández Carbajal and J.G. Astaburuaga Sanjinés as members of the Supervisory Board of Heineken N.V. for the maximum period of four years. Non- binding nominations for their appointment will be submitted to the Annual General Meeting of Shareholders on 22 April 2010.

Messrs. Van Lede and De Jong, Mrs. Fentener van Vlissingen and Lord MacLaurin will resign by rotation from the Supervisory Board at the Annual General Meeting of Shareholders on 22 April 2010.

Messrs. Van Lede and De Jong and Mrs. Fentener van Vlissingen are eligible for re-appointment for the maximum period of four years. Non-binding nominations for their appointments will be submitted to the Annual General Meeting of Shareholders. The notes to the agenda contain further information, concerning the proposed appointments and re-appointments.

Lord MacLaurin will retire from the Supervisory Board. We would like to thank Lord MacLaurin for his contributions to the Company and specifically for his support in the UK market.

In 2009 the Supervisory Board consisted of nine 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 nine members are women and four out of nine members are non-Dutch. The average age is 61 (ranging between 48 and 72 years).

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 144 of the financial statements. The Supervisory Board plans to submit new proposals to the Annual General Meeting of Shareholders in 2011.

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 and de Carvalho 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 and de Carvalho in fact act critically and independently.

Meetings and activities of the Supervisory Board

The Supervisory Board held nine 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. In particular the acquisition of the beer operations of FEMSA (Mexico) was discussed in several meetings. The Supervisory Board also discussed and approved the adjustments to the remuneration policy for the Executive Board. The external auditor attended the meeting in which the annual results were discussed.

Several representatives of Senior Management presented a subject, such as the Group Supply Chain Director (Supply Chain highlights, Total Production Management and sustainability) and the Group Legal Affairs Director (highlights of preventing disputes and competition law compliance). Two Regional Presidents (Western and Central & Eastern Europe) presented their programme for growth.

One meeting was held without the Executive Board present. In this meeting, the Supervisory Board discussed 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 prepared this meeting by having individual interviews, based on a self-assessment survey, with the Supervisory Board and Executive Board members.

One meeting was held at the brewery in Zoeterwoude, the Netherlands. In this meeting the Supply Chain Director for the Netherlands presented the developments within the Supply Chain of the breweries in the Netherlands.

Yearly, the Supervisory Board has a two-day meeting with the Executive Board to discuss the long term strategy and management development. In this meeting, the Managing Director of Heineken Nederland and his management team presented the highlights of the commercial organisation in the Netherlands (including Vrumona).

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

Preparatory Committee

Composition: Messrs. Van Lede (Chairman), Das 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 and Mrs. Fentener van Vlissingen. The Audit Committee met three 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 audits. Specific attention was paid to the international IT programmes and the tax control framework through presentations by the responsible managers.

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 the meetings, as well as the external auditor, the Director Group Control & Accounting and the Group Internal Auditor.

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).

To the Shareholders (continued)

Selection & Appointment Committee
Composition: Messrs. Van Lede (Chairman), Das, de Carvalho and Lord MacLaurin.

The Selection & Appointment Committee met four times. In these meetings the composition and the rotation schedule of the Supervisory Board were discussed.

Remuneration Committee
Composition: Messrs. Das (Chairman), Van Lede and de Carvalho.

The Remuneration Committee met six times. The Remuneration Committee discussed the adjustments to the remuneration policy for the Executive Board. The adjustments will be submitted to the Annual General Meeting of Shareholders on 22 April 2010. They also reviewed the target setting and payout levels for the annual bonus and the Long-Term Incentive Plan for the Executive Board (Heineken N.V. shares).

Remuneration Executive Board

In 2005 the Annual General Meeting of Shareholders approved the remuneration policy for the Executive Board. In 2007 the Annual General Meeting of Shareholders approved the first adjustments. In view of the financial crisis, the base salaries of the Executive Board were frozen and in 2009 no adjustments to the policy were made.

Details of the policy and its implementation are described on page 65.

The adjustments to the revised remuneration policy, as from 1 January 2010, will be submitted for approval to the Annual General Meeting of Shareholders on 22 April 2010. The adjustments are described on page 69.

Appreciation

2009 was not an easy year, particularly in view of the general economic circumstances. Much attention was given to the integration of the acquired businesses, 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 strong results in 2009.

Supervisory Board Heineken N.V.

Van Lede
De Jong
Das
de Carvalho
Hessels
Fentener van Vlissingen
MacLaurin
Minnick
Navarre

Amsterdam, 22 February 2010

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 current external economic crisis and work to turn them into a long-term advantage for our Company and shareholders. In 2009 the Remuneration Committee reviewed the policy to ensure continuing compliance with our remuneration principles, best corporate governance practices and alignment with our business priorities. Recommended adjustments to the policy by the Supervisory Board will be submitted to the 2010 Annual General Meeting of Shareholders.

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
- Part II – a. Provides details of the remuneration received by the Executive Board in 2009 and b. Describes the changes made to align this remuneration to the principles of the current policy
- Part III – Outlines the adjustments to the current policy to be submitted to the 2010 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, while 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:

Remuneration element	Description	Strategic role
Base salary	• Fixed cash compensation based on level of responsibility and performance • 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% of incentive opportunity is based on financial and operational measures, 25% on individual objectives	• 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	• Drive and reward long-term performance: – Increase shareholder value – Focus on long-term sustained success • Executive retention • Share ownership
Pension	• Defined contribution plan or • Capital Creation plan	• Provide for employee welfare and retirement needs

Remuneration Report (continued)

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.

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).

Please note that Numico (NL) was also part of the labour market peer group until its take-over. Replacement has not yet 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.

The target annual STI opportunity for the CEO is 100 per cent of base salary and for the CFO 75 per cent of base salary. The maximum level of payout is set at 150 per cent of payout at target level. The threshold level of payout is set at 60 per cent of payout at target level.

75 per cent of the STI opportunity is based on organic net profit growth target and an acceptable cash conversion rate. 25 per cent of the STI opportunity is based on personal targets.

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 align the Executive Board and shareholder interest and reward long-term value creation. Each year, a target number of performance shares is conditionally awarded, the vesting of which is contingent on Heineken's Total Shareholder Return (TSR) performance 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 11 companies:

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

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

The target annual LTI opportunity for the CEO is 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%

The Supervisory Board may at its sole discretion adjust the number 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 which 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 Defined Contribution Plan, apart from the survivor's pension, a separate lump sum of two times base salary will be paid in the event of death whilst in service.

In the Capital Creation option the Executive Board member may elect to receive as income the Defined Contribution premium amounts from the pension scheme, less an amount equivalent to the employee contribution. Instead of a survivor's pension, a lump sum of, depending on age, ten, eight, six or four times base salary will be paid, in the event of death whilst in service.

The retirement age is 65, but individual Executive Board members may retire earlier with a reduced level of benefit. Contribution rates are designed to enable the current Executive Board members to retire from the Company at the age of 62.

Part IIa – 2009 Remuneration overview

The following table gives details of the remuneration received by each member of the Executive Board in 2009.

Realisation 2009 short-term incentive

The STI awards for 2009 were subject to achievement of organic net profit growth and cash conversion rate targets in combination with individual targets. The specific targets are commercially sensitive and cannot be disclosed. The Supervisory Board measured the results against the set targets and determined the STI payment for 2009 to be equal to 150 per cent of payout at target level for the CEO and 150 per cent of payout at target level for the CFO.

			Long-term incentive		
in EUR	Base salary	Short-term incentive[1]	No. of performance shares vested for 2007-2009	Value of vested shares for 2007-2009	Pension cost
Van Boxmeer	750,000	1,125,000	–	–	379,280
Hooft Graafland	550,000	618,750	–	–	314,569

[1] Short-term incentive is based on results achieved in 2009 and therefore payable in 2010.

Remuneration Report (continued)

Realisation 2009 long-term incentive

After 2009 the conditional performance shares awarded in 2007 are subject to vesting. Vesting is based on the TSR performance of Heineken ranked against the defined performance peer group over the three-year performance period (1 January 2007 – 31 December 2009). For this period, Heineken ranked tenth in its performance peer group. This ranking is below the median of the peer group, and as a result the performance shares awarded in 2007 do not vest in 2010 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 STI and LTI awards made in 2009 and previous awards made.

The following table provides an overview of outstanding LTI awards (awards made but not yet vested as of 31 December 2009):

Part IIb – Changes to align remuneration to the principles of the current policy

Base salary

The Remuneration Committee conducted a detailed review of base salary levels of the Executive Board in 2009. Base salaries were benchmarked against the peer group of companies specified by the policy and the results showed that the current base salary levels for the Executive Board are well below the median of the peer group, which is the target base salary position prescribed by the remuneration policy. In addition, the Remuneration Committee reviewed the pay differentials between the Executive Board and senior management and concluded that the existing pay differential is too narrow compared to the market and does not allow meaningful pay progression.

	Grant date	No. of shares conditionally awarded at target level	Value of shares conditionally awarded at the grant date in EUR	Vesting date[1]	No. of shares vested on the vesting date (gross)	End of lock-up period	Value of unvested shares as of 31.12.2009 in EUR
Van Boxmeer							
	2009	34,247	735,626	02.2012	–	2014	1,139,226
	2008	16,960	619,549	02.2011	–	2013	564,174
	2007	20,816	787,053	23.02.2010	–	–	–
Hooft Graafland							
	2009	18,836	404,597	02.2012	–	2014	626,580
	2008	9,328	340,752	02.2011	–	2013	310,296
	2007	11,449	432,887	23.02.2010	–	–	–

[1] Within five business days immediately following the publication of the annual results of the Company, to occur after completion of the performance period as determined by the Supervisory Board.

The following table provides an overview of vested LTI awards that are currently subject to a lock-up period.

	Grant date	Vesting date	No. of shares vested on the vesting date (gross)	No. of shares vested on the vesting date (net)	Value of shares vested on the vesting date in EUR	End of lock-up period	Value of vested shares as of 31.12.2009 in EUR
Van Boxmeer							
	2005	20.02.2008	14,244	9,244	337,683	2010	307,502
Hooft Graafland							
	2005	20.02.2008	13,250	6,544	239,052	2010	217,686

This is caused by the fact that existing base salary levels have been in place since 2007 and the proposal for a new remuneration policy in 2009 was withdrawn. Based on these findings of the Remuneration Committee, the Supervisory Board decided to correct the internal pay equity and close the salary gap with the median of the peer group in 2009. The table below sets out the new base salaries for 2010.

	2009 Base salary in EUR	2010 Base salary in EUR	Effective date for 2010 base salary
Van Boxmeer	750,000	950,000	1 January 2010
Hooft Graafland	550,000	650,000	1 January 2010

Long-term incentive

In addition the Supervisory Board decided to increase the target LTI award amount from 100 per cent to 125 per cent of base salary for the CEO and from 75 per cent to 100 per cent of the base salary for the CFO. Together with the adjusted base salary, this will increase the total remuneration for both members of the Executive Board to the median of the labour market peer group. For the CFO it implies a somewhat higher total remuneration than for regular peer group CFOs, justified by the broader than normal responsibilities he holds.

The increased target LTI award amount will also emphasise the long-term variable component over the short-term incentive thereby increasing the portion of overall compensation paid on the basis of Heineken's long-term success. Until 2010, there was an equal division of variable pay between short- and long-term incentive, which in light of market developments the Supervisory Board no longer deems appropriate.

Part III – Adjustments to the Executive Board remuneration policy as from 2010

The Supervisory Board adopted the following adjustments on the recommendation of the Remuneration Committee to the remuneration policy as at 1 January 2010, 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 and the following adjustments are proposed to further strengthen the link between pay and performance, more effectively drive Heineken's long-term success and comply with the best practices of the Dutch Corporate Governance Code.

The following adjustments to the remuneration policy are proposed:

1. Short-term incentive – Revision of performance measures
2. Long-term incentive – Revision of performance measures.

Short-term incentive

The recent turbulent economic environment has demonstrated the need to modify the STI measures on an annual basis to respond timely to the changing business conditions. Therefore, the Supervisory Board recommends modifying the current policy to allow setting specific financial and operational measures on an annual basis. In line with the current policy, the financial and operational measures will still account for 75 per cent of the STI payout and individual leadership targets will account for 25 per cent.

At the beginning of the year, the Supervisory Board will then establish financial and operational performance measures and targets for the Executive Board to achieve based on Heineken's business priorities. These are commercially sensitive and will not be disclosed at that moment. At the end of the year, the Supervisory Board reviews the Company's and individual performance against these set measures and targets and then approves the STI payout levels based on the achieved performance. In the Annual Report, the performance measures and their relative weight used will be reported after the end of the year.

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

- Threshold performance – 50 per cent of target (reduced from 60 per cent under the current policy)
- Target performance – 100 per cent of target (no change from the current policy)
- Maximum performance – 150 per cent of target (no change from the current policy).

The target annual STI opportunity remains 100 per cent of base salary for the CEO and 75 per cent of base salary for the CFO.

In line with the current policy, the Supervisory Board may at its sole discretion in determining the final payout adjust the short-term incentive 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).

Remuneration Report (continued)

Long-term incentive

Under the current long-term incentive plan, the vesting of shares depends solely on one performance measure – Total Shareholder Return (TSR) relative to the peer group. The recent unprecedented market volatility related to the collapse of the financial markets, ongoing consolidations in the fast moving consumer goods industry and Heineken's unique share profile have demonstrated a number of difficulties in using relative TSR as a measure of underlying company performance.

The Supervisory Board therefore recommends replacing the relative TSR with key fundamental financial performance measures that are critical to the long-term success of Heineken:

- 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 encourage sound business decisions for the long-term health of Heineken and minimise the risk that participants over-emphasise one success measure to the detriment of others.

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 and
- maximum performance – 150 per cent of performance shares vest.

Vesting between the performance levels is on straight-line basis. The performance levels are commercially sensitive and will not be disclosed at the beginning of the performance period. After the performance period, the performance on each of the measures will be reported in the Annual Report.

The Supervisory Board may at its sole discretion adjust the number 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 which vested on the basis of incorrect financial or other data (clawback provision). This is facilitated by the existing holding period of five years after the date of award of performance shares, which is approximately two years from the vesting date.

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.

Remark on future remuneration policy for 2011 and beyond

The remuneration policy proposed and withdrawn in 2009 included the adoption of a new labour market peer group of European- and UK-based multinational companies operating in the brewing and branded consumer products sectors. This new labour market peer group is no longer suggested in the remuneration policy for 2010 as the Supervisory Board believes that the current economical climate and public debate require a high degree of prudency.

It is, however, very clear that the global footprint of Heineken has increased significantly since the adoption of the existing labour market peer group in 2007 and is again likely to increase significantly in 2010, with the intended acquisition of the beer operations of FEMSA. Hence the current predominantly Dutch labour market peer group is still perceived to be suboptimal for the long term. Therefore the Supervisory Board will propose a new labour market peer group for 2011.

Consolidated income statement

For the year ended 31 December 2009

In millions of EUR	Note	2009	2008
Revenue	5	**14,701**	14,319
Other income	8	**41**	32
Raw materials, consumables and services	9	(9,650)	(9,548)
Personnel expenses	10	(2,379)	(2,415)
Amortisation, depreciation and impairments	11	(1,083)	(1,206)
Total expenses		**(13,112)**	(13,169)
Results from operating activities		**1,630**	1,182
Interest income	12	90	91
Interest expenses	12	(633)	(469)
Other net finance expenses	12	214	(107)
Net finance expenses		**(329)**	**(485)**
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	16	127	(102)
Profit before income tax		**1,428**	595
Income tax expenses	13	(286)	(248)
Profit		**1,142**	347
Attributable to:			
Equity holders of the Company (net profit)		1,018	209
Minority interest		124	138
Profit		**1,142**	347

Weighted average number of shares – basic	23	488,666,607	488,930,340
Weighted average number of shares – diluted	23	489,974,594	489,974,594
Basic earnings per share (EUR)	23	2.08	0.43
Diluted earnings per share (EUR)	23	2.08	0.43

Consolidated statement of comprehensive income

For the year ended 31 December 2009

In millions of EUR	Note	2009	2008
Profit		1,142	347
Other comprehensive income:			
Foreign currency translation differences for foreign operations	24	112	(645)
Effective portion of change in fair value of cash flow hedge	24	(90)	(105)
Effective portion of cash flow hedges transferred to the income statement	24	88	(59)
Net change in fair value available-for-sale investments	24	26	(12)
Net change in fair value available-for-sale investments transferred to the income statement	24	(12)	1
Share of other comprehensive income of associates/ joint ventures	24	22	(3)
Other comprehensive income, net of tax	24	**146**	(823)
Total comprehensive income		**1,288**	(476)
Attributable to:			
Equity holders of the Company		1,172	(570)
Minority interest		116	94
Total comprehensive income		**1,288**	(476)

Consolidated statement of financial position

As at 31 December 2009

In millions of EUR	Note	2009	2008
Assets			
Property, plant & equipment	14	6,017	6,314
Intangible assets	15	7,135	7,030*
Investments in associates and joint ventures		1,427	1,145
Other investments	17	568	641
Advances to customers		319	346
Deferred tax assets	18	561	362*
Total non-current assets		**16,027**	**15,838**
Inventories	19	1,010	1,246
Other investments	17	15	14
Trade and other receivables	20	2,310	2,504
Prepayments and accrued income		189	231
Cash and cash equivalents	21	520	698
Assets classified as held for sale	7	109	56
Total current assets		**4,153**	**4,749**
Total assets		**20,180**	**20,587**
Equity			
Share capital		784	784
Reserves		159	(74)
Retained earnings		4,408	3,761
Equity attributable to equity holders of the Company		**5,351**	**4,471**
Minority interests		296	281
Total equity		**5,647**	**4,752**
Liabilities			
Loans and borrowings	25	7,401	9,084
Employee benefits	28	634	688
Provisions	30	356	344
Deferred tax liabilities	18	786	661*
Total non-current liabilities		**9,177**	**10,777**
Bank overdrafts	21	156	94
Loans and borrowings	25	1,145	875
Trade and other payables	31	3,696	3,846
Tax liabilities		132	85
Provisions	30	162	158
Liabilities classified as held for sale	7	65	–
Total current liabilities		**5,356**	**5,058**
Total liabilities		**14,533**	**15,835**
Total equity and liabilities		**20,180**	**20,587**

* Comparatives have been adjusted due to the finalisation of the purchase price accounting of the Scottish & Newcastle acquisition (see note 6).

Consolidated statement of cash flows

For the year ended 31 December 2009

In millions of EUR	Note	2009	2008
Operating activities			
Profit		1,142	347
Adjustments for:			
Amortisation, depreciation and impairments	11	1,083	1,206
Net interest (income)/expenses	12	543	378
Gain on sale of property, plant & equipment, intangible assets and subsidiaries, joint ventures and associates	8	(41)	(32)
Investment income and share of profit and impairments of associates and joint ventures		(138)	108
Income tax expenses	13	286	248
Other non-cash items		1	74
Cash flow from operations before changes in working capital and provisions		**2,876**	2,329
Change in inventories		202	(157)
Change in trade & other receivables		337	(184)
Change in trade and other payables		(319)	294
Total change in working capital		**220**	(47)
Change in provisions and employee benefits		(67)	(114)
Cash flow from operations		**3,029**	2,168
Interest paid and received		(467)	(309)
Dividend received		62	52
Income taxes paid		(245)	(251)
Cash flow related to interest, dividend and income tax		**(650)**	(508)
Cash flow from operating activities		**2,379**	1,660

In millions of EUR	Note	2009	2008
Investing activities			
Proceeds from sale of property, plant & equipment and intangible assets		180	93
Purchase of property, plant & equipment	14	(678)	(1,102)
Purchase of intangible assets	15	(99)	(158)
Loans issued to customers and other investments		(117)	(163)
Repayment on loans to customers		76	220
Cash flow used in operational investing activities		**(638)**	(1,110)
Free operating cash flow		*1,741*	*550*
Acquisition of subsidiaries and minority interests, net of cash acquired	6	(84)	(3,580)
Acquisition of associates, joint ventures and other investments		(116)	(202)
Disposal of subsidiaries and minority interests, net of cash disposed of	6	17	68
Disposal of associates, joint ventures and other investments		34	80
Cash flow used for acquisitions and disposals		**(149)**	(3,634)
Cash flow used in investing activities		**(787)**	(4,744)
Financing activities			
Proceeds from loans and borrowings	25	2,052	6,361
Repayment of loans and borrowings		(3,411)	(2,532)
Dividends paid		(392)	(485)
Purchase own shares and shares issued		(13)	(11)
Other		(73)	(24)
Cash flow from/(used in) financing activities		**(1,837)**	3,309
Net cash flow		**(245)**	225
Cash and cash equivalents as at 1 January		604	309
Effect of movements in exchange rates		5	70
Cash and cash equivalents as at 31 December	21	**364**	604

Consolidated statement of changes in equity

In millions of EUR	Note	Share capital	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	Retained earnings	Equity attributable to equity holders of the Company	Minority interests	Total equity
Balance as at 1 January 2008		784	7	44	99	571	(29)	3,928	5,404	307	5,711
Other comprehensive income	24	–	(602)	(166)	(11)	(44)	–	44	(779)	(44)	(823)
Profit		–	–	–	–	142	–	67	209	138	347
Total comprehensive income		**–**	**(602)**	**(166)**	**(11)**	**98**	**–**	**111**	**(570)**	**94**	**(476)**
Transfer to retained earnings		–	–	–	–	(74)	–	74	–	–	–
Dividends to shareholders		–	–	–	–	–	–	(363)	(363)	(148)	(511)
Purchase/reissuance own/minority shares		–	–	–	–	–	(11)	–	(11)	(7)	(18)
Share-based payments		–	–	–	–	–	–	11	11	–	11
Changes in consolidation		–	–	–	–	–	–	–	–	35	35
Balance as at 31 December 2008		**784**	**(595)**	**(122)**	**88**	**595**	**(40)**	**3,761**	**4,471**	**281**	**4,752**
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/minority shares		–	–	–	–	–	(2)	(11)	(13)	(2)	(15)
Share-based payments		–	–	–	–	–	–	10	10	–	10
Changes in consolidation		–	–	–	–	–	–	–	–	(3)	(3)
Balance as at 31 December 2009		**784**	**(451)**	**(124)**	**100**	**676**	**(42)**	**4,408**	**5,351**	**296**	**5,647**

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 2009 comprise the Company, its subsidiaries (together referred to as 'Heineken' or the 'Group' and individually as 'Heineken' entities) and Heineken's interests in joint ventures and associates.

A summary of the main subsidiaries, joint ventures and associates is included in note 36 and 16 respectively.

Heineken is primarily involved in 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.

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 22 February 2010 and will be submitted for adoption to the Annual General Meeting of Shareholders on 22 April 2010.

(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
- Investments at fair value through profit and loss
- 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 IFRS 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 estimate is 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 minority 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.

3. Significant accounting policies

(a) 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.

(b) Change in accounting policies

IAS 23 Borrowing costs

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, are capitalised as part of the cost of that asset. Previously all borrowing costs were immediately recognised as an expense. This change in accounting policy was due to the adoption of IAS 23 Revised in accordance with the transitional provisions of that standard; comparative figures have not been restated. The change in accounting policy had no material impact on assets, profit or earnings per share for the year ended 31 December 2009.

Amendments to IAS 1 Presentation of financial statements

The revised IAS 1 constitutes a change on the presentation of the consolidated financial statements. The amendment introduces the statement of changes in equity as primary statement and introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners. Heineken provides total comprehensive income in an income statement and a separate statement of comprehensive income and this has been applied in these consolidated financial statements as of and for the year ended 31 December 2009. Comparative information has been re-presented in conformity with the revised standard. Since the amendments to IAS 1 only impacts presentation aspects, there is no impact on earnings per share.

Amendments to IFRS 7 Financial instruments – Disclosures

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. This change in accounting policy only results in additional disclosures; there is no impact on earnings per share.

Other standards and interpretations

Other standards and interpretations effective from 1 January 2009 did not have a significant impact on the Company.

(c) Basis of consolidation

(i) 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 have been changed where necessary to ensure consistency with the policies adopted by Heineken.

(ii) 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.

(iii) Investments in associates

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. The consolidated financial statements include Heineken's share of the income and expenses and equity movements of equity-accounted associates, from the date that significant influence commences until the date that significant influence ceases. When Heineken's share of losses exceeds the carrying amount of the associate, 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.

(iv) Joint ventures

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. The consolidated financial statements include Heineken's share of the income and expenses and equity movements of equity-accounted JVs, from the date that joint control commences until the date that joint control ceases. When Heineken's share of losses exceeds the carrying amount of the JV, 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 JV.

3. Significant accounting policies continued

(c) Basis of consolidation continued

(v) 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.

(d) 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 balance sheet 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. *Foreign currency differences arising on retranslation are recognised in the income statement, 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 consolidation, are translated to euro at exchange rates at the balance sheet date. The revenue and expenses of foreign operations 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. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to the income statement. 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 most important countries in which Heineken has operations, were used whilst preparing these consolidated financial statements:

		Year-end		Average
In EUR	2009	2008	2009	2008
GBP	1.1260	1.0499	1.1224	1.2577
EGP	0.1273	0.1303	0.1292	0.1255
NGN	0.0047	0.0051	0.0048	0.0057
PLN	0.2436	0.2408	0.2311	0.2856
RUB	0.0232	0.0242	0.0227	0.0275
USD	0.6942	0.7185	0.7170	0.6832

(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 are presented within equity in the translation reserve. To the extent that the hedge is ineffective, such differences are recognised in the income statement. When the hedged part of a net investment is disposed of, the relevant amount in the translation reserve is transferred to the income statement as part of the profit or loss on disposal.

(e) 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 subsequently.

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 3t.

3. Significant accounting policies continued

(e) Non-derivative financial instruments continued

(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 3k(i)), and foreign currency differences on available-for-sale monetary items (see note 3d(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 the income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement. 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 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 the income statement when incurred.

Investments at fair value through profit or loss are measured at fair value, with changes therein recognised in the income statement as part of the other net finance income or 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.

(f) 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 fluctuations in the income statement.

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 the income statement when 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 3d(iii), 3f(ii) and 3f(iii).

The fair value of interest rate swaps is the estimated amount that Heineken would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates.

(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 the income statement.

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 the income statement 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 the income statement in the same period that the hedged item affects the income statement.

(iii) Fair value hedges

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in the income statement. 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 the income statement 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 the income statement over the period to maturity.

3. Significant accounting policies continued

(f) Derivative financial instruments (including hedge accounting) 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 the income statement.

(g) 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, and is 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 in equity, 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.

(h) 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 (s)), accumulated depreciation (refer (iv)) and accumulated impairment losses (3k(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.

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.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items 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 the income statement 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 the income statement 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 the income statement 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. The estimated useful lives 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 the income statement as other income. Net losses on sale are included in depreciation. Net gains and losses are recognised in the income statement 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

(i) 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 minority 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 3k(ii)). Goodwill is allocated to individual or groups of cash-generating units for the purpose of impairment testing and is tested annually for impairment.

Negative goodwill is recognised directly in the income statement 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 3k(ii)). Expenditure on internally developed software is capitalised when the expenditure qualifies as development activities, otherwise it is recognised in the income statement when incurred.

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

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

Other intangible assets that are acquired by Heineken are measured at cost less accumulated amortisation (refer (vi)) and impairment losses (refer accounting policy 3k(ii)). Expenditure on internally generated goodwill and brands is recognised in the income statement 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 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 – 30 years
• Software	3 – 5 years
• Capitalised development costs	3 years.

(vii) Gains and losses on sale

Net gains on sale of intangible assets are presented in the income statement as other income. Net losses on sale are included in amortisation. Net gains and losses are recognised in the income statement 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

(j) 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 the income statement. 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.

(k) 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.

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 the income statement. 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 the income statement.

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 the income statement. 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 (j)) and deferred tax assets (refer accounting policy (u)), 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 cash-generating unit is the higher of an asset's fair value less costs to sell and value in use. The recoverable amount of an asset or cash-generating unit is considered the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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 'cash-generating unit').

For the purpose of impairment testing, goodwill acquired in a business combination, is allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, 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, subregional 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 cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units 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.

3. Significant accounting policies continued

(l) 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 remeasured in accordance with Heineken's accounting policies. Thereafter the assets (or 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 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 the income statement. Gains are not recognised in excess of any cumulative impairment loss.

(m) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a 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 the income statement 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.

(ii) Defined benefit plans

A defined benefit plan is a 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. 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 the income statement 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 the income statement.

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 the income statement 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 the income statement 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.

3. Significant accounting policies continued

(m) Employee benefits continued

(v) Share-based payment plan (Long-Term Incentive Plan)

As from 1 January 2005 Heineken established a share plan for the Executive Board members and as from 1 January 2006 Heineken also established a share plan for senior management members (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, only for the 75 per cent internal performance conditions of the share plan of the senior management members. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. The fair value 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.

(n) 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.

(o) 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 the income statement 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.

(p) 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 the income statement 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.

(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 the income statement on an accrual basis in accordance with the substance of the relevant agreement. Rental income and technical services are recognised in the income statement when the services have been delivered.

(q) 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 the income statement when ownership has been transferred to the buyer.

3. Significant accounting policies continued

(r) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement 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.

(s) 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 the income statement over the period necessary to match them with the costs that they are intended to compensate.

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

Interest income and expenses are recognised as they accrue, 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 the income statement. Dividend income is recognised in the income statement 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 the income statement.

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

(u) Income tax

Income tax comprises current and deferred tax. Current tax and deferred tax are recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised 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.

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

(v) 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. Diluted EPS is determined by adjusting the profit or l oss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share rights granted to employees.

(w) 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.

(x) 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.

(y) 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.

(z) Recently issued IFRS

(i) Standards effective in 2009 and reflected in these consolidated financial statements

- IAS 23 Revised Borrowing costs (effective from 1 January 2009). This amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. IAS 23 revised constitutes a change in accounting policy for Heineken, refer to 3b.
- IAS 1 Revised Presentation of Financial Statements (effective from 1 January 2009). The amendment introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners. The revised IAS 1 constitutes a change on the presentation of the consolidated financial statements (refer to 3b). Heineken provides total comprehensive income in an income statement and a separate statement of comprehensive income.
- IFRS 7 Financial Instruments – Disclosures (amendment, effective 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. This change in accounting policy only results in additional disclosures (refer 3b).
- IFRS 8 Operating segments (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Based on the current internal reporting, this standard does not have an impact on the reportable segments and as such, does not represent a change in accounting policies.
- Other standards: other standards and interpretations effective from 1 January 2009 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 2009, and have not been applied in preparing these consolidated financial statements:

- IFRS 3 Revised Business combinations (effective from 1 July 2009). This standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. Furthermore, tax losses from previous acquisitions and recognised subsequent to the implementation of IFRS 3R will be recognised through the income statements instead as adjustment to goodwill. Heineken will apply IFRS 3R prospectively to all business combinations from 1 January 2010 and will have an impact on the consolidated financial statements as from then.
- IAS 27 (Amended) Consolidated and Separate Financial Statements (effective from 1 July 2009) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in the income statement. Heineken will apply this standard prospectively as from 1 January 2010 and will have an impact on the consolidated financial statements as from then.
- 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.

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. 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 as 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.

(vii) Derivative financial instruments

The fair value of forward exchange contracts is 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 contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on inter-bank interest rates). The fair value of interest rate swaps is estimated by discounting the difference between cash flows resulting from the contractual interest rates of both legs of the transaction, taking into account current interest rates and the current creditworthiness of the swap counterparties.

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 six reportable segments 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 maintains regular contact with the Executive Board (the chief operating decision maker) to discuss operating activities, regional forecasts and regional results. 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 carried 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 2009	Western Europe 2008	Central and Eastern Europe 2009	Central and Eastern Europe 2008	The Americas 2009	The Americas 2008
Revenue							
Third-party revenue[1]		7,775	6,979	3,183	3,671	1,540	1,566
Interregional revenue		657	682	17	16	1	–
Total revenue		**8,432**	7,661	**3,200**	3,687	**1,541**	1,566
Other income		28	16	11	5	–	1
Results from operating activities		504	505	329	98	204	163
Net finance expenses							
Share of profit of associates and joint ventures and impairments thereof		(2)	4	18	13	69	43
Income tax expenses							
Profit							
Attributable to:							
Equity holders of the Company (net profit)							
Minority interest							
EBIT reconciliation							
EBIT		502	509	347	111	273	206
eia		290	266	42	289	–	4
EBIT (beia)	27	**792**	775	**389**	400	**273**	210
Beer volumes[2]							
Consolidated volume		47,151	44,245	46,165	50,527	9,430	10,329
Joint ventures volume		–	–	8,909	10,775	8,988	8,803
Licences		243	345	–	–	339	255
Group volume		**47,394**	44,590	**55,074**	61,302	**18,757**	19,387
Segment assets		11,047	11,143*	4,826	5,066	834	1,058
Investment in associates and joint ventures		26	29	143	123	565	450
Total segment assets		**11,073**	11,172	**4,969**	5,189	**1,399**	1,508
Unallocated assets							
Total assets							
Segment liabilities		3,355	3,635	1,153	1,128	123	107
Unallocated liabilities							
Total equity							
Total equity and liabilities							
Purchase of P, P & E		291	447	216	335	13	19
Acquisition of goodwill		16	3,395*	–	232	5	303
Purchases of intangible assets		31	10	20	18	1	108
Depreciation of P, P & E		401	365	244	259	15	17
Impairment and reversal of impairment of P, P & E		108	79	51	(1)	–	–
Amortisation intangible assets		89	70	21	20	12	13
Impairment intangible assets		21	–	4	275	–	–

[1] Includes other revenue of EUR432 million in 2009 and EUR360 million in 2008.
[2] For volume definitions see 'Glossary'. Joint venture volume excludes India volumes.
* Comparatives have been adjusted due to the finalisation of the purchase price accounting of the Scottish & Newcastle acquisition (see note 6).

	Africa and the Middle East		Asia Pacific		Head Office/ Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	1,807	1,764	301	279	95	60	14,701	14,319
	10	10	4	–	(689)	(708)	–	–
	1,817	1,774	**305**	279	**(594)**	(648)	**14,701**	14,319
	2	10	–	–	–	–	41	32
	470	442	72	46	51	(72)	1,630	1,182
							(329)	(485)
	15	20	31	(182)	(4)	–	127	(102)
							(286)	(248)
							1,142	347
							1,018	209
							124	138
							1,142	347
	485	462	103	(136)	47	(72)	1,757	1,080
	–	1	–	201	6	91	338	852
	485	463	**103**	65	**53**	19	**2,095**	1,932
	19,820	18,076	2,681	2,644	–	–	125,247	125,821
	2,228	2,186	10,897	11,039	–	–	31,022	32,803
	1,413	1,316	805	949	–	–	2,800	2,865
	23,461	21,578	**14,383**	14,632	**–**	–	**159,069**	161,489
	1,673	1,716	185	171	(414)	(241)	18,151	18,913*
	226	164	472	379	(5)	–	1,427	1,145
	1,899	1,880	**657**	550	**(419)**	(241)	**19,578**	20,058
							602	529*
							20,180	20,587
	466	640	107	70	571	203	5,775	5,783
							8,758	10,052*
							5,647	4,752
							20,180	20,587
	139	251	10	10	9	40	678	1,102
	13	149	–	–	–	–	34	4,079*
	1	4	–	–	46	18	99	158
	84	79	10	7	14	14	768	741
	2	2	–	–	2	4	163	84
	2	1	–	–	3	2	127	106
	–	–	–	–	–	–	25	275

6. Acquisitions and disposals of subsidiaries and minority interests

Acquisitions and disposals 2009

During 2009, four minor acquisitions occurred within the UK, Nigeria and Egypt. Total goodwill on these acquisitions amounts to EUR34 million. These acquisitions individually are deemed immaterial in respect of IFRS disclosure requirements.

Disposals during 2009 are related to a few minor disposals in Western Europe.

Total acquisitions and disposals had the following effect on Heineken's assets and liabilities on acquisition date:

In millions of EUR	Note	Pre-acquisition carrying amounts	Fair value adjustments	Total acquisitions	Total disposals
Property, plant & equipment	14	123	9	132	(27)
Intangible assets	15	36	–	36	–
Investments in associates and joint ventures		1	–	1	(2)
Inventories		1	–	1	–
Trade and other receivables		1	–	1	8
Prepayments and accrued income		1	–	1	–
Cash and cash equivalents		1	–	1	(1)
Minority interests		3	–	3	–
Loans and borrowings		(91)	–	(91)	–
Employee benefits		–	(1)	(1)	1
Deferred tax liabilities	18	–	(6)	(6)	–
Provisions	30	–	(1)	(1)	–
Bank overdrafts		(1)	–	(1)	–
Current liabilities		(19)	(7)	(26)	3
Net identifiable assets and liabilities		**56**	**(6)**	**50**	**(18)**
Goodwill on acquisitions	15			34	–
Consideration paid/(received), satisfied in cash				**84**	**(18)**
Net bank overdrafts acquired/Net bank overdrafts disposed of				–	1
Net cash outflow/(inflow)				**84**	**(17)**

The fair values of assets and liabilities of the 2009 acquisitions have been determined on a provisional basis, and will be completed in 2010.

The newly acquired entity in the UK has been fully integrated in the Western European region. Goodwill on this acquisition has been allocated to the Western European region for the purpose of impairment testing in line with the operational responsibility.

In respect of the newly acquired entity in Egypt and Nigeria, the goodwill has been allocated to the individual country. Although synergies are achieved on a regional basis these entities are less integrated in the region and therefore goodwill is monitored on an individual country basis.

The contribution in 2009 of the acquisitions to results from operating activities and to revenue was immaterial. If the acquisitions had occurred on 1 January 2009, management estimates that consolidated results from operating activities and consolidated revenue would not have been materially different.

Provisional accounting Scottish & Newcastle ('S&N') acquisition in 2008

In the consolidated financial statements as at and for the year ended 2008, the fair values of assets and liabilities of the acquisition of Scottish & Newcastle ('S&N') were determined on a provisional basis.

The purchase price adjustments of S&N have been finalised (except for agreement on the settlement of the net debt of S&N with the consortium partner Carlsberg, see note 34 Contingencies) with some changes compared to the provisional values. The main change concerns an increase in the deferred tax assets of EUR103 million and an increase of the deferred tax liabilities of EUR24 million, with a corresponding net decrease in goodwill of EUR79 million due to the fact that S&N received certainty that part of the pre-acquisition losses will be available for utilisation in the future, which can be offset against deferred tax liabilities already included in the opening balance. The comparatives in the statement of financial position and the related notes (note 15 and 18) have been adjusted in accordance with IFRS 3.

Provisional accounting other acquisitions in 2008

For the other acquisitions in 2008 (Rechitsapivo, Drinks Union, Central Europe Beverages, United Serbian Breweries, Bere Mures, Sierra Leone, Tango and SNBG), the purchase price adjustments have been finalised without significant changes.

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

On 7 December 2009 Heineken signed agreements to sell its entire shareholding in Grande Brasserie de Nouvelle Calédonie S.A. (GBNC) and a significant part of its shareholding in P.T. Multi Bintang Indonesia Tbk (MBI) to Asia Pacific Breweries Ltd (APB) as part of Heineken's strategic realignment of its interest in the Asia Pacific region. Heineken's interest in the Bintang brand will also be transferred to APB. The transaction was completed on 10 February 2010. These subsidiaries have been deconsolidated and are classified as a disposal group held for sale as at 31 December 2009.

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. During 2009, part of the assets classified as held for sale were sold. Efforts to sell the remaining assets have commenced and are expected to be completed during 2010.

Assets classified as held for sale

In millions of EUR	2009	2008
Current assets	39	56
Non-current assets	70	–
	109	56

In millions of EUR	2009	2008
Current liabilities	57	–
Non-current liabilities	8	–
	65	–

8. Other income

In millions of EUR	2009	2008
Net gain on sale of P, P & E	39	32
Net gain on sale of subsidiaries, joint ventures and associates	2	–
	41	32

9. Raw materials, consumables and services

In millions of EUR	2009	2008
Raw materials	1,140	1,230
Non-returnable packaging	1,739	1,782
Goods for resale	2,253	2,158
Inventory movements	*(5)*	*(154)*
Marketing and selling expenses	1,664	1,671
Transport expenses	934	988
Energy and water	319	349
Repair and maintenance	299	295
Loss on disposals of subsidiaries	–	16
Other expenses	1,307	1,213
	9,650	9,548

Other expenses include rentals of EUR184 million, consultant expenses of EUR158 million, telecom and office automation of EUR145 million and other fixed expenses of EUR820 million.

10. Personnel expenses

In millions of EUR	Note	2009	2008
Wages and salaries		1,554	1,519
Compulsory social security contributions		287	279
Contributions to defined contribution plans		17	10
Expenses related to defined benefit plans	28	107	78
Increase in other long-term employee benefits		7	3
Equity-settled share-based payment plan	29	10	11
Other personnel expenses		397	515
		2,379	**2,415**

The decrease in other personnel expenses is mainly due to lower amounts paid for restructurings compared to 2008.

The average number of employees during the year was:

In millions of EUR	2009	2008*
The Netherlands	3,938	4,176
Other Western Europe	17,557	18,598
Central and Eastern Europe	20,253	22,186
The Americas	1,698	1,778
Africa and the Middle East	10,882	10,719
Asia Pacific	973	996
Heineken N.V. and subsidiaries	**55,301**	**58,453**

* Due to a change in definitions, the 2008 figures have been adjusted.

11. Amortisation, depreciation and impairments

In millions of EUR	Note	2009	2008
Property, plant & equipment	14	931	825
Intangible assets	15	152	381
		1,083	**1,206**

12. Net finance expenses

Recognised in the income statement

In millions of EUR	2009	2008
Interest income on unimpaired loans and held-to-maturity investments	8	7
Interest income on available-for-sale investments	1	1
Interest income on cash and cash equivalents	81	83
Interest income	**90**	91
Interest expenses	**(633)**	(469)
Dividend income on available-for-sale investments	1	9
Dividend income on investments held for trading	10	–
Net gain/(loss) on disposal of available-for-sale investments	12	(1)
Net loss on disposal of investments held for trading	–	(1)
Net change in fair value of derivatives	(7)	(55)
Net foreign exchange loss	(47)	(45)
Impairment losses on held-to-maturity investments	–	(1)
Unwinding discount on provisions	(3)	(11)
Other net financial income/(expenses)	248	(2)
Other net finance income/(expenses)	**214**	(107)
Net finance expenses	**(329)**	(485)

Recognised in other comprehensive income

In millions of EUR	2009	2008
Foreign currency translation differences for foreign operations	112	(645)
Effective portion of changes in fair value of cash flow hedges	(90)	(105)
Effective portion of cash flow hedges transferred to the income statement	88	(59)
Net change in fair value of available-for-sale investments	26	(12)
Net change in fair value available-for-sale investments transferred to the income statement	(12)	1
Share of other comprehensive income of associates/joint ventures	22	(3)
	146	(823)
Recognised in:		
Fair value reserve	12	(11)
Hedging reserve	(2)	(167)
Translation reserve	136	(645)
	146	(823)

In the other net finance expenses a total (net) book gain of EUR 248 million on the purchase of Globe debt (Scottish & Newcastle Pub Enterprises) is included. Please refer to note 25 for a full overview of the effects of the repurchase of Globe debt.

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 EUR 145 million. Remaining impact is related to devaluation of the Russian rouble, Belarussian rouble, Nigerian naira and US dollar, partly offset by the appreciation of the Chilean peso.

13. Income tax expense
Recognised in the income statement

In millions of EUR	2009	2008
Current tax expense		
Current year	360	352
Under/(over) provided in prior years	8	(25)
	368	327
Deferred tax expense		
Origination and reversal of temporary differences	(84)	1
Previously unrecognised deductible temporary differences	–	(1)
Changes in tax rate	–	(2)
Utilisation/(benefit) of tax losses recognised	10	(78)
Under/(over) provided in prior years	(8)	1
	(82)	(79)
Total income tax expense in the income statement	**286**	248

Reconciliation of the effective tax rate

In millions of EUR	2009	2008
Profit before income tax	1,428	595
Share of net profit of associates and joint ventures and impairments thereof	(127)	102
Profit before income tax excluding share of profit of associates and joint ventures (inclusive impairments thereof)	**1,301**	697

	%	2009	%	2008
Income tax using the Company's domestic tax rate	25.5	332	25.5	178
Effect of tax rates in foreign jurisdictions	1.6	21	2.3	16
Effect of non-deductible expenses	2.8	36	16.9	118
Effect of tax incentives and exempt income	(8.2)	(107)	(9.2)	(64)
Recognition of previously unrecognised temporary differences	*(0.1)*	*(1)*	*(0.1)*	*(1)*
Utilisation or recognition of previously unrecognised tax losses	(0.5)	(7)	(0.3)	(2)
Unrecognised current year tax losses	0.9	12	3.3	23
Effect of changes in tax rate	–	–	(0.3)	(2)
Withholding taxes	1.2	16	1.9	13
Under/(over) provided in prior years	–	–	(3.4)	(24)
Other reconciling items	(1.2)	(16)	(1.0)	(7)
	22.0	**286**	35.6	248

The effective tax rate of the Company improved significantly in 2009. The rate dropped from 35.6 per cent to 22.0 per cent. In 2008 the tax effect relating to the EUR275 million impairment on the goodwill of Russia was included, as non-deductible expenses, whilst in 2009 the book gain on the purchase of the Globe Bonds (see note 12 and 25) is included, as exempt income.

Income tax recognised in other comprehensive income

In millions of EUR	Note	2009	2008
Changes in fair value		2	4
Changes in hedging reserve		(4)	57
	18	**(2)**	61

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 2008		2,498	4,615	2,994	432	10,539
Changes in consolidation		887	333	326	86	1,632
Purchases		117	218	357	410	1,102
Transfer of completed projects under construction		74	250	101	(425)	–
Transfer to/from assets classified as held for sale		–	13	–	(11)	2
Disposals		(61)	(117)	(219)	–	(397)
Effect of movements in exchange rates		(134)	(143)	(100)	(35)	(412)
Balance as at 31 December 2008		3,381	5,169	3,459	457	12,466
Balance as at 1 January 2009		3,381	5,169	3,459	457	12,466
Changes in consolidation	6	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**
Depreciation and impairment losses						
Balance as at 1 January 2008		(1,221)	(2,619)	(2,026)	–	(5,866)
Changes in consolidation		28	49	11	–	88
Depreciation charge for the year	11	(81)	(277)	(383)	–	(741)
Impairment losses	11	(55)	(31)	(4)	–	(90)
Reversal impairment losses	11	2	3	1	–	6
Transfer to/from assets classified as held for sale		(2)	(2)	–	–	(4)
Disposals		34	101	199	–	334
Effect of movements in exchange rates		13	56	52	–	121
Balance as at 31 December 2008		(1,282)	(2,720)	(2,150)	–	(6,152)
Balance as at 1 January 2009		(1,282)	(2,720)	(2,150)	–	(6,152)
Changes in consolidation	6	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)**
Carrying amount						
As at 1 January 2008		1,277	1,996	968	432	4,673
As at 31 December 2008		2,099	2,449	1,309	457	6,314
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**

Impairment losses

In 2009 a total impairment loss of EUR181 million (2008: EUR90 million) was charged to the income statement. These impairment losses include EUR67 million of impairments of pubs in the UK. These impairments were triggered by a persisting market decline in the pub market and was determined by making use of market multiples. The remaining impairments mainly relate to restructurings in France, Finland, Ireland, Russia and Romania.

Security to authorities

Property, plant & equipment totaling EUR27 million (2008: EUR70 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.

Property, plant and equipment under construction

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

During 2009 no borrowing costs were capitalised (refer to the change in accounting policies, note 3b).

15. Intangible assets

In millions of EUR	Note	Goodwill*	Brands	Customer-related and contract-based intangibles	Software, research and development and other	Total*
Cost						
Balance as at 1 January 2008		1,896	237	–	162	2,295
Changes in consolidation		4,079	1,239	327	41	5,686
Purchases/internally developed		–	1	108	49	158
Disposals		–	(1)	–	(4)	(5)
Effect of movements in exchange rates		(371)	(144)	(16)	(23)	(554)
Balance as at 31 December 2008		**5,604**	**1,332**	**419**	**225**	**7,580**
Balance as at 1 January 2009		5,604	1,332	419	225	7,580
Changes in consolidation	6	34	4	31	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	6	11	136
Balance as at 31 December 2009		**5,713**	**1,382**	**475**	**259**	**7,829**
Amortisation and impairment losses						
Balance as at 1 January 2008		(14)	(41)	–	(130)	(185)
Amortisation charge for the year	11	–	(30)	(42)	(34)	(106)
Impairment losses	11	(275)	–	–	–	(275)
Disposals		–	–	–	4	4
Effect of movements in exchange rates		(1)	3	2	8	12
Balance as at 31 December 2008		**(290)**	**(68)**	**(40)**	**(152)**	**(550)**
Balance as at 1 January 2009		(290)	(68)	(40)	(152)	(550)
Amortisation charge for the year	11	–	(36)	(61)	(30)	(127)
Impairment losses	11	(1)	(4)	(20)	–	(25)
Transfers to assets held for sale		–	–	–	2	2
Disposals		(1)	–	–	5	4
Effect of movements in exchange rates		12	–	(3)	(7)	2
Balance as at 31 December 2009		**(280)**	**(108)**	**(124)**	**(182)**	**(694)**
Carrying amount						
As at 1 January 2008		1,882	196	–	32	2,110
As at 31 December 2008		5,314	1,264	379	73	7,030
As at 1 January 2009		5,314	1,264	379	73	7,030
As at 31 December 2009		**5,433**	**1,274**	**351**	**77**	**7,135**

* The opening balance of goodwill has been adjusted with EUR(79) million due to the finalisation of the purchase price accounting of the Scottish & Newcastle acquisition (see note 6).

15. Intangible assets continued

Brands and customer-related/contract-based intangibles

The main brands capitalised are the brands acquired in 2008: Fosters, Strongbow and Sagres. 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, Finland and Portugal (constituting either by way of a contractual agreement or by way of non-contractual relations) and the licence agreement with FEMSA Cerveza (extended in 2008 for 10 years).

Of the total amortisation charge of EUR61 million (2008: EUR42 million) for customer-related and contract-based intangibles EUR43 million (2008: EUR33 million) is related to customer-related intangibles and EUR18 million (2008: EUR9 million) to contract-based intangibles.

Capitalised borrowing costs

During 2009 no borrowing costs were capitalised (refer to the change in accounting policies, note 3b).

Impairment tests for cash-generating units containing goodwill

The aggregate carrying amounts of goodwill allocated to each cash-generating unit are as follows:

In millions of EUR	2009	2008
Western Europe	3,282	3,141
Central and Eastern Europe (excluding Russia)	1,467	1,479
Russia	99	104
The Americas	349	356
Africa and the Middle East	236	234
	5,433	5,314

Goodwill in respect of Western Europe, Central and Eastern Europe (excluding Russia) and the Americas is monitored on a regional basis for the purpose of impairment testing. In respect of operating companies that are less integrated in the other regions and Russia, goodwill is monitored on an individual country basis. Throughout the year total goodwill mainly increased due to net foreign currency gains.

Goodwill is tested for impairments annually. The recoverable amounts of the cash-generating units are based on value in use calculations. Value in use was determined by discounting the future pre-tax 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:

- 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 expected annual long-term inflation, based on external sources, in order to calculate the terminal recoverable amount.
- A per cash-generating unit specific pre-tax Weighted Average Cost of Capital (WACC) was applied in determining the recoverable amount of the units. The WACC's used are presented in the table on the following page, accompanied by the expected volume growth rates and the expected long-term inflation:

	Pre-tax WACC	Expected annual long-term inflation	Expected volume growth rates 2013-2019
Western Europe	10.17%	1.7%	(0.14)%
Central and Eastern Europe (excluding Russia)	11.74%	2.4%	2.48%
Russia	16.28%	7.13%	2.9%
The Americas	10.1-11.54%	3.0-7.87%	0.84-2.85%
Africa and Middle East	14.9-20.04%	3.31-7.97%	3.57-3.96%

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).

A limited change in key assumptions will not lead to a materially different outcome.

16. Investments in associates and joint ventures

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

	Country	Ownership 2009	Ownership 2008
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.	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%
Sedibeng Brewery Pty Ltd.*	South Africa	**75.0%**	75.0%
Associates			
Cervecerias Costa Rica S.A.	Costa Rica	**25.0%**	25.0%
Brasserie Nationale d'Haïti S.A.	Haiti	**23.3%**	23.3%
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 months delay in reporting), (ii) DHN Drinks (Pty) Ltd. which has a 30 June reporting date, and (iii) United Breweries Limited (UBL) and Millenium Alcobev Private Limited (MAPL) 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 2009.

16. Investments in associates and joint ventures continued

Shareholdings India

In March 2008, the joint venture partners of Heineken in UBL filed legal proceedings in India against various Scottish & Newcastle (S&N), Heineken and Carlsberg entities claiming that the rights enjoyed by Scottish & Newcastle India Private Limited (the entity through which Heineken holds its investment in UBL) in a shareholders' agreement relating to UBL and the Articles of Association of UBL are personal to S&N and do not survive the takeover of S&N by Sunrise Acquisitions Limited in April 2008. On 7 December 2009, Heineken and its joint venture partners in UBL settled their disputes and legal proceedings in India were withdrawn. Also on that date, Heineken and its joint venture partners in UBL entered into a new shareholders agreement pursuant to which Heineken appointed board members and has access to financial information relating to UBL. This information has been used to finalise the S&N purchase price allocation and to adjust the financial information reported under Indian GAAP to comply with Heineken's accounting policies.

Share of profit of associates and joint ventures and impairments thereof

In millions of EUR	2009	2008
Income associates	7	18
Income joint ventures	120	94
Impairments	–	(214)
	127	(102)

In 2009 no impairments were recognised in respect of associates and JVs (2008: EUR200 million related to our Indian investments in UBL and MAPL and EUR14 million taken by APB).

Summary financial information for equity-accounted joint ventures

In millions of EUR	Joint ventures 2009	Joint ventures* 2008
Non-current assets	1,375	1,197
Current assets	681	622
Non-current liabilities	(430)	(365)
Current liabilities	(631)	(659)
	995	795
Revenue	1,540	1,564
Expenses	(1,377)	(1,388)
	163	176

* Including S&N shareholdings in India.

17. Other investments

In millions of EUR	Note	2009	2008
Non-current other investments			
Loans	32	329	310
Held-to-maturity investments	32	4	10
Available-for-sale investments	32	219	221
Non-current derivatives used for hedge accounting	32	16	100
		568	641
Current other investments			
Investments held for trading	32	15	14
		15	14

Included in loans are loans to customers with a carrying amount of EUR150 million as at 31 December 2009 (2008: EUR190 million). Effective interest rates range from 3 to 11 per cent. EUR145 million (2008: EUR182 million) matures between one and five years and EUR5 million (2008: EUR8 million) after five years.

The main available-for sale-investments are Consorcio Cervecero de Nicaragua S.A., Desnoes & Geddes Ltd. and Cervejarias Kaiser Brasil S/A ('Kaiser'). As far as these investments are listed they are measured at their quoted market price. For others the value in use or multiples is used. Debt securities (which are interest-bearing) with a carrying amount of EUR21 million (2008: EUR23 million) are included in available-for-sale investments.

Sensitivity analysis – equity price risk

An amount of EUR57 million as at 31 December 2009 (2008: EUR47 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 (2008: EUR1 million); an equal change in the opposite direction would have decreased equity by EUR1 million (2008: 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	2009	2008*	2009	2008*	2009	2008*
Property, plant & equipment	55	33	(385)	(371)	(330)	(338)
Intangible assets	41	43	(310)	(324)	(269)	(281)
Investments	15	2	(6)	(27)	9	(25)
Inventories	17	10	(6)	(5)	11	5
Loans and borrowings	1	1	–	–	1	1
Employee benefits	92	85	24	32	116	117
Provisions	92	64	–	–	92	64
Other items	111	(4)	(103)	34	8	30
Tax losses carry-forwards	137	128	–	–	137	128
Net tax assets/(liabilities)	**561**	362	**(786)**	(661)	**(225)**	(299)

* The closing balance of deferred tax assets has been adjusted with EUR103 million and deferred tax liabilities with EUR24 million due to the finalisation of the purchase price accounting of the Scottish & Newcastle acquisition (see note 6).

Tax losses carry-forwards

Heineken has losses carry-forwards for an amount of EUR983 million as at 31 December 2009 (2008: EUR1,157 million), which expire in the following years:

In millions of EUR	2009	2008
2009	–	12
2010	11	11
2011	16	16
2012	11	8
2013	18	22
2014	18	–
After 2014 respectively 2013 but not unlimited	91	151
Unlimited	818	937
	983	1,157
Recognised as deferred tax assets gross	(479)	(470)
Unrecognised	**504**	687

Movement in deferred tax on temporary differences during the year

In millions of EUR	Balance 1 January 2008	Changes in consolidation*	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Balance 31 December 2008*
Property, plant & equipment	(349)	11	20	(20)	–	(338)
Intangible assets	20	(256)	–	(45)	–	(281)
Investments	1	(27)	(1)	1	1	(25)
Inventories	15	(2)	(2)	(6)	–	5
Loans and borrowings	–	1	1	–	(1)	1
Employee benefits	113	46	(1)	(41)	–	117
Provisions	49	(59)	(1)	75	–	64
Other items	26	(141)	47	37	61	30
Tax losses carry-forwards	14	42	(6)	78	–	128
Net tax assets/(liabilities)	**(111)**	**(385)**	**57**	**79**	**61**	**(299)**

* The (net) closing balance has been adjusted with EUR(79) million due to the finalisation of the purchase price accounting of the Scottish & Newcastle acquisition (see note 6).

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)**

19. Inventories

In millions of EUR	2009	2008
Raw materials	170	239
Work in progress	132	134
Finished products	140	245
Goods for resale	269	261
Non-returnable packaging	107	144
Other inventories	192	223
	1,010	1,246

During 2009 and 2008 no write-down of inventories to net realisable value was required.

20. Trade and other receivables

In millions of EUR	Note	2009	2008
Trade receivables due from associates and joint ventures		78	60
Trade receivables		1,730	1,890
Other receivables		453	451
Derivatives used for hedge accounting		49	103
	32	**2,310**	2,504

A net impairment loss of EUR64 million (2008: EUR21 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	2009	2008
Bank balances		482	475
Call deposits		38	223
Cash and cash equivalents	32	**520**	698
Bank overdrafts	25	(156)	(94)
Cash and cash equivalents in the statement of cash flows		**364**	604

22. Capital and reserves
Share capital

In millions of EUR	Ordinary shares 2009	2008
On issue as at 1 January	784	784
Issued for cash	–	–
On issue as at 31 December	**784**	784

As at 31 December 2009 the issued share capital comprised 489,974,594 ordinary shares (2008: 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 N.V. (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 minority 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 2009 Heineken held 1,251,201 of the Company's shares (2008: 1,044,233).

22. Capital and reserves continued

Dividends

The following dividends were declared and paid by Heineken:

In millions of EUR	2009	2008
Final dividend previous year EUR0.34, respectively EUR0.46 per qualifying ordinary share	167	226
Interim dividend current year EUR0.25, respectively EUR0.28 per qualifying ordinary share	122	137
Total dividend declared and paid	**289**	363

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	2009	2008
EUR0.65 per qualifying ordinary share (2008: EUR0.62)	**318**	304

23. Earnings per share

Basic earnings per share

The calculation of basic earnings per share as at 31 December 2009 is based on the profit attributable to ordinary shareholders of the Company (net profit) of EUR1,018 million (2008: EUR209 million) and a weighted average number of ordinary shares – basic outstanding during the year ended 31 December 2009 of 488,666,607 (2008: 488,930,340). Basic earnings per share for the year amounts to EUR2.08 (2008: EUR0.43).

Weighted average number of shares – basic

In shares	2009	2008
Number of shares – basic – as at 1 January	488,930,361	489,174,594
Effect of own shares held	(263,754)	(244,254)
Weighted average number of shares – basic – as at 31 December	**488,666,607**	488,930,340

Diluted earnings per share

The calculation of diluted earnings per share as at 31 December 2009 was based on the profit attributable to ordinary shareholders of the Company (net profit) of EUR1,018 million (2008: EUR209 million) and a weighted average number of ordinary shares – basic outstanding after adjustment for the effects of all dilutive potential ordinary shares of 489,974,594 (2008: 489,974,594). Diluted earnings per share for the year amounted to EUR2.08 (2008: EUR0.43).

24. Income tax on other comprehensive income

In millions of EUR	2009 Amount before tax	2009 Tax	2009 Amount net of tax	2008 Amount before tax	2008 Tax	2008 Amount net of tax
Other comprehensive income						
Foreign currency translation differences for foreign operations	112	–	112	(645)	–	(645)
Effective portion of changes in fair value of cash flow hedge	(121)	31	(90)	(146)	41	(105)
Effective portion of cash flow hedges transferred to the income statement	117	(29)	88	(75)	16	(59)
Net change in fair value available-for-sale investments	34	(8)	26	(16)	4	(12)
Net change in fair value available-for-sale investments transferred to the income statement	(16)	4	(12)	1	–	1
Share of other comprehensive income of associates/joint ventures	22	–	22	(3)	–	(3)
Total other comprehensive income	**148**	**(2)**	**146**	(884)	61	(823)

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	2009	2008
Secured bank loans		179	381
Unsecured bank loans		2,958	6,444
Unsecured bond issues		2,445	1,104
Finance lease liabilities	26	89	82
Other non-current interest-bearing liabilities		1,267	664
Non-current interest-bearing liabilities		**6,938**	8,675
Non-current non-interest-bearing liabilities		93	16
Non-current derivatives used for hedge accounting		370	393
		7,401	9,084

25. Loans and borrowings continued
Current interest-bearing liabilities

In millions of EUR	Note	2009	2008
Current portion of secured bank loans		96	139
Current portion of unsecured bank loans		78	351
Current portion of unsecured bond issues		500	18
Current portion of finance lease liabilities	26	19	13
Current portion of other interest-bearing liabilities		75	6
Total current portion of non-current interest-bearing liabilities		**768**	527
Deposits from third parties		377	348
		1,145	875
Bank overdrafts	21	156	94
		1,301	969

Net interest-bearing debt position

In millions of EUR	Note	2009	2008
Non-current interest-bearing liabilities		6,938	8,675
Current portion of non-current interest-bearing liabilities		768	527
Deposits from third parties		377	348
		8,083	9,550
Bank overdrafts	21	156	94
		8,239	9,644
Cash, cash equivalents and current other investments		(535)	(712)
Net interest-bearing debt position		7,704	8,932

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 used for hedge accounting	Non-current non-interest-bearing liabilities	Total
Balance as at 1 January 2009	381	6,444	1,104	82	664	393	16	9,084
Consolidation changes	–	–	–	11	–	–	–	11
Effect of movements in exchange rates	17	124	–	4	(141)	53	19	49
Transfers	27	(611)	(498)	(3)	929	(65)	19	(202)
Charge to/from profit or loss i/r derivatives	–	–	–	–	–	1	–	1
Charge to/from equity i/r derivatives	–	–	–	–	–	(12)	7	(5)
Proceeds	18	122	1,844	–	45	–	23	2,052
Repayments	(47)	(3,121)	(13)	(5)	(224)	–	(1)	(3,411)
Other	(217)	–	8	–	(6)	–	10	(205)
Balance as at 31 December 2009	**179**	**2,958**	**2,445**	**89**	**1,267**	**370**	**93**	**7,401**

Terms and debt repayment schedule

Terms and conditions of outstanding non-current and current loans and borrowings were as follows:

In millions of EUR	Currency	Nominal interest rate %	Repayment	Carrying amount 2009	Face value 2009	Carrying amount 2008	Face value 2008
Secured bank loans	GBP	1.4-6.0	2011-2017	234	234	470	485
Secured bank loans	various	various	various	41	41	50	50
Unsecured bank loans	EUR	4.4	2009	–	–	125	125
Unsecured bank loans	EUR	5.1	2010	–	–	284	284
Unsecured bank loans	EUR	3.3	2012	–	–	470	470
Unsecured bank loans	EUR	5.1	2010	–	–	860	860
Unsecured bank loans	EUR	1.6	2013	1,700	1,709	2,403	2,416
Unsecured bank loans	EUR	0.3-5.0	2010-2016	486	486	435	435
Unsecured bank loans	EUR	2.7-6.2	2017	111	111	–	–
Unsecured bank loans	EUR	2.4-6.0	2014	102	102	–	–
Unsecured bank loans	EUR	2.5-6.0	2015	207	207	418	418
Unsecured bank loans	GBP	1.0	2013	329	329	504	504
Unsecured bank loans	PLN	3.7-3.9	2011	61	61	53	53
Unsecured bank loans	USD	5.4	2012	–	–	118	118
Unsecured bank loans	USD	5.6	2014	–	–	485	494
Unsecured bank loans	USD	5.4	2015	–	–	242	247
Unsecured bank loans	USD	various	various	–	–	73	73
Unsecured bank loans	various	various	various	40	40	325	325
Unsecured bank issues	GBP	7.3	2015	442	450	–	–
Unsecured bank issues	EUR	4.3	2010	500	500	500	500
Unsecured bank issues	EUR	5.0	2013	598	600	598	600
Unsecured bond issues	EUR	7.1	2014	996	1,000	–	–
Unsecured bond issues	EUR	4.6	2016	397	400	–	–
Unsecured bond issues	various	various	various	12	12	24	24
Other interest-bearing liabilities	GBP	5.6	2033	–	–	162	204
Other interest-bearing liabilities	USD	5.4-5.6	2012-2015	778	729	–	–
Other interest-bearing liabilities	USD	5.9-6.3	2015-2018	306	307	280	280
Other interest-bearing liabilities	USD	1.6-2.0	2010-2012	100	100	–	–
Other interest-bearing liabilities	various	various	various	158	158	228	251
Deposits from third parties	various	various	various	377	377	348	348
Finance lease liabilities	various	various	various	108	108	95	95
				8,083	8,061	9,550	9,659

As at 31 December 2009, no amount was drawn on the existing revolving credit facility of EUR2 billion. This revolving credit facility matures in 2012. Interest is based on EURIBOR plus a margin.

25. Loans and borrowings continued

EMTN Programme

In February 2009, the Company placed 6-year Sterling Notes for a principal amount of GBP400 million with a coupon of 7.25 per cent. In March 2009, the Company placed 5-year Euro Notes for a principal amount of EUR1 billion with a coupon of 7.125 per cent. In October 2009 Heineken has placed 7-year Euro Notes for a principal amount of EUR400 million with a coupon of 4.625 per cent.

These Notes were issued under the Euro Medium Term Note Programme ('EMTN') and are listed on the Luxembourg Stock Exchange. The proceeds of these notes have been used to partially refinance bank credit facilities related to the Scottish & Newcastle acquisition and for general corporate purposes.

Globe

On 17 April 2009, the Company acquired 30.1 per cent of Class A1 Notes issued by Globe Pub Issuer plc ('Globe'), representing a face value of GBP60.2 million. In May 2009 the Company acquired a further 55.6 per cent of Class A1 Notes representing a face value of GBP111.2 million. As at 29 October 2009 the Company owned 92.8 per cent of Class A1 Notes representing a face value of GBP175 million. In addition, the Company acquired 31.6 per cent of Class B1 Notes issued by Globe representing a face value of GBP18 million, a 23.9 per cent participation in the syndicated bank debt of Globe Pub Management Limited ('GPM') being GBP55 million out of an aggregate of GBP230 million, and assumed the economic interest of the counterparty of GPM in an interest rate swap transaction. The swap was entered into in 2006 when the floating interest rate in relation to the syndicated bank debt was swapped for a fixed interest rate.

The Company purchased the Notes and syndicated bank debt at a substantial discount to face value. As Globe is part of the Group as at 28 April 2008, the net debt of Globe is included in the consolidated statement of financial position of the Group and therefore, the acquisition of debt of Globe at a discount, results in a reduction of the Group's total net debt position and a realisation of a net book gain as explained in note 12. On 29 October 2009, Heineken agreed to supply beer and management services to EBP Pub Company Limited (EBP), a company controlled by FEOH Investments Limited (FEOH), which acquired the tenanted pub estate (the Estate) from Globe Tenanted Pub Company (GTP). The proceeds of the sale to EBP have been used principally to repay the Class A1 Notes which partially funded GTP. Also on this date, Heineken entered into a conditional sale agreement with FEOH pursuant to which it is anticipated that Heineken will acquire full ownership of EBP later in 2010.

On 23 December 2009, Heineken acquired the remaining syndicated bank debt of GPM at a discount to the GBP175 million (EUR195 million) face value. As a result of the acquisition, Heineken acquired all of the syndicated bank debt of GPM with a face value of GBP230 million (EUR256 million) and no longer has any outstanding debt relating to Globe on its balance sheet.

26. Finance lease liabilities

Finance lease liabilities are payable as follows:

In millions of EUR	Future minimum lease payments 2009	Interest 2009	Present value of minimum lease payments 2009	Future minimum lease payments 2008	Interest 2008	Present value of minimum lease payments 2008
Less than one year	22	(3)	19	19	(5)	14
Between one and five years	76	(9)	67	62	(12)	50
More than five years	23	(1)	22	35	(4)	31
	121	**(13)**	**108**	116	(21)	95

27. EBIT and EBIT (beia)

EBIT is defined as results from operating activities plus share of profit of associates and JVs including impairments thereof. EBIT (beia) is defined as results from operating activities plus share of profit of associates and JVs including impairments thereof, 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.

Exceptional items and amortisation of brands and customer relationships for 2009 on EBIT level amounted to EUR338 million (2008: EUR852 million) and can be explained as follows. In personal expenses EUR63 million (2008: EUR166 million) exceptional items are included relating to restructuring costs due to redundancies following brewery closures and other TCM cost saving initiatives in Heineken UK, Heineken Spain, Finland and France. Exceptional items included in impairments of P, P & E amount to EUR140 million (2008: EUR81million) and include the impairment of pubs in the UK (EUR68 million) and the above brewery closures (EUR72 million). In addition EUR36 million (2008: EUR50 million) is included in other expenses.

The amortisation of brands and customer relationships amounted to EUR79 million (2008: EUR63 million). Impairments relating to contract-based intangibles amount to EUR20 million (2008: EUR275 million). Included in 2008 was the impairment of goodwill relating to Russia (EUR275 million).

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	2009	2008
Present value of unfunded obligations	198	266
Present value of funded obligations	5,738	4,697
Total present value of obligations	**5,936**	**4,963**
Fair value of plan assets	(4,858)	(4,231)
Present value of net obligations	**1,078**	732
Actuarial (losses)/gains not recognised	(548)	(143)
Recognised liability for defined benefit obligations	**530**	589
Other long-term employee benefits	104	99
	634	688

Plan assets comprise:

In millions of EUR	2009	2008
Equity securities	2,195	1,593
Government bonds	2,119	1,955
Properties and real estate	385	333
Other plan assets	159	350
	4,858	4,231

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, Greece, Austria, Italy, France, Spain 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	2009	2008
Defined benefit obligations as at 1 January	4,963	2,858
Changes in consolidation and reclassification	(6)	2,973
Effect of movements in exchange rates	153	(494)
Benefits paid	(255)	(199)
Current service costs and interest on obligation (see below)	363	333
Past service costs	12	5
Effect of any curtailment or settlement	(16)	(18)
Actuarial (gains)/losses	722	(495)
Defined benefit obligations as at 31 December	**5,936**	4,963

Movements in the present value of plan assets

In millions of EUR	2009	2008
Fair value of plan assets as at 1 January	4,231	2,535
Changes in consolidation and reclassification	(5)	2,737
Effect of movements in exchange rates	160	(450)
Contributions paid into the plan	157	177
Benefits paid	(255)	(199)
Expected return on plan assets	252	241
Actuarial gains/(losses)	318	(810)
Fair value of plan assets as at 31 December	**4,858**	4,231
Actual return on plan assets	**570**	(569)

Expense recognised in the income statement

In millions of EUR	Note	2009	2008
Current service costs		70	75
Interest on obligation		293	258
Expected return on plan assets		(252)	(241)
Actuarial gains and losses recognised		–	(1)
Past service costs		12	5
Effect of any curtailment or settlement		(16)	(18)
	10	**107**	78

Principal actuarial assumptions as at the balance sheet date

The defined benefit plans in The Netherlands and the UK cover 88.8 per cent of the present value of the plan assets (2008: 88.6 per cent), 86.3 per cent of the present value of the defined benefit obligations (2008: 83.5 per cent) and 75.1 per cent of the deficit in the plans as at 31 December 2009 (2008: 54.3 per cent). For the Netherlands and the UK the following actuarial assumptions apply as at 31 December 2009:

	The Netherlands		UK	
	2009	2008	2009	2008
Discount rate as at 31 December	5.3	5.6	5.7	6.7
Expected return on plan assets as at 1 January	6.3	5.9	6.3	5.7
Future salary increases	3	3	4.8	4
Future pension increases	1.5	1.5	3	2.8
Medical cost trend rate	–	–	7	7

28. Employee benefits continued

Principal actuarial assumptions as at the balance sheet date continued

For the other defined benefit plans the following actuarial assumptions apply as at 31 December 2009:

	Other Western, Central and Eastern Europe		The Americas		Africa and the Middle East		Asia Pacific	
	2009	2008	2009	2008	2009	2008	2009	2008
Discount rate as at 31 December	3.3-5.6	4.5-6.2	5.3-7	5.5-6.5	11	12	–	2.5-12
Expected return on plan assets as at 1 January	3.5-6.6	4.5-7	6.5	6.5	11	4.6	–	2.5-8
Future salary increases	1.5-3.5	2.9-12	2.5-5.5	0.5-5.5	11	11	–	3-10
Future pension increases	1-3	1.5-5	–	3.5	11	–	–	8
Medical cost trend rate	3.5-4.5	1.5	5	5	10	–	–	–

Assumptions regarding future mortality rates are based on published statistics and mortality tables. The overall expected long-term rate of return on assets is 6.1 per cent (2008: 6.0 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 nihil effect on the amounts recognised in the income statement. A one percentage point change in assumed healthcare cost trend rates would not have any effect on the income statement neither on the statement of financial position as at 31 December 2009.

The Group expects the 2010 contributions to be paid for the defined benefit plans to be approximately 20 per cent higher than in 2009.

Historical information

In millions of EUR	2009	2008	2007	2006
Present value of the defined benefit obligation	5,936	4,963	2,858	2,984
Fair value of plan assets	(4,858)	(4,231)	(2,535)	(2,397)
Deficit in the plan	1,078	732	323	587
Experience adjustments arising on plan liabilities, losses/(gains)	(116)	71	(4)	(159)
Experience adjustments arising on plan assets, (losses)/gains	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 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 are for 25 per cent subject to Heineken's RTSR performance and for 75 per cent subject to internal performance conditions.

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 2007 was from 1 January 2007 to 31 December 2009. 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 is from 1 January 2009 to 31 December 2011.

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 and 2011 respectively.

As Heineken N.V. will withhold the tax related to vesting on behalf of the individual employees, the amount of Heineken N.V. shares to be received by the Executive Board and senior management will be a net amount.

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 2007	32,265	36.03	Continued service and RTSR performance	3 years
Share rights granted to senior management in 2007	281,400	36.03	Continued service, 75% internal performance conditions and 25% RTSR performance	3 years
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
	1,219,856			

* The number of shares is based on target performance.

Based on RTSR and internal performance, it is expected that approximately 253,000 shares will vest in 2010. The expenses relating to these expected additional grants are recognised in the income statement during the performance period.

The number and weighted average share price per share is as follows:

	Weighted average share price 2009 in EUR	Number of share rights 2009	Weighted average share price 2008 in EUR	Number of share rights 2008
Outstanding as at 1 January	37.48	905,537	30.10	696,616
Granted during the year	21.90	615,945	44.22	290,246
Forfeited during the year	–	(74,813)	–	(40,581)
Vested during the year	–	(292,921)	–	(40,744)
Outstanding as at 31 December	**31.17**	**1,153,748**	37.48	905,537

The 292,921 (gross) shares vested in 2009 are related to the 2006-2008 LTIP of senior management. No vesting occurred under the 2006-2008 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	Executive Board 2008	Senior Management 2009	Senior Management 2008
Fair value at grant date	512,359	411,670	8,478,659	7,409,515
Expected volatility	22.8%	18.4%	22.8%	18.4%
Expected dividends	2.1%	1.7%	2.1%	1.7%

Personnel expenses

In millions of EUR	Note	2009	2008
Share rights granted in 2006		–	3
Share rights granted in 2007		3	4
Share rights granted in 2008		3	4
Share rights granted in 2009		4	–
Total expense recognised as personnel expenses	10	**10**	11

30. Provisions

In millions of EUR	Note	Restructuring	Onerous contracts	Other	Total
Balance as at 1 January 2009		180	65	257	502
Changes in consolidation	6	–	–	1	1
Provisions made during the year		98	2	91	191
Provisions used during the year		(88)	(9)	(35)	(132)
Provisions reversed during the year		(18)	–	(44)	(62)
Effect of movements in exchange rates		(2)	(3)	20	15
Unwinding of discounts		1	–	2	3
Balance as at 31 December 2009		**171**	**55**	**292**	**518**
Non-current		66	47	243	356
Current		105	8	49	162
		171	**55**	**292**	**518**

Restructuring

The provision for restructuring of EUR 171 million mainly relates to restructuring programmes in Spain and the UK. Provisions made during the year are mostly related to TCM. These restructuring expenses have been included in the personnel expenses (see note 10).

Other provisions

Included are, amongst others, surety provided EUR 61 million (2008: EUR 28 million), litigations and claims EUR 50 million (2008: EUR 59 million) and environmental provisions EUR 8 million (2008: EUR 17 million).

31. Trade and other payables

In millions of EUR	Note	2009	2008
Trade payables		1,361	1,563
Returnable packaging deposits		408	427
Taxation and social security contributions		551	553
Dividend		24	76
Interest		134	104
Derivatives used for hedge accounting		94	87
Other payables		233	291
Accruals and deferred income		891	745
	32	3,696	3,846

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 Group 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.

32. Financial risk management and financial instruments continued

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.

As at 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.

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 carried out 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.

Investments

Heineken limits its exposure to credit risk, except for held-to-maturity investments as disclosed in note 17, by only investing 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	2009	2008
Loans	17	329	310
Held-to-maturity investments	17	4	10
Available-for-sale investments	17	219	221
Non-current derivatives used for hedge accounting	17	16	100
Investments held for trading	17	15	14
Trade and other receivables, excluding derivatives used for hedge accounting	20	2,261	2,401
Current derivatives used for hedge accounting	20	49	103
Cash and cash equivalents	21	520	698
		3,413	3,857

32. Financial risk management and financial instruments continued

The maximum exposure to credit risk for trade and other receivables (excluding derivatives used for hedge accounting) at the reporting date by geographic region was:

In millions of EUR	2009	2008
Western Europe	1,256	1,493
Central and Eastern Europe	554	512
The Americas	134	122
Africa and the Middle East	131	145
Asia Pacific	32	31
Head Office/eliminations	154	98
	2,261	2,401

Impairment losses

The ageing of trade and other receivables (excluding derivatives used for hedge accounting) at the reporting date was:

In millions of EUR	Gross 2009	Impairment 2009	Gross 2008	Impairment 2008
Not past due	1,895	(34)	1,868	(17)
Past due 0 – 30 days	202	(26)	232	(7)
Past due 31 – 120 days	198	(67)	241	(56)
More than 120 days	300	(207)	340	(200)
	2,595	(334)	2,681	(280)

The movement in the allowance for impairment in respect of trade and other receivables (excluding derivatives used for hedge accounting) during the year was as follows:

In millions of EUR	2009	2008
Balance as at 1 January	280	194
Changes in consolidation	1	88
Impairment loss recognised	109	52
Allowance used	(26)	(13)
Allowance released	(45)	(31)
Effect of movements in exchange rates	15	(10)
Balance as at 31 December	334	280

The movement in the allowance for impairment in respect of loans during the year was as follows:

In millions of EUR	2009	2008
Balance as at 1 January	177	108
Changes in consolidation	–	49
Impairment loss recognised	48	46
Allowance used	(27)	(26)
Allowance released	(9)	–
Effect of movements in exchange rates	(4)	–
Balance as at 31 December	**185**	177

Impairment losses recognised for trade and other receivables (excluding derivatives used for hedge accounting) and loans are part of the other non-cash items in the consolidated statement of cash flows.

The impairment loss of EUR48 million (2008: EUR46 million) in respect of loans and the impairment loss of EUR109 million (2008: EUR52 million) in respect of trade receivables (excluding derivatives used for hedge accounting) were included in expenses for raw materials, consumables and services.

An impairment loss of EUR48 million (2008: EUR46 million) in respect of loans was recognised during the current year of which EUR37 million (2008: EUR34 million) related to loans to customers. Heineken has no collateral in respect of these impaired investments.

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.

32. Financial risk management and financial instruments continued

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:

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 used for hedge accounting	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).

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 2008
Financial liabilities							
Secured bank loans	520	(600)	(125)	(35)	(44)	(358)	(38)
Unsecured bank loans	6,795	(7,611)	(392)	(207)	(2,017)	(3,655)	(1,340)
Unsecured bond issues	1,122	(1,319)	(40)	(30)	(552)	(690)	(7)
Finance lease liabilities	95	(107)	(11)	(12)	(13)	(38)	(33)
Other interest-bearing liabilities	670	(1,245)	(77)	(39)	(44)	(129)	(956)
Non-interest-bearing liabilities	409	(390)	(36)	(38)	(78)	(80)	(158)
Deposits from third parties	348	(348)	(338)	(10)	–	–	–
Bank overdrafts	94	(102)	(102)	–	–	–	–
Trade and other payables, excluding interest and dividends	3,666	(3,605)	(3,375)	(213)	(8)	(1)	(8)
Derivative financial (assets) and liabilities							
Interest rate swaps used for hedge accounting:							
Inflow	(89)	2,082	160	144	206	888	684
Outflow	425	(2,532)	(194)	(191)	(293)	(1,022)	(832)
Forward exchange contracts used for hedge accounting:							
Inflow	(102)	2,068	1,095	670	303	–	–
Outflow	55	(2,028)	(1,056)	(677)	(295)	–	–
Other derivatives not used for hedge accounting, net	(12)	–	–	–	–	–	–
	13,996	**(15,737)**	**(4,491)**	**(638)**	**(2,835)**	**(5,085)**	**(2,688)**

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).*

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates 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 the income statement.

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.

32. Financial risk management and financial instruments continued

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. Given the limited availability of efficient and effective hedging instruments hedging levels are temporarily below policy in a number of Central and Eastern European countries. 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 roubles 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 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.

In millions	2009 EUR	2009 GBP	2009 USD	2008 GBP	2008 USD
Loans and held-to-maturity investments	–	–	–	480	257
Trade and other receivables	25	–	7	12	142
Cash and cash equivalents	46	–	2	24	19
Secured bank loans	–	–	(1)	–	–
Unsecured bank loans	(100)	(57)	(1,492)	(537)	(1,720)
Unsecured bond issues	–	(400)	–	–	2
Non-interest-bearing liabilities	(10)	–	(1)	–	(2)
Bank overdrafts	(63)	–	(2)	–	(13)
Trade and other payables	(88)	–	(26)	(4)	(58)
Gross balance sheet exposure	(190)	(457)	(1,513)	(25)	(1,373)
Estimated forecast sales next year	140	1	885	2	1,000
Estimated forecast purchases next year	(402)	(1)	(88)	1	(295)
Gross exposure	(452)	(457)	(716)	(22)	(668)
Cash flow hedge accounting forward exchange contracts	61	427	(375)	(1)	(545)
Other hedge accounting forward exchange contracts	(945)	–	1,061	57	799
Net exposure	(1,336)	(30)	(30)	34	(414)

Including 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. As a result of the 2008 Scottish & Newcastle acquisition, Heineken had assumed debt swapped back into euro which is maintained as a net investment hedge.

The following significant exchange rates applied during the year:

In EUR	Average rate 2009	Average rate 2008	Year-end rate 2009	Year-end rate 2008
GBP	1.1224	1.2577	1.1260	1.0499
USD	0.7170	0.6832	0.6942	0.7185

Sensitivity analysis

A 10 per cent strengthening of the euro against the British pound and US dollar or in case of the euro a strenghtening 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 2008.

In millions of EUR 31 December	Equity 2009	Equity 2008	Profit or loss 2009	Profit or loss 2008
EUR	1	–	(3)	–
GBP	2	(2)	2	(2)
USD	39	54	–	6

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.

32. Financial risk management and financial instruments continued

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 7.3 per cent (2008: from 2.9 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	2009	2008
Fixed rate instruments		
Financial assets	157	121
Financial liabilities	(4,664)	(3,192)
Interest rate swaps floating to fixed	(2,505)	(4,656)
	(7,012)	(7,727)
Variable rate instruments		
Financial assets	88	817
Financial liabilities	(2,947)	(6,452)
Interest rate swaps fixed to floating	2,505	4,656
	(354)	(979)

Fair value sensitivity analysis for fixed rate instruments

During 2009, Heineken opted to apply fair value hedge accounting on certain fixed rate financial liabilities. The fair value movements on these instruments are recognised in the income statement. The change in fair value on these instruments was EUR73 million in 2009 (2008: EUR294 million), which was offset by the change in fair value of the hedge accounting instruments, which was EUR(73) million (2008: EUR(288) 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 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)**
31 December 2008				
Instruments designated at fair value	30	33	30	33
Interest rate swaps	(3)	(63)	94	(159)
Fair value sensitivity (net)	27	(30)	124	(126)

As part of the acquisition of Scottish & Newcastle in 2008, Heineken took over a specific portfolio of euro floating-to-fixed interest rate swaps with a notional amount of EUR 1,290 million. 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 income statement under the other net financing income/(expenses). Any related non-cash income or expenses in our income statement 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 2008.

	Profit or loss		Equity	
In millions of EUR	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2009				
Variable rate instruments	(21)	21	(21)	21
Net interest rate swaps floating to fixed	19	(19)	19	(19)
Cash flow sensitivity (net)	**(2)**	**2**	**(2)**	**2**
31 December 2008				
Variable rate instruments	(42)	42	(42)	42
Net interest rate swaps floating to fixed	35	(35)	35	(35)
Cash flow sensitivity (net)	(7)	7	(7)	7

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 risk is the risk that changes in commodity price will affect Heineken's income. The objective of commodity 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 risk is in principal 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 aluminium 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 2009, the underlying amount of aluminium swaps was EUR 8 million. Off-balance sheet exposure as at 31 December 2009 EUR 3,564 million and in principal represent long-term supply contracts of raw materials.

32. Financial risk management and financial instruments continued

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.

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)
Forward exchange contracts:							
Assets	(48)	1,015	615	282	118	–	–
Liabilities	26	(996)	(608)	(268)	(120)	–	–
	187	**(218)**	**(42)**	**(48)**	**(55)**	**(97)**	**24**

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
							2008
Interest rate swaps:							
Assets	(89)	856	80	64	124	139	449
Liabilities	206	(1,097)	(100)	(97)	(212)	(214)	(474)
Forward exchange contracts:							
Assets	(102)	2,068	1,095	670	303	–	–
Liabilities	55	(2,028)	(1,056)	(677)	(295)	–	–
	70	(201)	19	(40)	(80)	(75)	(25)

The periods in which the cash flows associated with forward exchange contracts that are cash flow hedges are expected to impact the income statement is on average two months earlier than the occurrence of the cash flows as in the above table.

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
							2009
Interest rate swaps:							
Assets	–	987	27	20	61	666	213
Liabilities	(212)	(1,079)	(9)	(11)	(22)	(802)	(235)
	(212)	**(92)**	**18**	**9**	**39**	**(136)**	**(22)**

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
							2008
Interest rate swaps:							
Assets	–	1,106	62	61	47	701	235
Liabilities	167	(1,316)	(76)	(76)	(45)	(761)	(358)
	167	(210)	(14)	(15)	2	(60)	(123)

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 minority 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 2009	Fair value 2009	Carrying amount 2008	Fair value 2008
Loans	329	329	310	310
Held-to-maturity investments	4	4	10	10
Available-for-sale investments	219	219	221	221
Advances to customers	319	319	346	346
Investments held for trading	15	15	14	14
Trade and other receivables, excluding derivatives used for hedge accounting	2,261	2,261	2,401	2,401
Cash and cash equivalents	520	520	698	698
Interest rate swaps used for hedge accounting:				
Assets	17	17	89	89
Liabilities	(438)	(438)	(425)	(425)
Forward exchange contracts used for hedge accounting:				
Assets	48	48	102	102
Liabilities	(26)	(26)	(55)	(55)
Other derivatives, net	–	–	12	12
Bank loans	(3,311)	(3,362)	(7,315)	(7,401)
Unsecured bond issues	(2,945)	(3,058)	(1,122)	(1,204)
Finance lease liabilities	(108)	(108)	(95)	(95)
Other interest-bearing liabilities	(1,342)	(1,423)	(670)	(679)
Non-interest-bearing liabilities	(93)	(93)	(16)	(16)
Non-current derivatives used for hedge accounting	(370)	(370)	(393)	(393)
Deposits from third parties and other interest-bearing liabilities	(377)	(377)	(348)	(348)
Trade and other payables excluding dividend, interest and derivatives used for hedge accounting	(3,444)	(3,444)	(3,579)	(3,579)
Bank overdrafts	(156)	(156)	(94)	(94)

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

Effective 1 January 2009, Heineken adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value (refer 3b). This 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).

32. Financial risk management and financial instruments continued

In millions of EUR	Level 1	Level 2	Level 3
31 December 2009			
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	–
31 December 2008			
Available-for-sale investments	47	–	174
Non-current derivative assets used for hedge accounting	–	100	–
Current derivative assets used for hedge accounting	–	103	–
Investments held for trading	14	–	–
	61	203	174
Non-current derivative liabilities used for hedge accounting	–	393	–
Current derivative liabilities used for hedge accounting	–	87	–
	–	480	–

In millions of EUR	2009
Available-for-sale investments based on Level 3	
Balance as at 1 January	174
Fair value adjustments recognised in other comprehensive income	18
Disposals	(34)
Transfers	4
Balance as at 31 December	162

33. Off-balance sheet commitments

In millions of EUR	Total 2009	Less than 1 year	1-5 years	More than 5 years	Total 2008
Guarantees to banks for loans (to third parties)	371	191	146	34	408
Other guarantees	177	116	5	56	89
Guarantees	548	307	151	90	497
Lease & operational lease commitments	322	47	139	136	378
Property, plant & equipment ordered	46	42	2	2	56
Raw materials purchase contracts	3,564	950	1,399	1,215	2,835
Other off-balance sheet obligations	2,199	450	1,228	521	2,325
Off-balance sheet obligations	6,131	1,489	2,768	1,874	5,594
Undrawn committed bank facilities	2,077	77	2,000	–	1,640

Heineken leases buildings, cars and equipment
Guarantees to banks for loans relate to loans to customers, which are given by external parties in the ordinary course of business of Heineken.

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

During the year ended 31 December 2009 EUR184 million (2008: EUR177 million) was recognised as an expense in the income statement 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.

As part of the transaction with APB in respect of the realignment of its interests in the Asia Pacific region, Heineken acquired the entire issued share capital of APB Pearl Ltd and APB Aurangabad Ltd on 10 February 2010 (refer note 37). Heineken intends to transfer its interests in these two companies, together with its interests in MAPL, to UBL during 2010.

34. Contingencies

The 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 2010 or 2011.

Carlsberg
The consideration paid (purchase price) for the acquisition of Scottish & Newcastle is subject to change as, in line with the consortium agreement, the final net debt settlement is being discussed between the consortium partners. Given that the outcome is not virtually certain there is no basis to reliably estimate the financial effects of the net debt settlement.

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) and with its key management personnel (Executive Board and the Supervisory Board).

Key management remuneration

In millions of EUR	2009	2008
Executive Board	4.2	3.2
Supervisory Board	0.4	0.4
	4.6	3.6

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 an organic profit growth target and specific year targets as set by the Supervisory Board. For the Long-Term Incentive Plan see note 29. The separate Remuneration Report is stated on page 65.

As at 31 December 2009, J.F.M.L. van Boxmeer held 9,244 Company's shares and D.R. Hooft Graafland 6,544 (2008: 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 2009 (2008: 3,052 shares).

Executive Board

	Fixed Salary		Short-Term Incentive Plan		Long-Term Incentive Plan*		Pension Plan		Total	
In thousands of EUR	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
J.F.M.L. van Boxmeer	750	750	1,125	611	303	249	379	287	2,557	1,897
D.R. Hooft Graafland	550	550	619	336	167	149	315	247	1,651	1,282
Total	**1,300**	1,300	**1,744**	947	**470**	398	**694**	534	**4,208**	3,179

* The remuneration reported as part of the Long-Term Incentive Plan is based on IFRS accounting policies 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	2009	2008
C.J.A. van Lede	66	66
J.M. de Jong	52	52
M. Das	52	52
M.R. de Carvalho	50	50
J.M. Hessels	50	50
I.C. MacLaurin	50	50
A.M. Fentener van Vlissingen	50	50
M. Minnick	45	32
V.C.O.B.J. Navarre	31	–
Total	**446**	402

Only M.R. de Carvalho held shares (8) of Heineken N.V. as at 31 December 2009 (2008: 8 shares). As at 31 December 2009 and 2008, 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 2009 (2008: C.J.A. van Lede 2,656 and M.R. de Carvalho 8 shares).

Other related party transactions

In millions of EUR	Transaction value 2009	Transaction value 2008	Balance outstanding as at 31 December 2009	Balance outstanding as at 31 December 2008
Sale of products and services				
To associates and joint ventures	142	50	12	6
	142	50	**12**	6
Raw materials, consumables and services				
Goods for resale – joint ventures	89	26	1	7
Other expenses – joint ventures	12	1	–	6
	101	27	**1**	13

Heineken Holding N.V.

In 2009 an amount of EUR712,129 (2008: EUR551,000) was paid to Heineken Holding N.V. for management services for the Heineken Group.

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 administration costs. Best practice provision III.6.4 of the Dutch Corporate Governance Code of 10 December 2008 has been observed in this regard.

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 • overleaf.

36. Heineken entities continued
Significant subsidiaries

	Country of incorporation	Ownership interest 2009	2008
• 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%
• Heineken CEE Investments 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%**	98.6%
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%**	62%
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%
Affligem Brouwerij BDS N.V.	Belgium	**100%**	100%
N.V. Brouwerijen Alken-Maes Brasseries S.A.	Belgium	**99.7%**	99.7%
LLC Heineken Breweries	Russia	**100%**	100%
Heineken USA Inc.	United States	**100%**	100%
Heineken Ceská republika a.s.	Czech Republic	**100%**	100%
Drinks Union a.s.	Czech Republic	**100%**	98.5%
Heineken Romania S.A.	*Romania*	**98.5%**	98.2%
FCJSC Brewing Company, Syabar'	Belarus	**100%**	100%
OJSC, Rechitsapivo'	Belarus	**86.2%**	80.8%
Commonwealth Brewery Ltd.	Bahamas	**53.2%**	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%**	83.1%
Surinaamse Brouwerij N.V.	Suriname	**76.2%**	76.1%
Consolidated Breweries Ltd.	Nigeria	**50.4%**	50.1%
Brasserie Almaza S.A.L.	Lebanon	**67%**	67%
Brasseries, Limonaderies et Malteries 'Bralima' S.A.R.L.	D.R. Congo	**95%**	95%
Brasseries et Limonaderies du Rwanda 'Bralirwa' S.A.	Rwanda	**70%**	70%
Brasseries et Limonaderies du Burundi 'Brarudi' S.A.	Burundi	**59.3%**	59.3%

	Country of incorporation	Ownership interest 2009	2008
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 years ended 31 December 2009 and 2008 regarding the liabilities of Heineken Ireland Ltd., Heineken Ireland Sales Ltd., West Cork Bottling Limited, Western Beverages Limited and Beamish and Crawford Limited, as referred to in article 5I of the Republic of Ireland Companies (Amendment) Act 1986.

37. Subsequent events

Announcement to acquire FEMSA Beer Business

On 11 January 2010 Heineken announced 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 will acquire FEMSA Cerveza, comprising 100 per cent of FEMSA's Mexican beer operations (including its US and other export business) and the remaining 83 per cent of FEMSA's Brazilian beer business that Heineken does not currently own. The transaction is expected to complete in the second quarter of 2010 and is subject to the customary approval of the relevant regulatory authorities and the approval of the shareholders of Heineken N.V., Heineken Holding N.V. and FEMSA.

Under the proposed terms of the Acquisition, Heineken has offered FEMSA 86,028,019 new shares in Heineken on the completion of the Acquisition with a commitment to deliver an additional 29,172,504 Heineken shares to FEMSA over a period of not more than five years. Simultaneously with the closing of the Acquisition, Heineken Holding will swap 43,018,320 of the new Heineken shares with FEMSA for an equal number of newly issued shares in Heineken Holding. Following delivery of all such Heineken and Heineken Holding shares, FEMSA will hold a 20 per cent economic interest in the Heineken Group.

Based on the Heineken closing share price of EUR32.925, as at 8 January 2010, the last trading day prior to entering to the transaction, the delivery of 115,200,523 Heineken shares values the equity of FEMSA Cerveza at approximately EUR3.8 billion. Including net debt and pension obligations to be assumed of approximately EUR1.5 billion, the total implied enterprise value for FEMSA Cerveza is approximately EUR5.3 billion.

Strategic realignment interests in Asia Pacific region

On 10 February 2010, Heineken acquired the entire issued share capital of APB-Pearl Ltd and APB (Aurangabad) Ltd. Heineken intends to transfer its interests in these two companies, together with its interests in MAPL, to UBL during 2010.

On 10 February 2010 Heineken transferred the shares it held in GBNC in its entirety to APB. On the same date, Heineken transferred a controlling stake of 68.5 per cent in MBI to APB. Heineken retains a shareholding in MBI of 16.5 per cent. Both transactions will be accounted for under the revised IAS 27 standard and Heineken expects to realise an estimated combined gross book gain of EUR140 million net of tax.

Heineken N.V. Balance Sheet

Before appropriation of profit
As at 31 December 2009

In millions of EUR	Note	2009	2008
Fixed assets			
Financial fixed assets			
Investments in participating interests	38	11,345	10,723
Other investments	17	35	89
Deferred tax assets		38	23
Total financial fixed assets		**11,418**	10,835
Trade and other receivables		22	26
Cash and cash equivalents		2	8
Total current assets		**24**	34
Total assets		**11,442**	10,869

Shareholders' equity			
Issued capital		784	784
Translation reserve		(451)	(595)
Hedging reserve		(124)	(122)
Fair value reserve		100	88
Other legal reserves		676	595
Reserve for own shares		(42)	(40)
Retained earnings		3,390	3,552
Net profit		1,018	209
Total shareholders' equity	39	**5,351**	4,471
Liabilities			
Loans and borrowings	40	5,406	6,289
Total non-current liabilities		**5,406**	6,289
Loans and borrowings		500	–
Trade and other payables		185	99
Tax payable		–	10
Total current liabilities		**685**	109
Total liabilities		**6,091**	6,398
Total shareholders' equity and liabilities		**11,442**	10,869

Heineken N.V. Income Statement

For the year ended 31 December 2009

In millions of EUR	Note	2009	2008
Share of profit of participating interests, after income tax		1,305	246
Other profit after income tax		(287)	(37)
Net profit	39	**1,018**	209

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 are 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 interests	Total
Balance as at 1 January 2008	3,954	2,606	6,560
Profit of participating interests	246	–	246
Dividend payments by participating interests	(1)	1	–
Effect of movements in exchange rates	(602)	–	(602)
Changes in hedging and fair value adjustments	(102)	–	(102)
Investments/additions	660	3,961	4,621
Balance as at 31 December 2008	**4,155**	**6,568**	**10,723**
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/(repayments)	151	(1,040)	(889)
Balance as at 31 December 2009	**5,129**	**6,216**	**11,345**

39. Shareholders' equity

In millions of EUR	Issued capital	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	Retained earnings	Net profit	Shareholders' equity
Balance as at 1 January 2008	784	7	44	99	571	(29)	3,121	807	5,404
Other comprehensive income	–	(602)	(166)	(11)	(44)	–	44	–	(779)
Profit	–	–	–	–	142	–	(142)	209	209
Total comprehensive income	**–**	**(602)**	**(166)**	**(11)**	**98**	**–**	**(98)**	**209**	**(570)**
Transfer to retained earnings	–	–	–	–	(74)	–	881	(807)	–
Dividends to shareholders	–	–	–	–	–	–	(363)	–	(363)
Purchase/reissuance own shares	–	–	–	–	–	(11)	–	–	(11)
Share-based payments	–	–	–	–	–	–	11	–	11
Balance as at 31 December 2008	**784**	**(595)**	**(122)**	**88**	**595**	**(40)**	**3,552**	**209**	**4,471**
Balance as at 1 January 2009	784	(595)	(122)	88	595	(40)	3,552	209	4,471
Other comprehensive income	–	144	(2)	12	6	–	(6)	–	154
Profit	–	–	–	–	150	–	(150)	1,018	1,018
Total comprehensive income	**–**	**144**	**(2)**	**12**	**156**	**–**	**(156)**	**1,018**	**1,172**
Transfer to retained earnings	–	–	–	–	(75)	–	284	(209)	–
Dividends to shareholders	–	–	–	–	–	–	(289)	–	(289)
Purchase/reissuance own shares	–	–	–	–	–	(2)	(11)	–	(13)
Share-based payments	–	–	–	–	–	–	10	–	10
Balance as at 31 December 2009	**784**	**(451)**	**(124)**	**100**	**676**	**(42)**	**3,390**	**1,018**	**5,351**

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.

40. Loans and borrowings
Non-current liabilities

In millions of EUR	Note	2009	2008
Unsecured bank loans		2,448	4,655
Unsecured bond issues		2,433	1,098
Other		371	377
Non-current interest-bearing liabilities		5,252	6,130
Non-current non-interest-bearing liabilities	25	7	–
Non-current derivatives used for hedge accounting		147	159
		5,406	6,289

Non-current liabilities

In millions of EUR	Unsecured bank loans	Unsecured bond issues	Other non-current interest-bearing liabilities	Non-current non-interest-bearing liabilities	Non-current derivatives used for hedge accounting	Total
Balance as at 1 January 2009	4,655	1,098	377	–	159	6,289
Charge from/to profit or loss i/r derivatives	–	–	–	7	5	12
Effects of movements of exchange rates	69	8	(41)	–	–	36
Proceeds	–	1,838	–	–	–	1,838
Repayments	(1,959)	(13)	–	–	–	(1,972)
Transfers	(317)	(498)	35	–	(17)	(797)
Balance as at 31 December 2009	**2,448**	**2,433**	**371**	**7**	**147**	**5,406**

Terms and debt repayment schedule
Terms and conditions of outstanding loans were as follows:

In millions of EUR	Currency	Nominal interest rate %	Repayment	Face value 2009	Carrying amount 2009	Face value 2008	Carrying amount 2008
Unsecured bank loans	EUR	3.3	2012	–	–	470	470
Unsecured bank loans	EUR	5.1	2010	–	–	860	860
Unsecured bank loans	EUR	2.4–6.2	2014–2017	213	213	–	–
Unsecured bank loans	EUR	1.6	2013	1,700	1,709	2,403	2,416
Unsecured bank loans	EUR	2.5–6.0	2015	207	207	418	418
Unsecured bank loans	GBP	2.8	2013	329	329	504	504
Unsecured bond issue	GBP	7.3	2015	442	450	–	–
Unsecured bond issue	EUR	4.3	2010	500	500	500	500
Unsecured bond issue	EUR	5.0	2013	598	600	598	600
Unsecured bond issue	EUR	7.1	2014	996	1,000	–	–
Unsecured bond issue	EUR	4.6	2016	397	400	–	–
Other interest-bearing liabilities	USD	5.9	2018	306	307	280	280
Other interest-bearing liabilities	various	various	various	64	64	97	97
				5,752	5,779	6,130	6,145

For financial risk management and financial instruments, see note 32.

41. Audit fees

Other expenses in the consolidated financial statements include EUR 11.7 million of fees in 2009 (2008: EUR 14.5 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	
In millions of EUR	2009	2008	2009	2008	2009	2008
Audit of Heineken and its subsidiaries	2.0	2.7	5.5	6.9	7.5	9.6
Other audit services	0.4	0.1	0.4	0.5	0.8	0.6
Tax services	–	–	1.6	1.4	1.6	1.4
Other non-audit services	0.8	0.7	1.0	2.2	1.8	2.9
Total	3.2	3.5	8.5	11.0	11.7	14.5

42. Off-balance sheet commitments

In millions of EUR	Total	Less than 1 year	1-5 years	More than 5 years	Total 2008
Undrawn committed bank facility	2,000	–	2,000	–	1,530

	2009		2008	
	Third parties	Heineken companies	Third parties	Heineken companies
Declarations of joint and several liability	–	1,563	–	1,937

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, 22 February 2010	Executive Board	Supervisory Board
	Van Boxmeer	Van Lede
	Hooft Graafland	De Jong
		Das
		de Carvalho
		Hessels
		Fentener van Vlissingen
		MacLaurin
		Minnick
		Navarre

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 2009 and the developments during the financial year 2009 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
Van Boxmeer (Chairman/CEO)
Hooft Graafland (CFO)

Amsterdam, 22 February 2010

Appropriation of profit

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 EUR318 million of the profit for payment of dividend and to add EUR700 million to the retained profits.

Civil code

Heineken N.V. is not a 'structuurvennootschap' within the meaning of Sections 152-164 of the Netherlands Civil Code. Heineken Holding N.V., a company listed on 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.

Auditor's Report

To: Annual General Meeting of Shareholders of Heineken N.V.

Report on the financial statements

We have audited the accompanying 2009 financial statements of Heineken N.V., Amsterdam as set out on pages 71 to 155 The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2009, 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 significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2009, the company profit and loss account for the year then ended and the notes.

Management's responsibility

The Executive Board 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 Netherlands Civil Code, and for the preparation of the report of the Executive Board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 2009, 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 Netherlands 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 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the report of the Executive Board, as set out on pages 6 to 61 is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

KPMG ACCOUNTANTS N.V.
G.L.M. van Hengstum RA

Amsterdam, 22 February 2010

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. L'Arche Green N.V. holds 58.78 per cent of the Heineken Holding N.V. shares. The Heineken family holds 88.42 per cent of L'Arche Green N.V. The remaining 11.58 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 substantial shareholding:

As regards Heineken N.V.
- Massachusetts Financial Services Company
  - a capital interest of 4.07 per cent (2.92 per cent held directly and 1.14 per cent held indirectly)
  - a voting interest of 5.03 per cent (2.91 per cent held directly and 2.12 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.

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. Prices for the ordinary shares may be accessed on Bloomberg under the symbols HEIA:NA and HEIO:NA and on the Reuters Equities 2000 Service under HEIA.AS and HEIO.AS. The ISIN code is NL0000009165. Options on Heineken N.V. shares are listed on Euronext.Liffe. Additional information is available on the website: www.heinekeninternational.com

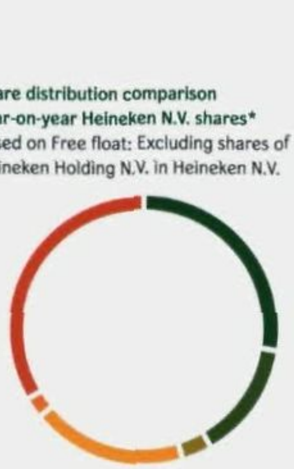
In 2009, the average daily trading volume of Heineken N.V. shares was 1,639,752 shares.

Market capitalisation

On 31 December 2009, there were 489,974,594 shares of EUR 1.60 nominal value in issue. At a year-end price of EUR 33,27 on 31 December 2009, the market capitalisation of Heineken N.V. on the balance sheet date was EUR 16.3 billion.

Year-end price	EUR 33.27	31 December 2009
Highest closing price	EUR 34.21	4 December 2009
Lowest closing price	EUR 19.97	19 March 2009

Share distribution comparison year-on-year Heineken N.V. shares*
Based on Free float: Excluding shares of Heineken Holding N.V. in Heineken N.V.

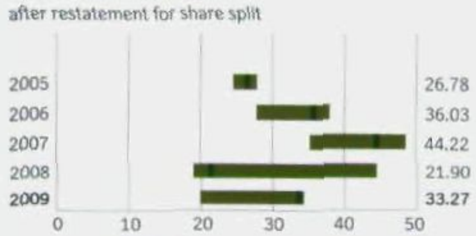


Based on 245.0 million shares in free float

North America	28.3%
UK/Ireland	14.0%
Netherlands	3.8%
Rest of Europe (ex. Netherlands)	18.3%
Rest of the world	2.5%
Undisclosed	33.1%

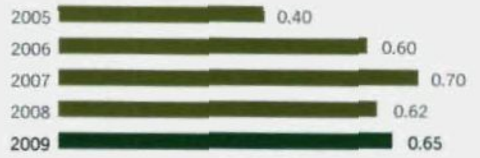
* Source: Capital Precision, based on best estimate January 2010.

Heineken N.V. share price
In EUR, Euronext Amsterdam
after restatement for share split



Share price range
Year-end price
Average trade in 2009: 1,639,752 shares per day

Dividend per share (proposed)
In EUR



Heineken N.V. share price
In EUR, Euronext Amsterdam

Shareholder information (continued)

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.

In 2009, the average daily trading volume of Heineken Holding N.V. shares was 350,836 shares.

Market capitalisation

On 31 December 2009, there were 245,011,848 ordinary shares of EUR 1.60 nominal value in issue and 250 priority shares of EUR 2.00 nominal value in issue.

At a year-end price of EUR 29.24 on 31 December 2009, the market capitalisation of Heineken Holding N.V. on balance sheet date was EUR 7.2 billion.

Year-end price	EUR 29.24	31 December 2009
Highest closing price	EUR 29.55	29 December 2009
Lowest closing price	EUR 16.69	9 March 2009

Financial calendar in 2010 for both Heineken N.V. and Heineken Holding N.V.

Announcement of 2009 results	23 February
Publication of Annual Report	23 March
Trading update first quarter 2010	21 April
Annual General Meeting of Shareholders, Amsterdam	22 April
Quotation ex-final dividend	26 April
Final dividend 2009 payable	29 April
Announcement of half-year results 2010	25 August
Quotation ex-interim dividend	26 August
Interim dividend 2010 payable	3 September
Trading update third quarter 2010	27 October

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

Further information on Heineken N.V. is obtainable from the Group Corporate Relations and/or Investor Relations department, telephone +31 20 523 97 77 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.

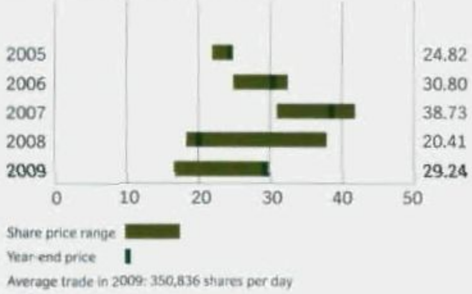
Share distribution comparison year-on-year Heineken Holding N.V. shares*
Based on Free float: Excluding shares of L'Arche Green N.V. in Heineken Holding N.V.

Based on 101.0 million shares in free float

North America	49.3%
UK/Ireland	17.2%
Netherlands	4.6%
Rest of Europe (ex. Netherlands)	7.5%
Rest of the world	1.0%
Undisclosed	20.4%

* Source: Capital Precision, based on best estimate January 2010.

Heineken Holding N.V. share price
In EUR, Euronext Amsterdam
after restatement for share split



Bondholder information

On 4 November 2003, Heineken N.V. issued two bonds for a total of EUR 1.1 billion.

In addition, on 26 February 2009 Heineken placed six year Notes of GBP400 million (EUR 450 million) with a coupon of 7.25 per cent, on 25 March 2009 five year Notes of EUR 1 billion with a coupon of 7.125 per cent and on 1 October 2009 seven year Notes of EUR 400 million with a coupon of 4.625 per cent. These Notes were issued under the European Medium Term Note Programme established in 2008 and updated in September 2009.

The European Medium Term Note programme allows Heineken N.V. from time to time to issue Notes for a total amount of up to EUR 3 billion. As currently approximately EUR 1.9 billion is outstanding, Heineken still has capacity of EUR 1.1 million under the programme. The programme can be used for issuing up to one year after its establishment. The Luxembourg Stock Exchange has approved the programme.

The Heineken N.V. bonds are listed on the Luxembourg Stock Exchange.

	Heineken N.V. Bond 2010	Heineken N.V. Bond 2013	Heineken N.V. EMTN 2014	Heineken N.V. EMTN 2015	Heineken N.V. EMTN 2016
Total face value*	EUR500 million	EUR600 million	EUR 1 billion	GBP400 million	EUR400 million
Interest rate	4.375%	5.0%	7.125%	7.25%	4.625%
Maturity	4 Feb 2010	4 Nov 2013	7 April 2014	10 March 2015	10 Oct 2016
ISIN code	XS0179266597	XS0179266753	XS0421464719	XS0416081296	XS0456567055

* Note: 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 2009

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, the Netherlands and Spain and we are the number two player in Belgium, Finland, France, Ireland, Italy, Portugal 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 Belarus. Heineken has strong market positions in Russia, Germany, Hungary, Serbia and the Czech Republic. 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

Heineken has built a strong position in the Americas, with exports to the USA, Central America and the Caribbean. Heineken also owns a number of breweries in the Caribbean and Central America and has interests in and licensing agreements with several breweries in Central and South America. The agreement of Heineken USA and FEMSA of Mexico made Heineken the exclusive national importer, marketer and seller of FEMSA's brands for ten years.[1] Our interest in Compania Cervecerias Unidas (CCU) provides a significant position in Chile and Argentina.

5. Asia Pacific

Underpinning our position in the region is our Singapore-based joint venture with Fraser & 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.[2] 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 joint venture in Millenium 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	2009	2008	%
Western Europe	47,151	44,245	6.6
Central and Eastern Europe	46,165	50,527	(8.6)
Africa and the Middle East	19,820	18,076	9.7
The Americas	9,430	10,329	(8.7)
Asia Pacific	2,681	2,644	1.4
Consolidated beer volume	**125,247**	125,821	(0.5)

[1] On 11 January 2010 the acquisition of the beer business of FEMSA was announced.
[2] On 10 February 2010 we transferred a significant part of our controlling interest in PT Multi Bintang Indonesia and Grande Brasserie de Nouvelle Calédonie to APB.

Western Europe

Country	Company	Locations	Brands
Belgium	Affligem Brouwerij BDS (100%)	Opwijk	Affligem, Postel, Op-Ale
	Alken-Maes (99.7%)	Alken, Kobbegem	Maes, Grimbergen, Mort Subite, Cristal, Ciney, Judas, Hapkin, Brugs
Finland	Hartwall (100%)	Lahti	Lapin Kulta, Karjala, Foster's, Heineken, 1836 Classic, Urho, Aura, Sininen, Newcastle Brown Ale, Krusovice, Jaffa, Pepsi, Novelle, Original, Upcider, Vichy, Strongbow
France	Heineken France (100%)	Marseille, Mons-en-Baroeul, Schiltigheim	Heineken, Adelscott, Amstel, Buckler, Desperados, Doreleï, '33' Export, Fischer Tradition, Kriska, Murphy's Irish Stout, Pelforth
Ireland	Heineken Ireland (100%)	Cork	Heineken, Amstel, Coors Light, Murphy's Irish Stout, Beamish, Foster's, Paulaner, Desperados
Italy	Heineken Italia (100%)	Aosta, Bergamo, Cagliari, Massafra	Heineken, Amstel, Birra Messina, Birra Moretti, Classica von Wunster, Dreher, Ichnusa, McFarland, Murphy's Irish Stout, Foster's, Prinz, Sans Souci
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, Sissi, Sourcy, Vitamin Water, Pepsi, 7-Up, Rivella
Portugal	Sociedade Central de Cervejas et Bebidas (100%)	Vialonga, Luso	Sagres, Heineken, Cergal, Imperial, São Jorge, Jansen, Foster's
Spain	Heineken España (98.7%)	Jaen, Madrid, Seville, Valencia	Heineken, Amstel, Buckler, Cruzcampo, Guinness, Kaliber, Murphy's Irish Red, Shandy, Paulaner
Switzerland	Heineken Switzerland (100%)	Chur, Lucerne	Heineken, Amstel, Eichhof, Calanda, Haldengut, Ziegelhof, Desperados, Ittinger
United Kingdom	Heineken UK (100%)	Manchester, Newcastle, Edinburgh, Hereford, Ledbury	Foster's, Strongbow, John Smith, Kronenbourg, Bulmers, Heineken, Newcastle Brown Ale, Amstel, Scrumpy Jack, Woodpecker

Countries and brands (continued)

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	Brewing Company Syabar (100%)	Babruysk	Bobrov, Zlaty Bazant
	Rechitsapivo (86.2%)	Rechitsa	Rechitsa, Dneprovska, BergG
Bulgaria	Zagorka Brewery (49%)	Stara Zagora	Heineken, Amstel, Ariana, Stolichno, Zagorka, Starobrno
Croatia	Karlovacka Pivovara (100%)	Karlovac	Heineken, Karlovačko, Gösser, Edelweiss Kaiser, Golden Brau
Czech Republic	Heineken Ceské republika, a.s. (100%)	Krušovice, Brno, Znojmo,	Krušovice, Heineken, Amstel, Hostan, Starobrno, Zlaty Bazant, Cerveny Drak, Baron Trenck
	Drinks Union (100%)	Usti nad Labem	Zlatopramen, Breznak, Dacicky Louny
Germany	Paulaner Brauerei (25%)	Munich, Rosenheim	Hacker-Pschorr, Paulaner, Paulaner, Weissbier
	Kulmbacher Brauerei (31.4%)	Chemnitz, Kulmbach, Plauen	Kulmbacher, Mönchshof, Sternquell-pils
	Fürstlich Fürstenbergische Brauerei (49.9%)	Donaueschingen	Bären Pilsner, Fürstenberg, Riegeler, QOWAZ
	Hoepfner Brauerei (49.9%)	Karlsruhe	Arnegger, Edel-Weizen, Export, Goldköpfle, Grape, Hefe Weißbier, Hoepfner Pilsner, Jubelbier, Keller Weißbier, Kräusen, Leicht, Maibock, Porter, Radler
	Schmucker Brauerei (49.8%)	Mossautal, Odenwald	Schmucker, Odenwälder Zwickel
	Würzburger Hofbräu (31.4%)	Würzburg, Poppenhausen	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, Kro'lewskie, Kujawiak, Lezajsk, Specjal, Strong, Tatra, Warka Jasne Pelne, Żywiec, Budweiser
Romania	Heineken Romania (98.5%)	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%)	Novi Sad	Heineken, Kaiser, MB, Master, Amstel
	United Serbian Breweries Zajecarsko (52.5%)	Zajecar	Pils Plus, Efes, Zajecarsko, Standard, Weifert
Slovakia	Heineken Slovensko (100%)	Hurbanovo	Heineken, Amstel, Corgon, Gemer, Kelt, Martiner, Zlaty Bazant, Starobrno

Countries and brands (continued)

Africa and the Middle East

Country	Company	Locations	Brands
Algeria	Tango (100%)	Rouiba	Tango, Samba, Fiesta, Heineken, Amstel
Burundi	Brarudi (59.3%)	Bujumbura, Gitega	Amstel, Primus, Mützig, Heineken
Cameroon	Brasseries du Cameroun (8.8%)	Bafoussam, Douala, Garoua, Yaoundé	Amstel, Dynamalt, Mützig, Heineken
Congo	Brasseries du Congo (50%)	Brazzaville, Pointe Noire	Amstel, Guinness, Maltina, Mützig, Ngok, Primus, Turbo King, Heineken
Democratic Republic of Congo	Bralima (95%)	Boma, Bukavu, Kinshasa, Kisangani, Mbandaka, Lubumbashi	Amstel, Guinness, Maltina, Mützig, Primus, Turbo King, Heineken
Egypt	Al Ahram Beverages Company (99.9%)	Badr, El Obour, Sharki	Heineken, Birell, Fayrouz, Meister, Sakara, Stella, Amstel Zero
Ghana	Guinness Ghana Breweries Ltd. (20%)	Accra, Kumasi	Amstel Malt, Guinness, Gulder, Star, Malta Guinness, Heineken
Israel	Tempo Beverages Limited (40%)	Netanya	Heineken, Gold Star, Maccabee, Malt Star, Nesher
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, Kilkenny, Windhoek, Amstel, Tafel
Nigeria	Nigerian Breweries (54.1%)	Aba, Ama, Ibadan, Kaduna, Lagos Jjebu Ode, Awe-Omamma	Heineken, Amstel Malta, Gulder, Legend, Maltina, Star, Fayrouz
	Consolidated Breweries (50.4%)		"33" Export, Hi-malt, Maller, Turbo King
Réunion	Brasseries de Bourbon (85.7%)	Saint Denis	Bourbon, Dynamalt, Heineken
Rwanda	Bralirwa (70%)	Gisenyi, Kigali	Amstel, Guinness, Mützig, Primus, Turbo King
Sierra Leone	Sierra Leone Brewery (83.1%)	Freetown	Heineken, Guinness, Maltina, Star
South Africa	Sedibeng Brewery (75%)	Johannesburg (Sedibeng)	Heineken, Amstel, Windhoek
Tunisia	Nouvelle de Brasserie 'Sonobra' (49.99%)	Tunis	Heineken, Golden Brau

The Americas

Country	Company	Locations	Brands
Argentina	Companias Cervecerias Unidas Argentina (30.7%)	Salta, Santa Fe, Lujan	Heineken, Budweiser, Cordoba, Imperial, Salta, Santa Fe, Schneider
Bahamas	Commonwealth Brewery (53.2%)	Nassau	Heineken, Guinness, Kalik, Vitamalt
Brazil	Cervejarias Kaiser (17%)	Araraquara	Kaiser, Bavaria, Sol
		Cuiabá	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 Cervecerias Unidas (33.1%)	Antofagasta, Santiago, Temuco	Heineken, Cristal, Escudo, Royal
Costa Rica	Cerveceria 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
Nicaragua	Consorcio Cervecero Centroamericano (12.4%)	Managua	Heineken, Bufalo, Tona, Victoria
Panama	Cervecerias 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

Countries and brands (continued)

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
	Hainan Asia Pacific (46%)	Haikou	Anchor, Aoke, Tiger
	Kingway Brewery (9.9%)	Shenzhen, Shantou, Dongguan,Tianjin, Xian, Chengdu, Foshan	Kingway
	Guangzhou Asia Pacific Brewery (46%)	Guangzhou	
India	Asia Pacific Breweries (Aurangabad) (41.9%)	Chowgule, Aurangabad	Cannon 10000, Arlem, Baron's Strong Brew, Tiger
	Asia Pacific Breweries – Pearl Private (41.9%)	Hyderabad	Tiger
	United Breweries (37.5%)	Taloja, Cherthala, Palakkad, Hyderabad, Ponda, Kalyani, Ludhiana, Chopanki, Mangalore, Nelamangla, Khurda	Kingfisher, Kalyani, UB
	Millennium Alcobev (68.8%)	Rewari, Aurangabad, Srikakulam, Thiruvallur	
Indonesia	Multi Bintang Indonesia (85.0%)	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 (87.3%)	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, Murphy's Irish Red
	DB South Island Brewery (27%)	Timaru	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
	Hatay Brewery (41.9%)	Hatay	Heineken, Anchor Draft, Tiger
	VBL Da Nang Co (25.2%)	Da Nang	Coors Light, Foster's, Bier Larue
	VBL Tien Giang (25.2%)	Tien Giang	
	VBL Quang Nam (20.1%)	Guang Nam	

Historical summary

	IFRS 2009	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005
Revenue and profit					
In millions of EUR					
Revenue	14,701	14,319	11,245	10,556	9,672
Results from operating activities	1,630	1,182	1,364	1,637	1,125
Results from operating activities (beia)	1,968	181	1,642	1,391	1,234
as % of revenue	13.4	1.3	14.6	13.2	12.8
as % of total assets	9.8	0.9	13.7	11.6	11.3
Net profit	1,018	209	807	1,211	761
Net profit (beia)	1,055	1,013	1,119	930	840
as % of equity attributable to equity holders of the Company	19.7	22.7	20.7	18.6	21.2
Dividend proposed	318	304	343	294	196
as % of net profit	31.2	145.5	42.5	24.3	25.8
Per share of EUR 1.60					
In millions of EUR					
Cash flow from operating activities	4.87	3.39	3.12	3.55	3.49
Net profit (beia)	2.16	2.07	2.28	1.90	1.71
Dividend proposed	0.65	0.62	0.70	0.60	0.40
Equity attributable to equity holders of the Company	10.95	9.14	11.04	10.23	8.10
Cash flow statement					
In millions of EUR					
Cash flow from operations	3,029	2,168	1,945	2,164	2,024
Cash flow used for interest, dividend and income tax	(650)	(508)	(416)	(498)	(314)
Cash flow from operating activities	2,379	1,660	1,529	1,666	1,710
Cash flow from operational investing activities	(638)	(1,110)	(866)	(612)	(622)
Free operating cash flow	1,741	550	663	1,054	1,088
Cash flow used for aquisitions and disposals	(149)	(3,634)	(259)	(14)	(347)
Dividend paid	(392)	(485)	(417)	(268)	(251)
Cash flow from/(used in) financing activities, excluding dividend	(1,445)	3,794	(214)	(381)	(415)
Net cash flow	(245)	225	(227)	391	75
Cash conversion ratio	147.7%	47.8%	53.4%	103.7%	119.2%
Financing ratios					
Nebt debt/EBITDA (beia)	2.62	3.28	0.73	0.83	1.26
EBITDA (beia)/Net interest expense	5.41	7.2	26.2	17.1	14.6
Free operating cash flow/Net debt	23%	6%	38%	62%	44%
Net debt/Equity	1.4	1.9	0.3	0.3	0.6

	IFRS 2009	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005
Financing					
In millions of EUR					
Share capital	**784**	784	784	784	784
Reserves and retained earnings	**4,567**	3,687	4,620	4,225	3,185
Equity attributable to equity holders of the Company	**5,351**	**4,471**	**5,404**	**5,009**	**3,969**
Minority interests	**296**	281	307	284	310
Total equity	**5,647**	**4,752**	**5,711**	**5,293**	**4,279**
Employee benefits	**634**	**688**	**586**	**600**	**602**
Provisions (incl. deferred tax liabilities)	**1,304**	**1,163***	**728**	**780**	**731**
Non-current loans and borrowings	**7,401**	9,084	1,295	1,883	1,999
Other liabilities (excl. provisions)	**5,194**	4,900	3,634	3,482	3,279
Liabilities (excl. provisions)	**12,595**	**13,984**	**4,929**	**5,365**	**5,278**
Total equity and liabilities	**20,180**	**20,587**	**11,954**	**12,038**	**10,890**

Equity attributable to equity holders of the Company/ (employee benefits, provisions, and liabilities)	**0.37**	**0.28**	**0.87**	**0.74**	**0.60**

	IFRS 2009	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005
Employment of capital					
In millions of EUR					
P, P & E	**6,017**	6,314	4,673	4,248	4,354
Intangible assets	**7,135**	7,030*	2,110	1,976	1,984
Other non-current assets	**2,875**	2,494*	1,814	2,056	1,730
Total non-current assets	**16,027**	**15,838**	**8,597**	**8,280**	**8,068**
Inventories	**1,010**	1,246	883	777	759
Trade and other current assets	**2,623**	2,805	1,900	1,718	1,587
Cash, cash equivalents and current other investments	**520**	698	574	1,263	476
Total current assets	**4,153**	**4,749**	**3,357**	**3,758**	**2,822**
Total assets	**20,180**	**20,587**	**11,954**	**12,038**	**10,890**

Total equity/Total non-current assets	**0.35**	**0.30**	**0.66**	**0.64**	**0.53**
Current assets/Current liabilities (excl. provisions)	**0.80**	**0.97**	**0.92**	**1.08**	**0.86**

* Adjusted due to the finalisation of the purchase price accounting of the S&N acquisition as disclosed in note 6 of the Notes to the consolidated financial statements.

Glossary

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, taxes and net finance expenses.

EBITDA
Earnings before interest, taxes and net finance expenses before depreciation and amortisation.

Effective tax rate
Income tax expenses divided by profit before income tax excluding share of profit of associates and joint ventures (including impairments thereof).

Fit2Fight
Completed cost saving programme reduced the fixed cost base in 2008 versus 2005 by EUR469 million.

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).

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
Net profit

Profit after deduction of minority interests (profit attributable to equity holders of the Company).

Operating profit

EBIT less share of profit of associates and joint ventures and impairments thereof (net of income tax), excluding net gain or loss on sale of subsidiaries, joint ventures and associates. Or results from operating activities excluding net gain or loss on sale of subsidiaries, joint ventures and associates.

Operating profit margin

Ratio of Operating Profit divided by Net Revenues, usually presented as a percentage.

Profit

Total profit of the Group before deduction of minority interests.

®
All brand names mentioned in this Annual 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.

Total Cost Management Programme (TCM)
TCM is a three-year cost reduction programme covering the period 2009-11. All initiatives are clustered in four business streams: Supply Chain, Commerce, Wholesale and Others.

Top-line growth
Growth in net revenue.

Volume

Amstel® volume
The Group beer volume of the Amstel brand.

Consolidated beer volume
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 adjusted for the weighted average of own shares purchased in the year.

Diluted
Weighted average number of basic shares after adjustment for the effects of all dilutive own shares purchased.

Reference information

A Heineken N.V. publication

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Copies of the Annual Report and further information are obtainable from the Group Corporate Relations department via www.heinekeninternational.com

Production and editing

Heineken N.V. Group Corporate Relations

Text

Heineken International

Translation into Dutch

V V H Business Translations, Utrecht, the Netherlands

Photography

Andreas Pohlmann, Munich
The packshot company Ltd, London
Heineken International

Graphic design and electronic publishing

Addison Corporate Marketing Ltd, London

Printing

Boom & van Ketel grafimedia, Haarlem, the Netherlands

Binding and distribution

Hexspoor, Boxtel, the Netherlands

Paper

9lives 55 silk 300 gsm cover
9lives 55 silk 130 gsm inside pages
9lives 55 silk 100 gsm inside financial pages

9lives 55 is produced by an ISO 14001 accredited manufacturer and is certified as an FSC mixed sources product. It is produced with 55 per cent recycled fibre from both pre- and post-consumer sources, together with 45 per cent virgin elementary chlorine free (ECF) fibre sourced from well-managed forests.

This Report is available in the Dutch language as well. In the event of any discrepancy between language versions, the English version prevails.

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Disclaimer

This Annual Report contains forward-looking statements with regard to the financial position and results of Heineken's activities. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond Heineken's ability to control or estimate precisely, such as future market and economic conditions, the behaviour of other market participants, changes in consumer preferences, the ability to successfully integrate acquired businesses and achieve anticipated synergies, costs of raw materials, interest-rate and exchange-rate fluctuations, changes in tax rates, changes in law, pension costs, the actions of government regulators and weather conditions. These and other risk factors are detailed in Heineken's publicly filed Annual Reports. You are cautioned not to place undue reliance on these forward-looking statements, which are only relevant as of the date of this annual report. Heineken does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of these statements. Market share estimates contained in this annual report are based on outside sources, such as specialised research institutes, in combination with management estimates.


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