Heineken NV

Press release

Heineken N.V. achieves 17% organic net profit (beia) growth for 2010 half-year

Amsterdam, 25 August 2010 - Heineken N.V. today announced:

- Net profit (beia) increased 17% organically, driven by higher EBIT (beia) and lower interest expense and amounted to €621 million;
- Net profit increased 42% to €695 million partly due to positive exceptional items;
- Strong free operating cash flow generation at €699 million, up from €383 million, positively impacted net debt and interest charges;
- Organic EBIT (beia) growth of 5.7% as a result of €104 million savings from Total Cost Management programme, improved margins per hectolitre and the strong performance of Heineken's joint ventures, offsetting lower volume and higher marketing investments;
- Heineken® volume in the international premium segment outperformed the overall portfolio and grew 4.1%;
- Group beer volume decreased 2.3% organically impacted by the weak economic environment and the effect of excise duty increases, partly offset by strong growth in Africa, Asia and Latin America;
- Heineken expects the organic increase in net profit (beia) for the full year 2010 to be at least in low double digits.
- Integration of FEMSA Cerveza makes good progress and is on track;
- Interim dividend of €0.26 per share (2009: €0.25)

Key figures	**HY 2010**	**HY 2009**	**Change**	**Organic growth**
	(mhl)	*(mhl)*		
Group beer volume	86.4	78.0	11%	-2.3%
Consolidated beer volume	63.9	60.8	5.3%	-3.9%
Heineken® premium volume	12.8	12.3	4.1%	4.1%
	(€ m)	*(€ m)*		
Revenue	7,520	7,147	5.2%	-2.0%
EBIT	1,193	925	29%	
EBIT (beia)	1,129	993	14%	5.7%
Net profit	695	489	42%	
Net profit (beia)	621	483	29%	17%
Free operating cash flow	699	383	83%	
Net debt/EBITDA (beia)	2.6x*	3.1x		
	(€)	*(€)*		
Diluted EPS	1.31	1.00	31%	
Diluted EPS (beia)	1.18	0.99	19%	

*including FEMSA Cerveza on a 12 month pro-forma basis

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CEO Statement
Jean-François van Boxmeer, Chairman of the Executive Board and CEO, commented:

"Heineken achieved strong organic net profit growth in the first half year 2010. Trading conditions remained challenging in Europe and the USA, but we realised strong group beer volume growth in Africa and Asia. The effectiveness of our premium strategy was reinforced by the continued strong performance of the Heineken brand which once again outperformed our broader portfolio and the overall beer market. Furthermore, we delivered an incremental €104 million of cost savings through our Total Cost Management programme.

"We are well placed for the future. Our expanded footprint in Latin America complements our strong positions in Africa and Asia where we continue to see excellent opportunities for future volume growth. Our focus on cash flow has strengthened our balance sheet and our key brands are benefitting from our increased marketing investments. The activities to improve the recently acquired businesses are paying off, whilst we also have made significant progress to integrate FEMSA Cerveza."

2010 full-year outlook
For the near term, Heineken remains cautious on the development of beer consumption in Europe and the USA due to continued weak consumer spending and planned austerity measures across many countries. Volume in Latin America, Africa and Asia is expected to continue to grow. Price increases in the first half of the year will continue to have a limited positive effect in the second half of 2010. The international premium segment is forecast to continue to outgrow the beer market as a whole, benefiting Heineken®.

Heineken will continue its focus on brand building and increase investments in key brands, which will be largely offset by lower input costs. The TCM programme will deliver further savings in the second half of the year. In addition, Heineken will focus on developing the performance of companies acquired during the last 3 years, including FEMSA Cerveza, and the unlocking of synergies.

Free operating cash flow generation will remain strong. Heineken remains fully committed to further reducing its net debt, targeting a net debt/EBITDA (beia) ratio of below 2.5 times, and a cash conversion rate in 2010 and 2011 above 100%.
For 2010, capital expenditure related to property, plant and equipment are forecast at €800 million, including FEMSA Cerveza for the 8 months commencing 1 May 2010 at €200 million.
For the full year 2010, Heineken estimates an effective tax rate (beia), including FEMSA Cerveza and non-recurring items in the normal line of business, of 27-29%. On a like-for-like basis, the effective tax rate (beia) in the second half of 2010 will be higher than the rate of the second half of 2009 when a number of non-recurring items led to a lower tax rate.
For 2010, Heineken expects an average interest rate including FEMSA Cerveza of approximately 6%.

Based on the above, Heineken expects the organic increase in net profit (beia) for the full year of 2010 to be at least in low double digits.

Interim dividend

The Heineken N.V. dividend policy aims at a dividend payout ratio of 30%-35% of full-year net profit (beia), with interim dividends fixed at 40% of the total dividend per share of the previous year. Therefore, an interim dividend of €0.26 per share of €1.60 nominal value (half-year 2009: €0.25) will be paid on 3 September 2010. The ex-dividend date for Heineken N.V. shares is 26 August 2010.

Attachment: Half-year report

Heineken N.V. agenda

Interim management statement for Q3 2010	27 October 2010
Capital Markets Day Heineken	2 November 2010
Financial results for the full year 2010	16 February 2011
Interim management statement for Q1 2011	20 April 2011
Annual General Meeting of Shareholders (AGM)	21 April 2011

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The presentation for analysts and investors in London will be broadcast live via the website today from 15:00 CET. The presentation can be monitored live via the Heineken company website http://www.heinekeninternational.com/webcast/investors, and will be available for download afterwards.

Editorial information:

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. The Company's aim is to be a leading brewer in each of the markets in which it operates and to have the world's most valuable brand portfolio. The Company operates 140 breweries in more than 70 countries and sold 165.7 million hectolitres of beer on a 2009 pro-forma basis. Heineken is Europe's largest brewer and the world's third largest by volume. Heineken is committed to the responsible marketing and consumption of its more than 200 international premium, regional, local and specialty beers and ciders. These include Amstel, Birra Moretti, Cruzcampo, Dos Equis, Foster's, Kingfisher, Newcastle Brown Ale, Ochota, Primus, Sagres, Sol, Star, Strongbow, Tecate, Tiger and Zywiec. On a 2009 pro-forma basis, including FEMSA Cerveza, revenue totaled €16.9 billion and EBIT (beia) was €2.3 billion.

The average number of people employed is more than 75,000. Heineken N.V. and Heineken Holding N.V. shares are listed on the Amsterdam stock exchange. Prices for the ordinary shares may be accessed on Bloomberg under the symbols HEIA NA and HEIO NA and on the Reuter Equities 2000 Service under HEIN.AS and HEIO.AS. Most recent information is available on Heineken's home page: http://www.heinekeninternational.com.

Disclaimer

This press release 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 press release. Heineken does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of these statements. Market share estimates contained in this press release are based on outside sources, such as specialised research institutes, in combination with management estimates.

Introduction

This report contains the half-year financial report of Heineken N.V., headquartered in Amsterdam, the Netherlands. The report is unaudited.

The half-year financial report for the six months ending 30 June 2010 consists of the statement of the Executive Board, the management report and the condensed consolidated interim financial statements.

STATEMENT OF THE EXECUTIVE BOARD

Statement ex Article 5:25d Paragraph 2 sub c Financial Markets Supervision Act (“Wet op het financieel toezicht”)

To our knowledge:

1. the condensed consolidated half-year financial statements for the six month period ended 30 June 2010, which have been prepared in accordance with IAS 34 interim financial reporting, give a true and fair view of the assets, liabilities, financial position, and profit of Heineken N.V. and the undertakings included in the consolidation as a whole;
2. the management report of the Executive Board for the six month period ended 30 June 2010 includes a fair review of the information required pursuant to article 5:25d paragraphs 8 and 9 of the Dutch Financial Markets Supervision Act (“Wet op het financieel toezicht”).

Executive Board
Jean-François van Boxmeer (Chairman/CEO)
René Hooft Graafland (CFO)

Amsterdam, 24 August 2010

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MANAGEMENT REPORT

Operational Review

Revenue

Revenue increased 5.2% to €7,520 million. Net changes in the scope of consolidation added €364 million to revenue. Organically, revenue declined 2.0% due to lower volume (-3.9%), partly offset by an improvement in selling prices and sales mix (+1.9%). A weakening euro against a number of foreign currencies accounted for a 2.2% increase in revenue, mainly due to the Polish zloty, Russian rouble, British pound and US dollar.

The main changes in the scope of consolidation include:

- FEMSA Cerveza, consolidated as of 1 May 2010
- Multi Bintang Indonesia and Grande Brasserie de Nouvelle-Caledonie, deconsolidated as of 1 February 2010
- Universal Beverages Limited, England, consolidated as of 1 January 2010
- The shift in South Africa from import to production by the local joint venture as of 1 January 2010.

Waverley TBS, in the UK, was deconsolidated as of 1 July 2010.

Strong profit growth

EBIT grew 29% to €1,193 million. EBIT (beia) amounted to €1,129 million. The effect of first time consolidation on EBIT totalled €61 million and favourable exchange rates added €19 million.

Total expenses increased to €6,639 million from €6,297 million. Changes in the scope of the consolidations added €310 million. Changes in the exchange rates of foreign currencies accounted for a €141 million increase. Organically, total expenses decreased 2.8%.

Exceptional costs and book gains at EBIT level had a positive effect of €121 million versus €29 million negative for the same period of last year. EBIT (beia) grew 5.7% organically, driven by lower costs due to strong cost management and improved margins per hectolitre, which more than offset the effect of lower revenue.

Share of profit of associates and joint ventures increased from €65 million to €96 million, driven by the strong performances of Heineken's joint ventures.
Net interest expense declined from €264 million to €239 million, mainly due to an organic decrease of €44 million and a net increase of €17 million due to first time consolidations.

Other net finance expenses totalled €6 million compared to €68 million in the first half 2009, when a book gain on the buyback of Globe debt was reported. Other net finance expenses improved €14 million organically.

Net profit increased 42% to €695 million, driven by higher EBIT, the effect of first time consolidations, positive exchange rates, and organically lower interest charges and exceptional book gains.

Beer volumes

Group Beer Volume

(mhl)	HY2010	HY2009	Total Change	Organic Change
Western Europe	22.3	22.9	-2.5%	-2.5%
Central and Eastern Europe	23.6	27.6	-15%	-9.4%
Africa and Middle East	12.3	11.4	7.9%	7.2%
The Americas	16.2	9.0	79%	0.3%
Asia Pacific	12.0	7.1	70%	7.0%
Total	86.4	78.0	11%	-2.3%

Group beer volume increased due to the inclusion of FEMSA Cerveza (as of 1 May) whilst as of 1 January 2010, 100% of the beer volume of United Breweries (UBL) in India is included in group beer volume. In Central & Eastern Europe, Brau Holding International, Heineken's joint venture in Germany, divested the Karlsberg brewery in July 2009, lowering group beer volume.
Strong organic volume growth was achieved by Heineken's joint venture in South Africa, Asia Pacific Breweries (APB) and CCU in Chile, whilst volume was substantially down in Russia as a result of the tripling of excise duty.

Consolidated Beer Volume

(mhl)	HY2010	HY2009	Total Change	First time Consol.	Organic change
Western Europe	22.2	22.8	-2.6%	0.0%	-2.6%
Central and Eastern Europe	20.1	22.5	-10.5%	0.3%	-10.8%
Africa and Middle East	9.2	9.6	-4.7%	-10.8%	6.1%
The Americas	11.8	4.6	156.4%	155.9%	0.5%
Asia Pacific	0.7	1.3	-44.6%	-47.9%	3.3%
Total	63.9	60.8	5.3%	9.2%	-3.9%

Consolidated beer volume grew 5.6 million hectolitres driven by first time consolidation effects of FEMSA Cerveza, partly offset by the effect of the transfer of Multi Bintang Indonesia and GBNC to Heineken's APB joint venture. Organically, volume decreased 3.9% impacted by lower beer consumption due to weak economies, excise duty increases and adverse weather conditions across Europe.

Total Heineken Group

	Group beer volume	Consolidated beer volume	Revenue	EBIT (beia)
Western Europe	26%	35%	52%	34%
Central and Eastern Europe	27%	32%	20%	13%
Africa and Middle East	14%	14%	13%	24%
The Americas	19%	18%	17%	22%
Asia Pacific	14%	1%	1%	5%
Head Office / Eliminations	-	-	-3%	2%
Total	100%	100%	100%	100%

The Heineken brand

Volume of the Heineken brand in the international premium segment

(mhl)	HY 2010	HY 2009	Change
Western Europe	3.7	3.7	-0.8%
Central and Eastern Europe	1.1	1.2	-4.8%
Africa and the Middle East	1.3	1.1	17%
Americas	4.0	4.0	-0.7%
Asia Pacific	2.7	2.3	19%
Total	12.8	12.3	4.1%

Heineken® is the leading international premium beer with a strong global position, selling 12.8 million hectolitres in the first half 2010. In spite of the weak global economy, Heineken® grew 4.1% driven by the strong performance in South Africa, France, Portugal, Nigeria, Algeria, Vietnam, Taiwan, China, Brazil, Chile and the Caribbean, exceeding the effect of lower volume in the USA, the UK, Greece and Spain.

Total volume of the Heineken® (including 1.4 million hectolitres in The Netherlands, where the brand is not positioned as a premium beer) totalled 14.2 million hectolitres.

Amstel and Strongbow

Volume of the Amstel brand was broadly stable at 4.9 million hectolitres with higher volumes in South Africa and Spain and a weaker performance in Greece, the USA and France.

Total Strongbow volume continued to increase, totalling 1.6 million hectolitres driven by a strong performance in the UK and South Africa.

FEMSA Cerveza acquisition

The acquisition of FEMSA Cerveza was completed on 30 April 2010 and its first time consolidation effective as of 1 May 2010.

The acquisition consolidates Heineken's position as the world's second largest brewer by revenues and third largest by volume, and expands its exposure to developing beer markets. In addition, it creates a platform for future value growth in three of the four largest beer profit pools in the world.

An extensive review of FEMSA Cerveza has confirmed the overall synergy potential, including estimated annual cost synergies of €150 million by 2013. Potential cost savings are identified mainly in selling and distribution costs, product procurement, supply chain initiatives, SKU rationalisation, reducing overall complexity and general administration.
Revenue synergies will be driven by strong focus on increasing consumer preference, revitalisation of the brand portfolio, developing the Heineken brand and improving marketing.

Pro-forma interim results for FEMSA Cerveza for the first six month of 2010 in terms of revenue amounted to €1,391 million, operating income €112 million and EBIT (beia) €167 million at MXN/EUR 16.5125, of which €85 million in May and June 2010. Volume in the first six months was 19.8 million hectolitres of which 7.3 million hectolitres in the last two months.

The integration process is on track, according to the timeline and without disruption of the normal business activities. New management teams have been appointed and are in place. In the second half of 2010, the focus will shift from integration to the realisation of synergies.
FEMSA Cerveza will be reported as two separate operating companies: Cerveceria Cuauhtemoc Moctezuma (CCM) in Mexico and Heineken Brasil.

TCM delivered €104 million savings

TCM (Total Cost Management programme) is Heineken's 3-year cost reduction programme covering the period 2009-2011. All initiatives are clustered in four business streams: Supply Chain, Commerce, Wholesale and Others.

In the first half of 2010, TCM delivered incremental savings of €104 million driven, primarily by further efficiency improvement in production, rightsizing in wholesale and centralisation of third party beverage purchases for wholesale. This brings the total savings to €259 million as of the start of the programme on 1 January 2009.

Of the realised savings, 49% is attributable to Supply Chain, 20% to Commerce, 10% to Wholesale and 21% to the category Others. Geographically, Western Europe contributed 51%, Central & Eastern Europe 41% and the remaining regions and Head Office 8%.

Hunt for Cash 2 (H4C2)

H4C2 is the 3-year programme covering the period 2009-2011 that aims to improve the cash conversion ratio to over 100%. The programme is mainly focused on initiatives that reduce net working capital and capital expenditures.

Free operating cash flow totalled to €699 million (€383 million last year). Organically, the improvement was driven by a reduction of the seasonal outflow of working capital, lower capital expenditure and a higher profitability. Gross capital expenditure amounted to €213 million, compared with €345 million in the same period of last year.

Regional Review

Western Europe

	HY 2010	HY 2009	Change
Group beer volume, mhl	22.3	22.9	-2.5%
Consolidated beer volume, mhl	22.2	22.8	-2.6%
Heineken premium brand, mhl	3.7	3.7	-0.8%
Revenue, € m	3,929	4,090	-3.9%
EBIT (beia), € m	383	361	6.3%
Operating Profit (beia) margin	9.7%	8.8%	

EBIT (beia) in the region grew 6.3%, driven by TCM cost savings initiatives and better margins.

Beer volume was lower due to the effect of high unemployment levels, a weak on-trade and unfavourable weather, especially in the UK and Ireland. In Italy, Belgium and Finland volumes grew. In Spain, France and Portugal volumes were broadly stable. Heineken® premium volume outperformed the overall brand portfolio.

In the **United Kingdom**, Heineken UK delivered strong EBIT (beia) growth driven by better pricing and significant cost reductions partly offset by higher investments in brands. The beer market remained under pressure due to an excise duty increase and reduced on-trade traffic. The lengthy price negotiations with some off-trade customers resulted in a temporary reduction of features in key promotional activities and a subsequent temporary loss of volume in the off-trade.

Focus on cost reduction continues. The breweries at Reading and Dunston were closed, resulting in a lower cost base and a better balance between capacity and sales. In June, beverage wholesaler Waverley TBS was divested, simplifying the business structure and improving margins going forward.

In **Spain,** the beer market was broadly stable. Volume of Heineken España performed in line with the market with lower volume of the Cruzcampo, Heineken brands compensated by volume growth of the Amstel brand. Increased marketing investments and a shift to off-trade resulted in a lower EBIT (beia).

Heineken **France** increased its value share and volume share, in a declining market. The key brands Heineken®, Pelforth Blonde and Desperados all grew volume. EBIT (beia) grew driven by a better sales mix and lower cost.

The beer market in **Italy** grew in the first half of 2010. Heineken Italia increased beer volume due to the better performance of Heineken® and Birra Moretti brand. EBIT (beia) increased driven by higher volume and TCM cost savings.

Beer consumption in the **Netherlands** was slightly lower and downtrading continued. EBIT (beia) of Heineken Netherlands increased due to TCM cost reductions which offset the effect of lower volume. Soft drink unit Vrumona improved EBIT (beia) driven by lower variable costs and TCM savings.

Central and Eastern Europe

	HY 2010	HY 2009	Change
Group beer volume, mhl	23.6	27.6	-15%
Consolidated beer volume, mhl	20.1	22.5	-11%
Heineken brand, mhl	1.1	1.2	-4.8%
Revenue, € m	1,515	1,517	-0.1%
EBIT (beia), € m	152	159	-4.4%
Operating Profit (beia) margin	9.6%	10.4%	

Beer consumption in the region was affected by the weak economic environment and increases in excise duty, particularly the 200% increase in Russia. Excluding Russia, consolidated beer volume in the region decreased 2.5% organically. Volumes in Austria and Belarus grew, whilst volumes in Greece, the Czech Republic, Hungary and Poland were lower.

EBIT (beia) of the region decreased 4.4% due primarily to a volume decline of 11%, which could not completely be offset by pricing, mix improvements and cost savings. However, all operating companies increased EBIT (beia), except Russia and Greece. The stronger Polish zloty and Russian rouble had a positive impact on EBIT (beia).

Beer consumption in **Austria** grew driven by the off-trade. Brau Union Austria grew volumes and gained market share thanks to the strong performance of its key domestic brands and Heineken® resulting in a higher EBIT (beia).

In **Russia,** the beer market declined approximately 9% due to the tripling of excise duty and a weak economy. Trading down to low priced beers and pack types continued. In addition, the winter was extremely long and cold.
Heineken Russia aggressive stance on pricing, passing on the excise duty in full and ahead of competition , combined with SKU rationalisation caused volume to decline faster than the market. The four key brands, including Heineken® and Zlaty Bazant, outperformed the total portfolio.
The impact of lower volume on EBIT (beia) was partly mitigated by continued TCM cost savings from optimising the production, sales and support services.
The Heineken brand performed better than the market. Heineken® has the highest preference rate by the consumer indicator in Russia due to a consistent and long term approach to brand building.

After a strong first quarter, the beer market in **Poland** decreased sharply in the second quarter due to unusual wet weather and the alcohol ban during the 12 days of mourning following the death of the President. EBIT (beia) grew driven by improved pricing, lower costs and the strengthening of the zloty.

In **Greece,** beer consumption was increasingly affected by the economic crisis, a reduction in tourist numbers, three successive beer duty increases and other government austerity measures. As a result EBIT (beia) of Athenian Brewery declined.

Africa and the Middle East

	HY 2010	HY 2009	Change
Group beer volume, mhl	12.3	11.4	7.9%
Consolidated beer volume, mhl	9.2	9.6	-4.7%
Heineken brand, mhl	1.2	1.1	17%
Soft drink volume, mhl	2.7	2.5	10%
Revenue, € m	971	920	5.6%
EBIT (beia), € m	273	259	5.2%
Operating Profit (beia) margin	26.6%	26.6%	

The reduction in consolidated beer volume reflects the shift from imported product to local production in South Africa by Heineken's joint venture. Group beer volume was not affected by the shift.

Consolidated beer volume continued to show healthy organic growth. This was driven by strong performances across every country in the region with strong volume gains in the Democratic Republic of Congo (DRC), Burundi, Egypt and Rwanda. In addition to consolidated beer volume growth, Group beer volume was boosted by strong growth in South Africa.

Volume of the Heineken brand in the region grew 17% whilst volume of the Amstel brand increased 6.9%. Soft drink volume grew double digits with particularly strong growth of the Fayrouz brand in Nigeria.

EBIT (beia) grew 5.2%, mainly driven by better results of Egypt, Algeria, the DRC and higher contributions from Heineken's joint ventures.

In **Nigeria**, Nigerian Breweries volumes grew significantly in the second quarter reflecting improvements in supply of products and the benefits from increased marketing investments in brands. Overall, volume in Nigeria increased, driven mainly by increased sales of beer in cans, Maltina and 33 Export. Heineken® grew in the high double digits. EBIT (beia) was lower due to higher energy, packaging and marketing costs.

Heineken's joint venture in **South Africa,** Brandhouse, grew volume in the high double digits in a growing beer market and increased its market share. The premium brands Heineken®, Amstel and Windhoek all increased volume. Steps are taken to expand the Sedibeng brewery to 4.5 million hectolitres from 3 million hectolitres.

The Americas

	HY 2010	HY 2009	Change
Group beer volume, mhl	16.2	9.1	79%
Consolidated beer volume, mhl	11.8	4.6	156%
Heineken brand, mhl	4.0	4.0	-0.7%
Revenue, € m	1,269	791	60%
EBIT (beia), € m	243	131	86%
Operating Profit (beia) margin	16.3%	12.1%	

In the **Americas**, strong organic volume growth in the Caribbean and Central America offset volume softness in the US. The first time consolidation of FEMSA Cerveza as of 1 May 2010 substantially increased the scale of Heineken in the region.

In the **United States** high unemployment levels and weak consumer confidence led to a decline in the overall beer market of approximately 3%. Trading down continued to affect the import segment but appears to be fading off versus a year ago.
Heineken USA continued to grow volume of its Mexican portfolio, led by the strong performance of Dos Equis. Volume of Newcastle Brown Ale grew further. Volume of the Dutch portfolio was still lower although the trend improved significantly compared to last year. Overall volume of Heineken USA performs slightly better than the market (-1.7%). EBIT (beia) grew double digits due to a better gross margin and TCM cost savings.

In **Mexico**, Cerveceria Cuauhtemoc Moctezuma (CCM) grew EBIT (beia) in the two months of consolidation, driven by a price increase at the start of the year, lower raw material prices and efficiency gains in distribution despite slightly lower volume. Beer consumption in Mexico was affected by an increase in excise duty and VAT as of 1 January 2010. Tecate Light, Dos Equis and Indio performed well.

Heineken **Brazil**, which was also consolidated as of 1 May 2010 achieved 14.2% volume growth in a market that expanded due to a combination of economic growth, good weather and the effect of the FIFA world cup. Key brands Heineken®, Kaiser and Bavaria contributed to the growth and outperformed the overall portfolio.

CCU, the joint venture controlling the leading **Chilean** brewer and the number two in **Argentina**, performed well. Total CCU group volume grew 6.1%, driving by a strong second quarter 2010. In Chile, beer volume in the second quarter grew 10.3% driven by recovering consumer demand after the earthquake.

Asia Pacific

	HY 2010	HY 2009	Change
Group beer volume, mhl	12.0	7.1	70%
Consolidated beer volume, mhl	0.7	1.3	-45%
Heineken brand, mhl	2.7	2.3	19%
Revenue, € m	101	141	-29%
EBIT (beia), € m	61	57	7.4%
Operating Profit (beia) margin	18.7%	23.8%	

In **Asia**, consolidated beer volume was lower due to the transfer of 68.5% of MBI and 87.3% of GBNC to Heineken's joint venture Asia Pacific Breweries (APB). Organically, consolidated beer volume grew 3.3%, driven mainly by increased exports to Taiwan. Group beer volume increased due to the inclusion of UBL, India, and 7% organic growth, driven mainly by the APB group. These were also the main drivers behind EBIT (beia) increased.

Volume of the Heineken brand grew across all markets. Heineken® was voted by consumers as the number one beer brand in Asia in an independent study conducted by Media and TNS.

APB is Heineken's joint venture with Fraser & Neave, and has operations in many countries in the region. Group beer volume of APB increased 10% organically totalling 6.4 million hectolitres.
Indochina, the largest contributor to APB's profit, continued its strong performance in both volume and profit. Profit in **Papua New Guinea** increased based on improved pricing. In **Singapore,** there was growth in both export volume and profit. **New Zealand** recorded volume growth and a better sales mix leading to a strong increase in profit.
Volume of the Tiger brand in the premium segment outside of its home market, Singapore, continued to grow.

Heineken has 37.5% stake in jointly controlled United Breweries (UBL), the market leader in **India**.
Group beer volume of UBL increased more than 30%, driven by growth in strong beer. Benefiting from favourable weather in the second quarter, all regions except the North showed growth rates of 25% and above. In absolute terms, the states of Andhra Pradesh, Karnataka and Maharashtra were the main contributors to volume growth. UBL's market share now stands at twice that of its nearest competitor.
Both Kingfisher Premium and Kingfisher Strong, which grew double digit, continued to lead in their respective categories. The Kingfisher brand extended its lead as the number one beer brand in India. Heineken® will be brewed and distributed by UBL from early 2011.
UBL's net profit in local currency grew more than 40% driven by higher revenue and strong cost control. UBL pro rata contribution after tax to Heineken's EBIT (beia) amounted to €5 million.

Head Office Costs and Eliminations

	HY 2010	HY 2009	Change
EBIT (beia), € m	17	26	-35%

EBIT (beia) was lower due to an increase in Head Office costs mainly related to sponsorships.

Financial Review

Development of EBIT

(€ million)	HY 2010	HY 2009
EBIT	1,193	925
Amortisation of brands, customer relations	57	39
Exceptional items	-121	29
EBIT (beia)	1,129	993

EBIT (beia) HY 2009	993	Change
Organic EBIT growth	56	6%
Exchange rate effects	19	2%
Changes in consolidation scope	61	6%
EBIT (beia) HY 2010	1,129	14%

EBIT rose 29% to €1,193 million.

Marketing and selling costs increased 18%, mainly due to first time consolidations and an organic increase of 5.3%. As a percentage of revenue, on a like for like basis expenses increased 11.8% to 12.5%.
On an organic basis, energy and water decreased 6.3%, personnel expenses 1.6%, depreciation 4.1% and other fixed expenses 2.9%.

Input cost – raw materials and packaging – increased by 6.9% to €1,566 million mainly due to changes in consolidation scope. The organic decrease was 6.7%, mainly due to lower volumes and barley prices.

Share of profit of associates and joint ventures totalled €96 million (2009: €66 million). The main contributors were (Heineken's share in net profit): APB €31 million (2009 €21 million) and CCU €27 million (2009: €30 million)

Net profit and net profit (beia)

Development of net profit

	HY 2010	HY 2009
Net profit	695	489
Amortisation of brands, customer relations	57	39
Exceptional items	-131	-45
Net profit (beia)	621	483
Net profit (beia) HY 2009	483	Change
Organic net profit growth	80	17%
Exchange rate effects	15	3%
Changes in consolidation scope	43	9%
Net profit (beia) 2010 HY	621	29%

Net interest expense declined from €264 million to €239 million. Organically, net interest expense decreased €44 million. The first time consolidation of FEMSA Cerveza as of 1 May 2010 added €17 million to net interest expense.
Other net finance expenses totalled €6 million compare to €68 million in the first half 2009, when a book gain on the buyback of Globe debt was reported. Other net finance expenses improved €14 million organically.

In the first half of 2010, the average interest rate amounted to 6%.

The effective tax rate (beia) was 27.1% versus 26.1% in the first half of 2009 due to non-recurring items, mainly in Greece.

Minority interest totalled €64 million (2009: €66 million)

Exceptional items and amortisation of brands and customer relations

	€ m
Amortisation of brands and customer relations	-57
Exceptional costs and gains at EBIT level	121
Exceptional other net financing expenses	-9
Tax effect	18
Total 2010 HY	73

At EBIT level, exceptional items had a net positive impact of €121 million of which €157 million related to a book gain on the sale of subsidiaries in Asia, partly offset exceptional items in other regions.

Foreign exchange-rate movements

The translational effect of exchange rate fluctuations on EBIT (beia) and net profit (beia) was €19 million and €15 million respectively.

Heineken delays the impact of the US dollar fluctuation by hedging the net cash inflow of US dollars up to 18 months in advance.

The average €/USD rate inclusive of hedging costs was 1.35, compared to 1.38 in the first half of 2009. For the full year 2010, the net US dollar inflow is forecast at $860 million, for 95% hedged at €/USD 1.35 versus 1.43 for the full year 2009. For 2011, the net dollar inflow is forecast at $830 million, of which 70% is hedged at €/USD 1.34 as at 20 August 2010.

Financial structure / Net interest bearing debt

The financial structure of Heineken is strong. On 30 June 2010, net interest bearing debt of Heineken amounted to €9,171 million, implying a pro forma Net debt/EBITDA (beia) ratio of 2.6 times (year-end 2009: 2.6 times) after the acquisition of FEMSA Cerveza. Heineken is fully committed to net debt reduction, targeting a net debt/EBITDA (beia) ratio below 2.5 times.

On 30 June 2010, Heineken's gross debt (including cross currency interest rate swaps) was approximately 75% euro denominated with the remaining debt mainly denominated in Mexican pesos, US dollar and British pounds. 74% of net debt is has a fixed interest rate for the next 12 months.

The maturity profile of Heineken's long-term debt (including the currency effects of cross currency interest rate swaps on the long-term debt) per 30 June 2010 is:

Repayment long-term liabilities	€ million
2010	48
2011	407
2012	1,790
2013	2,875
2014	2,006
2015	712
2016	747
2017 and beyond	970

On 11 May 2010, Heineken placed 8-year $725 million (€559 million) US private loan notes with a weighted-average fixed euro interest rate (after swaps) of 3.9%, with funding on 13 August 2010.

Balance sheet and cash flow

Cash flow from operations amounted to €1,310 million. Free operating cash flow increased to €699 million from €388 million.

Property, plant and equipment increased to €7,984 million (31 December 2009: €6,197 million). The increase is mainly due to the first time consolidation of FEMSA Cerveza. Gross capital expenditure related to property, plant and equipment totalled €213 million (2009: €345 million) whilst disposals amounted to €40 million. Movement in exchange rates added €337 million.

Intangible assets increased from €7,314 million to €11,403 million mainly due to goodwill, brands and customer relations capitalised in relation with the FEMSA Cerveza acquisition.

Investments in net working capital were €196 million lower than last year. Main working capital (which includes only the core operational business-related working capital items) was organically reduced by €403 million and totalled €1,223 million per 30 June 2010.

Share capital increased to €922 million from €784 million. A premium reserve amounting €2,701 million was created in relation with the 86 million new shares issued in relation with FEMSA Cerveza. The deferred ASDI shares added a net amount of €832 million to equity.

Retained earnings increased to €4,737 million from €4,408 million per 31 December 2009 mainly due to the realised net profit of €695 million less declared dividend to the shareholders of €195 million.

Equity attributable to the equity holders of the Company and minority interests grew to €10,476 million from €5,647 million. In addition to the increase in share capital, ASDI, reserves and retained earnings, the movement also includes foreign currency translation differences of €814 million.

Update risk paragraph

The annual report 2009 describes Heineken's main risks and mitigation activities at the time of closing the 2009 financial year. In our view, the nature and potential impact of these risks have not materially changed in the first half of 2010. Reference is made to pages 44 to 48 of the Annual Report 2009 for a detailed description of these main risks.

These risks can be summarised as follows:

- Strategic risks: damage to Heineken brand and Company reputation, pressure from alcohol-related issues, attractiveness of beer market under pressure, volatility of input costs, stability of Africa and the Middle East Region and the economic downturn;
- Operational risks: risks connected to reorganizations, acquisitions and business integration, supply continuity to USA and information security;
- Financial risks: currency risks and capital availability;
- Regulatory risks: tax (excise duties) and increasing legislation (alcohol, anti-trust).

The risks connected to the weak economic environment receive the highest management attention. Some related risks have evolved; e.g. an increased effect of austerity measures by governments aimed at reducing budget deficits potentially impacting consumer purchasing power and increasing the likelihood of increases in taxes, including beer excise duties. However, the business impact differs across regions and operations.

Heineken's business could also be negatively impacted by natural or other disasters such as earthquakes, hurricanes and flooding.

Heineken has undertaken economic activity with other parties in the market in the form of joint ventures and associates. As Heineken is not in full control of these entities, it is not certain that decisions taken by these entities are fully in line with Heineken's objectives.

On 30 April 2010, Heineken acquired FEMSA Cerveza, with its main operations in Mexico, Brazil and the USA. The general risk of business integration as described in the annual report 2009 applies to this acquisition. In addition, FEMSA Cerveza increases the exposure of Heineken to currency fluctuations, in particular the Mexican peso, Brazilian real and US dollar as well as the risk of litigation and claims due to the legal environment in Latin America.

With the shift from exports from the euro zone to local production in South Africa, the currency exposure to the South African rand has been reduced.

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

Executive Board

Jean-François van Boxmeer (Chairman/CEO)
René Hooft Graafland (CFO)

Amsterdam, 24 August 2010

Condensed consolidated interim financial statements for the six months period ended 30 June 2010

Contents

Condensed consolidated interim income statement

For the six months period ended 30 June

In millions of €	**Note**	**2010**	**2009**
Revenue	4	**7,520**	**7,147**
Other income	4	**216**	**10**
Raw materials, consumables and services	6	4,890	4,669
Personnel expenses		1,265	1,188
Amortisation, depreciation and impairments		484	440
Total expenses		**6,639**	**6,297**
Results from operating activities	4	**1,097**	**860**
Interest income	7	43	30
Interest expenses	7	(282)	(294)
Other net finance (expenses)/ income		6	68
Net finance expenses		**(233)**	**(196)**
Share of profit of associates and joint ventures, and impairments thereof (net of income tax)		96	65
Profit before income tax		**960**	**729**
Income tax expenses	8	(201)	(174)
Profit		**759**	**555**
Attributable to:			
Equity holders of the Company (net profit)		695	489
Non-controlling interest		64	66
Profit		**759**	**555**

Weighted average number of shares – basic	13	527,291,593	488,721,256
Weighted average number of shares – diluted	13	528,493,089	489,974,594
Basic earnings per share (€)		1.32	1.00
Diluted earnings per share (€)		1.31	1.00

Condensed consolidated interim statement of comprehensive income

For the six months period ended 30 June

In millions of €	Note	2010	2009
Profit		**759**	**555**
Other comprehensive income:			
Foreign currency translation differences for foreign operations		814	183
Effective portion of change in fair value of cash flow hedge		(64)	(61)
Effective portion of cash flow hedges transferred to the income statement		32	1
Ineffective portion of cash flow hedges transferred to the income statement		9	6
Net change in fair value available-for-sale investments		7	14
Share of other comprehensive income of associates/joint ventures		(5)	19
Other comprehensive income, net of tax	12	**793**	**162**
Total comprehensive income		**1,552**	**717**
Attributable to:			
Equity holders of the Company		1,462	651
Non-controlling interest		90	66
Total comprehensive income		**1,552**	**717**

Condensed consolidated interim statement of financial position

In millions of €	Note	30 June 2010	31 December 2009
Assets			
Property, plant & equipment	9	7,984	6,017
Intangible assets	10	11,403	7,135
Investments in associates and joint ventures		1,583	1,427
Other investments and receivables		1,030	568
Advances to customers		526	319
Deferred tax assets		886	561
Total non-current assets		**23,412**	**16,027**
Inventories		1,465	1,010
Other investments		18	15
Trade and other receivables		3,240	2,310
Prepayments and accrued income		312	189
Cash and cash equivalents		650	520
Assets classified as held for sale		20	109
Total current assets		**5,705**	**4,153**
Total assets		**29,117**	**20,180**
Equity			
Share capital		922	784
Share premium		2,701	-
ASDI		832	-
Reserves		1,045	159
Retained earnings		4,737	4,408
Equity attributable to equity holders of the Company	13	**10,237**	**5,351**
Non-controlling interest		239	296
Total equity		**10,476**	**5,647**
Liabilities			
Loans and borrowings	14	9,339	7,401
Employee benefits		787	634
Tax liabilities		156	-
Provisions	15	580	356
Deferred tax liabilities		1,572	786
Total non-current liabilities		**12,434**	**9,177**
Bank overdrafts		150	156
Loans and borrowings	14	727	1,145
Trade and other payables		5,019	3,696
Tax liabilities		199	132
Provisions	15	112	162
Liabilities classified as held for sale		-	65
Total current liabilities		**6,207**	**5,356**
Total liabilities		**18,641**	**14,533**
Total equity and liabilities		**29,117**	**20,180**

Condensed consolidated interim statement of cash flows

For the six months period ended 30 June

In millions of €	Note	2010	2009
Operating activities			
Profit		759	555
Adjustments for:			
Amortisation, depreciation and impairments		484	440
Net interest (income)/expenses	7	239	264
Gain on sale of property, plant & equipment, intangible assets and subsidiaries, joint ventures and associates		(216)	(10)
Investment income and share of profit of associates and joint ventures		(98)	(71)
Income tax expenses	8	201	174
Other non-cash items		32	30
Cash flow from operations before changes in working capital and provisions		**1,401**	**1,382**
Change in inventories		(113)	(67)
Change in trade and other receivables		(356)	(424)
Change in trade and other payables		427	252
Total change in working capital		**(42)**	**(239)**
Change in provisions and employee benefits		(49)	(102)
Cash flow from operations		**1,310**	**1,041**
Interest paid & received		(283)	(237)
Dividend received		51	48
Income taxes paid		(179)	(117)
Cash flow used for interest, dividend and income tax		**(411)**	**(306)**
Cash flow from operating activities		**899**	**735**
Investing activities			
Proceeds from sale of property, plant & equipment and intangible assets		66	43
Purchase of property, plant & equipment	9	(213)	(345)
Purchase of intangible assets	10	(12)	(11)
Loans issued to customers and other investments		(48)	(70)
Repayment on loans to customers		7	31
Cash flow used in operational investing activities		**(200)**	**(352)**
Free operating cash flow		***699***	***383***
Acquisition of subsidiaries and non-controlling interests, net of cash acquired	5	(61)	(56)
Acquisition of associates, joint ventures and other investments		(43)	(57)
Disposal of subsidiaries and non-controlling interests, net of cash disposed of		275	-
Disposal of associates, joint ventures and other investments		32	7
Cash flow used for acquisitions and disposals		**203**	**(106)**
Cash flow used in investing activities		**3**	**(458)**

Condensed consolidated interim statement of cash flows – continued

For the six months period ended 30 June *In millions of €*	**2010**	**2009**
Financing activities		
Proceeds from loans and borrowings	1,587	1,532
Repayment of loans and borrowings	(1,979)	(1,857)
Dividends paid	(262)	(236)
Purchase own shares	(195)	(10)
Other	17	24
Cash flow from / (used in) financing activities	**(832)**	**(547)**
Net Cash Flow	**70**	**(270)**
Cash and cash equivalents as at 1 January	364	604
Effect of movements in exchange rates	66	28
Cash and cash equivalents as at 30 June	**500**	**362**

Condensed consolidated interim statement of changes in equity

In millions of €

		Share capital	Share premium	Transla-tion reserve	Hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	ASDI	Retained earnings	Equity attributable to equity holders of the Company	Non-controlling interests	Total equity
Balance as at 1 January 2009		**784**	**-**	**(595)**	**(122)**	**88**	**595**	**(40)**	**-**	**3,761**	**4,471**	**281**	**4,752**
Other comprehensive income	12	-	-	202	(54)	14	-	-	-	-	162	-	162
Profit		-	-	-	-	-	76	-	-	413	489	66	555
Total comprehensive income		**-**	**-**	**202**	**(54)**	**14**	**76**	**-**	**-**	**413**	**651**	**66**	**717**
Transfer to retained earnings		-	-	-	-	-	(63)	-	-	63	-	-	-
Dividends to shareholders		-	-	-	-	-	-	-	-	(167)	(167)	(64)	(231)
Purchase own shares		-	-	-	-	-	-	(10)	-	-	(10)	-	(10)
Own shares granted		-	-	-	-	-	-	6	-	(6)	-	-	-
Share-based payments		-	-	-	-	-	-	-	-	4	4	-	4
Changes in consolidation		-	-	-	-	-	-	-	-	-	-	(4)	(4)
Balance as at 30 June 2009		**784**	**-**	**(393)**	**(176)**	**102**	**608**	**(44)**	**-**	**4,068**	**4,949**	**279**	**5,228**
Balance as at 1 January 2010		**784**	**-**	**(451)**	**(124)**	**100**	**676**	**(42)**	**-**	**4,408**	**5,351**	**296**	**5,647**
Other comprehensive income	12	-	-	785	(25)	7	60	-	-	(60)	767	26	793
Profit		-	-	-	-	-	73	-	-	622	695	64	759
Total comprehensive income		**-**	**-**	**785**	**(25)**	**7**	**133**	**-**	**-**	**562**	**1,462**	**90**	**1,552**
Transfer to retained earnings		-	-	-	-	-	(20)	-	-	20	-	-	-
Dividends to shareholders		-	-	-	-	-	-	-	-	(195)	(195)	(114)	(309)
Shares Issued		138	2,701	-	-	-	-	-	1,026	-	3,865	-	3,865
Purchase own / minority shares		-	-	-	-	-	-	(195)	-	-	(195)	-	(195)
ASDI		-	-	-	-	-	-	195	(194)	(1)	-	-	-
Own shares granted		-	-	-	-	-	-	6	-	(6)	-	-	-
Share-based payments		-	-	-	-	-	-	-	-	5	5	-	5
Changes in consolidation		-	-	-	-	-	-	-	-	(56)	(56)	(33)	(89)
Balance as at 30 June 2010		**922**	**2,701**	**334**	**(149)**	**107**	**789**	**(36)**	**832**	**4,737**	**10,237**	**239**	**10,476**

Notes to the condensed consolidated interim financial statements

1 Reporting entity

Heineken N.V. (the 'Company') is a company domiciled in the Netherlands. The condensed consolidated interim financial statements of the Company as at and for the six months period ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as 'Heineken' or the 'Group' and individually as 'Heineken' entities) and Heineken's interests in Joint Ventures and associates.

The consolidated financial statements of the Group as at and for the year ended 31 December 2009 are available upon request from the Company's registered office at Tweede Weteringplantsoen 21, Amsterdam or at www.heinekeninternational.com.

2 Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 'Interim Financial Reporting' as endorsed by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2009.

These condensed consolidated interim financial statements were approved by the Executive Board of the Company on 24 August 2010.

(b) Functional and presentation currency

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

(c) Use of estimates and judgements

The preparation of 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.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2009.

3 Significant accounting policies

(a) General

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2009.

Notes to the condensed consolidated interim financial statements

(b) Change in accounting policies

Accounting for business combinations

From 1 January 2010 the Group has applied IFRS 3 Business Combinations (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively.

For acquisitions on or after 1 January 2010, the Group measures goodwill as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree) and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.
The Group elects on a transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets of the acquire, at the acquisition date.

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

See note 5 for the application of the new policy to the business combinations that occurred during the period.

Accounting for acquisitions of non-controlling interest

From 1 January 2010 the Group has applied IAS 27 Consolidated and Separate Financial Statements (2008) in accounting for acquisitions of non-controlling interests. The change in accounting policy has been applied prospectively.

From 1 January 2010, acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised. Previously, goodwill arising on the acquisition of non-controlling interests in a subsidiary has been recognised, and represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

Other standards and interpretations

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

(c) Taxes

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

(d) Financial risk management

The aspects of the Company's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2009. The risks connected to the weak economic environment receive the highest management attention. Some related risks have evolved; e.g. an increased effect of austerity measures by governments aimed at reducing budget deficits potentially impacting consumer purchasing power and customer solvency, and increasing the likelihood of increases in taxes, including beer excise duties. However, the business impact differs across regions and operations. On 30 April 2010, Heineken acquired FEMSA Cerveza, with its main operations in Mexico, Brazil and the USA. The general risk of business integration as described in the annual report 2009 applies to this acquisition. In addition, FEMSA Cerveza increases the exposure of Heineken to currency fluctuations, in particular the Mexican peso, Brazilian real and US dollar as well as the risk of litigation and claims due to the legal environment in Latin America.

4. Segment reporting

For the six months period ended 30 June

	Note	Western Europe		Central and Eastern Europe		Africa and the Middle East		The Americas		Asia Pacific		Head Office / Eliminations		Consolidated	
In millions of €		**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Revenue		**3,929**	**4,090**	**1,515**	**1,517**	**971**	**920**	**1,269**	**791**	**101**	**141**	**(265)**	**(312)**	**7,520**	**7,147**
Other income		54	4	4	6	-	-	-	-	158	-	-	-	216	10
Results from operating activities		**340**	**300**	**140**	**152**	**259**	**250**	**186**	**97**	**177**	**35**	**(5)**	**26**	**1,097**	**860**
Net finance expenses														(233)	(196)
Share of profit of associates and joint ventures and impairments thereof		1	(1)	6	1	14	9	37	34	42	22	(4)	-	96	65
Income tax expenses														(201)	(174)
Profit														**759**	**555**
EBIT		**341**	**299**	**146**	**153**	**273**	**259**	**223**	**131**	**218**	**57**	**(8)**	**26**	**1,193**	**925**
eia	11	42	62	6	6	-	-	20	-	(157)	-	25	-	(64)	68
EBIT (beia)		**383**	**361**	**152**	**159**	**273**	**259**	**243**	**131**	**61**	**57**	**17**	**26**	**1,129**	**993**
Assets		**11,403**	**11,073**	**5,006**	**4,969**	**2,139**	**1,899**	**9,277**	**1,399**	**683**	**657**	**(323)**	**(419)**	**28,185**	**19,578**
Unallocated assets														932	602
Total assets														**29,117**	**20,180**

Notes to the condensed consolidated interim financial statements

Seasonality
The performance of the Group is subject to seasonal fluctuations as a result of weather conditions. The Group's full year results and volumes are dependent on the performance in the peak-selling season (May-August), typically resulting in higher revenue and profitability in the second half year for the regions Western Europe, Central and Eastern Europe and Americas.

Segment assets and results
The main changes in segments assets and results relate to the acquisition of the beer operations of FEMSA Cerveza in the Americas and the disposal of MBI and GBNC in Asia Pacific. EIA included in the regions Western Europe, Central and Eastern Europe and America's of €62 million, mainly relates to amortization of brands and customer relation intangibles. The EIA in Asia Pacific mainly relates to the MBI and GNBC disposal. Head office EIA is mainly driven by the acquisition costs relating to FEMSA Cerveza.

5. Acquisitions and disposal of subsidiaries and non-controlling interests

Acquisition of 100% of the beer operations of FEMSA
On 30 April 2010 Heineken N.V. completed the acquisition of the beer operations of Emprex Cerveza, S.A. de C.V. (FEMSA Cerveza) via an all share transaction (the 'transaction'). Heineken N.V. acquired all shares of common stock in 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 did not own. A portion of the Heineken shares allotted to FEMSA (and its affiliates) will be delivered over a period of not more than five years (the 'Allotted Shares'). The Allotted Shares have been recognised as a separate category within equity.

FEMSA Cerveza contributed revenue of €554 million and results from operating activities of €59 million (EBIT) for the 2 months period from 1 May 2010 to 30 June 2010. Had the acquisition occurred on 1 January 2010, pro-forma revenue and pro-forma results from operating activities (EBIT) for the 6 months period ended June 30, 2010 would have amounted to €1,391 million and €112 million respectively. Amortisation of brands and customer relationships included amounts to €45 million. This pro-forma information does not purport to represent what our actual results would have been had the acquisition actually occurred in 1 January 2010, nor are they necessarily indicative of future results of operations. In determining the contributions, management has assumed that the fair value adjustments that arose on the date of the acquisition would have been the same as the acquisition had occurred on 1 January 2010.

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

In millions of €	
Property, plant & equipment	1,859
Intangible assets	2,116
Investments in associates & joint ventures	7
Other investments	349
Advances to customers	222
Deferred tax assets	8
Inventories	273
Trade and other receivables	524
Cash and cash equivalents	69
Assets acquired	**5,427**

In millions of €	
Loans and borrowings, interest bearing	894
Loans and borrowings, non-interest bearing	108
Tax liabilities (non current)	150
Employee benefits	162
Provisions	178
Deferred tax liabilities	486
Current part loans etc, interest bearing	701
Bank overdraft	38
Tax liabilities (current)	32
Other current liabilities	578
Liabilities assumed	**3,327**
Total net identifiable assets	**2,100**
Consideration transferred in exchange for shares	3,865
Consideration paid in cash	51
Recognition indemnification receivable	-145
Fair value of previous interest in the acquire	21
Non-controlling interests	20
Net identifiable assets acquired	-2,100
Goodwill on acquisition	**1,712**

- Amounts were converted into euros at the rate of MXN/EUR 16.246, BRL/EUR 2.2959 and USD/EUR 1.3315 for the statement of financial position.

The purchase price accounting for the acquisition of FEMSA Cerveza is prepared on a provisional basis. The tentative outcome indicates goodwill of approximately €1.7 billion, however this amount is provisional and is likely to change.

Goodwill has, for the vast majority, provisionally been allocated to the America's region and is currently held in USD, MXN and BRL. The rationale for the allocation is that the acquisition provides access to the Latin American market, cost synergies to be achieved through economies of scale due to the increased size of the operations, deferred taxes and assembled workforce will mostly be between Mexico and USA. The entire amount of goodwill is not expected to be tax deductible. Goodwill will be allocated to the respective functional currencies upon completion of the provisional accounting.

Notes to the condensed consolidated interim financial statements

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

- Heineken N.V. issued shares (based on listed share price of Heineken N.V. and Heineken Holding N.V. of respectively €35.18 and €30.82 per 30April 2010)
- ASDI, number of shares 29,172,540 (based on listed share price of Heineken N.V. of €35.18 per 30 April 2010)

The consideration paid in cash amounting to €51 million relates to the working capital adjustment for the period between 1 January and 30 April 2010 as agreed in the Share Exchange Agreement. The final settlement of this adjustment has not been agreed.

Between Heineken and FEMSA certain indemnifications were agreed on, that primarily relate to tax and legal matters existing at the date of acquisition. Our initial assessment of these contingencies indicates an indemnification receivable of € 145 million that is considered an included element of the business combination. Mexican contingencies will be fully indemnified by FEMSA, Brazilian contingencies however are covered by FEMSA for its former share of approximately 83%. The indemnification is maximized at USD 500 million, excluding items attributable to Brazilian tax matters.

The fair value of the previously held 17 percent in Cervejarias Kaiser (Kaiser) is recognised at €21 million. The remeasurement to fair value of the Group’s existing 17 percent interest in Kaiser resulted in a net loss of €4 million that has been recognised in the income statement under other net finance (expenses)/income.

Non-controlling interests are recognised based on their proportional interest in the recognised amounts of the assets and liabilities of FEMSA Cerveza of €20 million.

In the net assets acquired Heineken noted trade receivables with a fair value of €319 million. The gross amount is €365 million, of which €46 million is considered doubtful.

As part of business combination accounting contingent liabilities amounting to € 14 million have been recognized mainly relating to change in control provisions in existing contracts and certain onerous contracts. The cash-outflow is expected between 1 to 7 years.

Acquisition related costs of € 24 million have been recognized in the income statement for the period ended 30 June 2010.

For a complete overview of the impact of the FEMSA Cerveza acquisition on Heineken, refer to the Press Release of 19 August 2010: ‘Heineken confirms FEMSA Cerveza pro forma 2009 financial information’.

Other acquisitions

Additionally, Heineken acquired APB’s existing Indian investments: Asia Pacific Breweries (Aurangabad) Pte Ltd (“APB Aurangabad”) and Asia Pacific Breweries-Pearl Pte Ltd (“APB Pearl”). These acquisitions individually are deemed immaterial in respect of IFRS disclosure requirements. If the acquisitions had occurred on 1 January 2010, management estimates that consolidated results from operating activities and consolidated revenue would not have been materially different.

Notes to the condensed consolidated interim financial statements

Transfer of MBI and GBNC to APB

On 10 February 2010 and 13 April 2010 Heineken N.V. transferred in total a 78.3% stake in PT Multi Bintang Indonesia (MBI) and Heineken's 87% stake in Grande Brasserie de Nouvelle-Caledonie S.A. (GBNC) to its joint venture Asia Pacific Breweries (APB). Heineken retains a direct shareholding in MBI of 6.8%. As a result of the transaction a gain of €157 million before tax has been recognised in other income including the remeasurement to fair value of the Group's remaining 6.8% share amounting to €29 million.

Other disposals

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

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

In millions of €	**Total Disposals**
Property, plant & equipment	(60)
Intangible assets	1
Investments in associates & joint ventures	-
Other investments	19
Advances to customers	(1)
Deferred tax assets	(4)
Inventories	(33)
Trade and other receivables	(64)
Cash and cash equivalents	(24)
Assets	**(166)**
Loans and borrowings	1
Employee benefits	1
Provisions	17
Deferred tax liabilities	6
Trade and other payables	120
Tax liabilities	5
Liabilities	**150**
Net identifiable assets and liabilities	**(16)**
Non-controlling interest	4
Gain on sale of subsidiaries	(287)*
Consideration received in cash	**(299)**
Net cash disposed of	24
Net cash outflow / (inflow)	**(275)**

* €101 million of the gain on disposal is eliminated reflecting the Heineken share in APB

Acquisition of non-controlling interest

During the six month ended 30 June 2010, Heineken International acquired an additional interest in Commonwealth Brewery Limited (CBL) of 47% and Burns House Limited (BHL) of 60%, increasing its ownership to 100% in both entities. Before acquisition of NCI, Heineken International already had control in CBL / BHL.

Notes to the condensed consolidated interim financial statements

6. Raw materials, consumables and services

In millions of €	**2010**	**2009**
Raw materials	652	581
Non-returnable packaging	914	883
Goods for resale	842	1,112
Inventory movements	(37)	(158)
Marketing and selling expenses	990	839
Transport expenses	472	490
Energy and water	192	166
Repair and maintenance	173	151
Other expenses	692	605
	4,890	**4,669**

7. Interest income and expense

Interest income and expenses amount to a net expense of €239 million (2009: €264 million), mostly due to lower average consolidated net debt for the first six months, resulting from strong cash flow generation leading to lower debt levels. Interest expenses relating to FEMSA Cerveza are included for two months.

8. Income tax expense

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 30 June 2010 was 23.3% (for the six months period ended 30 June 2009: 26.2%). The low YTD tax rate of 23.3% is mainly the result of the transfer of MBI and GBNC, which is mostly tax exempt.

9. Property, plant and equipment

Acquisitions

During the six months ended 30 June 2010 the Group acquired assets with a cost of €213 million (six months ended 30 June 2009: €345 million).

Capital commitments

As per the six months ended 30 June 2010, the Group entered into contracts to purchase property, plant and equipment for €215 million (six months ended 30 June 2009: €231 million).

10. Intangible assets

Impairment tests for cash-generating units containing goodwill

A review of the impairment triggers has been performed as at 30 June 2010. Based on this review, an impairment was not considered necessary. Annual impairment tests are performed in December of each year.

Notes to the condensed consolidated interim financial statements

11. EBIT and EBIT(beia)

EBIT is defined as earnings before interest and taxes and net finance expenses. EBIT (beia) is defined as earnings before interest and taxes and net finance expenses, before exceptional items and amortisation of brands and customer relationships. EBIT (beia) is a non-GAAP measurement and is used by management for internal purposes and press releases only and not for IFRS purposes.

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 for the six months ended 30 June 2010 on EBIT level amounted to a gain of €121 million (six months ended 30 June 2009: loss of €29 million), mainly relating to the gain on the transfer of MBI, GNBC and the disposal of TBS Waverly amounting to €199 million, partly offset by FEMSA Cerveza acquisition and integration costs of €24 million.
The amortisation of brands and customer relationships amounted to €57 million (six months ended 30 June 2009: €39 million).

12. Tax effects relating to each component of other comprehensive income

In millions of €		2010			2009	
Other comprehensive income:	**Amount before tax**	**Tax**	**Amount net of tax**	**Amount before tax**	**Tax**	**Amount net of tax**
Foreign currency translation differences for foreign operations	814	-	814	183	-	183
Effective portion of changes in fair value of cash flow hedge	(86)	22	(64)	(82)	21	(61)
Effective portion of cash flow hedges transferred to the income statement	41	(9)	32	1	-	1
Ineffective portion of cash flow hedges transferred to the income statement	9	-	9	8	(2)	6
Net change in fair value available-for-sale investments	7	-	7	14	-	14
Share of other comprehensive income of associates	(5)	-	(5)	19	-	19
Total other comprehensive income	**780**	**13**	**793**	**143**	**19**	**162**

Notes to the condensed consolidated interim financial statements

13. Equity

Share issuance
On 30 April 2010 Heineken N.V. issued 86,028,019 ordinary shares with a nominal value of €1.60. Resulting in total outstanding shares issued of 576,002,613. To these shares a share premium value was assigned of €2,701 million based on the quoted market price value of 43 million shares Heineken N.V. and 43 million shares Heineken Holding N.V. combined being the share consideration rendered for FEMSA Cerveza to Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA) as explained in note 5.

ASDI
On 30 April 2010 a number of 29 million ASDI were created. The underlying shares have to be delivered to FEMSA over a period of no longer than 5 years. This financial instrument is classified to be equity as the number of shares is fixed. Heineken N.V. has the option to accelerate the delivery of the Allotted Shares at its discretion. Pending delivery of the Allotted Shares, Heineken N.V. will pay coupon on each undelivered Allotted Share underlying the ASDI such that FEMSA will be compensated, on an after tax basis, for dividends FEMSA would have received had all such Allotted Shares been delivered to FEMSA on or prior to the record date for such dividends. During the period of 8 March through 8 June 2010 Heineken N.V. acquired 5,522,878 shares with an average quoted market price of €35.36. These shares were delivered to FEMSA on 23 June 2010 as a first instalment of the ASDI.

Weighted average number of shares – basic

In shares	**2010**	**2009**
Number of shares – basic- as at 1 January	489,974,594	488,930,361
Effect of own shares held, share issuance and ASDI*	37,316,999	(209,105)
Weighted average number of shares – basic - as at 30 June	**527,291,593**	**488,721,256**
Effect of own shares held	1,201,496	1,253,338
Weighted average number of shares – diluted – as at 30 June	**528,493,089**	**489,974,594**

*Issued shares and ASDI are only included for 2 months in the weighted average

Dividends
The following dividends were declared and paid by Heineken:

In millions of €	**2010**	**2009**
Final dividend previous year €0.40, respectively €0.65 per qualifying ordinary share	195	167
Total dividend declared and paid	**195**	**167**

After the balance sheet date the Executive Board proposed the following dividends. These interim dividends have not been provided for.

In millions of €	**2010**	**2009**
€0.26 per qualifying ordinary share (2009: €0.25) *(Excluding ASDI)*	150	122

Notes to the condensed consolidated interim financial statements

14. Net interest bearing debt position

In millions of €	30 June 2010	31 Dec 2009
Non-current interest-bearing liabilities	8,961	6,938
Current portion of non-current interest-bearing liabilities	311	768
Deposits from third parties	416	377
Total	**9,688**	**8,083**
Bank overdrafts	150	156
	9,838	**8,239**
Cash, cash equivalents and current other investments	(668)	(535)
Total net interest bearing debt position	**9,170**	**7,704**

On 4 February 2010, Heineken N.V. repaid a Euro bond with a nominal value of €500 million.

As part of the acquisition of FEMSA Cerveza, Heineken acquired a net debt position of €1,564 million. From this amount loans and borrowings in Mexico and Brazil amount to €1,595 million, the remainder is cash (including bank overdrafts) of €31 million. This position largely consisted of bank loans from local financial institutions as well as several loans from FEMSA, the seller of FEMSA Cerveza. These loans, which amounted to €573 million as at 30 April 2010, were repaid in May and June 2010. These loans have been refinanced by drawings under the Revolving Credit Facility of Heineken. The available headroom is €1.1 billion, as €900 million was drawn under the revolving credit facility.

15. Provisions

Restructuring

The provision for restructuring mainly relates to restructuring programmes in The Netherlands, France, Spain and the UK.

Other provisions

Other provisions consist of, amongst others, provisions formed for onerous contracts, surety provided, litigation and claims, and environmental provisions.

Notes to the condensed consolidated interim financial statements

16.Contingencies

Netherlands

Heineken is involved in an antitrust case initiated by the European Commission for alleged violations of the European Union competition laws. By decision of 18 April 2007 the European Commission stated that Heineken and other brewers operating in the Netherlands, restricted competition in the Dutch market during the period 1996-1999. This decision follows an investigation by the European Commission that commenced in March 2000. Heineken fully cooperated with the authorities in this investigation. As a result of its decision, the European Commission has imposed a fine on Heineken of €219 million in 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 imposed fine was paid in 2007 and was treated as an expense in our 2007 Annual Report. A verbal pleading took place in March 2010, a final ruling by the European Court of First Instance is expected in 2011.

Carlsberg

During the six months ended 30 June 2010 the existing contingency between Heineken and Carlsberg was settled. The consideration paid (purchase price) for the acquisition of S&N has been finalized. The impact on goodwill was immaterial.

17 Related party transactions

Heineken has related party relationships with its associates and joint ventures. These transactions are conducted on terms comparable to transactions with third parties. The related party transactions with associates and joint ventures in the first six months period ended 30 June 2010 do in substance not deviate from the transactions as reflected in the financial statements as at and for the year ended 31 December 2009. Except for the transactions mentioned below.

As a consequence of the FEMSA Cerveza acquisition and shareholding in Heineken N.V. of FEMSA several existing contracts between FEMSA Cerveza and FEMSA subsidiaries have become related party relationships. One of the main related party relationships is with Oxxo. The amounts involved for the two months ended 30 June 2010 are not material. Further related parties are mentioned in the acquisition and disposal note.

18.Subsequent events

On 13 August 2010, Heineken N.V. received the funds related to the 8-year private loan notes, which were placed on May 7, 2010 with institutional investors in the United States. The principal amount of the loan notes is $725 million and the coupon was fixed at 4.6%. The Maturity date is 15 August 2018. Heineken has swapped the proceeds into €559 million with a weighted-average fixed coupon of 3.9%.

On 1 July 2010, Heineken N.V. announced a share buy-back program for €150 million relating to the ASDI.

Between 1 July and 20 August 2010, Heineken has bought additional 2,478,942 Heineken N.V. shares, which are in portfolio pending delivery to FEMSA.

Notes to the condensed consolidated interim financial statements

Executive Board

Jean-François van Boxmeer (Chairman/CEO)
René Hooft Graafland (CFO)

Amsterdam, 24 August 2010

Glossary

Beia
Before exceptional items and amortization of brands and customer relationships.

Cash conversion ratio
Free operating cash flow/Net profit (beia) before deduction of minority interests.

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

ASDI
Allotted share delivery instrument (ASDI) representing Heineken's obligation to deliver shares to FEMSA, either through issuance and or purchasing of its own shares.

EBIT
Earnings before interest, taxes and net finance expenses.

EBITDA
Earnings before interest, taxes, net finance expenses, depreciation and amortisation.

Effective tax rate
Taxable profit adjusted for share of profit of associates and joint ventures, dividend income and impairments of other investments.

Fixed costs 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 twelve month rolling calculation for EBITDA (beia).

Net profit
Profit after deduction of minority interests (profit attributable to equity holders of the Company).

Organic growth
Growth excluding the effect of foreign exchange rate movements, consolidation changes, exceptional items, amortisation of brands and customer relationships and changes in accounting policies.

Glossary

Organic volume growth
Increase in consolidated volume, excluding the effect of the first time consolidation of acquisitions.

Profit
Total profit of the Group before deduction of minority interests.

®
All brand names mentioned in this report, including those brand names not marked by an ®, represent registered trade marks and are legally protected.

Region
A region is defined as Heineken's managerial classification of countries into geographical units.

Revenue
Net realised sales proceeds in Euros.

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 (excluding Joint Ventures)
100 per cent of beer volume produced and sold by fully consolidated companies excluding the beer volume brewed and sold by joint venture companies.
Group beer volume
The part of the total Group volume that relates to beer.
Heineken® volume
The Group beer volume of the Heineken brand.
Heineken® volume in premium segment
The Group beer volume of the Heineken brand in the premium segment (Heineken volume in the Netherlands is excluded).
Total beer volume
The Group beer volume in a country.
Total group volume
100 per cent of beer, soft drinks and other beverages volume produced and sold by fully consolidated companies and joint-venture companies as well as the volume of Heineken's brands produced and sold under licence by third parties.

Weighted average number of shares
Basic
Weighted average number of issued shares including the weighted average of outstanding ASDI, adjusted for the weighted average of own shares purchased in the year.
Diluted
Weighted average number of issued shares including weighted average of outstanding ASDI.