BASE PROSPECTUS

(*incorporated with limited liability in the Netherlands*)

€10,000,000,000
Euro Medium Term Note Programme

Under this €10,000,000,000 Euro Medium Term Note Programme (the "**Programme**"), Heineken N.V. (the "**Issuer**" or "**Heineken**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below). As at the date hereof, all Notes will be issued as unsubordinated obligations of the Issuer, as described in "*Terms and Conditions of the Notes – Condition 2*". However, the Issuer may subsequently decide to issue Notes on a subordinated basis in which case the provisions relating to such Notes will be set out in a supplement to this Base Prospectus as completed by the relevant Final Terms (as defined herein).

This Base Prospectus has been approved by the Luxembourg *Commission de Surveillance du Secteur Financier* (the "**CSSF**") as a base prospectus issued in compliance with Directive 2003/71/EC as amended (the "**Prospectus Directive**") (which includes the amendments made by Directive 2010/73/EU (the "**2010 PD Amending Directive**") to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) and relevant implementing measures in Luxembourg for the purpose of giving information with regard to the issue of Notes under the Programme during the period of twelve months from the date hereof. The CSSF is the Luxembourg competent authority for the purposes of the Prospectus Directive and relevant implementing measures in Luxembourg. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Prospectus Act 2005.

Applications have been made for such Notes to be admitted during the period of twelve months from the date hereof to listing on the Official List of the Luxembourg Stock Exchange and to trading on the regulated market of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**").

The Programme also permits Notes to be issued that will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or that may be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed between the Issuer and the relevant Dealer(s).

The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes will be issued in bearer form and are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under "Risk Factors" on pages 11 to 21 below.

The rating of certain Series of Notes to be issued under the Programme will be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**") will be disclosed in the Final Terms.

Arranger

Credit Suisse

Dealers

ABN AMRO
Barclays Capital
BNP PARIBAS
Citigroup
Credit Suisse
HSBC
ING Commercial Banking
J.P. Morgan

7 March 2012

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IMPORTANT NOTICES

This Base Prospectus constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

The Issuer accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information. This paragraph should be read in conjunction with the third paragraph on page 4 of this Base Prospectus.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document specific to such Tranche called final terms (the "**Final Terms**"). This Base Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the relevant Final Terms.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer in connection with the Programme or any Notes and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Trustee or any Dealer.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to any Notes, see "*Subscription and Sale*". In particular, the Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes will be issued in bearer form and are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S and by the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") and by U.S. Treasury regulations thereunder) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Trustee, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The maximum aggregate nominal amount of Notes outstanding at any one time under the Programme will not exceed €10,000,000,000 (and, for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement (as defined under "*Subscription and Sale*"))). The maximum aggregate nominal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement.

This Base Prospectus has been prepared on the basis that, except to the extent subparagraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by Final Terms which specifies that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State, such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or Final Terms, as applicable and the Issuer has consented in writing to its use for the purpose of such offer. Except to the extent subparagraph (ii) above may apply, neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

Any person (an "**Investor**") intending to acquire or acquiring any Notes from any person (an "**Offeror**") should be aware that, in the context of an offer to the public as defined in the Prospectus Directive, the Issuer may be responsible to the Investor for this Base Prospectus only if the Issuer is acting in association with, or has authorised, that Offeror to make the offer to the Investor. Each Investor should therefore verify with the Offeror whether or not the Offeror is acting in association with, or is authorised by, the Issuer. If the Offeror is not acting in association with, or authorised by, the Issuer, the Investor should check with the Offeror whether anyone is responsible for this Base Prospectus for the purposes of Article 6 of the Prospectus Directive as implemented by the national legislation of each Member State of the European Economic Area in the context of the offer to the public, and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Base Prospectus and/or who is responsible for its contents it should take legal advice.

Subject as provided in the relevant Final Terms, the only persons authorised to use this Base Prospectus in connection with an offer of Notes are the persons named in the relevant Final Terms as the relevant Dealer or the Managers and the persons named in or identifiable from the relevant Final Terms as the Financial Intermediaries, as the case may be.

An Investor intending to acquire or acquiring any Notes from an Offeror will do so, and offers and sales of the Notes to an Investor by an Offeror will be made, in accordance with any terms and other arrangements in place between such Offeror and such Investor including as to price, allocations and settlement arrangements. The Issuer will not be a party to any such arrangements with Investors (other than the Arranger and the Dealers) in connection with the offer or sale of the Notes and, accordingly, this Base Prospectus and any Final Terms will not contain such information. The Investor must look to the Offeror at the time of such offer for the provision of such information. The Issuer has no responsibility to an Investor in respect of such information.

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**EUR**" or "**euro**" are to the single currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, references to "**£**" and "**Pounds sterling**" are to the lawful currency of the United Kingdom, references to "**U.S. dollars**", "**U.S.$**" and "**USD**" are to the lawful currency of the United States of America and references to "**CHF**" and "**Swiss Francs**" are to the lawful currency of Switzerland.

In this Base Prospectus, references to websites or uniform resource locators (URLs) are inactive textual references and are included for information purposes only. The contents of any such website or URL shall not form part of, or be deemed to be incorporated into, this Base Prospectus.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in accordance with all applicable laws and rules.

SUMMARY

This summary must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of this Base Prospectus as a whole, including any information incorporated by reference. Following the implementation of the Prospectus Directive in each Member State of the European Economic Area, no civil liability will attach to the Issuer in any such Member State solely on the basis of this summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus, including any information incorporated by reference. Where a claim relating to the information contained in this Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member States, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.

Words and expressions defined in "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this summary.

Issuer:	Heineken N.V. Heineken is a leading international brewer, operating in more than 170 countries. Heineken is a public company with limited liability (*naamloze vennootschap*), operating under the laws of the Netherlands. Heineken's shares are listed on NYSE Euronext in Amsterdam. The Issuer is registered at the Chamber of Commerce of Amsterdam, the Netherlands, under number 33011433 and its registered office address is Tweede Weteringplantsoen 21, 1017 ZD, Amsterdam, the Netherlands. The Issuer's telephone number is: +31 20 523 92 39. The Issuer's internet address is: http://www.theheinekencompany.com. With total consolidated beer volume* of 165 million hectolitres in 2011, Heineken is among the largest brewers in the world, producing beer in more than 70 countries through its 140 breweries and also through other brewers under licence. Heineken also has a strong export business, which is carried out mainly from the Netherlands, Mexico and Singapore. The production and sale of beer represents Heineken's main source of income and cash flow. The Issuer's principal international brand is Heineken but the Heineken Group brews and sells more than 200 beers and ciders including Amstel, Birra Moretti, Bulmer's, Cruzcampo, Desperados, Dos Equis, Foster's, Newcastle Brown Ale, Ochota, Primus, Sagres, Sol, Star, Strongbow, Tecate, Zlaty Bazant and Żywiec.
Risk Factors:	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under "Risk Factors" below and include the following: exposure to reputation and product integrity issues, negative perception of alcohol, decreases in beer consumption, volatility of input costs, inherent risks in multinational operations, economic and political instability in developing countries, changes in the economic

* Consolidated beer volume means 100 per cent. of beer volume produced and sold by fully consolidated companies excluding the beer volume brewed and sold by joint venture companies.

condition and increased competition, risks relating to reorganisations, further consolidation in the sector, acquisition and business integration risk, discontinuity of supply, information security, risks resulting from joint ventures and associates, natural and other disasters, fluctuations in exchange rates, interest rate risk, future financing requirements, pensions, changes in tax and excise costs and increased exposure to litigation risk.

In addition, there are certain risks which are material for the purpose of assessing the market risks associated with investing in any Notes. These depend on the features and structure of the relevant Series of Notes and may include illiquidity of the Notes in the secondary market, exchange rate risk, interest rate risk and the risk of loss of all or part of a Noteholder's investment, for example, when the payment of principal or interest on the relevant Notes is determined with reference to an index, formula, asset or other variable. The market value of the Notes may be affected by the creditworthiness of the Issuer and a number of additional factors.

Arranger: Credit Suisse Securities (Europe) Limited.

Dealers:
ABN AMRO Bank N.V.
Barclays Bank PLC
BNP Paribas
Citigroup Global Markets Limited
Credit Suisse Securities (Europe) Limited
HSBC Bank plc
ING Bank N.V.
J.P. Morgan Securities Ltd.

and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.

Trustee: BNP Paribas Trust Corporation UK Limited.

Issuing and Principal Paying Agent: BNP Paribas Securities Services, Luxembourg Branch.

Paying Agent: BNP Paribas Securities Services, London Branch.

Listing and Trading: Applications have been made for Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the Luxembourg Stock Exchange and to trading on the regulated market of the Luxembourg Stock Exchange. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed between the Issuer and the relevant Dealer(s).

Clearing Systems: Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.

Initial Programme Amount:	Up to €10,000,000,000 (or its equivalent in other currencies) aggregate nominal amount of Notes outstanding at any one time.
Issuance in Series:	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.
Forms of Notes:	Notes will be issued in bearer form. Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for, as specified in the relevant Final Terms, either a Permanent Global Note or Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.
Currencies:	Notes may be denominated in euro, U.S. dollars, Pounds sterling, Swiss Francs or Japanese Yen or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Status of the Notes:	The Notes will constitute (subject to Condition 3) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation (and subject to Condition 3), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. As at the date hereof, all Notes will be issued as unsubordinated obligations of the Issuer, as described in "*Terms and Conditions of the Notes – Condition 2*". However, the Issuer may subsequently decide to issue Notes on a subordinated basis in which case the provisions relating to such Notes will be set out in a supplement to this Base Prospectus as completed by the relevant Final Terms.

Issue Price:	Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms. The price and nominal amount of the Notes of any Tranche will be determined by the Issuer and the relevant Dealer(s) at the time of issue thereof in accordance with then prevailing market conditions.
Maturities:	Any maturity as may be agreed between the Issuer and the relevant Dealer, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer.
Redemption:	Notes may be redeemable at par or at such other Final Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms.
Optional Redemption:	Notes may be redeemed before their stated maturity at the option of (i) the Issuer (either in whole or in part) if Issuer Call is specified as applicable in the relevant Final Terms, and/or (ii) the Noteholders if Investor Put is specified as applicable in the relevant Final Terms, in each case to the extent (if at all) specified in the relevant Final Terms. Prior to any such early redemption, certain conditions and/or circumstances, as set out in the relevant Final Terms, may need to be satisfied. In addition, if Change of Control Put is specified as applicable in the relevant Final Terms, the Notes may be redeemed before their stated maturity at the option of the Noteholders in the circumstances described in Condition 7.4(b).
Tax Redemption:	Except as described in "Optional Redemption" above, early redemption will only be permitted for tax reasons as described in Condition 7.2.
Interest:	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.

Denominations:	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Covenants:	The Notes will have the benefit of a negative pledge as described in Condition 3(a) and a covenant relating to limits on subsidiary indebtedness as described in Condition 3(b).
Cross-Default:	The Notes will have the benefit of a cross-default as described in Condition 10.1(c).
Taxation:	All payments in respect of Notes will be made free and clear of withholding taxes of the Netherlands unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 8) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.
Rating:	The rating of certain Series of Notes to be issued under the Programme will be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) will be disclosed in the Final Terms.
Governing Law:	English law.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, France, the Netherlands and Japan, see "*Subscription and Sale*" below.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

Heineken is reliant on the reputation of its brands and the protection of its intellectual property rights.

As "Heineken" is both the name of the Heineken Group and its most valuable brand, reputation management is of utmost importance to Heineken. Heineken enjoys a positive corporate reputation and its operating companies are well respected in their countries and regions. Constant management attention is directed towards enhancing Heineken's social, environmental and financial reputation. The Heineken brand, and also its other global brands (Amstel, Sol, Strongbow and Desperados) are, along with its people, its most valuable assets and one of the key elements in Heineken's growth strategy. Anything that adversely affects consumer and stakeholder confidence in its brands and, in particular, the Heineken brand could have an adverse effect on its business, financial condition and/or results of operations. Also, if Heineken fails to ensure the relevance and attractiveness of its brands, in particular the Heineken brand, and the enhancement of brand marketing, this could also have an adverse effect on its business, financial condition and/or results of operations.

Product recall, product liability and/or general safety, health and environmental issues, including the discovery of contaminants in Heineken's beverage products, or unethical or irresponsible behaviour by Heineken or Heineken's employees could damage its reputation, brand image, sales and revenues. Any damage to Heineken's brand or reputation could have an adverse effect on its business, financial condition and/or results of operations, even if the negative publicity is factually inaccurate or unfounded.

Heineken has invested considerable effort in protecting its brands, including the registration of trademarks and domain names. If Heineken is unable to protect its intellectual property, any infringement or misappropriation could have an adverse effect on its business, financial condition and/or results of operations and/or its ability to develop its business.

Negative societal perceptions of alcohol could lead to a decrease in brand equity and sales of Heineken's products.

In recent years, there has been increased media, social and political criticism directed at the alcoholic beverage industry, particularly in the United States, the United Kingdom and Russia. An increasingly negative perception in society towards alcohol could prompt legislators to implement restrictive measures such as limitations on advertising, distribution and sales and increased government tax and may cause consumption trends to shift away from beer to non-alcoholic beverages. Such negative publicity, restrictive measures and potential change in consumption trends could lead to a decrease in brand equity and sales of Heineken's products, which, in turn, could have an adverse effect on Heineken's business, financial condition and/or results of operations.

Decreases in beer consumption in favour of other beverage categories could have an adverse effect on Heineken's business, financial condition and/or results of operations.

Heineken is exposed to mature markets where the attractiveness of the beer category is being challenged by other beverage categories and could result in a lower demand for beer as a result of consumption trends shifting in favour of other beverages. Furthermore, Heineken competes against alternative beverages on the basis of factors over which Heineken has little or no control and that may result in fluctuations in demand for Heineken's products. Such factors include variation and perceptions in health consciousness, changes in prevailing economic conditions, changes in the demographic make-up of target consumers, changing social trends and attitudes regarding alcoholic beverages and changes in consumer preferences for beverages. In these markets, the on-trade channel (i.e., restaurants, hotels, bars and cafeterias) is also under pressure, which may exert negative pricing pressure on Heineken's products in response to such on-trade channel pressure. Any decrease in the demand for Heineken's beer in favour of alternative beverages or decreases in Heineken's product pricing margins on the basis of factors over which Heineken has little or no control could have an adverse effect on Heineken's business, financial condition and/or results of operations.

Heineken may be impacted by changes in the availability or price of raw materials, water and other input costs.

The supply and price of raw materials used to produce Heineken's products can be affected by a number of factors beyond its control, including the level of crop production around the world, export demand, government regulations and legislation affecting agriculture, adverse weather conditions, currency fluctuations, economic factors affecting growth decisions, various plant diseases and pests. Water availability is also of utmost concern as Heineken requires access to significant water resources to continue its operations. As such, Heineken cannot predict the future availability or prices of the products and materials required for its products or guarantee that its water supply will not be subject to stoppages, scarcity or other interruptions. The markets in the relevant commodities may continue to experience price increases or suffer from disruptions in supply. Heineken uses, amongst other inputs, barley, grain, hops, glass and aluminium for producing and packaging its products. These raw and non-returnable packaging materials collectively accounted for about 24 per cent. of Heineken's total operating costs in 2011. Heineken's financial condition is therefore exposed to fluctuations in the prices and the availability of these raw and packaging materials as well as continuity in its water supply. Other input costs, including transportation and energy, have also risen in recent years. Although the prices of some commodities (such as barley, grain, hops, aluminium and energy) have decreased compared with the peak levels reached in mid-2008, they remain very volatile. In addition, changes in packaging mixes continue to pressure input costs. Although Heineken generally leverages this risk by making use of flexible contracts and active hedging, volatility in input costs may have an adverse effect on its operating costs and its net profit if Heineken cannot recapture these price increases through its sales to customers or sufficiently protect itself through its hedging strategies.

In addition, there is a trend of consolidation among suppliers, in particular suppliers of glass bottles and cans. As a result, Heineken is dependent on fewer suppliers for its supplies and as such is exposed to the risk that these suppliers cannot meet Heineken's supply needs and/or may increase the price of available supplies. Any shortage of, change in price of, or supply disruptions to, any of the raw and/or packaging materials or discontinuity to Heineken's water supply may have an adverse effect on its business, financial condition and/or results of operations.

Heineken is dependent on its senior management and may fail to attract, develop and retain talented staff with the required capabilities.

In order to develop, support and market is products, Heineken must hire and retain skilled employees with particular expertise. Failure to maintain this capacity at a high level or maintain its effective organisation leadership process could jeopardise its growth potential.

In addition, various aspects of the Heineken's business depend on the continuing services and skills of key individuals, in particular, its senior management and executive directors. Heineken has entered into employment contracts and taken other steps to encourage the retention of these individuals, and to identify and retain additional personnel, but if one or more of these key individuals retire or are unable or unwilling to continue in their present positions, Heineken may not be able to replace them easily or at all and its business, financial condition and/or results of operations could be adversely affected if certain key individuals either cease to be employed by Heineken or their services cease to be available to Heineken.

Heineken is subject to risks generally associated with companies that operate in a global environment, which could have an adverse effect on its growth and financial performance.

Heineken's operations are subject to risks inherent in multinational operations. These risks include, among others, compliance with a variety of local regulations and laws, changes in tax laws and the interpretations of those laws, fluctuation in currency values, sudden changes in foreign currency exchange controls, discriminatory and conflicting fiscal policies, difficulties enforcing intellectual property and contractual rights in certain jurisdictions, greater risk of uncollectable accounts and longer collection cycles, effective and immediate implementation of control environment processes across Heineken's diverse operations and imposition of more or new tariffs, quotas, trade barriers and/or similar restrictions in the various jurisdictions in which Heineken operates.

Moreover, political and economic changes or volatility, geopolitical regional conflicts, terrorist activity, political unrest, civil strife, acts of war, public corruption and other economic or political uncertainties could interrupt and have an adverse effect on Heineken's business operations. All of these factors could result in increased costs or decreased revenues and could have an adverse effect on Heineken's business, financial condition and/or results of operations.

Heineken is exposed to economic and political instability in developing countries.

Heineken's operations in developing countries expose it to the domestic environment and stability or instability of these countries. Heineken is exposed to numerous risks including potential political and economic uncertainty, crime and lack of law enforcement, public and private sector corruption, political insurrection, external interference, potential exchange rate depreciation, risk of hyperinflation, nationalisation or expropriation, weak economic institutions (such as protection of rights of investors, entrepreneurs or property rights), insufficient expenditure on public goods such as infrastructure and changing terms of trade and government policies. These risks could have an adverse effect on Heineken's business, financial condition and/or results of operations if they result in increased costs, interrupted operations and/or difficulties in extracting profit from these countries. In particular, Latin America, Africa and the Middle East are important developing regions for Heineken's business due to volume growth driven by economic growth in these regions. As such, political and economic instability and unrest in these regions in particular, and other regions in which Heineken is active, could have an adverse effect on Heineken's business, financial condition and/or results of operations.

Additionally, the economies of developing countries are often affected by developments in other emerging market countries, and, accordingly, adverse changes in developing markets elsewhere in the world could have an adverse effect on the markets in which Heineken operates which, in turn, could have an adverse effect on Heineken's business, financial condition and/or results of operations.

Heineken is exposed to the risks and effects of economic recession and to falls in per-capita income, which could adversely affect the demand for its products.

Heineken is exposed to the effects of global recession and a recession in one or more of its key markets, including lower revenue and reduced income. For the beer business, recession may adversely affect demand, and therefore sales volumes and the prices that can be achieved for beer in the relevant markets. Changes in the economic environment following the global economic downturn have impacted Heineken's regular business activities and performance, in particular in the on-premise segment / on-trade channel (i.e., restaurants, hotels, bars and cafeterias). The level of beer consumption in a country is typically positively correlated to the general income level of that country. As such, lower income levels and lower customer solvency resulting from the global economic downturn may further negatively impact the demand for beer and result in lower prices, lower sales and increased credit risk, negatively impacting Heineken's business, financial condition and/or results of operations. The global economic downturn may also change consumers' behaviour due to an increase in discount brands and retailers following the economic downturn. To remain competitive, Heineken must continue to compete effectively in relation to, among other factors, pricing, quality and reliability. Any such increase in competition or changes in the competitive landscape in which Heineken operates could result in increased pricing pressures, which could, in turn, have an adverse effect on its business, financial condition and/or results of operations as well as impact its ability to maintain or increase its market share. Turbulence in financial markets may have an impact on, *inter alia*, the value of Heineken's investments, financial instruments including derivatives and pensions (shortfalls).

Heineken's reorganisation projects could temporarily reduce its operational effectiveness.

Heineken is currently undertaking numerous reorganisation projects including, for example, the centralisation of back office activities, the centralisation of its procurement activities, the possible closure of breweries and other rightsizing and downsizing activities. Its supply chain, wholesale business and support functions in Europe and the Americas have been impacted the most. As such, there is a risk that production quality and supply continuity could be affected due to temporary disruptions, which, in turn, could have an adverse effect on Heineken's business, financial condition and/or results of operations as well as its brand reputation.

Heineken operates in highly competitive markets and industry consolidation could place Heineken at a competitive disadvantage to its competitors.

Globally, brewers compete mainly on the basis of brand image, price, customer service, distribution networks and quality. While globally the beer industry is not highly concentrated, in many of the countries in which Heineken has operations, two or three brewers account for a very large proportion of the market and smaller local brewers make up the balance. Consolidation has significantly increased the capital base and geographic reach of Heineken's competitors in some of the markets in which they operate, as well as increasing the cost of competition, and competition is expected to increase further as the trend towards consolidation among companies in the beer industry continues.

Further consolidation in the beer sector may result in a competitive disadvantage for Heineken, if Heineken is unable or unwilling to respond appropriately to such industry changes. When Heineken's competitors become larger resulting from mergers and/or acquisition activity, they may be able to obtain a better negotiation position with retailers, distributors and suppliers. This can put pressure on Heineken's existing distribution and supply chain channels. Larger companies can also generate cost advantages with respect to advertising costs as economies of scale can be realised. These competitive disadvantages could lead to Heineken experiencing higher costs relative to the costs of its competitors and thus to relatively higher prices, which could reduce demand for its products, which, in turn, could have an adverse effect on its business, financial condition and/or results of operations.

Heineken may not be able to successfully carry out further acquisitions or to integrate acquired businesses with its existing businesses.

In pursuit of further expansion, Heineken seeks to strike a balance between organic and acquired growth. Heineken undertakes acquisitions only if it identifies suitable businesses to acquire on acceptable terms. When considering an acquisition, Heineken makes certain estimates as to economic, market and other conditions, including estimates relating to the value or potential value of the business to be acquired and the potential return on investment. Such estimates may prove to be incorrect, rendering its acquisition unsuccessful which could have an adverse effect on its business, financial condition and/or results of operations. In recent years, Heineken has been very acquisitive with various acquisitions in emerging markets. The largest acquisitions of Heineken in recent years were the acquisitions of Scottish & Newcastle in 2008 and FEMSA Cerveza in 2010. Furthermore, in any acquisition, Heineken is faced with different cultures, business principles and political, economic and social environments. This may affect corporate values, image and quality standards. It may also impact the realisation of long-term business plans, including synergy objectives, underlying the value of newly acquired companies. Such business integration issues could have an adverse effect on Heineken's business, financial condition and/or results of operations.

Disruption in Heineken's supply and supply chains could impact its sales and financial performance in its export markets.

Disruption of supply of Heineken's products could affect sales and its market share in certain countries in which it operates. Additionally, the loss or temporary discontinuity of supply chains from any of its suppliers without sufficient time to develop an alternative source could expose Heineken to increased costs and place it at a relative disadvantage to its competitors. In particular, the supply of beer products from the Netherlands to export markets such as the United States of America is important to Heineken's business. Discontinuity of supply from the Netherlands could adversely impact its sales and financial performance in its various export markets, including the United States of America. Such discontinuity in Heineken's supply and supply chains could have an adverse effect on its business, financial condition and/or results of operations.

Heineken is reliant on its information technology to conduct its business in the different regions in which it operates.

Heineken's worldwide operations are increasingly reliant on information systems and information technology platforms (collectively, "**IT**") to maintain and improve its operational efficiency. IT processes and infrastructure are to a large extent centralised and outsourced to professional outsourcing partners. Although Heineken takes preventive measures to protect and secure its information systems, its information systems may be vulnerable to different operational and security challenges including telecommunications failures, interruptions, security breaches and other types of interference. Heineken has a strict information security policy to ensure confidentiality, integrity and availability of information and to guarantee IT control. The increased centralisation of its IT systems also allows central enforcement of security measures across its operating companies, but also magnifies the impact of any security incident. Any interruptions, failures or breach in the security infrastructure of its IT systems could have an adverse effect on its ability to compete with competitors and harm its reputation as well as disrupt its business, thereby having an adverse effect on its business, financial condition and/or results of operations.

Heineken faces risks resulting from its joint ventures and other strategic partnerships and it may be unable to influence such joint ventures and strategic partnerships.

Heineken has undertaken economic activity with other parties in the market in the form of joint ventures and strategic partnerships. As Heineken generally does not have a majority of the shares and voting rights in these entities, decisions taken by its joint venture and strategic partnership entities may not be fully harmonised with Heineken's strategic objectives. Decisions made and actions taken may not be optimal for Heineken's business, or may not promote its business and strategic objectives, and may therefore result in lower revenue and lower profit margins from such joint ventures and strategic partnerships which, in turn, could have an adverse effect on Heineken's business, financial condition and/or results of operations.

While its joint venture and strategic partnerships are generally of a long-term nature, such alliances can usually be terminated early under certain circumstances. Termination of, or any material change to, Heineken's relationship with these third parties could adversely affect growth opportunities and have an adverse effect on its business, financial condition and/or results of operation.

Natural and other disasters could have an adverse effect on Heineken's business, financial condition and/or results of operations.

Heineken's business and operating results could be negatively impacted by natural disasters or other social or technical disruptions, such as earthquakes, hurricanes, flooding, fire, power loss, loss of water supply, telecommunications and IT system failures, political instability, military conflict and uncertainties arising from terrorist attacks, including a global economic slowdown, the economic consequences of any military action and associated political instability in any of the countries where Heineken operates. Any such natural or other disasters could have an adverse effect on Heineken's business, financial condition and/or results of operations.

Heineken is exposed to fluctuations in exchange rates.

Heineken operates internationally and its reporting currency is the Euro. As a result of its international operations, fluctuations in exchange rates of foreign currencies relative to the Euro could have an adverse effect on its business, financial condition and/or results of operations. Heineken is particularly exposed to currency fluctuations in the US Dollar, Mexican Peso, Nigerian Naira and Polish Zloty and to a lesser extent the British Pound. Fluctuations in these currencies relative to the Euro could have an adverse effect on Heineken's business, financial condition and/or results of operations.

Heineken is exposed to interest rate risk on its floating rate indebtedness.

Heineken is partly financed with floating rate debt. As the reference interest rate on this debt can fluctuate, it is exposed to interest rate risk. Higher interest rates may result in higher interest costs which could have an adverse effect on Heineken's business, financial condition and/or results of operations.

Heineken's future capital needs may require that it seeks debt financing, refinancing or additional equity funding, which may not be available or may be materially more expensive.

From time to time, Heineken may be required to raise additional funds for its future capital needs or to refinance its current funding through public or private financing, strategic relationships or other arrangements. However, due to current economic uncertainty and recent crises in the global financial markets, there can be no assurance that the funding, if needed, will be available on attractive terms, or at all. Furthermore, any additional financing arrangements may be dilutive to shareholders, and debt financing, if available, may involve restrictive covenants. In addition, debt financing, refinancing or additional equity funding may be materially more expensive due to the lack of liquidity in the market and the general lack of confidence in the equity markets. Heineken's failure to raise capital when needed could have an adverse effect on its business, financial condition and/or results of operations.

Heineken faces defined benefit pension obligations in some of the countries in which it operates.

In some of the countries in which Heineken operates (mainly the United Kingdom and the Netherlands), Heineken is obliged to make contributions to a number of defined benefit plans that provide pension benefits for employees upon retirement. The contractual and regulatory arrangements with some of these pension funds are such that in case of shortfalls, no one-off payments are required but the annual cash contributions would increase going forward, thereby increasing the potential cash outflow obligation over a longer period of time which could have an adverse effect on Heineken's business, financial condition and/or results of operations. The accounting impact of pensions under IFRS on Heineken's financial results may also differ materially from the cash impact.

The jurisdictions in which Heineken operates may adopt regulations or changes in tax and excise costs that could increase Heineken's costs and liabilities and/or limit its business activities.

Heineken's business is regulated by the European Union and other national and local government entities. These regulations govern many parts of its operations, including brewing, bottling, branding, marketing and advertising, transportation, distributor relationships and sales. Other regulations governing taxation, environmental impact and labour relations also affect Heineken's operations. Various legislative authorities in those countries in which Heineken operates consider proposals from time to time to impose additional regulations, excise and other taxes or fees on the production or sale of alcoholic beverages, including beer. Legislative authorities frequently impose such measures in times of slow or negative economic growth, as a means to raise revenue and in response to increased negative societal perceptions towards alcohol and the alcohol beverage industry. Changes in such regulations and duties could have an adverse effect on Heineken's business, financial condition and/or results of operations. Further, there can be no assurance that Heineken will not incur material costs or liabilities in connection with its compliance with current applicable regulatory requirements or that such regulations will not interfere with, restrict or affect its businesses which, in turn, could have an adverse effect on its business, financial condition and/or results of operations.

Heineken may be subject to claims that it has not complied with existing laws and regulations, which could result in fines and penalties or loss of operating licences. Heineken is also routinely subject to new or modified laws and regulations with which it must comply in order to avoid claims, fines and other penalties, which could have an adverse effect on its business, financial condition and/or results of operations.

Heineken is exposed to antitrust and competition laws in certain jurisdictions and the risk of changes in such laws or in the interpretation and enforcement of existing antitrust and competition laws.

Heineken is subject to antitrust and competition laws in the jurisdictions in which it operates. Consequently, Heineken may be subject to regulatory scrutiny in certain of these jurisdictions. There can be no assurance that the introduction of new competition laws in the jurisdictions in which Heineken operates, the interpretation of existing antitrust or competition laws or the enforcement of existing antitrust or competition laws, or any agreements with antitrust or competition authorities, against Heineken or its subsidiaries, will not have an adverse effect on Heineken's business, financial condition and/or results of operations.

Heineken has exposure to litigation risk.

Companies in the alcoholic beverage industry are, from time to time, exposed to litigation relating to alcohol advertising, alcohol abuse programmes or health and societal consequences from the excessive consumption of alcohol and to litigation related to product liability issues, including the discovery of contaminants in beverage products. Further, increasing restrictions over alcoholic beverages increases the risk of non-compliance, which increases the likelihood of litigation claims. Additionally, more supervision by regulators and the growing litigation claim culture of the general public may potentially increase the impact of non-compliance and the risks of litigation, both financially and on the business reputation of the Heineken Group. Any such litigation could have an adverse effect on Heineken’s business, financial condition and/or results of operations.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such investor’s financial activities are principally denominated;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the assistance of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the assistance of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of such Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Partly Paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification, waivers and substitution

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or the Trust Deed or (ii) determine that any Event of Default or potential Event of Default shall not be treated as such or (iii) agree to the substitution of another company as principal debtor under any Notes in place of the Issuer in the circumstances described in Condition 15.

EU Savings Directive

Under EC Council Directive 2003/48/EC (the "**Directive**") on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period Austria and Luxembourg are instead required (unless during that period they elect to provide information in accordance with the Directive) to operate a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Change of law

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

Notes where denominations involve integral multiples: Definitive Notes

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a Definitive Note (as defined under "*Forms of the Notes*" below) in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If Definitive Notes are issued, holders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. Where a Series of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Issuer or the ratings assigned to Notes already issued under the Programme. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

INFORMATION INCORPORATED BY REFERENCE

The audited annual consolidated financial statements of the Issuer in respect of the financial year ended 31 December 2010, prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU, shall be deemed to be incorporated in, and to form part of, this Base Prospectus, including the information set out at the following pages of the Issuer's Annual Report 2010:

	2010
Consolidated Income Statement	page 59
Consolidated Statement of Comprehensive Income	page 60
Consolidated Statement of Financial Position..	page 61
Consolidated Statement of Cash Flows	pages 62-63
Consolidated Statement of Changes in Equity...	page 64
Notes to the Consolidated Financial Statements	pages 65-132
Independent Auditor's Report on the Consolidated Financial Statements	page 143

Any information not listed in the cross-reference list above but included in the documents incorporated by reference is given for purposes of information only.

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus are available from the website of the Luxembourg Stock Exchange (*www.bourse.lu*) and, upon request, free of charge, from the registered office of the Issuer and the specified offices of the Paying Agents for the time being in Luxembourg and London. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in euro, U.S. dollars, Pounds sterling or Swiss Francs or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. An issue of Notes under the Programme may have any maturity as may be agreed between the Issuer and the relevant Dealer, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer(s) prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed upon, or incorporated by reference into, the Notes, as completed by the relevant Final Terms endorsed upon, or attached to, such Notes.

The maximum aggregate nominal amount of Notes outstanding at any one time under the Programme will not exceed €10,000,000,000 (and, for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)).

FORMS OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Note**"), without interest coupons, or a permanent global note in bearer form (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**") and/or any other relevant clearing system.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date (the "**Exchange Date**") of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments due on or after the Exchange Date will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the nominal amount of the Permanent Global Note in accordance with its terms against:

(i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Agent at its specified office; and

(ii) receipt by the Agent of a certificate or certificates of non-U.S. beneficial ownership.

The nominal amount of the Permanent Global Note shall be equal to the aggregate of the nominal amounts specified in the certificates of non-U.S. beneficial ownership; *provided, however, that* in no circumstances shall the nominal amount of the Permanent Global Note exceed the initial nominal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**"):

(i) if so specified in the relevant Final Terms, at the option of the Issuer (exercisable at any time) or at the request of the bearer, on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(ii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then (a) if both Euroclear and Clearstream, Luxembourg and any other relevant clearing system are closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system chosen by the Issuer and notified to the Trustee is available, or (b) if any of the circumstances described in Condition 10 as an Event of Default occurs and is continuing, or (c) at the option of the Issuer, if the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes not in global form.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate nominal amount equal to the nominal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Agent, in the case of (i) above, on and after the expiry of the relevant notice period and, in the case of (ii) above, within 30 days of the bearer requesting exchange following the occurrence of an event described in (ii)(a) or (b) and 30 days after notice is given by the Issuer, in the case of (ii)(c).

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date (the "**Exchange Date**") of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments due on or after the Exchange Date will be made under the Temporary Global Note unless exchange for Definitive Notes is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate nominal amount equal to the nominal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the presentation and, in the case of final exchange, surrender of the Temporary Global Note to or to the order of the Agent.

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable and specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

(i) if so specified in the relevant Final Terms, at the option of the Issuer (exercisable at any time) or at the request of the bearer, on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(ii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then (a) if both Euroclear and Clearstream, Luxembourg and any other relevant clearing system are closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system chosen by the Issuer and notified to the Trustee is available, or (b) if any of the circumstances described in Condition 10 as an Event of Default occurs and is continuing, or (c) at the option of the Issuer, if the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes not in global form.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate nominal amount equal to the nominal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Agent, in the case of (i) above, on and after the expiry of the relevant notice period and, in the case of (ii) above, within 30 days of the bearer requesting exchange following the occurrence of an event described in (ii)(a) or (b) and 30 days after notice is given by the Issuer, in the case of (ii)(c).

Legend concerning United States persons

In the case of any Tranche of Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note.

This Note is one of a Series (as defined below) of Notes issued by Heineken N.V. (the "**Issuer**") constituted by an amended and restated Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 7 March 2012 made between the Issuer and BNP Paribas Trust Corporation UK Limited (the "**Trustee**", which expression shall include any successor as Trustee).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a "**Global Note**"), units of each Specified Denomination in the Specified Currency;

(b) any Global Note; and

(c) any definitive Notes issued in exchange for a Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 8 September 2008 and made between the Issuer, the Trustee, BNP Paribas Securities Services, Luxembourg Branch as issuing and principal paying agent and agent bank (the "**Agent**", which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents).

Interest-bearing definitive Notes have interest coupons ("**Coupons**") and, if indicated in the applicable Final Terms, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the "**Conditions**") and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the "**applicable Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the "**Noteholders**", which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below), the holders of the Receipts (the "**Receiptholders**") and the holders of the Coupons (the "**Couponholders**", which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee being at 55 Moorgate, London EC2R 6PA and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing at the registered office of the Issuer and of the Agent and copies may be obtained from those offices save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer, the Paying Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes and shall not be liable for so treating such bearer but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the

Issuer, the Paying Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, any Paying Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Agent and the Trustee.

2. STATUS OF THE NOTES

The Notes and any relative Receipts and Coupons constitute (subject to Condition 3) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and any relative Receipts and Coupons shall, save for such exceptions as may be provided by applicable legislation (and subject to Condition 3), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

3. COVENANTS

(a) *Negative Pledge*

So long as any Note, Receipt or Coupon remains outstanding (as defined in the Trust Deed):

(i) the Issuer will not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt or any guarantee of or indemnity in respect of any Relevant Debt; and

(ii) the Issuer will procure that no Subsidiary of the Issuer will create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt or any guarantee of or indemnity in respect of any Relevant Debt,

unless, at the same time or prior thereto, the Issuer's obligations under the Notes and any relative Receipts and Coupons and the Trust Deed in respect thereof, (aa) are secured equally and rateably therewith to the satisfaction of the Trustee, or (bb) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

For the purposes of these Conditions:

"**Excluded Subsidiary**" means any Subsidiary of the Issuer:

(i) which has been established solely to conduct the business of and any ancillary activities relating to securitisation or such similar financing of assets held by it; and

(ii) none of whose liabilities in respect of such financing are the subject of a Security Interest created or permitted to subsist by the Issuer or any other Subsidiary of the Issuer.

"**Permitted Security Interest**" means:

(x) any Security Interest over or affecting the whole or part of the present or future business, undertaking, assets or revenues (including any uncalled capital) of any entity which becomes a Subsidiary of the Issuer after the date on which agreement is reached to issue the first Tranche of the Notes, where such Security Interest was created prior to the date on which such an entity becomes a Subsidiary of the Issuer, but only if (A) such Security Interest was not created in contemplation of such entity becoming a Subsidiary of the Issuer and (B) the amount thereby secured has not been increased in contemplation of, or since the date of, such entity becoming a Subsidiary of the Issuer;

(y) any Security Interest (the "**Replacement Security Interest**") created in whole or in part to replace or renew or in substitution for any Security Interest created by a company referred to in (x) of this paragraph (the "**Old Security Interest**") upon a refinancing or similar transaction where the Replacement Security Interest is created in respect of the same business, undertaking, assets or revenues as the Old Security Interest and where the amount secured by the Replacement Security Interest is equal to or less than the amount secured by the Old Security Interest; and

(z) any Security Interest created by an Excluded Subsidiary over its assets to secure any Relevant Debt of that Excluded Subsidiary, provided that the aggregate amount of all such Relevant Debt so secured and outstanding from time to time does not exceed €1,000,000,000 or its equivalent in any other currency (as determined by the Trustee in accordance with the Trust Deed).

"**Relevant Debt**" means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange or other securities market.

"**Security Interest**" means any mortgage, charge, pledge, lien or other form of encumbrance or security interest.

"**Subsidiary**" means an entity in which a person:

(i) holds beneficially (directly or indirectly) more than 50 per cent. of the issued share capital (or similar rights of ownership); or

(ii) holds beneficially (directly or indirectly) the right to control the composition of the majority of its board of directors (or equivalent body) or controls the majority of the voting rights, in each case, whether through the ownership of voting capital or by contract.

For the avoidance of doubt, a person will not have "control" as specified in paragraph (ii) above where that person has joint control.

(b) *Limitation on Subsidiary Indebtedness*

So long as any Note, Receipt or Coupon remains outstanding, the Issuer will not permit any of its Subsidiaries, without the prior approval of the Trustee or of an Extraordinary Resolution of the Noteholders, to Incur any Indebtedness, unless at the time of such Incurrence the aggregate principal amount of the Indebtedness to be Incurred together with all other Indebtedness of the Issuer's Subsidiaries then outstanding (but disregarding for this purpose any Indebtedness ("**Due Indebtedness**") due to be repaid on the same day as such Indebtedness is to be Incurred provided that the Due Indebtedness is so repaid) does not exceed 35 per cent. of Total Group Assets.

For the purposes of this Condition 3(b):

"**Acquisition**" means (a) the merger or consolidation of any Person into or with any Subsidiary of the Issuer or (b) the acquisition by the Issuer or any of its Subsidiaries of any assets of any Person not already a Subsidiary of the Issuer or any shares of any such Person.

"**Incur**" means issue, assume, incur or otherwise become liable for and references to "Incurred" and "Incurrence" shall be construed accordingly.

"**Indebtedness**" means, without double counting, any indebtedness (which includes any obligations (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent) for or in respect of:

(a) moneys borrowed;

(b) any amount raised by acceptance under any acceptance credit facility;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with applicable generally accepted accounting principles, be treated as a finance or capital lease;

(e) the amount payable for the redemption of any Redeemable Shares in the issued share capital of any Subsidiary of the Issuer which rank ahead of the ordinary (or equivalent) share capital of such Subsidiary and which are not directly or indirectly owned by the Issuer; and

(f) without double-counting in respect of any amount of any liability which has already been included in any of paragraphs (a) to (e) above, the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (e) above;

PROVIDED THAT Indebtedness shall not include:

(i) for the avoidance of doubt, any trade indebtedness including, without limitation, any amounts owing in respect of the delivery of goods, royalty payments and payments under trademark agreements for the provision of management or technical services;

(ii) for the avoidance of doubt, any guarantee to any Person by any Subsidiary of the Issuer in the ordinary course of its trading in relation to loans made or to be made to such Subsidiary's trade brewery customers;

(iii) for the avoidance of doubt, any guarantee provided by any Subsidiary of the Issuer to a tax authority with jurisdiction over such Subsidiary in the ordinary course of the Subsidiary's business in relation to excise and/or import duties payable by such Subsidiary;

(iv) Indebtedness of a Subsidiary of the Issuer owing to the Issuer or another Subsidiary;

(v) Indebtedness of a Subsidiary of the Issuer acquired as a result of an Acquisition (or Indebtedness assumed at the time of an Acquisition of an asset securing such Indebtedness), provided that (x) such Indebtedness was not Incurred in connection with, or in anticipation or contemplation of, such Acquisition and (y) such Indebtedness is non-recourse to any assets of the Issuer or any of its Subsidiaries other than the Subsidiary and assets so acquired; and

(vi) any refinancing or similar transaction of any Indebtedness Incurred under paragraph (v) above provided that the principal amount of such Indebtedness is not increased as a result of such refinancing or other transaction.

"**Person**" includes any person, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) or two or more of the foregoing.

"**Redeemable Shares**" means shares which are redeemable provided that no shares which are expressed to be redeemable after the Maturity Date shall be treated as "Redeemable Shares" unless, under their terms, it is possible that they might fall to be redeemed (whether on insolvency of the issuer thereof, or at the option of the issuer or holder thereof, or otherwise) prior to such date.

"**Total Group Assets**" means the total assets of the Issuer on a consolidated basis, as shown in its then latest audited financial statements or (if more recently prepared and published) its then latest unaudited interim financial statements.

4. REDENOMINATION

4.1 Redenomination

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the Trustee, the Agent, Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Noteholders in accordance with Condition 14, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

(a) the Notes and the Receipts shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Agent and the Trustee, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Paying Agents of such deemed amendments;

(b) save to the extent that an Exchange Notice has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes held (or, as the case may be, in respect of which Coupons are presented for payment) by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;

(c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Agent and the Trustee may approve) euro 0.01 and such other denominations as the Agent shall determine and notify to the Noteholders;

(d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the "**Exchange Notice**") that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

(e) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee;

(f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:

(i) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and

(ii) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding;

(g) if the Notes are Floating Rate Notes, the applicable Final Terms will specify any relevant changes to the provisions relating to interest; and

(h) such other changes shall be made to this Condition as the Issuer may agree with the Trustee, after consultation with the Agent, and as may be specified in the notice, to conform it to conventions then applicable to instruments denominated in euro.

4.2 Definitions

In the Conditions, the following expressions have the following meanings:

"**Established Rate**" means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty;

"**euro**" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

"**Redenomination Date**" means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to Condition 4.1 above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

"**Treaty**" means the Treaty on the Functioning of the European Union, as amended.

5. INTEREST

5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

(a) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:

   (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(b) if "**30/360**" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In the Conditions:

"**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

"**sub-unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

5.2 Interest on Floating Rate Notes and Index Linked Interest Notes

(a) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, "**Business Day**" means a day which is both:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Final Terms; and

(b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms;

(B) the Designated Maturity is a period specified in the applicable Final Terms; and

(C) the relevant Reset Date is either (a) if the applicable Floating Rate Option is based on the London interbank offered rate ("**LIBOR**") or on the Euro-zone interbank offered rate ("**EURIBOR**"), the first day of that Interest Period or (b) in any other case, as specified in the applicable Final Terms.

For the purposes of this subparagraph (i), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

(i) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30; and

(vii) if "**30E/360 (ISDA)**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(e) Notification of Rate of Interest and Interest Amounts

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(f) Determination or Calculation by Trustee

If for any reason at any relevant time the Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i) or subparagraph (b)(ii) above or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraph (d) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by and be binding on the Agent or the Calculation Agent, as applicable.

(g) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2, whether by the Agent or, if applicable, the Calculation Agent, shall (in the absence of manifest error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (subject as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Final Terms.

5.4 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

5.5 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

6. PAYMENTS

6.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

6.2 Presentation of definitive Notes, Receipts and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the

Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

6.3 Payments in respect of Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

6.4 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

6.5 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 9) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

  (i) in the case of Notes in definitive form only, the relevant place of presentation;

  (ii) each Additional Financial Centre specified in the applicable Final Terms; and

(b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

6.6 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Notes redeemable in instalments, the Instalment Amounts;

(f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.5); and

(g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

7.2 Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Netherlands or any political subdivision or any authority therein or thereof having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by any member of the Executive Board of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the obligation referred to in (a) cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the condition precedent set out in (b) above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

7.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

(a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and

(b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Trustee and to the Agent;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

7.4 Redemption at the option of the Noteholders (Investor Put)

(a) *Redemption at the option of the Noteholders (other than a Change of Control Put)*

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Put Notice**") and in which the holder must specify a bank account to which payment is to be made under this Condition 7.4(a) accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 7.4(a) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 10, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.4(a).

(b) ***Change of Control Put***

If Change of Control Put is specified in the applicable Final Terms, this Condition 7.4(b) shall apply.

(i) Subject to Condition 7.4(b)(vi) below, a "**Put Event**" will be deemed to occur if:

(A) any Person or group of Persons acting in concert gains control of the Issuer ("**Change of Control**"); and

(B) on the date (the "**Relevant Announcement Date**") that is the earlier of (i) the date of the first public announcement of the relevant Change of Control; and (ii) the date of the earliest Relevant Potential Change of Control Announcement (if any), the Notes carry from any Rating Agency:

(1) an investment grade credit rating (*Baa3/BBB–, or equivalent, or better*), and such rating from any Rating Agency is within the Change of Control Period either downgraded to a non-investment grade credit rating (*Ba1/BB+, or equivalent, or worse*) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated, in either case, to an investment grade credit rating by such Rating Agency; or

(2) a non-investment grade credit rating (*Ba1/BB+, or equivalent, or worse*), and such rating from any Rating Agency is within the Change of Control Period downgraded by one or more notches (*for illustration, Ba1/BB+ to Ba2/BB being one notch*) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated, in either case, to its earlier credit rating or better by such Rating Agency, or

(3) no credit rating, and no Rating Agency assigns within the Change of Control Period an investment grade credit rating to the Notes,

provided that if on the Relevant Announcement Date the Notes carry a credit rating from more than one Rating Agency, at least one of which is investment grade, then sub-paragraph (1) will apply to the exclusion of sub-paragraph (2), such that any change in a non-investment grade credit rating from another Rating Agency shall be disregarded for the purposes of Condition 7.4(b); and

(C) in making the relevant decision referred to in (B)(1) or (2) above (if applicable), the relevant Rating Agency announces publicly or confirms in writing to the Issuer and the Trustee that such decision resulted, in whole or in part, from the occurrence of the Change of Control (whether or not the Change of Control shall have occurred at the time such decision is made) or the Relevant Potential Change of Control Announcement.

(ii) If a Put Event occurs (unless the Issuer has given notice under Condition 7.2), each Noteholder shall have the option to require the Issuer to redeem or, at the Issuer's option, purchase (or propose the purchase of) that Note on the Put Date (as defined below) at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the date of redemption. Such option (the "**Put Option**") shall operate as set out in this Condition 7.4(b).

(iii) Promptly upon the Issuer becoming aware that a Put Event has occurred the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall (subject in each case to being indemnified and/or provided with security to its satisfaction), give notice (a "**Put Event Notice**") to the Noteholders in accordance with Condition 14 specifying the nature of the Put Event and the procedure for exercising the Put Option.

(iv) To exercise the Put Option, the holder of this Note must, if it is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the "**Put Period**") of not less than 30 and not more than 60 days after a Put Event Notice is given, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Change of Control Put Notice**") and in which the holder must specify a bank account to which payment is to be made under this Condition 7.4(b) accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Change of Control Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the Put Option, the holder of this Note must, within the Put Period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

The Paying Agent to which such Note and Change of Control Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Change of Control Put Notice to which payment is to be made, on the date which is 7 days after the expiration of the Put Period (the "**Put Date**") by transfer to that bank account and, in every other case, on or after the Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent.

Any Change of Control Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 7.4(b) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 10, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.4(b). Receipts issued pursuant to this Condition 7.4(b) shall be treated as if they were Notes. The Issuer shall redeem or purchase (or procure the purchase of) the relevant Notes on the Put Date unless previously redeemed and cancelled or purchased.

If 80 per cent. or more in nominal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 7.4(b), the Issuer may, on not less than 30 and not more than 60 days' notice to the Noteholders given within 30 days after the Put Date, redeem or purchase (or procure the purchase of), at its option, the remaining Notes as a whole at their principal amount together with interest accrued to but excluding the date of redemption or purchase.

If the rating designations employed by Moody's or S&P are changed from those which are described in paragraph (i) above, or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine, with the agreement of the Trustee (not to be unreasonably withheld or delayed), the rating designations of Moody's or S&P or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of Moody's or S&P and paragraph (i) shall be read accordingly.

(v) The Trustee is under no obligation to ascertain whether a Put Event has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Put Event has occurred.

(vi) A Change of Control shall not apply to the acquisition of control by family members or successors by inheritance of the current ultimate owner of the Issuer or by companies owned by such family members or successors by inheritance or by trusts of which they are beneficiaries and no Put Event shall be deemed to have occurred in such circumstances.

(vii) For the purpose of this Condition 7.4(b):

"**acting in concert**" means acting together pursuant to an agreement or understanding (whether formal or informal);

"**Change of Control Period**" means the period commencing on the Relevant Announcement Date and ending 90 days after the Change of Control (or such longer period for which the Notes are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

"**control**" means the acquisition of or right or option to acquire:

(i) beneficial ownership (directly or indirectly) of more than 50 per cent. of the issued share capital (or voting power) of the Issuer; or

(ii) beneficial ownership (directly or indirectly) of the right to control the composition of the majority of the board of directors of the Issuer or the majority of its voting rights, in each case, whether through the ownership of voting capital or by contract;

"**Optional Redemption Amount**" shall have the meaning specified in the applicable Final Terms;

"**Person**" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organisation, or a government or agency or political subdivision thereof;

"**Rating Agency**" means Moody's Investors Service, Inc. ("**Moody's**") or Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**"), or their respective successors or any rating agency (a "**Substituted Rating Agency**") substituted for any of them by the Issuer from time to time with the agreement of the Trustee (not to be unreasonably withheld or delayed); and

"**Relevant Potential Change of Control Announcement**" means any formal public announcement or statement by the Issuer, any actual or potential bidder or any adviser thereto relating to any potential Change of Control where within 90 days following the date of such announcement or statement, a Change of Control occurs.

7.5 Early Redemption Amounts

For the purpose of Condition 7.2 above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^{y}$$

where:

"**RP**" means the Reference Price;

"**AY**" means the Accrual Yield expressed as a decimal; and

"**y**" is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

7.6 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.5.

7.7 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

7.8 Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

7.9 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7.8 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

7.10 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2, 7.3 or 7.4 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.5(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Netherlands unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with the Netherlands other than the mere holding of such Note, Receipt or Coupon; or

(b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.5); or

(c) where such withholding or deduction is imposed on a payment to an individual or a residual entity (within the meaning of the European Council Directive 2003/48/EC) and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or several agreements concluded by the State of Luxembourg with several dependent or associated territories, or is based on similar measures adopted by a number of non-EU countries such as Switzerland, or pursuant to the law of 23 December 2005, as amended by the law of 17 July 2008, with respect to Luxembourg resident individuals; or

(d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or

(e) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction in whole or in part by presenting a form or certificate and/or by making a declaration of non-residence or other claim for exemption or reduction but fails to do so.

As used herein, "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

9. PRESCRIPTION

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. EVENTS OF DEFAULT AND ENFORCEMENT

10.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or provided with security to its satisfaction), (but in the case of the happening of any of the events described in paragraphs (b) to (h) inclusive below, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an "**Event of Default**") shall occur and be continuing:

(a) *Non-Payment*

if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 7 days in the case of principal and 15 days in the case of interest; or

(b) *Breach of Other Obligations*

if the Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed in respect thereof which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days (or such longer period as the Trustee may permit) after notice of such default shall have been given to the Issuer by the Trustee; or

(c) *Cross-Default*

if (i) any other present or future indebtedness of the Issuer or any of its Material Subsidiaries for or in respect of moneys borrowed becomes due and payable prior to its stated maturity by reason of default, event of default or the like (howsoever described) or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred and remains unpaid or undischarged equals or exceeds €100,000,000 or its equivalent in any other currency (as determined by the Trustee in accordance with the Trust Deed); or

(d) *Enforcement Proceedings*

if a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or a substantial part of the assets or revenues of the Issuer or any of its Material Subsidiaries and is not discharged or stayed within 30 days; or

(e) *Security Enforced*

if any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Material Subsidiaries over the whole or a substantial part of the undertaking, assets or revenues of the Issuer or any of its Material Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person in respect thereof) and is not discharged or stayed within 30 days; or

(f) *Insolvency*

if (i) any corporate action, legal proceedings or other procedure, application or step is taken by the Issuer or any of its Material Subsidiaries for it being declared in bankruptcy (*faillissement*), or in suspension of payments (*surséance van betaling*) or in emergency regulation (*noodregeling*) (irrespective of whether that procedure is provisional or final) or (ii) the Issuer of any of its Material Subsidiaries is declared in bankruptcy (*faillissement*), or in suspension of payments (*surséance van betaling*) or in emergency regulation (*noodregeling*) (irrespective of whether that procedure is provisional or final) or (iii) the Issuer or any of its Material Subsidiaries offers or enters into a composition with all its creditors generally (*buitengerechtelijk akkoord*); or

(g) *Winding-up*

if an order is made or an effective resolution passed for the winding-up or dissolution (*ontbinding*) of the Issuer or any of its Material Subsidiaries, or the Issuer ceases or threatens to cease to carry on all or (in the opinion of the Trustee) substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee or an Extraordinary Resolution of the Noteholders, or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or another of the Issuer's Subsidiaries, or (iii) in the case of a Material Subsidiary, pursuant to a voluntary solvent winding-up where surplus assets are available for distribution; or

(h) *Analogous Events*

if any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs (d) to (g).

For the purposes of the Conditions:

"**Group**" means the Issuer and its Subsidiaries for the time being.

"**Material Subsidiary**" means, at any time, a Subsidiary of the Issuer whose net turnover on ordinary activities (excluding intra-Group items) accounts for at least 10 per cent. of the consolidated net turnover on ordinary activities of the Group.

For this purpose:

(i) the net turnover on ordinary activities of a Subsidiary of the Issuer will be determined by its financial statements (on a consolidated basis if that Subsidiary itself has Subsidiaries) upon which the latest audited financial statements of the Group have been based;

(ii) if a Subsidiary of the Issuer becomes a member of the Group after the date on which the latest audited financial statements of the Group have been prepared, the net turnover on ordinary activities of that Subsidiary (calculated on a consolidated basis if that Subsidiary itself has Subsidiaries) will be determined from its latest financial statements;

(iii) the net turnover on ordinary activities of the Group will be determined from its latest audited financial statements; and

(iv) if a Material Subsidiary disposes of all or (in the opinion of the Trustee) substantially all of its assets to another Subsidiary of the Issuer, it will immediately cease to be a Material Subsidiary and the other Subsidiary (if it is not already) will immediately become a Material Subsidiary and the subsequent financial statements of those Subsidiaries and the Group will be used to determine whether those Subsidiaries are Material Subsidiaries or not.

As provided in the Trust Deed, the Issuer shall give to the Trustee within 14 days of its annual audited financial statements being made available to its shareholders and also within 14 days of a request being made by the Trustee a certificate signed by any member of the Executive Board of the Issuer listing those Subsidiaries which as at the last day of the last financial year of the Issuer or as at the date specified in such request were Material Subsidiaries.

"**substantial part**", in Conditions 10.1(d) and (e) above, means 20 per cent. or more of the whole, as reasonably determined by the Trustee. In the case of assets of the Issuer or a Material Subsidiary, this shall be determined by reference to the total assets of the Issuer or the relevant Material Subsidiary, as the case may be, on a consolidated basis. In the case of revenues of the Issuer or a Material Subsidiary, this shall be determined by reference to net turnover on ordinary activities of the Issuer or the relevant Material Subsidiary, as the case may be, on a consolidated basis. In the case of both assets and revenues of the Issuer or a Material Subsidiary, the determination as to whether something is a "substantial part" shall be made by reference to the latest audited financial statements of the Issuer (for the Issuer) or the latest financial statements (audited, if available, and on a consolidated basis if that Subsidiary itself has Subsidiaries) of the Material Subsidiary (for a Material Subsidiary).

10.2 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or provided with security to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

(a) there will at all times be an Agent;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

(c) there will, save where it may from time to time be otherwise agreed with the Trustee that it is unduly onerous or not current market practice at the relevant time to do so, at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.4. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London or (b) if and for so long as the Notes are admitted to trading on, and listed on the Official List of the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg and/or the Luxembourg Stock Exchange's website (*www.bourse.lu*). It is expected that any such publication in a newspaper will be made in the *Financial Times* in London or the *Luxemburger Wort* or the *Tageblatt* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than 75 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than 25 per cent. in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

In addition, a resolution in writing signed by or on behalf of not less than 90 per cent. of the Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed (other than in respect of Reserved Matters (as defined in the Trust Deed)), or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the

Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

The Trustee shall, without the consent of the Noteholders, Receiptholders or Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed of a Successor in Business (as defined in the Trust Deed) subject to certain conditions in the Trust Deed being complied with.

The Trustee may, without the consent of the Noteholders, Receiptholders or Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed of another company, being a Subsidiary of the Issuer or a Holding Company (as defined in the Trust Deed) of the Issuer, subject to (a) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (b) certain other conditions set out in the Trust Deed being complied with.

No Noteholder, Receiptholder or Couponholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder, Receiptholder or Couponholder, as the case may be, except to the extent provided for in Condition 8 (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

16. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction and to be paid its costs and expenses in priority to the claims of the Noteholders.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

17. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing law

The Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons and any non-contractual obligations arising therefrom or in connection therewith shall be governed by, and construed in accordance with, English law.

19.2 Submission to jurisdiction

The Issuer irrevocably agrees, for the benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising therefrom or in connection therewith) and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee, the Noteholders, the Receiptholders and the Couponholders may take any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons (including any Proceedings relating to any non-contractual obligations arising therefrom or in connection therewith) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

19.3 Appointment of process agent

The Issuer has appointed an agent for service of process in respect of any Proceedings, and undertakes to maintain a person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

FORMS OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of less than €100,000 (or its equivalent in another currency).

[Date]

HEINEKEN N.V.

(*incorporated with limited liability in the Netherlands*)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €10,000,000,000
Euro Medium Term Note Programme

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in subparagraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

(i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or

(ii) in those Public Offer Jurisdictions mentioned in paragraph 36 of Part A below, provided such person is one of the persons mentioned in paragraph 36 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.] [1]

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.] [2]

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1 Consider including this legend where a non-exempt offer of Notes is anticipated.
2 Consider including this legend where only an exempt offer of Notes is anticipated.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [*date*] which constitutes a base prospectus for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing [at [*website*]] [and] during normal business hours at [*address*] [and copies may be obtained from [*address*]].

[*The following alternative language applies if the first Tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [*original date*]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated [*current date*] which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [*original date*] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [*current date*] and [*original date*]. Copies of such Base Prospectuses are available for viewing [at [*website*]] [and] during normal business hours at [*address*] [and copies may be obtained from [*address*]].]

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.*]

[*When adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*]

[*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.*]

1.	Issuer:		Heineken N.V.
2.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ] (*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*)
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
5.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.	(a)	Specified Denomination(s):	[ ]

			(*N.B. If an issue of Notes is (i) NOT admitted to trading on a regulated market in the European Economic Area; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €1,000 minimum denomination is not required.*)
	(b)	Calculation Amount:	[ ] (*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. N.B. There must be a common factor in the case of two or more Specified Denominations*.)
7.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable] *(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8.	Maturity Date:		[*Fixed rate – specify date*/*Floating rate* – Interest Payment Date falling in or nearest to [*specify month*]]
9.	Interest Basis:		[[ ] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)
10.	Redemption/Payment Basis:		[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [*specify other*] (*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to Commission Regulation (EC) No 809/2004 (the "**Prospectus Directive Regulation**") will apply.*)
11.	Change of Interest Basis or Redemption/Payment Basis:		[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*]
12.	Put/Call Options:		[Investor Put] [Change of Control Put] [Issuer Call] [(further particulars specified below)]

13.	(a)	Status of the Notes:	Senior
	(b)	Date [Board] approval for issuance of Notes obtained:	[ ] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes*)
14.		Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.		Fixed Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Rate(s) of Interest:	[ ] per cent. per annum [payable [annually/semi-annually/quarterly/other (*specify*)] in arrear] (*If payable other than annually, consider amending Condition 5*)
	(b)	Interest Payment Date(s):	[[ ] in each year up to and including the Maturity Date]/[*specify other*] (*N.B. This will need to be amended in the case of long or short coupons*)
	(c)	Fixed Coupon Amount(s): (*Applicable to Notes in definitive form*)	[ ] per Calculation Amount
	(d)	Broken Amount(s): (*Applicable to Notes in definitive form*)	[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]
	(e)	Day Count Fraction:	[30/360 or Actual/Actual (ICMA) or [*specify other*]]
	(f)	Determination Date(s):	[ ] in each year (*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.* *N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration.* *N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA).*)
	(g)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/Give details]
16.		Floating Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ]

(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
(c)	Additional Business Centre(s):	[ ]
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/*specify other*]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]
(f)	Screen Rate Determination:	
	• Reference Rate:	[ ] (*Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement*)
	• Interest Determination Date(s):	[ ] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
	• Relevant Screen Page:	[ ] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
(g)	ISDA Determination:	
	• Floating Rate Option:	[ ]
	• Designated Maturity:	[ ]
	• Reset Date:	[ ]
(h)	Margin(s):	[+/-] [ ] per cent. per annum
(i)	Minimum Rate of Interest:	[ ] per cent. per annum
(j)	Maximum Rate of Interest:	[ ] per cent. per annum
(k)	Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360

			30E/360 30E/360 (ISDA) *Other*] (*See Condition 5 for alternatives*)
	(l)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]
17.	Zero Coupon Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Accrual Yield:	[ ] per cent. per annum
	(b)	Reference Price:	[ ]
	(c)	Any other formula/basis of determining amount payable:	[ ]
	(d)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	Conditions 7.5(c) and 7.10 apply/*specify other*] (*Consider applicable day count fraction if not U.S. dollar denominated*)
18.	Index Linked Interest Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*) (*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)
	(a)	Index/Formula:	[*give or annex details*]
	(b)	Calculation Agent:	[*give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)*]
	(c)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):	[ ]
	(d)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(e)	Specified Period(s)/Specified Interest Payment Dates:	[ ]

	(f)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
	(g)	Additional Business Centre(s):	[ ]
	(h)	Minimum Rate of Interest:	[ ] per cent. per annum
	(i)	Maximum Rate of Interest:	[ ] per cent. per annum
	(j)	Day Count Fraction:	[ ]
19.	Dual Currency Interest Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*) (*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)
	(a)	Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]
	(b)	Party, if any, responsible for calculating the principal and/or interest due (if not the Agent):	[ ]
	(c)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(d)	Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

20.	Issuer Call:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]
	(c)	If redeemable in part:	
		(i) Minimum Redemption Amount:	[ ]

	(ii) Maximum Redemption Amount:	[ ]
(d)	Notice period (if other than as set out in the Conditions):	[ ] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee*)
21.	Investor Put:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Optional Redemption Date(s):	[ ]
(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]
(c)	Notice period (if other than as set out in the Conditions):	[ ] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee*)
22.	Change of Control Put:	[Applicable/Not Applicable]
	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]
23.	Final Redemption Amount:	[[ ] per Calculation Amount/*specify other*/see Appendix] (*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)
24.	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7.5):	[[ ] per Calculation Amount/*specify other*/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of the Notes:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [at the option of the Issuer exercisable at any time or at the request of the bearer on the expiry of [ ] days' notice]/[in the limited circumstances described in the Permanent Global Note]] [Temporary Global Note exchangeable for Definitive Notes] [Permanent Global Note exchangeable for Definitive Notes [at the option of the Issuer exercisable at any time or at the request of the bearer on the expiry of [ ] days' notice]/[in the limited circumstances described in the Permanent Global Note]] [Definitive Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or another institution for the purpose of their immobilisation in accordance with article 4 of the Belgian law of 14 December 2005 on the abolition of securities in bearer form.] (*Consider including this wording if the Notes are being offered in Belgium*)
26.	Additional Financial Centre(s) or other special provisions relating to Payment Days:	[Not Applicable/*give details*] (*Note that this paragraph relates to the place of payment and not Interest Period end dates to which subparagraphs 16(c) and 18(g) relate*)
27.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details. N.B. A new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid Notes*]
29.	Details relating to Instalment Notes:	
	(a) Instalment Amount(s):	[Not Applicable/*give details*]
	(b) Instalment Date(s):	[Not Applicable/*give details*]
30.	Redenomination applicable:	Redenomination [not] applicable (*If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates)*)

31.	Other final terms:	[Not Applicable/*give details*] (*When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*)

DISTRIBUTION

32.	(a)	If syndicated, names and addresses of Managers and underwriting commitments:	[Not Applicable/*give names, addresses and underwriting commitments*] (*Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.*)
	(b)	Date of [Subscription] Agreement:	[ ]
	(c)	Stabilising Manager(s) (if any):	[Not Applicable/*give name(s)*]
33.	If non-syndicated, name and address of relevant Dealer:		[Not Applicable/give name and address]
34.	Total commission and concession:		[ ] per cent. of the Aggregate Nominal Amount
35.	U.S. selling restrictions:		[Reg. S Compliance Category; TEFRA D Rules/TEFRA C Rules/TEFRA not applicable]
36.	Non-exempt Offer:		[Not Applicable] [An offer of the Notes may be made by the Managers [and [*specify names of other financial intermediaries/placers making non-exempt offers, to the extent known OR consider a generic description of other parties involved in non-exempt offers (e.g. "other parties authorised by the Managers") or (if relevant) note that other parties may make non-exempt offers in the Public Offer Jurisdictions during the Offer Period, if not known*]] (together with the Managers, the "**Financial Intermediaries**") other than pursuant to Article 3(2) of the Prospectus Directive in [*specify relevant Member State(s) – which must be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)*] ("**Public Offer Jurisdictions**") during the period from [*specify date*] until [*specify date or a formula such as "the Issue Date" or "the date which falls [ ] Business Days thereafter*"] ("**Offer Period**"). See further paragraph 10 of Part B below. (*N.B. Consider any local regulatory requirements necessary to be fulfilled so as to be able to make a non-exempt offer in relevant jurisdictions. No such*

		offer should be made in any relevant jurisdiction until those requirements have been met. Non-exempt offers may only be made into jurisdictions in which the base prospectus (and any supplement) has been notified/passported.)
37.	Additional selling restrictions:	[Not Applicable/*give details*]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and] [public offer in the Public Offer Jurisdictions] [and] [admission to listing on the Official List of the Luxembourg Stock Exchange and admission to trading on the regulated market of the Luxembourg Stock Exchange] of the Notes described herein pursuant to the €10,000,000,000 Euro Medium Term Note Programme of Heineken N.V.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components] has been extracted from [specify source]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Heineken N.V.:

By: ....
Duly authorised

PART B – OTHER INFORMATION*

1. LISTING AND ADMISSION TO TRADING:

Listing and admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange with effect from [ ].] [Not Applicable] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.*)

2. RATINGS:

Ratings:	[The Notes to be issued [[have been]/[are expected to be]] rated [*insert details]* by [*insert the legal name of the relevant credit rating agency entity(ies)*].] (*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.*) (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)] [[*Insert the legal name of the relevant credit rating agency entity*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). [As such [*insert the legal name of the relevant credit rating agency entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]] [[*Insert the legal name of the relevant non-EU credit rating agency entity]* is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [*Insert the legal name of the relevant non-EU credit rating agency entity*] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its

* Please note that if an issue of Notes is not to be admitted to trading on a regulated market in the EEA or offered to the public in the EEA, then only sections 1 and 9 of Part B need to be completed and sections 2 to 8 and 10 should be deleted.

website in accordance with such Regulation.]]

[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU credit rating agency entity that applied for registration*], which is established in the European Union and is registered under the CRA Regulation [(and, as such is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation)], disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU credit rating agency entity*]. While notification of the corresponding final endorsement decision has not yet been provided by the relevant competent authority, the European Securities and Markets Authority has indicated that ratings issued in third countries may continue to be used in the EU by relevant market participants for a transitional period ending on 30 April 2012.]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). The ratings [[have been]/[are expected to be]] endorsed by [*insert the legal name of the relevant EU-registered credit rating agency entity*] in accordance with the CRA Regulation. [*Insert the legal name of the relevant EU-registered credit rating agency entity*] is established in the European Union and registered under the CRA Regulation. [As such [*insert the legal name of the relevant EU credit rating agency entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.]]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"), but it [is]/[has applied to be] certified in accordance with the CRA Regulation [[EITHER:] and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation] [[OR:] although notification of the corresponding certification decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant non-EU* *credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation]]

[[*Insert the legal name of the relevant credit rating agency entity*] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority[and [*insert the legal name of the relevant credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation].]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU credit rating agency entity that applied for registration*], which is established in the European Union, disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU credit rating agency entity*][, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant EU credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE:

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. – *Amend as appropriate if there are other interests*]

(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*)

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES:

[(i)	Reasons for the offer:	[ ] (*See "Use of Proceeds" wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here*.)]
(ii)	Estimated net proceeds:	[ ]

(*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.*)

(iii) Estimated total expenses: [ ]

(*Expenses are required to be broken down into each principal intended "use" and presented in order of priority of such "uses".*)

(*N.B. If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.*)

5. YIELD: *(Fixed Rate Notes only)*

Indication of yield: [ ]

[Calculated as [*include details of method of calculation in summary form*] on the Issue Date.]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. HISTORIC INTEREST RATES: (*Floating Rate Notes only*)

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].

7. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING: (*Index Linked Notes only*)

(I*f there is a derivative component in the interest or the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.*)

(*N.B. The requirements below only apply if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.*)

(*Need to include details of where past and future performance and volatility of the index/formula can be obtained.*)

(*Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.*)

(*Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.*)

(*When completing the above paragraphs, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*)

[The Issuer will not provide any post-issuance information, except if required by any applicable laws and regulations.]

8. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT: (*Dual Currency Notes only*)

(*If there is a derivative component in the interest or the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.*)

(*N.B. The requirement below only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.*)

(*Need to include details of where past and future performance and volatility of the relevant rates can be obtained.*)

(*When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*)

9. OPERATIONAL INFORMATION:

(i)	ISIN Code:	[ ]
(ii)	Common Code:	[ ]
(iii)	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, société anonyme (together with the address of each such clearing system) and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(iv)	Delivery:	Delivery [against/free of] payment
(v)	Names and addresses of additional Paying Agent(s) (if any):	[ ]

10. TERMS AND CONDITIONS OF THE OFFER:

Offer Price:	[Issue Price/Not Applicable/*specify*]
[Conditions to which the offer is subject:]	[Not Applicable/*give details*]
[Description of the application process:]	[Not Applicable/*give details*]
[Details of the minimum and/or maximum amount of application:]	[Not Applicable/*give details*]
[Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:]	[Not Applicable/*give details*]
[Details of the method and time limits for paying up and delivering the Notes:]	[Not Applicable/*give details*]

[Manner in and date on which results of the offer are to be made public:]	[Not Applicable/*give details*]
[Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:]	[Not Applicable/*give details*]
[Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:]	[Not Applicable/*give details*]
[Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:]	[Not Applicable/*give details*]
[Amount of any expenses and taxes specifically charged to the subscriber or purchaser:]	[Not Applicable/*give details*]
[Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place:]	[None/*give details*]

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of at least €100,000 (or its equivalent in another currency).

[*Date*]

HEINEKEN N.V.

(*incorporated with limited liability in the Netherlands*)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €10,000,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [*date*] which constitutes a base prospectus for the purposes of Directive 2003/71/EC as amended (the "**Prospectus Directive**") (which includes the amendments made by Directive 2010/73/EU (the "**2010 PD Amending Directive**") to the extent that such amendments have been implemented in a relevant Member State). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing [at [*website*]] [and] during normal business hours at [*address*] [and copies may be obtained from [*address*]].

[*The following alternative language applies if the first Tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [*original date*]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC as amended (the "**Prospectus Directive**") (which includes the amendments made by Directive 2010/73/EU (the "**2010 PD Amending Directive**") to the extent that such amendments have been implemented in a relevant Member State) and must be read in conjunction with the Base Prospectus dated [*current date*] which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [*original date*] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [*current date*] and [*original date*]. Copies of such Base Prospectuses are available for viewing [at [*website*]] [and] during normal business hours at [*address*] [and copies may be obtained from [*address*]].]

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.*]

[*When adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*]

[*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.*]

1.	Issuer:		Heineken N.V.
2.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ]

		(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)
3.	Specified Currency or Currencies:	[ ]
4.	Aggregate Nominal Amount:	
	(a) Series:	[ ]
	(b) Tranche:	[ ]
5.	Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.	(a) Specified Denomination(s):	[ ] (*N.B. where multiple denominations above €100,000 (or equivalent) are being used the following sample wording should be followed*: *"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")*
	(b) Calculation Amount:	[ ] *(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. N.B. There must be a common factor in the case of two or more Specified Denominations.)*
7.	(a) Issue Date:	[ ]
	(b) Interest Commencement Date:	[*specify*/Issue Date/Not Applicable] *(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8.	Maturity Date:	[*Fixed rate – specify date*/*Floating rate* – Interest Payment Date falling in or nearest to [*specify month*]]
9.	Interest Basis:	[[ ] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)
10.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [*specify other*]

		(*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)
11.	Change of Interest Basis or Redemption/Payment Basis:	[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*]
12.	Put/Call Options:	[Investor Put] [Change of Control Put] [Issuer Call] [(further particulars specified below)]
13.	(a) Status of the Notes:	Senior
	(b) Date [Board] approval for issuance of Notes obtained:	[ ] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes.*)
14.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions	[Applicable/Not Applicable] (*If* not *applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Rate(s) of Interest:	[ ] per cent. per annum [payable [annually/semi-annually/quarterly/other (*specify*)] in arrear] (*If payable other than annually, consider amending Condition 5*)
	(b) Interest Payment Date(s):	[[ ] in each year up to and including the Maturity Date]/[*specify other*] (*N.B. This will need to be amended in the case of long or short coupons*)
	(c) Fixed Coupon Amount(s): (*Applicable to Notes in definitive form*)	[ ] per Calculation Amount
	(d) Broken Amount(s): (*Applicable to Notes in definitive form*)	[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]
	(e) Day Count Fraction:	[30/360 or Actual/Actual (ICMA) or [*specify other*]]
	(f) Determination Date(s):	[ ] in each year (*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.*

		N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration. *N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA).*)
(g)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]
16.	Floating Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
(c)	Additional Business Centre(s):	[ ]
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/ *specify other*]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]
(f)	Screen Rate Determination:	
	• Reference Rate:	[ ] *(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)*
	• Interest Determination Date(s):	[ ] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
	• Relevant Screen Page:	[ ] *(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
(g)	ISDA Determination:	
	• Floating Rate Option:	[ ]

	•	Designated Maturity:	[ ]
	•	Reset Date:	[ ]
	(h)	Margin(s):	[+/-] [ ] per cent. per annum
	(i)	Minimum Rate of Interest:	[ ] per cent. per annum
	(j)	Maximum Rate of Interest:	[ ] per cent. per annum
	(k)	Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA) *Other*] (*See Condition 5 for alternatives*)
	(l)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]
17.	Zero Coupon Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Accrual Yield:	[ ] per cent. per annum
	(b)	Reference Price:	[ ]
	(c)	Any other formula/basis of determining amount payable:	[ ]
	(d)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Conditions 7.5(c) and 7.10 apply/*specify other*] (*Consider applicable day count fraction if not U.S. dollar denominated*)
18.	Index Linked Interest Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*) *(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
	(a)	Index/Formula:	[*give or annex details*]
	(b)	Calculation Agent:	[*give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive*

			Regulation applies, address)]
	(c)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):	[ ]
	(d)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(e)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
	(f)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
	(g)	Additional Business Centre(s):	[ ]
	(h)	Minimum Rate of Interest:	[ ] per cent. per annum
	(i)	Maximum Rate of Interest:	[ ] per cent. per annum
	(j)	Day Count Fraction:	[ ]
19.	Dual Currency Interest Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*) *(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
	(a)	Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]
	(b)	Party, if any, responsible for calculating the principal and/or interest due (if not the Agent):	[ ]
	(c)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(d)	Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

20.	Issuer Call:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Optional Redemption Date(s):	[ ]
	(b) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]
	(c) If redeemable in part:	
	(i) Minimum Redemption Amount:	[ ]
	(ii) Maximum Redemption Amount:	[ ]
	(d) Notice period (if other than as set out in the Conditions):	[ ] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee*)
21.	Investor Put:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Optional Redemption Date(s):	[ ]
	(b) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]
	(c) Notice period (if other than as set out in the Conditions):	[ ] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee*)
22.	Change of Control Put:	[Applicable/Not Applicable]
	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]
23.	Final Redemption Amount:	[[ ] per Calculation Amount/*specify other*/see

		Appendix] *(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
24.	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7.5):	[[ ] per Calculation Amount/*specify other*/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [at the option of the Issuer exercisable at any time or at the request of the bearer on the expiry of [ ] days' notice]/[in the limited circumstances described in the Permanent Global Note]] [Temporary Global Note exchangeable for Definitive Notes] [Permanent Global Note exchangeable for Definitive Notes [at the option of the Issuer exercisable at any time or at the request of the bearer on the expiry of [ ] days' notice]/[in the limited circumstances described in the Permanent Global Note]] (*N.B. The exchange at the option of the Issuer/at the request of the bearer option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6(a) includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.*) [Definitive Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or another institution for the purpose of their immobilisation in accordance with article 4 of the Belgian law of 14 December 2005 on the abolition of securities in bearer form.] (*Consider including this wording if the Notes are being offered in Belgium*)
26.	Additional Financial Centre(s) or other special provisions relating to Payment Days:	[Not Applicable/give details] *(Note that this paragraph relates to the place of payment and not Interest Period end dates to which subparagraphs 16(c) and 18(g) relate)*

27.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. If yes, *give details*]
28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details. N.B. A new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid Notes*]
29.	Details relating to Instalment Notes:	
	(a) Instalment Amount(s):	[Not Applicable/*give details*]
	(b) Instalment Date(s):	[Not Applicable/*give details*]
30.	Redenomination applicable:	Redenomination [not] applicable *(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))*
31.	Other final terms:	[Not Applicable/*give details*] *(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)*

DISTRIBUTION

32.	(a) If syndicated, names of Managers:	[Not Applicable/*give names*] *(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)*
	(b) Date of [Subscription] Agreement:	[ ] (*The above is only relevant if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies*)
	(c) Stabilising Manager(s) (if any):	[Not Applicable/*give name(s)*]
33.	If non-syndicated, name of relevant Dealer:	[Not Applicable/give *name*]
34.	U.S. selling restrictions:	[Reg. S Compliance Category; TEFRA D Rules/TEFRA C Rules/TEFRA not applicable]
35.	Additional selling restrictions:	[Not Applicable/*give details*]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to listing on the Official List of the Luxembourg Stock Exchange and admission to trading on the regulated market of the Luxembourg Stock Exchange of the Notes described herein pursuant to the €10,000,000,000 Euro Medium Term Note Programme of Heineken N.V.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components] has been extracted from [specify source]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Heineken N.V.:

By: ....
Duly authorised

PART B – OTHER INFORMATION*

1. LISTING AND ADMISSION TO TRADING:

(i)	Listing and admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange with effect from [ ].] [Not Applicable] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.*)
(ii)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS:

Ratings:	[The Notes to be issued [[have been]/[are expected to be]] rated [*insert details]* by [*insert the legal name of the relevant credit rating agency entity(ies)*].] (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)] [[*Insert the legal name of the relevant credit rating agency entity*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). [As such [*insert the legal name of the relevant credit rating agency entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]] [[*Insert the legal name of the relevant non-EU credit rating agency entity]* is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [*Insert the legal name of the relevant non-EU credit rating agency entity*] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

* Please note that if an issue of Notes is not to be admitted to trading on a regulated market in the EEA or offered to the public in the EEA, only sections 1 and 8 of Part B need to be completed and sections 2 to 7 should be deleted.

[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU credit rating agency entity that applied for registration*], which is established in the European Union and is registered under the CRA Regulation [(and, as such is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation)], disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU credit rating agency entity*]. While notification of the corresponding final endorsement decision has not yet been provided by the relevant competent authority, the European Securities and Markets Authority has indicated that ratings issued in third countries may continue to be used in the EU by relevant market participants for a transitional period ending on 30 April 2012.]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). The ratings [[have been]/[are expected to be]] endorsed by [*insert the legal name of the relevant EU-registered credit rating agency entity*] in accordance with the CRA Regulation. [*Insert the legal name of the relevant EU-registered credit rating agency entity*] is established in the European Union and registered under the CRA Regulation. [As such [*insert the legal name of the relevant EU credit rating agency entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.]]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"), but it [is]/[has applied to be] certified in accordance with the CRA Regulation [[EITHER:] and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation] [[OR:] although notification of the corresponding certification decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant non-EU credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation]]

[[*Insert the legal name of the relevant credit rating agency entity*] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority[and [*insert the legal name of the relevant credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation].]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU credit rating agency entity that applied for registration*], which is established in the European Union, disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU credit rating agency entity*][, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant EU credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE:

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. – *Amend as appropriate if there are other interests*]

(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*)

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES:

[(i)]	Reasons for the offer:	[ ]
[(ii)]	Estimated net proceeds:	[ ]
[(iii)]	Estimated total expenses:	[ ] (*N.B. Delete unless the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (i) above is required where the reasons for the offer are*

	different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)

5. YIELD: (*Fixed Rate Notes only*)

Indication of yield:	[ ]
	The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING: (*Index Linked Notes only*)

(*Need to include details of where past and future performance and volatility of the index/formula can be obtained.*)

(*Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.*)

(*Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.*)

(*When completing the above paragraphs, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*)

[The Issuer will not provide any post-issuance information, except if required by any applicable laws and regulations.]

7. PERFORMANCE OF RATE[S] OF EXCHANGE: (*Dual Currency Notes only*)

(*Need to include details of where past and future performance and volatility of the relevant rates can be obtained.*)

(*When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*)

(*N.B. This paragraph 7 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.*)

8. OPERATIONAL INFORMATION:

(i)	ISIN Code:	[ ]
(ii)	Common Code:	[ ]
(iii)	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, société anonyme (together with the address of each such clearing system) and	[Not Applicable/*give name(s) and number(s)*]

	the relevant identification number(s):	
(iv)	Delivery:	Delivery [against/free of] payment
(v)	Names and addresses of additional Paying Agent(s) (if any):	[ ]

HEINEKEN N.V.

Group business description

Heineken N.V. ("**Heineken**" or the "**Company**" and, together with its subsidiaries, the "**Heineken Group**" or the "**Group**") is a leading international brewer, operating in more than 170 countries. Heineken traces its roots back to 1864, when Mr. Gerard Adriaan Heineken purchased a brewery in Amsterdam. Following this acquisition, Heineken was incorporated under the laws of the Netherlands on 27 January 1873.

Heineken is a public company with limited liability (*naamloze vennootschap*). The Company is domiciled in the Netherlands and operates under the laws of the Netherlands. Heineken's subsidiaries, where applicable, operate under the laws of the various jurisdictions in which they carry on business.

Heineken's shares were listed for the first time on the Amsterdam Stock Exchange (NYSE Euronext in Amsterdam) on 6 January 1939. The Company is headquartered in Amsterdam, the Netherlands, and is registered at the Chamber of Commerce of Amsterdam, the Netherlands, under number 33011433. The Company's registered office address is Tweede Weteringplantsoen 21, 1017 ZD, Amsterdam, the Netherlands. The Company's telephone number is: +31 20 523 92 39. The Company's internet address is: http://www.theheinekencompany.com.

The principal object of the Company, which is set out in Article 2 of its Articles of Association, is to participate in and manage other enterprises, companies and consortiums, the financing thereof and to provide security for debts of group companies and everything connected therewith, all in the broadest sense.

Company, Mission, Strategy and Goals

Heineken is the world's most international brewer and the world's second largest brewer by revenue.[1] The brand that bears the founder's family name – Heineken – is available in almost every country of the world. Heineken's mission statement is to be a proud, independent global brewer committed to surprise and excite consumers everywhere.

Heineken's key focus is driving the growth of its brands and improving its financial performance by ensuring that all directly controlled operations and partnerships create value. The Company is also focused on enabling its employees to use their potential and building a true performance-based culture by offering training to employees and improving the organisation.

Heineken aims for sustainable growth and to be a leading brewer in each of the markets in which it operates and to have the world's most prominent brand portfolio. The Heineken brand plays an important part in this. Heineken also establishes broad leadership by innovation and by acquiring strong brands, which are combined into a new, larger portfolio. This results in economies of scale for both local beers and the Heineken brand. If a premium segment does not yet exist in a certain market, Heineken devotes all its energy to develop such segment. Heineken aims at achieving strong number one or number two positions in the markets where it chooses to operate.

Heineken aims to maintain a conservative financial profile and has a clear focus on cash generation. Heineken targets a Net Debt / EBITDA (beia) ratio below 2.5 times. In case of sizable debt-financed acquisitions, which would bring Heineken beyond the target ratio, Heineken aims to return within the target ratio within 24 months after the acquisition. The development of this ratio after the acquisitions of Scottish & Newcastle in 2008 and FEMSA Cerveza in 2010 was in line with this policy.

Heineken's goal is to grow its business in a sustainable and consistent manner, while constantly improving profitability. Heineken abides by a number of governing business principles, and has three core values: Respect, Enjoyment and Passion for Quality.

[1] Based on Plato Logic International Groups data sheets (August 2011 edition)

Recent Developments

On 7 March 2012, Heineken announced that it had been assigned long-term credit ratings of Baa1 by Moody's Investors Service Ltd ("**Moody's**") and BBB+ by Standard & Poor's Credit Market Services France SAS ("**Standard & Poor's**"). Each of Moody's and Standard & Poor's is established in the European Union and is registered under the CRA Regulation. As such, each of Moody's and Standard & Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.

Business Overview

Heineken has the widest global presence[1] of all brewers, operating in more than 170 countries worldwide. With total consolidated beer volume of 165 million hectolitres in 2011, the Company is also among the largest brewers in the world.[2] The Company produces beer in more than 70 countries through its 140 breweries and also through other brewers under licence. The Company also has a strong export business, which is carried out mainly from the Netherlands, Mexico and Singapore. The production and sale of beer represents the Company's main source of income and cash flow. The Company is also engaged in complementary businesses to its manufacturing brewing activities, such as beverage distribution and the production of cider, soft drinks and other alcohol products. Heineken enjoys strong market positions and an efficient cost structure in many countries by combining the production, marketing and sale of the Company's international brands and products with that of a range of prominent local beer brands. The international brands (Heineken, Desperados, Sol, Amstel, Strongbow and its speciality beers) are supplemented and supported by national and regional brands, and a range of speciality beers, light beers (low-calorie beers) and alcohol-free beers. Market leading positions have been built by developing a cohesive portfolio of strong brands, which offer high added value for the Company's customers and consumers. The Company's principal international brand is Heineken but the Group brews and sells more than 200 beers and ciders including Amstel, Birra Moretti, Bulmer's, Cruzcampo, Desperados, Dos Equis, Foster's, Newcastle Brown Ale, Ochota, Primus, Sagres, Sol, Star, Strongbow, Tecate, Zlaty Bazant and Żywiec.

The Heineken brand has the widest global presence of any beer brand and is the leading brand in Europe.[3] Throughout all of the Company's international markets, the quality and image of the Heineken brand enables it to be positioned as a premium product. The Company always looks to position its products at the higher added value end of the marketplace and it has limited presence in the range of low-priced products.

In terms of distribution, Heineken seeks to achieve optimum availability of its products in each market through alliances with independent distributors and/or via Heineken's own beverage wholesalers. Heineken has strong networks of owned wholesalers in Europe (i.e. the Netherlands, France, Italy, Poland, Austria and, to a lesser extent, Spain, Switzerland and Ireland), which also supply (in addition to beer) a range of soft drinks, wines and spirits to the on-trade channel (i.e. restaurants, hotels, bars and cafeterias). The wholesale subsidiary companies specialise in distributing a full range of beverages which enables the Company to forge a direct link with the on-premises outlets. Heineken also produces soft drinks, generally where this manufacturing activity complements the production and distribution of its beers. Innovation in products and draught systems is supporting the competitive position of the corporate brands. In pursuit of its commitment to quality, sustainability, lower production cost, greater safety and lower environmental impact, the Company is constantly working to improve all the technical processes involved in brewing, packaging and supply chain management. Activities in these areas are co-ordinated by the Company's research and development centre in the Netherlands. This centre makes its services available to Heineken and its associated breweries across six continents.

Finally, the Heineken Group attaches great importance to having a policy on alcohol abuse and good social and environmental policies. This is reflected in the Group's marketing campaigns around the world (http://www.enjoyheinekenresponsibly.com) and its corporate behaviour.

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1 Based on Plato Logic TopCompany (August 2011 edition)
2 Based on Plato Logic International Groups data sheets (August 2011 edition)
3 Based on Plato Logic TopCompany (August 2011 edition)

The Total Cost Management Programme

In 2011, Heineken completed its Total Cost Management programme ("**TCM**"), a group wide cost reduction programme for the period 2009-2011. TCM was aimed at identifying projects that allow Heineken to significantly reduce its cost base and followed the success of the 2005-2008 Fit2Fight programme. In total, TCM delivered pre-tax cost savings of €614 million.

The supply chain function contributed cumulative savings of €263 million under TCM (43 per cent. of total savings) led by the successful Total Productive Management initiative which continues to drive productivity and efficiency improvements across manufacturing and logistics. Commerce contributed 19 per cent. of the savings mainly reflecting a structural reorganisation of the commerce department in a few markets. Wholesale operations accounted for 7 per cent. of the savings, with the remainder mainly realised in 'non-product' related spend areas. At a regional level, Europe accounted for 82 per cent. of the cumulative savings, with Africa & the Middle East representing the majority of the balance.

Following the successful completion of the TCM programme in 2011, Heineken is introducing a new €500 million group-wide cost saving programme ("**TCM2**") that will run from 2012 to 2014 across supply chain, commerce, wholesale and other functions. TCM2 is focused on driving operational cost efficiencies and on leveraging Heineken's increasing global scale.

Global Business Services

In 2010, Heineken reviewed its business model to better leverage its increased global scale. As a result of this review, Heineken has made changes to its governance structure and established a new set of operating principles between its global functions, management of the regions and operating companies. Following this a Global Business Services ("**GBS**") organisation was created to achieve the most effective and efficient delivery of purchasing, business process and technology services across the Company and to explore opportunities to centralise transactional financial services.

Through GBS, the Company has established the Heineken Global Shared Services Centre ("**HGSS**"), with an initial focus on Europe, and the Heineken Global Procurement Company ("**HGP**"). The initial scope of the HGSS initiative will cover finance transactional services in Europe. HGSS will support the delivery of high quality services and cost efficiencies to the Heineken business through a standardised platform. HGP will attain operational cost savings through leveraging Heineken's scale in purchasing and generate additional improvements in cash flow. These two initiatives are underpinned by common business processes and IT solutions. The initial scope of GBS will require an upfront investment of approximately €200 million through to the end of 2014, of which €32 million has already been incurred in 2011. These will be reported as part of the Company's operating costs. These costs form part of the ordinary course of business and will be reported as a recurring expense.

Focus for 2012 and beyond

The goal of Heineken is to grow the business in a sustainable and consistent manner, while constantly improving profitability. The global economic downturn may pose challenges for Heineken and it is not over yet. It may therefore continue to negatively impact consumer confidence and spending.

Heineken is focused on five business priorities:

- Grow the Heineken brand

  The Heineken® brand is a key strategic asset and is the undisputed leader in the international premium segment, being more than twice the size of the nearest competitor brand. Heineken® has consistently outperformed the overall beer market and the international premium segment over the past several years. Heineken aims to appeal to consumers with effective global marketing platforms, such as the current 'Open Your World' campaign. Heineken continues to explore opportunities to introduce the Heineken® brand in new markets in response to a growing consumer demand for high quality, premium beer brands around the world.

- Consumer-inspired, customer-oriented and brand-led

  Heineken is committed to being part of the conversation with consumers and recognised as the preferred partner for its customers. Heineken has more than 200 international, regional, local and speciality beer and other beverages, meeting a diverse range of consumer tastes and preferences. Heineken is investing in the expansion of its global brands including Desperados, Strongbow Gold, Amstel and Sol and increasing the rate of innovation to drive top-line growth. Strong customer management capabilities and world class in-store execution enables Heineken to create value for its customers and drive long-term business success.

- Capture the opportunity in emerging markets

  Heineken has transformed its emerging market presence in recent years through a clear acquisition strategy, strong organic growth and joint venture partnerships. In Africa, Heineken has operations in around 20 countries and exports to virtually all countries in the region. Heineken also has a long-standing presence in Asia Pacific, a region offering attractive growth potential for the international premium segment. Heineken has strengthened its emerging market footprint in the Americas following the acquisition of the beer operations of Fomento Económico Mexicano, S.A.B. de C.V. in Mexico and Brazil. Heineken continues to target future profit growth through exploiting the enormous potential offered in emerging markets.

- Leverage the benefits of Heineken's global scale

  As the world's most international brewer, Heineken is investing in new business initiatives aimed at better leveraging the scale of its global operations, including logistics, marketing, purchasing and tax. One example is the recent formation of the GBS organisation; the Company has established the HGSS Centre in Kraków, Poland and the HGP Company in the Netherlands. These initiatives will enable Heineken to deliver high quality services to the business, while also delivering operational cost efficiencies.

- Drive personal leadership

  Heineken employs approximately 70,000 people in more than 70 countries. As the business grows in scale and complexity, people are a main source of competitive advantage. Heineken requires its people to think globally, work collaboratively together and to inspire and develop. Speaking a common language and building capabilities – from marketing and sales to finance and human resources – Heineken is harnessing the power of a geographically diverse team.

Regional Business Overview

Heineken divides its global operations into six geographic segments: Western Europe, Central and Eastern Europe, the Americas, Africa and the Middle East, Asia Pacific and Head Office. In 2011, Europe accounted for over half of the Group's consolidated beer volume. The Company has a good spread in source of profit generation and cash flow and over 60 per cent. of its revenue and profits comes from its main ten operational companies. The largest operational company is in Mexico, contributing somewhat over 10 per cent. of Group revenue. The main profit generating markets of the Heineken Group are (in alphabetical order): Austria, France, Italy, Mexico, the Netherlands, Nigeria, Poland, Spain, the United Kingdom and the United States of America (USA).

The overview of revenue, EBIT (beia) and consolidated beer volume (see "*Glossary*") per regional business segment is shown below.

Geographical segments

(Full year figures)	*2011*	*2010*[*]
Revenue		
(In millions of EUR)		
Western Europe	7,752	7,894
Central and Eastern Europe	3,229	3,143
The Americas	4,029	3,296
Africa and the Middle East	2,223	1,988
Asia Pacific	216	206
Head Office / Eliminations	-326	-394
	17,123	**16,133**
EBIT (beia)		
(In millions of EUR)		
Western Europe	962	925
Central and Eastern Europe	346	378
The Americas	655	600
Africa and the Middle East	570	560
Asia Pacific	176	124
Head Office / Eliminations	-12	36
	2,697	**2,623**
Consolidated beer volume (mhl)		
	(unaudited)	*(unaudited)*
Western Europe	45.4	45.4
Central and Eastern Europe	45.4	42.2
The Americas	50.5	37.9
Africa and the Middle East	22.0	19.1
Asia Pacific	1.3	1.3
	164.6	**145.9**

[*] In 2011, Heineken changed its accounting policy with respect to employee benefits, to align its accounting to the new IAS 19, as published by the International Accounting Standards Board. At the same time, Heineken reallocated certain management costs from the regions to Head Office, reflecting a change in the Company's operating framework from regional to global reporting lines. In addition, the acquired packaging operations of FEMSA were transferred from The Americas region to Head Office. As a result of these changes, Heineken restated its Full Year 2010 financial results as published in the Half Year report released on 24 August 2011. A copy of this report can be found on the Company's website at the following link: www.heinekeninternational.com/24082011heinekennvhalfyearresults2011english.aspx.

Worldwide beer consumption is expected to grow by 2.0 per cent. to 3.0 per cent. annually until 2020.[1] Underlying growth forecasts for the different regions vary substantially. In mature markets (e.g. Western Europe, Germany, Austria, Czech Republic, USA, Australia, New Zealand and Japan), the overall growth rate is forecast to be close to zero.[2] Volume growth in these markets will be mainly realised in the premium/import and specialty segments, which is expected to grow annually by approximately 3.3 per cent. until 2020, at the expense of mainstream/economy beers.

In emerging regions (Central and Eastern Europe, Latin America, Asia and Africa), beer consumption is growing at the solid rate of 2.0 per cent. to 4.5 per cent. per annum.[3] Increased beer consumption is driven by population growth, increasing disposable income and a shift from the consumption of traditional (hard) liquors towards beer. Mainstream beers are showing the strongest growth here, while segments like the higher priced premium and specialty brands offer potential in the long-term.

1 Based on Plato World data sheets (August 2011 edition)
2 Based on Plato World data sheets (August 2011 edition)
3 Based on Plato World data sheets (August 2011 edition)

Western Europe

Group beer volume grew slightly in 2011 compared to 2010. Volume growth in France, Italy and Ireland exceeded lower volumes in Portugal, Finland, the UK, the Netherlands and Belgium in 2011 compared to 2010. Volumes in Spain were in line with last year. Total consolidated volume declined 1.2 per cent. in 2011, driven by lower cider, soft drinks and volume of third party products, partly offset by slight positive growth in consolidated beer volume.

Volume of the Heineken® brand in the international premium segment increased 3.5 per cent. in 2011 compared to 2010, with positive performances across most of the region. France was the largest contributor to this growth. The Desperados brand grew strongly in 2011 (+27 per cent.), driven by France and the success of new introductions in the Netherlands, Belgium, Spain, Switzerland, Ireland and Portugal.

In 2011, EBIT (beia) grew 2.6 per cent. driven by better pricing, improved brand mix and the benefit of TCM cost savings resulting in lower fixed costs. The deconsolidation of the Waverley TBS wholesale business in 2010 also contributed to an increase in regional operating profit (beia) margin.

France reported a strong financial performance in 2011, driven by 5.3 per cent. volume growth from favourable weather, improved pricing and the benefit of stringent cost control. All key brands (i.e. Heineken®, Desperados, Pelforth and Affligem) grew in volume, contributing to share gains in the country. Heineken® volume increased 6.3 per cent., with the brand gaining share in both on- and off-trade channels.

In the UK, EBIT (beia) increased, driven by business simplification initiatives, the benefit of cost saving programmes and better pricing. Whilst beer volumes were lower (-2.8 per cent.), they were ahead of the market resulting in a modest share gain. This was led by Heineken® brand growth (+17 per cent.) and the successful launch of Foster's Gold. Cider volumes declined high single-digits in a marginally positive market. This follows higher promotional activity in 2010, the voluntary discontinuation of Strongbow Black on social responsibility considerations and the emergence of new entrants. Bulmer's No. 17 cider was successfully launched in 2011, with innovation expected to support the positive long-term development of the cider category. Reported profit includes a contribution from the Galaxy pub estate which was acquired in December 2011. The acquisition of 918 high quality pubs strengthens Heineken's position in the higher value UK on-trade channel.

Volume and EBIT (beia) in Spain in 2011 were both in line with 2010, a solid result in a very challenging economic environment. Despite the introduction of austerity measures, the Spanish beer market remained broadly flat in 2011. Increased commercial focus and innovations supported both the Cruzcampo and Amstel brands, growing 3 per cent. and 7 per cent., respectively, in 2011. This more than offset lower volume for the Heineken® brand.

The beer market in Italy grew in 2011, led by growth of the off-trade channel. Volume in Italy grew 2 per cent., slightly ahead of the market, led by Birra Moretti (+4.1 per cent.) and Heineken® (+2.2 per cent.). EBIT (beia) improved substantially, despite increased marketing investment supporting the introduction of Strongbow Gold cider during the year.

Volume in the Netherlands declined 1.5 per cent. in 2011 compared to 2010, broadly in line with the market. Innovation played an important role in 2011, with the national launch of Strongbow Gold, Desperados and Wieckse 0.0%, a new alcohol free beer. EBIT (beia) was higher in 2011, with lower revenue more than offset by fixed cost savings.

The beer market in Portugal declined in the mid single-digits in 2011. This reflects reduced consumer spending following the imposition of increased taxes and government spending cuts in response to a deepening economic crisis in the country. Domestic beer volume in Portugal declined in line with the market, mainly reflecting lower volumes in the on-trade channel. EBIT (beia) declined due to lower volume and negative mix.

Central and Eastern Europe

Group beer volume in Central and Eastern Europe grew 6.5 per cent. in 2011 compared to 2010, with gains in Russia, Belarus, Romania, Poland and Austria, partly offset by lower volume in Greece. Total consolidated volume increased 6.5 per cent. as well in 2011, as growth in consolidated beer and soft drink volume was partially offset by a mid single-digit decline of third party products.

Heineken® declined slightly in 2011 compared to 2010 with brand growth in Russia, Poland, Germany and Romania more than offset by a double-digit volume decline in Greece. Excluding Greece, Heineken® brand growth would have been in the high single-digits.

EBIT (beia) declined organically in 2011 compared to 2010, as higher input costs and increased operating expense were only partly offset by higher revenues. Lower profit in Russia, Greece and Poland were the main contributors to the decline in EBIT (beia), on an organic basis. The Polish zloty and the Russian rouble devalued 3 per cent. and 2 per cent., respectively, impacting reported EBIT.

Volume in Russia grew 24 per cent. in 2011 compared to 2010 in a slightly declining market. This growth was primarily driven by a strong volume recovery in 2011 (following excise related price increases in 2010), as well as successful innovation and activation of key brands. Volume growth was led by the Three Bears, Ochota and Heineken® brands which all grew strongly. These strong brand performances contributed to an estimated market share gain of over 200 basis points during the year. EBIT (beia) declined, largely driven by unfavourable price and sales mix, increased input costs and higher fixed costs.

In Poland, beer volumes increased 2 per cent. in 2011 compared to 2010. A volume shift from traditional trade to modern trade channels adversely affected volume development of the Warka brand. However, Heineken® and the below-mainstream Tatra brand both grew by 6 per cent. and 34 per cent., respectively. EBIT (beia) was lower reflecting additional marketing costs and unfavourable channel mix.

EBIT (beia) in Austria grew double-digits in 2011 compared to 2010, led by higher volume and increased pricing. Volume increased 2.9 per cent., led by Gösser and Zipfer, which both grew by over 5 per cent.

In Romania, volume grew in the high single-digits in 2011 compared to 2010, led by the strong brand performance of Bucegi, which exceeded 2 million hectolitres for the first time. EBIT (beia) grew significantly, driven by volume, increased pricing and cost control.

The beer market in Greece continued to be impacted by weak consumer confidence, high unemployment and the reduced consumer spending from earlier increases in excise and value added tax in 2011. Compared to 2010, volume declined in the low double-digits, broadly in line with the overall market. The Company continued to invest in innovation with the successful introduction of Amstel Premium Pilsener. The realisation of substantial cost savings only partly offset the impact of lower revenues, resulting in a double-digit decrease in EBIT (beia).

The Americas

Organic Group beer volume growth in 2011 compared to 2010 reflects higher volume in Brazil, the Caribbean, Chile and Argentina, partially offset by lower volume in the USA. Group beer volume in the Americas region grew 1.7 per cent. in 2011 compared to 2010, with 2010 calculated on a pro-forma basis including the volumes in Brazil and Mexico for the full-year 2010.

Heineken® volume grew marginally in 2011 compared to 2010 with strong brand growth in Brazil, Chile, Argentina and Mexico, partially offset by lower brand volume in the USA. Dos Equis continues its solid brand performance in the USA and Mexico with double-digit volume growth in both markets.

EBIT (beia) in 2011 includes a €70 million contribution from the first-time consolidation of the beer operations of FEMSA. The decrease in operating profit (beia) margin in 2011 compared to 2010 primarily reflects the effect of this first time consolidation. On an organic basis, EBIT (beia) grew marginally with increased revenues largely offset by higher marketing investment.

In Mexico, the Company's value growth strategy continued to support strong growth in EBIT (beia) on a pro-forma basis in 2011. This was driven by higher pricing and cost synergies, partly offset by increased marketing investment. Group beer volume in Mexico grew moderately in 2011 compared to 2010, with 2010 calculated on a pro-forma basis including the full-year 2010 volume. The implementation of a new route-to-market and brand portfolio strategy is expected to support future profitability. Volume of the Tecate Light and Dos Equis brands grew strongly in 2011 compared to 2010 reflecting increased brand activation. Heineken® was successfully launched in 2011 in line with the Company's value growth strategy.

In Brazil, the overall beer market declined slightly in 2011 reflecting the effect of no increase in minimum wages, above inflation pricing (following a federal tax increase in April) and unfavourable weather. This follows strong promotional activity during the 2010 FIFA World Cup event. Volume in Brazil in 2011 compared to 2010 grew by mid single-digits on a pro-forma 12 month basis, led by growth of the Heineken®, Kaiser and Bavaria brands. EBIT (beia) was positively impacted by volume growth and higher pricing.

The US beer market declined 2.2 per cent. in 2011, as an uncertain economy continues to impede consumer spending. The Company's depletions (sales to retailers) decreased by 3.1 per cent. in 2011 compared to 2010, reflecting lower volume of the Heineken® and Amstel brands.

Volume momentum in the US improved in the fourth quarter of 2011, led by Heineken® and accelerated growth of the Dos Equis brand. EBIT (beia) in the USA declined in 2011 compared to 2010 reflecting lower revenues, increased freight costs and higher marketing spend.

Higher volume of CCU, the Company's joint venture business in Chile and Argentina, was led by growth of the Escudo and Heineken® brands in Chile. Profit of CCU grew in 2011, resulting in an increase in the share of net profit recognised by Heineken.

Africa and the Middle East

Group beer volume grew 12 per cent. in 2011 compared to 2010 including the impact of acquired breweries in Nigeria and Ethiopia. Group beer volume grew 6.2 per cent. organically, despite the challenging political and business environment in North Africa. Total consolidated volume increased 5.7 per cent. with growth across beer and soft drink categories.

The Heineken® brand achieved a milestone in the region in 2011, reaching 3 million hectolitres for the first time. Nigeria, Algeria and South Africa accounted for over two thirds of this brand growth.

EBIT (beia) grew 9.3 per cent. organically in 2011 compared to 2010, reflecting increased volumes and the benefit of higher pricing. Strong profit growth across most markets was only partially offset by lower profitability in Egypt. Reported EBIT (beia) grew 1.7 per cent., following an 8 per cent. devaluation of the Nigerian naira and a negative contribution from the acquired Sona breweries in Nigeria.

In Nigeria, volume grew 10 per cent. organically, underpinned by successful marketing and innovation initiatives and resulting in market share gain. Volume of all key brands, such as Legend, Heineken®, Maltina, Gulder and Star increased. Organic EBIT (beia) growth was driven by strong volume growth, positive pricing and sales mix, partly offset by higher marketing investment.

In the Congo, Heineken's joint venture reported double-digit volume and EBIT growth in 2011 compared to 2010. Volume and EBIT (beia) in the Democratic Republic of Congo remained broadly stable in 2011 compared to 2010, as the Company's growth was impeded by capacity constraints.

Volume of Heineken's South African joint venture increased in the mid single-digits in 2011 compared to 2010, resulting in some share gains in a moderately expanding beer market. Volume growth was led by double-digit growth of Windhoek lager and by Heineken® (+4.8 per cent.).

Volume in Egypt declined by 17 per cent. in 2011 compared to 2010, due to social unrest and lower tourism levels. The effect of lower volume versus the prior year was partially compensated at EBIT (beia) level by the timely execution of a contingency plan.

Asia Pacific

The Asia Pacific region had another strong performance in 2011, with group beer volume growing 6.2 per cent. compared to 2010. This growth was spread across the Company's Asia Pacific Breweries ("**APB**") and United Breweries Ltd ("**UBL**") joint venture operations, and the Heineken export markets Taiwan and South Korea.

EBIT (beia) grew substantially in 2011 compared to 2010, driven by higher profit of APB. In May 2011, Heineken-APB China divested its 21 per cent. stake in Kingway Brewery. Heineken's share in the capital gain amounts to €19 million and is included in EBIT (beia) organic growth. Excluding this capital gain, EBIT (beia) organic growth would have been 24 per cent. in 2011. In 2011, the Vietnamese dong (a key currency for APB) depreciated by 12 per cent.

Heineken® grew 15 per cent. in 2011 compared to 2010, driven by strong brand growth in Taiwan, South Korea and Vietnam with the latter country becoming the second largest market for the Heineken® brand in the world.

In India, Heineken® was started to be brewed locally in August 2011 and is now being distributed in five major cities. A further national roll-out of the brand is planned for 2012.

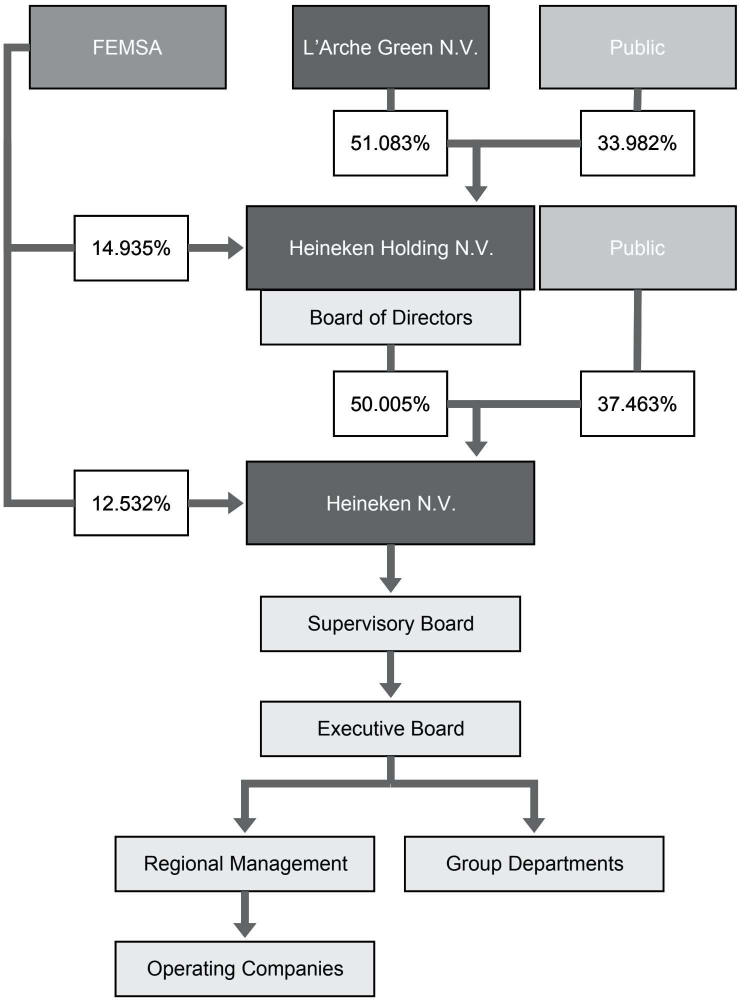
Net profit of APB, Heineken's joint venture with Fraser & Neave, increased substantially in 2011 compared to 2010. In Vietnam, strong volume growth and higher pricing supported substantial revenue and profit growth. Planned capacity expansion investments at the two breweries in Danang and Ho Chi Minh City were completed in October 2011. Volume growth was also strong in Papua New Guinea and Sri Lanka. In Indonesia, revenues and margins improved, driven by increased volume and higher pricing. Profit in Singapore was in line with last year. In China, a shift in strategic focus towards the international premium segment contributed to Heineken® growing 28 per cent. The Guangzhou brewery, where the Heineken®, Tiger and Anchor brands are all brewed will expand its capacity to 1.5 million hectolitres by the end of the first quarter of 2012.

The export market of Taiwan grew volume in the double-digits in 2011 compared to 2010. Organically, EBIT (beia) grew substantially.

Volume of UBL, Heineken's joint venture in India, grew 8.2 per cent. in 2011 compared to 2010, resulting in UBL reaching an all-time high market share of 55 per cent. Kingfisher is the undisputed leading beer brand in India, more than 3 times larger than its nearest competitor. UBL had a positive contribution to Heineken's share of net profit from joint ventures in 2011 compared to 2010.

Organisational Structure

The organisational and ownership structure of Heineken Holding N.V. and the Company is outlined in the following chart.



Together, FEMSA's shares in Heineken Holding N.V. and in Heineken N.V. represent a 20 per cent. economic interest in the Heineken Group.

Heineken N.V. is the parent company of the Heineken Group. The following companies are the most significant fully consolidated subsidiaries of Heineken as of 31 December 2011:

Company	*Country of incorporation*	*Percentage interest*
Heineken Nederlands Beheer B.V.	The Netherlands	100.0
Heineken Brouwerijen B.V.	The Netherlands	100.0
Heineken CEE Investments B.V.	The Netherlands	100.0
Heineken Nederland B.V.	The Netherlands	100.0
Heineken International B.V.	The Netherlands	100.0
Heineken Supply Chain B.V.	The Netherlands	100.0
Amstel Brouwerij B.V.	The Netherlands	100.0
Amstel Internationaal B.V.	The Netherlands	100.0
Vrumona B.V.	The Netherlands	100.0
Invebra Holland B.V.	The Netherlands	100.0
B.V. Beleggingsmaatschappij Limba	The Netherlands	100.0

Company	*Country of incorporation*	*Percentage interest*
Brand Bierbrouwerij B.V.	The Netherlands	100.0
Heineken CEE Holdings B.V.	The Netherlands	100.0
Brasinvest B.V.	The Netherlands	100.0
Heineken Beer Systems B.V.	The Netherlands	100.0
Central Europe Beverages B.V.	The Netherlands	72.0
Heineken France S.A.S.	France	100.0
Heineken UK Ltd.	United Kingdom	100.0
Sociedade Central de Cervejas et Bebidas S.A.	Portugal	98.7
Oy Hartwell Ab.	Finland	100.0
Heineken España S.A.	Spain	98.7
Heineken Italia S.p.A.	Italy	100.0
Athenian Brewery S.A.	Greece	98.8
Brau Union AG	Austria	100.0
Brau Union Ōsterreich AG	Austria	100.0
Grupa Zywiec S.A.	Poland	61.9
Heineken Ireland Ltd.	Ireland	100.0
Heineken Hungária Sorgyárak Zrt.	Hungary	100.0
Heineken Slovensko a.s.	Slovakia	100.0
Heineken Switzerland AG	Switzerland	100.0
Karlovacka Pivovara d.o.o.	Croatia	100.0
Mouterij Albert N.V.	Belgium	100.0
Ibecor S.A.	Belgium	100.0
Affligem Brouwerij BDS N.V.	Belgium	100.0
N.V. Brouwerijen Alken-Maes Brasseries S.A.	Belgium	99.9
LLC Heineken Breweries	Russia	100.0
Heineken USA Inc.	United States	100.0
Heineken Ceská republika a.s.	Czech Republic	100.0
Heineken Romania S.A.	Romania	98.4
FCJSC Heineken Breweries	Belarus	100.0
OJSC, Rechitsapivo’	Belarus	86.2
Commonwealth Brewery Ltd.	Bahamas	75.0
Windward & Leeward Brewery Ltd.	St. Lucia	72.7
Cervecerias Baru-Panama S.A.	Panama	74.9
Nigerian Breweries Plc.	Nigeria	54.1
Al Ahram Beverages Company S.A.E.	Egypt	99.9
Brasserie Lorraine S.A.	Martinique	100.0
Surinaamse Brouwerij N.V.	Surinam	76.2
Cuahtemoc Moctezuma Holding, S.A. de C.V.	Mexico	100.0
Fabricas Monterrey, S.A. de C.V.	Mexico	100.0
Silices de Veracruz, S.A. de C.V.	Mexico	100.0
Cervejarias Kaiser Brasil S.A.	Brazil	100.0
Consolidated Breweries Ltd.	Nigeria	50.5
Brasserie Almaza S.A.L.	Lebanon	67.0
Brasseries, Limonaderies et Malteries ‘Bralima’ S.A.R.L.	D.R. Congo	95.0
Brasseries et Limonaderies du Rwanda ‘Bralirwa’ S.A.	Rwanda	75.0
Brasseries et Limonaderies du Burundi ‘Brarudi’ S.A.	Burundi	59.3
Brasseries de Bourbon S.A.	Réunion	85.7
Sierra Leone Brewery Ltd.	Sierra Leone	83.1
Tango s.a.r.l.	Algeria	100.0
Société Nouvelle des Boissons Gazeuses S.A.	Tunisia	74.5
Société Nouvelle de Brasserie S.A. ‘Sonobra’	Tunisia	49.9

Developments in 2011

Acquisition of Sona Group

On 12 January 2011, Heineken announced that it had strengthened its platform for growth in Nigeria via the acquisition of two holding companies from the Sona Group. The two acquired businesses had controlling interests in each of the Sona, IBBI, Benue, Life and Champion breweries in Nigeria.

The acquisition provides Heineken with an additional technical capacity of 3.7 million hectolitres, helping to alleviate the company's current capacity constraints in the market and improving the geographic location of its breweries. This will enable Heineken to take advantage of the attractive future growth opportunities that exist in different regions of the country. The acquisition has been funded from existing resources.

The Nigerian beer market (with estimated total beer volume of 16.5 million hectolitres in 2009) is the second largest in Africa and has grown at a compound annual growth rate of 9 per cent. over the past 10 years ending 2009. Nigeria is the most populated country in Africa with over 150 million people. Beer and non-alcoholic malt consumption was approximately 11 litres per annum in 2009, well below the global average of 27 litres.

Through this investment, Heineken provided direct and indirect employment opportunities for the domestic work force in Nigeria. Both Nigerian Breweries and Consolidated Breweries have invested heavily in Nigeria in recent years and remain committed to further development of the local beer market.

In October 2011, Heineken International transferred three of the earlier acquired breweries (Sona, Life and IBBI) of the Sona Group to Nigerian Breweries which is part of Heineken's existing business structure in Nigeria.

The transfer of the other two breweries (Benue and Champion) to Consolidated Breweries, which is also part of Heineken's existing business structure was completed in July 2011 and January 2012, respectively.

Acquisition of two breweries in Ethiopia

On 11 August 2011, Heineken announced that it had completed the acquisitions of the Bedele and Harar breweries from the government of the Federal Democratic Republic of Ethiopia for a total consideration of €115 million. These transactions follow Heineken's participation in the public auctions for the two breweries.

With brands such as Bedele Premium, Bedele Special, Harar, Hakim Stout and Harar Sofi (malt), the two breweries have a combined market share of 18 per cent. in the Ethiopian beer market.

Ethiopia is Africa's second most populated country with 85 million people and its beer market (3 million hectolitres[1]) grew approximately 20 per cent. per year over the past 5 years, compared to a GDP growth of 8 per cent. Beer and non-alcoholic malt consumption in Ethiopia was approximately 4 litres per capita in 2010.

Increase stake in FYROM joint venture Pivara Skopje

Heineken announced on 10 November 2011 that it had reached agreement to acquire, together with Coca-Cola Hellenic, 41.2 per cent. of the shares in Pivara Skopje, their joint venture beverage company in the Former Yugoslav Republic of Macedonia ("**FYROM**"). The shares were owned by various minority shareholders. The total consideration for the transaction is €79 million, equally divided between Heineken and Coca-Cola Hellenic.

Following the closing of the transaction, Heineken and Coca-Cola Hellenic together own 96.5 per cent. of the shares in Pivara Skopje. The remaining 3.5 per cent. of the shares is largely owned by former and current employees of the company.

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[1] Based on Plato World data sheets (August 2011 edition)

Pivara Skopje is the leading beverage company in the country, producing, marketing and distributing various beer and soft drink brands, most notably Skopsko and Coca-Cola. Heineken and Coca-Cola Hellenic acquired their initial 55.3 per cent. stake in the company in 1998.

Acquisition of Galaxy Pub Estate in United Kingdom

On 2 December 2011, Heineken announced that it had acquired the Galaxy Pub Estate ("**Galaxy**") in the UK from The Royal Bank of Scotland ("**RBS**") for £412 million (€480 million) on a cash-and-debt-free basis.

Galaxy consists of 918 high-quality, largely freehold pubs and has been managed by Scottish & Newcastle Pub Company ("**S&NPC**"), a Heineken subsidiary, since 1999 on behalf of RBS. Galaxy is combined with Heineken UK's existing portfolio of 462 outlets. Following this acquisition, Heineken is one of the leading pub owners and operators in the UK.

The provisional fair value of the pubs on Heineken's balance sheet is £378 million (€441 million), implying a multiple of 7.2 times based on a trailing 12-month EBITDA of £52.3 million (€61.0 million) for the estate. The early amortisation and termination of associated contracts under the acquisition is expected to give rise to a one-off, pre-tax P&L expense for Heineken in 2011 of €36 million.

Developments in 2012

Increase shareholding in leading Haitian brewer

Heineken announced on 14 December 2011, the intention to increase its shareholding in Brasserie Nationale d'Haiti S.A. ("**Brana**"), the country's leading brewer, from 22.5 per cent. to 95 per cent. The shares were owned by Brana's management and private shareholders. Financial details are not disclosed. The transaction closed on 17 January 2012.

Brana is the leading beverage company in Haiti, producing, marketing and distributing various beer and malt brands, most notably Prestige, Malta H and Guinness (licensed), as well as various PepsiCo licensed soft drink brands. Heineken acquired its initial 22.5 per cent. stake in the company in the 1980s.

Financing activity in 2011

Heineken announced on 5 May 2011 the successful closing of a new Revolving Credit Facility for an amount of €2 billion with a syndicate of 17 banks. The new multi-currency facility replaced Heineken's existing €2 billion Revolving Credit Facility, which was scheduled to mature on 22 April 2012. The new self-arranged credit line has a tenor of five years with two 1-year extension options and can be used for general corporate purposes (including acquisitions).

The 17 Bookrunners and Mandated Lead Arrangers of this club deal were ABN AMRO, Barclays, Banco Bilbao Vizcaya Argentaria, Banco Santander, BNP Paribas, CM-CIC, Citi, Credit Agricole, Credit Suisse, Deutsche Bank, HSBC Bank, ING Bank, Intesa Sanpaolo, J.P. Morgan, Rabobank, Raiffeisen Bank and Société Générale.

On 27 October 2011, Heineken privately placed U.S.$90 million of notes with a 6-year maturity, further improving the currency and maturity profile of its long-term debt.

Information and communication Technology ("ICT")

Heineken's worldwide operations are highly dependent on the availability and integrity of its (common) information systems. IT processes and infrastructure 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 has a positive impact on the overall control environment.

Material Contracts

Heineken has not entered into any material contracts which are not in the ordinary course of Heineken's business, and which could result in any Group member being under an obligation or entitlement that is material to Heineken's ability to meet its obligations to the Noteholders.

Share Capital and Shareholders

Heineken N.V.

The authorised share capital of the Company amounts to €2,500,000,000, divided into 1,562,500,000 ordinary shares with a nominal value of €1.60 each. In 2011, the average trading volumes of Heineken shares was 1,073,506 shares. The issued share capital of the Company is divided into 576,002,613 ordinary shares with a nominal value of €1.60 each. All issued shares are fully paid up. The ordinary shares in the Company are listed on NYSE Euronext in Amsterdam.

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 shareholdings regarding Heineken N.V.:

– Mrs. C.L. de Carvalho-Heineken (indirectly 50.005 per cent.; the direct 50.005 per cent. shareholder is Heineken Holding N.V.)

– Voting Trust (FEMSA) (indirectly 10.14 per cent.; the direct 10.14 per cent. shareholder is CB Equity LLP); as at 31 December 2011 CB Equity LLP holds 12.53 per cent.

– Massachusetts Financial Services Company (a capital interest of 2.12 per cent. and a voting interest of 5.00 per cent. of which 2.94 per cent. is held directly and 2.06 per cent. is held indirectly)

Heineken Holding N.V.

The ordinary shares of Heineken Holding N.V. are listed on NYSE Euronext in Amsterdam. In 2011, the average daily trading volume of Heineken Holding N.V. shares was 197,768 shares. The issued share capital of the Company consists of 288,030,168 ordinary shares with a nominal value of €1.60 each and 250 priority shares of €2.00 nominal value. Heineken Holding N.V. engages in no activities other than those relating to the ownership of the Company. Heineken Holding N.V. does not carry out any operational activities, unlike the Company and other companies in the Heineken Group.

The Company is responsible for the development and implementation of the strategy of Heineken, whereas Heineken Holding N.V. is concerned primarily with safeguarding the continuity, independence and stability of Heineken's activities in the long term.

The net asset values of the shares in the Company and the ordinary shares in Heineken Holding N.V. as well as the dividend policies of both companies are identical. Pursuant to the Dutch 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 shareholdings regarding Heineken Holding N.V.:

– L'Arche Green N.V. has disclosed an interest of 51.08 per cent. in Heineken Holding N.V.

– CB Equity LLP has disclosed an interest of 14.94 per cent. in Heineken Holding N.V.

Management Structure

An Executive Board, consisting at any time of two or more members, is responsible for the management of Heineken under the supervision of a Supervisory Board, consisting at any time of three or more members. The members of the Executive Board and the Supervisory Board are appointed by the General Meeting of Shareholders subject to non-binding nominations from the Supervisory Board. Members of the Supervisory Board are appointed for a maximum period of four years. A retiring member of the Supervisory Board may only be re-appointed twice. This restriction does not apply to: (i) relations by blood or affinity of Mr. A.H. Heineken, former chairman of the Executive Board; and (ii) persons that are also members of the Board of Directors of Heineken Holding N.V. The General Meeting of Shareholders resolves on all significant corporate matters within Heineken.

Executive Board

The current members of the Executive Board of Heineken are:

Name (Year of Birth)	*Function/responsibilities*	*Directorships in Dutch stock listed companies and other significant positions external to the Heineken Group*[(1)]
J.F.M.L. van Boxmeer (1961)	Chairman/CEO	Board member at Kraft US
D.R. Hooft Graafland (1955)	Member/CFO	N/A

Supervisory Board

The current members of the Supervisory Board of Heineken are:

Name (Year of Birth)	*Function/responsibilities*	*Directorships in Dutch stock listed companies and other significant positions external to the Heineken Group*[(1)]
C.J.A. van Lede (1942)	Chairman Appointed in 2002, last reappointed in 2010 Chairman of the Preparatory Committee, Chairman of the Selection & Appointment Committee, Member of the Remuneration Committee	Supervisory directorships: – Royal Philips Electronics N.V. Other: – Sara Lee Corporation – Air Liquide S.A. – Air France/KLM – Senior Advisor Europe JP Morgan Plc (London)
J.A. Fernández Carbajal (1954)	Vice-Chairman Appointed in 2010 Chairman of the Americas Committee, Member of the Preparatory Committee, Member of the Selection & Appointment Committee	Chairman and CEO of FEMSA Other: – Heineken Holding N.V. – Chairman of the Board of Coca-Cola Femsa – Vice-chairman of the Board of Tecnólogico de Monterrey – Grupo financiero BBVA Bancomer

Name (Year of Birth)	*Function/responsibilities*	*Directorships in Dutch stock listed companies and other significant positions external to the Heineken Group*(1)
		– Grupo Industrial Bimbo – Televisa Xignux – Cemex – Airolíneas Volaris – Industrias Peñoles
J.M. de Jong (1945)	Vice-Chairman Appointed in 2002, last reappointed in 2010 Chairman of the Audit Committee	Supervisory directorships: – Nutreco Holding N.V. Other: – CRH plc (Ireland) – AON Groep Nederland B.V. – Kredietbank S.A. Luxembourgeoise – Krediet Bank N.V.
M. Das (1948)	Appointed in 1994, last reappointed in 2009 Delegated Member(2) Chairman of the Remuneration Committee, Member of the Preparatory Committee, Member of the Selection & Appointment Committee	Other positions: – Heineken Holding N.V. (chairman of board of directors) – Greenfee B.V. (chairman) – L'Arche Green N.V. (chairman) – Stichting Administratiekantoor Priores – LAC B.V.
M.R. de Carvalho (1944)	Appointed in 1996, last reappointed in 2011 Member of the Preparatory Committee, Member of the Selection & Appointment Committee, Member of the Remuneration Committee, Member of the Americas Committee	Other positions: – L'Arche Green N.V.
J.M. Hessels (1942)	Appointed in 2001, last reappointed in 2009 Member of the Audit Committee	Supervisory directorships: – Royal Philips Electronics N.V. (chairman) Other: – NYSE Euronext (chairman)

Name (Year of Birth)	*Function/responsibilities*	*Directorships in Dutch stock listed companies and other significant positions external to the Heineken Group*[(1)]
		– Central Plan Committee of The Netherlands Bureau for Economic Policy Analysis (CPB) (chairman)
A.M. Fentener van Vlissingen (1961)	Appointed in 2006; last reappointed in 2010 Member of the Remuneration Committee, Member of the Selection & Appointment Committee	Supervisory directorships: – Draka Holding N.V. Other: – SHV Holdings N.V. (chairman) – De Nederlandsche Bank N.V.
M.E. Minnick (1959)	Appointed in 2008 Member of the Americas Committee	Partner in Lion Capital LLP
V.C.O.B.J. Navarre (1958)	Appointed in 2009 Member of the Audit Committee	President and CEO of LVMH Wines & Spirits Group
J.G. Astaburuaga Sanjinés (1959)	Appointed in 2010 Member of the Audit Committee	CFO of FEMSA Other: Coca Cola Femsa

Notes:

(1) *Only significant directorships and other positions are listed here.*

(2) *Appointed by the General Meeting as Delegated Member. The Supervisory Board intends to effect a more intensive supervision and advice and more regular consultation with the Executive Board by having a delegated member.*

Heineken announced on 1 November 2011 that it will propose to the Annual General Meeting of Shareholders (AGM), to be held on 19 April 2012, to appoint Mr Hans Wijers as member of its Supervisory Board for a four year term. The intention is that Mr Wijers will become a member of the Audit Committee at the 2012 AGM and succeed Mr Kees van Lede as Chairman of the Supervisory Board at the 2013 AGM.

Mr Wijers (1951), a Dutch citizen, is currently the Chairman of the Board of Management and CEO of Akzo Nobel N.V., the world's largest paints and coatings company and a major producer of speciality chemicals. He will retire from this position in April 2012. Before joining AkzoNobel, Mr Wijers was a Senior Partner and Chairman of the Dutch office of the Boston Consulting Group and served as Minister for Economic Affairs in the Dutch government.

Mr Wijers is a graduate of the University of Groningen and was an Assistant Professor of Economics at the Erasmus University of Rotterdam (where he received his PhD in economics). He is Non-Executive Director at Royal Dutch Shell PLC, a member of the European Roundtable of Industrialists and a Trustee of various charities.

To keep the Heineken N.V. Supervisory Board to the agreed upon size of 10 members, Mr Jan Michiel Hessels will step down from the Supervisory Board at the AGM on 19 April 2012.

The business address of all of the members of the Supervisory Board and the Executive Board is Tweede Weteringplantsoen 21, 1017 ZD, Amsterdam, the Netherlands.

Heineken is not aware of any potential conflicts of interest between the duties to Heineken of the persons listed as members of the Executive Board or the Supervisory Board above and their private interests or other duties.

Corporate Governance

The Company endorses the principles of the Code of December 2008 ("**Code 2008**"), an amendment of the Code of December 2003 and applies virtually all best practice provisions. In particular, the structure of Heineken, and specifically the relationship between Heineken Holding N.V. and the Company, prevents the Company from applying a small number of best practice provisions.

The Annual General Meeting of 22 April 2010 discussed the Company's departure from the Code 2008. The following best practice provisions, are not (fully) applied or applied with an explanation:

II The Executive Board

II.2 Remuneration

II.2.8 The remuneration in the event of dismissal may not exceed one year's salary (the 'fixed' remuneration component). If the maximum of one year's salary would be manifestly unreasonable for a member of the Executive Board who is dismissed during his first term of office, such board member shall be eligible for severance pay not exceeding twice the annual salary.

Heineken will apply this best practice provision. For the present members of the Executive Board, in view of their long term in service (over 25 years) the limitation of the severance payment to a maximum of one year will only apply in case of dismissal for cause.

III Supervisory Board

III.2 Independence

III.2.1 All Supervisory Board members, with the exception of not more than one person, shall be independent within the meaning of best practice provision III.2.2.

Five members of the Supervisory Board do not meet the applicable criteria (see III 2.2 (a), (c) and (e)). However, the Supervisory Board has ascertained that these five members in fact act critically and independently.

III.2.2 A Supervisory Board member shall be deemed to be independent if the following criteria of dependence do not apply to him. These criteria are that the Supervisory Board member concerned or his wife, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree as defined under Dutch law:

(a) has been an employee or member of the management board of the company (including associated companies as referred to in section 5:48 of the Financial Supervision Act (Wet op het financieel toezicht/Wft) in the five years prior to the appointment;

Mr. De Jong was, prior to his appointment in 2002, a member of the Board of Directors of Heineken Holding N.V. for one year.

(c) *has had an important business relationship with the company, or a company associated with it, in the year prior to the appointment. This includes the case where the Supervisory Board member, or the firm of which he is a shareholder, partner, associate or adviser, has acted as adviser to the company (consultant, external auditor, civil notary and lawyer) and the case where the supervisory board member is a management board member or an employee of any bank with which the company has a lasting and significant relationship;*

Mr. Das was a partner in a law firm, which advised Heineken N.V. the year before his appointment in 1994.

Mr. Fernandez is the CEO and Mr. Astaburuaga is the CFO of FEMSA, which has had 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.

(e) *holds at least ten per cent. of the shares in the company (including the shares held by natural persons or legal entities which cooperate with him under an express or tacit, oral or written agreement);*

Mr. de Carvalho is married to Mrs. de Carvalho-Heineken. Mrs. de Carvalho indirectly holds more than 10 per cent of the shares in Heineken N.V.

III.2.3 The report of the Supervisory Board shall state that, in the Board's view, best practice provision III.2.1 has been fulfilled, and shall also state which Supervisory Board member is not considered to be independent, if any.

The report of the Supervisory Board will state that five members of the Supervisory Board do not meet the criteria of III.2.2 ((a), (c) and (e)) and that the Supervisory Board has ascertained that these five members in fact act critically and independently.

III.3 Expertise and composition

III.3.5 A person may be appointed to the Supervisory Board for a maximum of three 4-year terms.

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 (former chairman of the Executive Board), or who are members of the Board of Directors of Heineken Holding N.V. For all other members Heineken applies the best practice provision.

III.4 The Chairman of the Supervisory Board and the Company Secretary

III.4.1 The Chairman of the Supervisory Board shall ensure that:

(a) *the Supervisory Board members follow their induction and education or training programme;*

(b) *the Supervisory Board members receive in good time all information which is necessary for the proper performance of their duties;*

(c) *there is sufficient time for consultation and decision-making by the Supervisory Board;*

(d) *the committees of the Supervisory Board function properly;*

(e) *the performance of the Executive Board members and Supervisory Board members is assessed at least once a year;*

(f) *the Supervisory Board elects a Vice-Chairman; and*

(g) *the Supervisory Board has proper contact with the Executive Board and the Works Council (or Central Works Council).*

Heineken applies this best practice provision, with the exception of a part of criterion (g) contact with the Central Works Council. This relates to the structure of the Group. The Central Works Council operates on the level of Heineken Nederlands Beheer B.V., a subsidiary with a separate Supervisory Board.

III.5 Composition and role of three key committees of the Supervisory Board

III.5.11 The Remuneration Committee may not be chaired by the Chairman of the Supervisory Board or by a former member of the Executive Board of the company, or by a Supervisory Board member who is a member of the management board of another listed company.

Given the structure of the Heineken Group and the character of the Board of Directors of Heineken Holding N.V., Heineken will not apply this best practice provision to the extent that the Remuneration Committee can be chaired by a Supervisory Board member who is also a member of the Board of Directors of Heineken Holding N.V. Currently the Remuneration Committee is chaired by Mr. Das, Chairman of the Board of Directors of Heineken Holding N.V.

III.6 Conflicts of interest

III.6.6 A delegated Supervisory Board member is a Supervisory Board member who has a special duty. The delegation may not extend beyond the duties of the Supervisory Board itself and may not include the management of the company. It may entail more intensive supervision and advice and more regular consultation with the Executive Board.

The delegation shall be of a temporary nature only. The delegation may not detract from the role and power of the Supervisory Board. The delegated Supervisory Board member remains a member of the Supervisory Board.

As regulated in the Articles of Association of Heineken N.V., the delegated Supervisory Board member, a position currently held by Mr. Das (Chairman of the Board of Directors of Heineken Holding N.V.), is consistent with this best practice provision, except insofar that the position is not temporary and is held for the term for which the member concerned is appointed by the General Meeting of Heineken N.V. Heineken considers that, as regulated by the Articles of Association of Heineken N.V., the post of delegated Supervisory Board member, which has been in existence since 1952, befits the structure of the Heineken Group.

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

II.2.4 (Remuneration Options), II.2.6 (Remuneration Option Exercise Price) and II.2.7 (Modification Option Exercise Price): the Company does not grant options on shares.

III.8 (One-tier Management Structure): the Company does not have a one-tier management structure.

IV.1.2 (Voting Rights Attached to Financing Preference Shares): the Company has no financing preference shares.

IV.2 (Depository Receipts for Shares): the Company has no depository receipts of shares, nor a trust office.

IV.3.11 (Survey of Existing or Potential Takeover Measures): the Company has no anti-takeover measures.

IV.4 (Responsibility of Shareholders): this principle and best practice provision relates to shareholders.

V.3.3 (Recommendation Internal Audit Function): the Company has an internal audit function.

The Comply or Explain report is also available at www.theheinekencompany.com. The Dutch corporate Governance Code can be downloaded at www.commissiecorporategovernance.nl.

Committees of the Supervisory Board

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

The function of these committees is to prepare the Supervisory Board to make decisions. 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.theheinekencompany.com.

Preparatory Committee

The Preparatory Committee is responsible for preparing the Supervisory Board to make decisions on matters not 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 must 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 they discover 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 Heineken and the character of the board of directors of Heineken Holding N.V., the Remuneration Committee may be chaired by a Supervisory Board member who is a member of the board of directors of Heineken Holding N.V. (as currently is the case with Mr. M. Das).

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

The Remuneration Committee, *inter alia*, makes proposals to the Supervisory Board in respect of the remuneration policy to be pursued and 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 proposals for the composition profile of the Supervisory Board, (iii) periodically assesses the functioning of individual Supervisory Board members and Executive Board members and reports on this to the Supervisory Board, (iv) makes proposals for appointments and reappointments and (v) supervises the policy of the Executive Board on the selection criteria and appointment procedures for senior management.

Americas Committee

The Americas Committee oversees the strategic direction of the business of the Americas Region and reviews and evaluates performance, organisation and management in the Americas Region.

Management reporting lines

Management responsibility within the Heineken Group is centralised at Heineken's Executive Board level. The two members of the Executive Board, together with the five Regional Presidents and six Group Directors form the Executive Committee. The Executive Committee supports the development of policies and ensures the alignment and implementation of key priorities and strategies across the organisation.

Three-year operational plans are prepared annually with targets set by means of, for example, key performance indicators (such as revenue growth, gross profit growth, EBIT, FOCF, RONA (see "*Glossary*"), market shares and volumes by brand.

Reporting takes place on a weekly basis with respect to volumes (for the larger operating companies in the Heineken Group), on a monthly basis with respect to profit and loss accounts, cash flow and balance sheet items. Other key performance indicators are reported upon on a quarterly basis.

SELECTED FINANCIAL INFORMATION

The table below shows Heineken's full year key figures for the financial years ending 31 December 2011 and 31 December 2010.

Key Financial Figures	***2011****	***2010*****
(In millions of EUR)		
Income Statement Data		
Revenue	17,123	16,133
EBIT (beia)	2,697	2,623
EBIT (beia) margin***	15.8%	16.3%
Net interest expense****	424	490
Profit	1,430	1,447
Balance Sheet Data		
Cash and cash equivalents	813	610
Total assets	27,127	26,662
Net interest bearing debt	8,355	8,099
Total equity	10,092	10,220

Notes:

* 2011 figures are derived from Heineken's 2011 consolidated financial statements.

** 2010 figures are derived from the 2010 comparatives in the 2011 financial statement of Heineken. The 2010 figures have been restated due to a change in accounting policy with respect to employee benefits and the change in presentation of segmentation as explained in note 2(e) and note 5 of the 2011 financial statements.

*** The EBIT (beia) margins have been calculated by dividing EBIT (beia) by revenue.

**** Net interest expense: interest income less interest expense.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date. The information contained within this section is limited to taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

NETHERLANDS TAXATION

General

The following summary outlines the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes, but does not purport to be a comprehensive description of all Netherlands tax considerations in relation thereto. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Notes.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Base Prospectus, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Netherlands tax consequences for:

(i) holders of Notes holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer and holders of Notes of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds, or is deemed to hold (i) an interest of 5 per cent. or more of the total issued capital of the Issuer or of 5 per cent. or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;

(ii) persons to whom the Notes and the income from the Notes are attributed based on the separated private assets (*afgezonderd particulier vermogen*) provisions of the Netherlands income tax Act 2001 (*Wet inkomstenbelasting 2001*) and the Netherlands gift and inheritance tax Act (*Successiewet 1956*);

(iii) investment institutions (*fiscale beleggingsinstellingen*); and

(iv) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are exempt from Netherlands corporate income tax.

Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom.

Withholding Tax

All payments made by the Issuer under the Notes may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein provided that the Notes do not in fact function as equity of the Issuer within the meaning of article 10, paragraph 1, under d of the Netherlands corporate income tax act 1969 (*Wet op de vennootschapsbelasting 1969*).

Corporate and Individual Income Tax

(a) Residents of the Netherlands

If a holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Notes are attributable, income derived from the Notes and gains realised upon the redemption, settlement or disposal of the Notes are generally taxable in the Netherlands (at up to a maximum rate of 25 per cent.).

If an individual holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes (including an individual holder who has opted to be taxed as a resident of the Netherlands), income derived from the Notes and gains realised upon the redemption, settlement or disposal of the Notes are taxable at the progressive rates (at up to a maximum rate of 52 per cent.) under the Netherlands income tax act 2001 (*Wet inkomstenbelasting 2001*), if:

(i) the holder is an entrepreneur (*ondernemer*) and has an enterprise to which the Notes are attributable or the holder has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Notes are attributable; or

(ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance of activities with respect to the Notes that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies to the holder of the Notes, taxable income with regard to the Notes must be determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments has been fixed at a rate of 4 per cent. of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year (1 January), insofar as the individual's yield basis exceeds a certain threshold. The individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Notes less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Notes will be included as an asset in the individual's yield basis. The 4 per cent. deemed return on income from savings and investments is taxed at a rate of 30 per cent.

(b) Non-residents of the Netherlands

If a holder is not a resident nor is deemed to be a resident of the Netherlands for Netherlands tax purposes (nor has opted to be taxed as a resident of the Netherlands), such holder is not liable to Netherlands income tax in respect of income derived from the Notes and gains realised upon the settlement, redemption or disposal of the Notes, unless:

(i) the holder is not an individual and such holder (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) is (other than by way of securities) entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25 per cent.

(ii) the holder is an individual and such holder (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) realises income or gains with respect to the Notes that qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*) in the Netherlands, which activities include the performance of activities in the Netherlands with respect to the Notes which exceed regular, active portfolio management (*normaal, actief vermogensbeheer*), or (3) is (other than by way of securities) entitled to a share in the profits of an enterprise which is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

Income derived from the Notes as specified under (1) and (2) is subject to individual income tax at up to a maximum rate of 52 per cent. Income derived from a share in the profits as specified under (3) that is not already included under (1) or (2) will be taxed on the basis of a deemed return on income from savings and investments (as described above under "Residents of the Netherlands"). The fair market value of the share in the profits of the enterprise (which includes the Notes) will be part of the individual's Netherlands yield basis.

Gift and Inheritance Tax

(a) Residents of the Netherlands

Generally, gift and inheritance tax will be due in the Netherlands in respect of the acquisition of the Notes by way of a gift by, or on behalf of, or on the death of, a holder that is a resident or deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax at the time of the gift or his or her death. A gift made under a condition precedent is deemed to be a made at the time the condition precedent is fulfilled and is subject to Netherlands gift and inheritance tax if the donor is, or is deemed to be resident of the Netherlands at that time.

A holder of Netherlands nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift and inheritance tax if he or she has been resident in the Netherlands and dies or makes a gift within ten years after leaving the Netherlands. A holder of any other nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift tax if he or she has been resident in the Netherlands and makes a gift within a twelve months period after leaving the Netherlands. The same twelve-month rule may apply to entities that have transferred their seat of residence out of the Netherlands.

(b) Non-residents of the Netherlands

No gift or inheritance taxes will arise in the Netherlands in respect of the acquisition of the Notes by way of a gift by, or as a result of, the death of a holder that is neither a resident nor deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax, unless in the case of a gift of the Notes by, or on behalf of, a holder who at the date of the gift was neither a resident nor deemed to be a resident of the Netherlands, such holder dies within 180 days after the date of the gift, and at the time of his or her death is a resident or deemed to be a resident of the Netherlands. A gift made under a condition precedent is deemed to be a made at the time the condition precedent is fulfilled.

Value Added Tax

In general, no value added tax will arise in respect of payments in consideration for the issue of the Notes or in respect of a cash payment made under the Notes, or in respect of a transfer of Notes.

Other Taxes and Duties

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Notes.

LUXEMBOURG TAXATION

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature refers to Luxembourg tax law and/or concepts only.

Withholding Tax

(i) Non-resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005, as amended (the "**Laws**"), there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Under the Laws implementing the Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the "**Territories**"), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Laws will be subject to a withholding tax at a rate of 35 per cent.

(ii) Resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the "**Law**"), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent.

AUSTRIA TAXATION

This section contains a brief summary of the Issuer's understanding with regard to certain important principles which are of significance in connection with the purchase, holding or sale of the Notes in the Republic of Austria. This summary does not purport to exhaustively describe all possible tax aspects and does not deal with specific situations which may be of relevance to certain potential investors. The following comments are rather of a general nature and are included herein solely for information purposes. These comments are not intended to be, nor should they be construed to be, legal or tax advice. This summary furthermore only refers to investors which are subject to unlimited (corporate) income tax liability in Austria. It is based on the currently valid tax legislation, case law and regulations of the tax authorities, as well as their respective interpretation, all of which may be amended from time to time. Such amendments may possibly also be effected with retroactive effect and may negatively impact on the tax consequences described.

It is recommended that potential purchasers of the Notes consult with their legal and tax advisors as to the tax consequences of the purchase, holding or sale of the Notes. Tax risks resulting from the Notes (in particular, from a potential qualification as a foreign investment fund within the meaning of sec. 42 of the Austrian Investment Funds Act 1993 (Investmentfondsgesetz 1993)) shall, in any case, be borne by the purchaser. In general, it has to be noted that the Austrian tax authorities have a rather critical attitude towards structured products which may also give rise to tax benefits. For the purposes of the following it is assumed that the Notes are legally and factually offered to an indefinite number of persons.

General

Individuals having a permanent domicile (*Wohnsitz*) and/or their habitual abode (*gewöhnlicher Aufenthalt*) in Austria are subject to income tax (*Einkommensteuer*) in Austria on their worldwide income (unlimited income tax liability; *unbeschränkte Einkommensteuerpflicht*). Individuals having neither a permanent domicile nor their habitual abode in Austria are subject to income tax only on income from certain Austrian sources (limited income tax liability; *beschränkte Einkommensteuerpflicht*).

Corporations having their place of effective management (*Ort der Geschäftsleitung*) and/or their legal seat (*Sitz*) in Austria are subject to corporate income tax (*Körperschaftsteuer*) in Austria on their worldwide income (unlimited corporate income tax liability; *unbeschränkte Körperschaftsteuerpflicht*). Corporations having neither their place of effective management nor their legal seat in Austria are subject to corporate income tax only on income from certain Austrian sources (limited corporate income tax liability; *beschränkte Körperschaftsteuerpflicht*).

In the case of both unlimited and limited (corporate) income tax liability, Austria's right to tax may be restricted by double taxation treaties.

As of 1 January 2011, the Budget Accompanying Act of 2011 (*Budgetbegleitgesetz 2011*; the "**BBG 2011**"), which will lead to significant changes in the taxation of financial instruments, entered into force. Since the Austrian Constitutional Court (*Verfassungsgerichtshof*) decided that the primary implementation date of 1 October 2011 is unconstitutional, the Tax Amendments Act of 2011 (*Abgabenänderungsgesetz 2011*) postponed it by six months until 1 April 2012. By way of the Budget Accompanying Act of 2012 (*Budgetbegleitgesetz 2012*) further changes in the new taxation regime of investment income were made. It is expected that guidelines of the Austrian Ministry of Finance will be published shortly, in which the views of the tax authorities on disputed questions in connection with the new taxation regime of financial instruments will be presented.

Income taxation of Notes purchased after 30 September 2011 and before 1 April 2012

In general, the Notes qualify as bonds (*Forderungswertpapiere*) in the sense of sec. 93(3) of the Austrian Income Tax Act (*Einkommensteuergesetz*) prior to the BBG 2011 entering into force.

Individuals subject to unlimited income tax liability in Austria holding bonds, in the sense of sec. 93(3) of the Austrian Income Tax Act prior to the BBG 2011 entering into force as a non-business asset (*Privatvermögen*), are subject to income tax on all resulting interest payments (which term also encompasses the difference between the redemption price and the issue price) pursuant to sec. 27(1)(4) and sec. 27(2)(2) of the Austrian Income Tax Act prior to the BBG 2011 entering into force. If such interest is paid out by an Austrian paying agent (*kuponauszahlende Stelle*) then the payments are subject to a withholding tax of 25 per cent. No additional income tax is levied over and above the amount of tax withheld (final taxation; *Endbesteuerung*). If interest payments are not effected through an Austrian paying agent, a flat income tax rate of 25 per cent. applies. Since no withholding tax is levied here, interest payments must be included in the income tax return of the investor. In both cases, an option exists to apply for taxation on all income subject to the flat tax rate of 25 per cent. at the lower progressive income tax rate. Income from the sale of the Notes before 1 April 2012 is taxable as income from speculative transactions (*Einkünfte aus Spekulationsgeschäften*) at the progressive income tax rate of up to 50 per cent. Negative income from speculative transactions can basically only be offset against positive income from speculative transactions; an overall loss resulting from speculative transactions cannot be offset against any other type of income. Income from speculative transactions amounting to €440.- at most in a calendar year remains tax-free. Income from the sale of the Notes after 31 March 2012 is considered to be income from speculative transactions irrespective of the holding period, but is subject to the flat tax rate of 25 per cent.

Individuals subject to unlimited income tax liability in Austria holding bonds as a business asset (*Betriebsvermögen*) are subject to income tax on all resulting interest payments (which term also encompasses the difference between the redemption price and the issue price). Such interest payments are subject to a withholding tax of 25 per cent. in case they are paid out by an Austrian paying agent. No additional income tax is levied over and above the amount of tax withheld (final taxation). If interest payments are not effected through an Austrian paying agent, a flat income tax rate of 25 per cent. applies. Since no withholding tax is levied here, these interest payments must be included in the income tax return of the investor. In both cases, an option exists to apply for taxation of all income subject to the flat tax rate of 25 per cent. at the lower progressive income tax rate. Income from the sale of the Notes before 1 April 2012 is subject to taxation at the progressive income tax rate of up to 50 per cent. Losses from the sale of the Notes before 1 April 2012 can be offset against other income. Income from the sale of the Notes after 31 March 2012 is already subject to the flat tax rate of 25 per cent. Pursuant to sec. 6(2)(c) of the Austrian Income Tax Act, depreciations to the lower fair market value and losses from the sale, redemption and other realisation of financial assets and derivatives in the sense of sec. 27(3) and (4) of the Austrian Income Tax Act, which are subject to the flat tax rate of 25 per cent., are primarily to be offset against income from realised increases in value (*Einkünfte aus realisierten Wertsteigerungen*) of such financial assets and derivatives and with appreciations in value of such assets; only half of the remaining negative difference may be offset against other types of income.

Corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on all interest payments (which term also encompasses the difference between the redemption price and the issue price) resulting from bonds at a rate of 25 per cent. Under the conditions set forth in sec. 94(5) of the Austrian Income Tax Act no withholding tax is levied. Income from the sale of the Notes is subject to corporate income tax of 25 per cent. Losses from the sale of the Notes can be offset against other income.

Private foundations (*Privatstiftung*) pursuant to the Austrian Private Foundations Act (*Privatstiftungsgesetz*), fulfilling the prerequisites contained in sec. 13(3) and (6) of the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*) and holding bonds as a non-business asset, are subject to interim taxation (*Zwischenbesteuerung*) on all resulting interest payments received (which term also encompasses the difference between the redemption price and the issue price) at a rate of 25 per cent. Under the conditions set forth in sec. 94(11) of the Austrian Income Tax Act prior to the BBG 2011 entering into force no withholding tax is levied. Income from the sale of the Notes before 1 April 2012 is taxable as income from speculative transactions at the corporate income tax rate of 25 per cent. Negative income from speculative transactions can only be offset against positive income from speculative transactions; an overall loss resulting from speculative transactions cannot be offset against any other type of income. Income from speculative transactions amounting to €440.- at most in a calendar year remains tax-free. Income from the sale of the Notes after 31 March 2012 is subject to interim taxation of 25 per cent.

Additional remarks regarding turbo certificates

The Austrian Federal Ministry of Finance has commented upon the tax treatment of so-called turbo certificates in the Income Tax Regulations (*Einkommensteuerrichtlinien*). These are certificates which allow for a disproportionately high participation in the development in value of an underlying. The leverage is realised through the fact that in the case of a turbo certificate the capital invested is lower than the fair market value of the underlying (e.g. half of the quotation of a share). Pursuant to the Austrian Federal Ministry of Finance, a distinction has to be made on whether the amount paid by the investor for the instrument exceeds 20 per cent. of the fair market value of the respective underlying at the beginning of the certificate's term, or not. If this is the case then the instrument gives rise to investment income (*Einkünfte aus Kapitalvermögen*), in which case the comments made above apply *mutatis mutandis*. Otherwise (i.e. if the amount paid by the investor for the instrument amounts to 20 per cent. or less of the fair market value of the respective underlying at the beginning of the certificate's term), an entirely different tax regime would apply.

Additional remarks regarding foreign investment funds

Pursuant to sec. 42 of the Austrian Investment Funds Act 1993, a foreign investment fund is defined as any assets subject to a foreign jurisdiction which, irrespective of the legal form they are organised in, are invested according to the principle of risk-spreading on the basis either of a statute, of the entity's articles or of customary exercise. Certain collective investment vehicles investing in real estate are exempted. It should be noted that the Austrian tax authorities have commented upon the distinction between index certificates of foreign issuers on the one hand and foreign investment funds on the other hand in the Investment Fund Regulations (*Investmentfondsrichtlinien*). Pursuant to these, no foreign investment fund may be assumed if, for the purposes of the issuance, no predominant actual purchase of the underlying assets by the issuer or a trustee of the issuer, if any, is made and no actively managed assets exist. Directly held bonds shall not be considered as foreign investment funds if the performance of the bonds depends on an index, notwithstanding the fact of whether the index is a well-known one, an individually constructed "fixed" index or an index which is changeable at any time.

Income taxation of Notes purchased after 31 March 2012

With the passing of the BBG 2011, the Austrian legislator intended to comprehensively realign the taxation of financial instruments, in particular with regard to capital gains. Pursuant to the newly worded sec. 27(1) of the Austrian Income Tax Act, the term investment income (*Einkünfte aus Kapitalvermögen*) comprises:

- income from the letting of capital (*Einkünfte aus der Überlassung von Kapital*) pursuant to sec. 27(2) of the Austrian Income Tax Act, including dividends and interest;

- income from realised increases in value (*Einkünfte aus realisierten Wertsteigerungen*) pursuant to sec. 27(3) of the Austrian Income Tax Act, including gains from the sale, redemption and other realisation of assets that lead to income from the letting of capital, zero coupon bonds and also broken-period interest; and

- income from derivatives (*Einkünfte aus Derivaten*) pursuant to sec. 27(4) of the Austrian Income Tax Act, including cash settlements, option premiums received and income from the sale or other realisation of forward contracts like options, futures and swaps and other derivatives such as index certificates.

Also, the withdrawal of Notes from a bank deposit (*Depotentnahme*) is considered as a sale (except if the transfer to another bank deposit does not result in Austria losing its right to tax *vis-à-vis* other countries and if specific notifications as mentioned in sec. 27(6)(1)(a) of the Austrian Income Tax Act are effected).

Individuals subject to unlimited income tax liability in Austria holding Notes as a non-business asset are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. In case of investment income with an Austrian nexus (*inländische Einkünfte aus Kapitalvermögen*), basically meaning income that is paid by an Austrian paying agent (*auszahlende Stelle*) or an Austrian custodian agent (*depotführende Stelle*), the income is subject to a withholding tax of 25 per cent.; no additional income tax is levied over and above the amount of tax withheld (final taxation pursuant to sec. 97(1) of the Austrian Income Tax Act). In case of investment income without an Austrian nexus, the income must be included in the income tax return and is subject to a flat income tax rate of 25 per cent. In both cases upon application the option exists to tax all income subject to the tax rate of 25 per cent. at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). Pursuant to sec. 27(8) of the Austrian Income Tax Act, losses from investment income may not be offset with other types of income. Negative income subject to the flat tax rate of 25 per cent. may not be offset with income subject to the progressive income tax rate (this equally applies in case of an exercise of the option to regular taxation). Further, an offsetting of losses from realised increases in value and from derivatives with (i) interest and other claims against credit institutions and (ii) income from Austrian or foreign private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*) is not permissible.

Individuals subject to unlimited income tax liability in Austria holding Notes as a business asset are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. In case of investment income with an Austrian nexus (as described above), the income is subject to a withholding tax of 25 per cent. While this withholding tax has the effect of final taxation for income from the letting of capital, income from realised increases in value and income from derivatives must on the other hand be included in the income tax return (nevertheless flat income tax rate of 25 per cent.). In case of investment income without an Austrian nexus, the income must always be included in the income tax return (flat income tax rate of 25 per cent.). In both cases upon application the option exists to tax all income subject to the tax rate of 25 per cent. at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). Pursuant to sec. 6(2)(c) of the Austrian Income Tax Act, depreciations to the lower fair market value and losses from the sale, redemption and other realisation of financial assets and derivatives in the sense of sec. 27(3) and (4) of the Austrian Income Tax Act, which are subject to the special tax rate of 25 per cent., are primarily to be offset against income from realised increases in value of such financial assets and derivatives and with appreciations in value of such assets. Only half of the remaining negative difference may be offset against other types of income.

Corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on interest from Notes at a rate of 25 per cent. In case of investment income with an Austrian nexus (as described above) the income is subject to a withholding tax of 25 per cent., which can be credited against the corporate income tax liability. However, under the conditions set forth in sec. 94(5) of the Austrian Income Tax Act no withholding tax is levied in the first place. Income from the sale of the Notes is subject to corporate income tax of 25 per cent. Losses from the sale of the Notes can be offset against other income.

Private foundations pursuant to the Austrian Private Foundations Act fulfilling the prerequisites contained in sec. 13(3) and (6) of the Austrian Corporate Income Tax Act and holding Notes as a non-business asset are subject to interim taxation at a rate of 25 per cent. on interest income, income from realised increases in value and income from derivatives. In case of investment income with an Austrian nexus (as described above) the income is subject to a withholding tax of 25 per cent., which can be credited against the tax falling due. Under the conditions set forth in sec. 94(12) of the Austrian Income Tax Act no withholding tax is levied.

As of 1 January 2013, pursuant to sec. 93(6) of the Austrian Income Tax Act, the Austrian custodian agent will be obliged to automatically offset negative investment income against positive investment income, taking into account all of a taxpayer's bank deposits with the custodian agent (for the period from 1 April 2012 to 31 December 2012 grandfathering provisions exist). Negative income is primarily to be offset against positive income which is earned at the same or a later point in time. If this is not possible, withholding tax on positive income withheld at an earlier point in time has to be credited. Losses may not be offset across bank deposits by the custodian agent, *inter alia*, in case of bank deposits held as business assets or in trust. The custodian agent has to issue a written confirmation on the offsetting of losses for each bank deposit.

Regarding the possible application of sec. 42 of the Austrian Investment Funds Act 1993, reference is made to the comments above.

EU withholding tax

Sec. 1 of the Austrian EU Withholding Tax Act (*EU-Quellensteuergesetz*) – which implements into national law the provisions of Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments – provides that interest payments paid or credited by an Austrian paying agent to a beneficial owner who is an individual resident in another Member State (or in certain dependant or associated territories) is subject to a withholding tax if no exception from such withholding applies. Sec. 10 of the Austrian EU Withholding Tax Act provides for an exemption from withholding tax where the beneficial owner presents to the paying agent a certificate drawn up in his/her name by the competent authority of his/her Member State of residence for tax purposes, indicating the name, address and tax or other identification number or, failing such, the date and place of birth of the beneficial owner, the name and address of the paying agent, and the account number of the beneficial owner or, where there is none, the identification of the security; such certificate shall be valid for a period not exceeding three years. As of 1 July 2011, the withholding rate has been raised to 35 per cent.

Regarding the issue of whether index certificates are also subject to the EU withholding tax, the Austrian tax authorities distinguish between index certificates with and without a capital guarantee, a capital guarantee being the promise of repayment of a minimum amount of the capital invested or the promise of the payment of interest. The exact tax treatment of index certificates furthermore depends on their underlying.

Austrian inheritance and gift tax

Austria does not levy an inheritance and gift tax anymore.

However, it should be noted that certain gratuitous transfers of assets to (Austrian or foreign) private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*) are subject to foundation tax (*Stiftungseingangssteuer*) pursuant to the Austrian Foundation Tax Act (*Stiftungseingangssteuergesetz*). Such tax is triggered if the transferor and/or the transferee at the time of transfer have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. Certain exemptions apply in case of a transfer *mortis causa*, in particular for bank deposits, publicly placed bonds and portfolio shares (i.e., less than 1 per cent.). The tax basis is the fair market value of the assets transferred minus any debts, calculated at the time of transfer. The tax rate is in general 2.5 per cent., with a higher rate of 25 per cent. applying in special cases.

In addition, a special notification obligation exists for gifts of money, receivables, shares in corporations, participations in partnerships, businesses, movable tangible assets and intangibles. The notification obligation applies if the donor and/or the donee have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. Not all gifts are covered by the notification obligation: In case of gifts to certain related parties, a threshold of €50,000 per year applies; in all other cases, a notification is obligatory if the value of gifts made exceeds an amount of €15,000 during a period of five years. Furthermore, gratuitous transfers to foundations falling under the Austrian Foundation Tax Act described above are also exempt from the notification obligation. Intentional violation of the notification obligation may lead to the levying of fines of up to 10 per cent. of the fair market value of the assets transferred.

Further, it should be noted that pursuant to sec. 27(6)(1)(a) of the Austrian Income Tax Act the withdrawal of financial assets and derivatives in the sense of sec. 27(3) and (4) of the Austrian Income Tax Act is considered as a sale. Thus, also gratuitous transfers of Notes can trigger income tax on the level of the transferor. Under the circumstances mentioned in sec. 27(6)(1)(a)(4) and (5) of the Austrian Income Tax Act, no income tax is triggered.

BELGIUM TAXATION

The following description is only a summary of current Belgian tax law which can change over time. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular holder of the Notes including tax considerations that arise from rules of general application or that are generally assumed to be known to holders of the Notes. It is not intended to be, nor should it be construed to be, legal or tax advice. Prospective holders of the Notes who are in any doubt as to *their tax position or who may be subject to tax in a jurisdiction other than Belgium should seek their own professional advice.*

Income tax

For Belgian tax purposes, interest includes any periodic interest payments under the Notes as well as any amount paid in excess of the initial issue price upon redemption or purchase by the Issuer. Any foreign withholding tax can generally be deducted from the gross amount of interest to be taken into account.

Belgian resident individuals

For individuals subject to Belgian personal income tax (*personenbelasting* / *impôt des personnes physiques*) and holding Notes as a private investment, the applicable regime is set out below. Different rules apply for Belgian resident individuals holding Notes as a professional investment.

If interest is paid through an intermediary established in Belgium, that intermediary must levy withholding tax at a rate of 21 per cent. In such case, the investor does not need to declare such interest income in its personal income tax return, provided that it allows the intermediary established in Belgium to levy, in addition to the withholding tax, an “additional tax on investment income” at the rate of 4 per cent. If the investor elects not to declare such interest income, the withholding tax and the "additional tax on investment income" are the final tax for the investor, resulting in an aggregate tax rate of 25 per cent. If the investor elects to declare the interest income, the withholding tax and the "additional tax on investment income" are credited against the investor’s final tax liability, and any excess can be refunded. In that case, the tax rate applicable to the interest income will depend on the investor's annual income:

- if the taxpayer's Qualifying Investment Income (defined as (i) taxable interest income, other than interest income on Government bonds issued and subscribed in the period between 24 November 2011 and 2 December 2011, and (ii) taxable dividend income, other than liquidation bonuses) for the relevant tax year does not exceed €20,020 (amount for income year 2012), the interest income generated by the Notes will be subject to personal income tax at a rate of 21 per cent. (without application of municipal surcharges, according to statements made by the Minister of Finance, but this is currently not supported by the text of the law) or at the progressive personal income tax rates taking into account the taxpayer's other declared income, whichever is lower; and

- if the taxpayer's Qualifying Investment Income for the relevant tax year exceeds €20,020 (amount for income year 2012), the interest income generated by the Notes will be subject to personal income tax at a rate of 21 per cent. (without application of municipal surcharges, according to statements made by the Minister of Finance, but this is currently not supported by the text of the law), and to the "additional tax on investment income" at the rate of 4 per cent., it being understood that such "additional tax on investment income" is only due on the tranche of Qualifying Investment Income that exceeds €20,020. To determine whether part or all of the interest income generated by the Notes is included in the first tranche of €20,020, the taxable investment income which is exempt from the "additional tax on investment income" (such as (i) taxable interest income from regulated saving deposits, (ii) interest income on Government bonds issued and subscribed in the period between 24 November 2011 and 2 December 2011 and (iii) dividends taxed at a rate of 25 per cent.) is counted first, except that liquidation bonuses are fully disregarded.

The taxpayer can avoid the levy by the intermediary established in Belgium of the 4 per cent. "additional tax on investment income" if the taxpayer allows the intermediary to communicate the taxpayer's identity and the amount of the taxpayer's interest income to a central contact point, which in turn will automatically communicate this information to the Belgian income tax authorities if the total annual amount of Qualifying Investment Income communicated by the intermediary established in Belgium and other financial intermediaries with respect to that taxpayer exceeds the aforementioned threshold of €20,020 (amount for income year 2012). The Belgian income tax authorities may also at any time request information on any investment income communicated to the central contact point with respect to a given taxpayer, it being understood that such request may exclusively purport to verify the correct (non) application of the 4 per cent.

“additional tax on investment income”. If the taxpayer elects for the communication of the investment income to the central contact point, the 21 per cent. withholding tax does not discharge the taxpayer from the declaration of the interest income generated by the Notes in the taxpayer's personal income tax return. The taxpayer will need to declare this interest income, and the personal income tax rules applicable to such interest income will be identical to the rules set out above (i.e. personal income tax rate of 21 per cent. or 25 per cent., again without application of municipal surcharges, according to statements made by the Minister of Finance, or progressive personal income tax rate taking into account the taxpayer's other declared income).

However, for the time being (as of the date of this Base Prospectus), for operational reasons, many financial institutions are not yet able to withhold the 4 per cent. "additional tax on investment income" at source. Therefore, from now on and until further notice (if any), the investment income must be reported in the annual income tax return.

If no intermediary established in Belgium is involved in the interest payment, the investor must declare this interest as such in his or her personal income tax return. The personal income tax rules applicable to this interest will be identical to the rules set out above (i.e. personal income tax rate of 21 per cent. or 25 per cent., again without application of municipal surcharges, according to statements made by the Minister of Finance, or progressive personal income tax rate taking into account the taxpayer's other declared income).

Any capital gain upon a transfer of Notes to a party other than the Issuer will, in principle, be tax exempt (except to the extent the tax authorities can prove that the capital gain does not result from the normal management of the individual's private estate). However, if the Notes qualify as fixed income securities within the meaning of Article 2, §1, 8° of the Belgian Income Tax Code 1992, the part of the consideration attributable to the pro rata interest component (if any) is taxable as interest. The investor must declare this interest as such in his or her personal income tax return. The personal income tax rules applicable to this interest will be identical to the rules set out above (i.e. personal income tax rate of 21 per cent. or 25 per cent., again without application of municipal surcharges, according to statements made by the Minister of Finance, or progressive personal income tax rate taking into account the taxpayer's other declared income).

Capital losses on Notes are not usually deductible.

Belgian resident companies

Interest paid through an intermediary established in Belgium to a Belgian company subject to corporate income tax (*vennootschapsbelasting* / *impôt des sociétés*) will, in principle, be subject to Belgian withholding tax at a rate of 21 per cent. However, an exemption may apply subject to certain formalities. For zero coupon or capitalisation bonds, the aforementioned exemption will not apply unless the Belgian company and the Issuer are associated companies within the meaning of Article 105, 6° of the Royal Decree to the Belgian Income Tax Code 1992. Belgian companies are, in principle, entitled to credit any Belgian withholding tax incurred against their corporate income tax liability (and benefit from a refund in case of excess) provided certain conditions are fulfilled.

For a Belgian company subject to Belgian corporate income tax, all interest (on an accrual basis) and any capital gain on a transfer of Notes will form part of its taxable basis. The standard corporate income tax rate in Belgium is 33.99 per cent.

Capital losses on Notes are, in principle, tax deductible.

Other Belgian resident legal entities

For other Belgian legal entities subject to legal entities income tax (*rechtspersonenbelasting* / *impôt des personnes morales*), interest will be subject to withholding tax at a rate of 21 per cent. If interest is paid through an intermediary established in Belgium, that intermediary must levy the withholding tax. No other legal entities income tax will be levied on this interest. If no intermediary established in Belgium is involved, the withholding tax must be declared and paid by the legal entity itself.

Any capital gain on a transfer of Notes to a party other than the Issuer will, in principle, be tax exempt. However, if the Notes qualify as fixed income securities within the meaning of Article 2, §1, 8° of the Belgian Income Tax Code 1992, the part of the consideration attributable to the pro rata interest component (if any) is taxable as interest. This interest is subject to withholding tax at a rate of 21 per cent., which must be paid by the legal entity itself; no withholding tax must be paid by the legal entity on the pro rata interest if the investor can demonstrate that Belgian withholding tax will be paid at maturity.

Capital losses on Notes are, in principle, not deductible.

Miscellaneous Taxes and Duties

The issue of the Notes (primary market) is not subject to the tax on stock exchange transactions (*taks op de beursverrichtingen* / *taxe sur les opérations de bourse*). The transfer for consideration of Notes (secondary market) is subject to a tax on stock exchange transactions if executed in Belgium through a professional intermediary. The tax is generally due at a rate of 0.09 per cent. for the Notes on each transfer and acquisition separately, with a maximum of €650.00 per party and per transaction. Exemptions are available for, *inter alia*, certain Belgian professional intermediaries, insurance companies, pension funds and mutual investment funds acting for their own account.

GERMANY TAXATION

At present, there is no legal obligation for the Issuer to deduct or withhold any German withholding tax (*Quellensteuer*) from payments of interest, principal and gains from the disposition, redemption or settlement of the Notes or on any ongoing payments to the Noteholders.

However, a German branch of a German or non-German bank (*Kreditinstitut*) or financial services institution (*Finanzdienstleistungsinstitut*), a German securities trading company (*Wertpapierhandelsunternehmen*) or a German securities trading bank (*Wertpapierhandelsbank*) (each a "**Disbursing Agent**", *auszahlende Stelle*) may be obliged to withhold German withholding taxes on ongoing payments, on repayments of capital and on gains from the disposition, redemption or settlement of the Notes or an interest coupon.

Where Notes are not kept in a custodian account with a Disbursing Agent and interest or proceeds from the disposal, assignment or redemption of a Note or an interest coupon are paid by a Disbursing Agent, withholding tax generally may also apply.

Further, income, accrued interest and capital gains derived from the Notes can be subject to German personal or corporate income tax (*Einkommensteuer, Körperschaftsteuer*) and, if the Notes form part of a German trade or business, also subject to German trade tax (*Gewerbesteuer*). However, special limitations with regard to the deductibility of capital losses from the Notes may apply.

All tax implications can be subject to alteration due to future law changes¸ possibly with retroactive or retrospective effect.

Prospective investors of the Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of the Notes, including the effect of any state, local or church taxes, under the tax laws of Germany and each country of which they are resident or whose tax laws apply to them for other reasons.

EU SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC (the "**Directive**") on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period Austria and Luxembourg, are instead required (unless during that period they elect to provide information in accordance with the Directive) to operate a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of ABN AMRO Bank N.V., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, HSBC Bank plc, ING Bank N.V. and J.P. Morgan Securities Ltd. (together, the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, the Dealers are set out in an amended and restated Dealer Agreement dated 7 March 2012 (such Dealer Agreement as modified and/or supplemented and/or restated from time to time, the "**Dealer Agreement**") and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America: *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the Code and U.S. Treasury regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the completion of the distribution of the Notes comprising the relevant Tranche, as determined and certified to the Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the relevant Final Terms.

Public Offer Selling Restriction Under the Prospectus Directive

In relation to each Relevant Member State, each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final

Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) if the Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable, and the Issuer has consented in writing to its use for the purposes of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that:

(a) ***No deposit-taking:*** in relation to any Notes having a maturity of less than one year:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) ***Financial promotion:*** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) ***General compliance***: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

France

Each of the Dealers and the Issuer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has only made and will only make an offer of Notes to the public in France in the period beginning (i) when a prospectus in relation to those Notes has been approved by the *Autorité des marchés financiers* ("**AMF**"), on the date of such publication, or (ii) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented Directive 2003/71/EC (as amended by the 2010 PD Amending Directive), on or after the date of notification of such approval to the AMF, and ending at the latest on the date which is twelve months after the date of approval of the base prospectus all in accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF, and in each case (iii) when the formalities required by French laws and regulations have been carried out; or

(b) it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (i) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (ii) qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French *Code monétaire et financier*.

Selling Restrictions Addressing Additional Laws of the Netherlands

Zero Coupon Notes (as defined below) in definitive form of the Issuer may only be transferred and accepted, directly or indirectly, within, from or into the Netherlands through the mediation of either the Issuer or a member firm of NYSE Euronext in Amsterdam in full compliance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations. No such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form, or (b) in respect of the initial issue of Zero Coupon Notes in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of such Zero Coupon Notes within, from or into the Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series are issued outside the Netherlands and are not distributed into the Netherlands in the course of initial distribution or immediately thereafter. In the event that the Dutch Savings Certificates Act applies, certain identification requirements in relation to the issue and transfer of, and payments on, Zero Coupon Notes have to be complied with. As used herein, "**Zero Coupon Notes**" are Notes that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that it has complied and will comply, to the best of its knowledge and belief, in all material respects, with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the preceding paragraph.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

GENERAL INFORMATION

1. Listing and Admission to Trading

Application has been made for Notes issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange.

However, Notes may be issued which will not be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system, or which will be admitted to listing, trading and/or quotation on such listing authority, stock exchange and/or quotation system as the Issuer and the relevant Dealer(s) may agree.

2. Authorisation

The establishment and the update of the Programme was authorised by resolutions of the Executive Board of the Issuer passed on 25 August 2008 and 28 February 2012 and resolutions of the Supervisory Board of the Issuer passed on 4 September 2008 and 23 August 2011. The increase of the size of the Programme to €10,000,000,000 was authorised by resolutions of the Executive Board of the Issuer passed on 28 February 2012. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

3. Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had, during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer or the Heineken Group.

4. Significant/Material Change

Since 31 December 2011, there has been no material adverse change in the prospects of the Issuer and no significant change in the financial or trading position of the Heineken Group.

5. Auditors

The consolidated financial statements of the Issuer for the financial years ended 31 December 2010 and 31 December 2011 have been audited without qualification by KPMG Accountants N.V., Laan van Langerhuize 1, 1186 DS Amstelveen, the Netherlands, independent accountants. Each audit partner of KPMG Accountants N.V. is a member of the Royal Dutch Institute of Chartered Accountants (*Koninklijk Nederlands Instituut voor Registeraccountants*).

6. Documents on Display

Copies of the following documents (together with English translations thereof) may be inspected during normal business hours at the specified offices of the Paying Agents for the time being in Luxembourg and London for 12 months from the date of this Base Prospectus:

(a) the constitutional documents of the Issuer;

(b) the audited annual consolidated financial statements of the Issuer for the financial years ended 31 December 2010 and 31 December 2011;

(c) the Agency Agreement;

(d) the Trust Deed (which contains the forms of the Notes in global and definitive form);

(e) the Dealer Agreement;

(f) the Programme Manual; and

(g) this Base Prospectus, any supplement to this Base Prospectus, each document incorporated by reference in this Base Prospectus from time to time and each Final Terms (save that Final Terms relating to Notes which are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospective Directive will only be available for inspection by a holder of such Notes and such holder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of Notes and identity).

In addition, copies of this Base Prospectus, any supplement to this Base Prospectus, each document incorporated by reference in this Base Prospectus from time to time and each Final Terms relating to Notes which are admitted to trading on the Luxembourg Stock Exchange's regulated market will also be available on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

7. Pricing

The price and nominal amount of the Notes of any Tranche to be issued will be determined by the Issuer and the relevant Dealer(s) at the time of issue thereof in accordance with then prevailing market conditions.

8. Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the relevant Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

9. Passporting

The Issuer may, on or after the date of this Base Prospectus, make applications for one or more certificates of approval under Article 18 of the Prospectus Directive as implemented in Luxembourg to be issued by the CSSF to the competent authority in any host Member State.

10. Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business.

GLOSSARY

Definitions of terms and phrases used in this Base Prospectus

Beia	Before exceptional items and amortisation of brands and customer relationships.
EBIT	Earnings before interest, taxes and net finance expenses.
EBITDA	Earnings before interest, taxes and net finance expenses before depreciation and amortisation.
Free operating cash flow (FOCF)	This represents the total of cash flow from operating activities, and cash flow from operational investing activities.
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.
Profit	Total profit of the Group before deduction of minority interests.
®	All brand names mentioned herein, 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.
RONA	Return on Net Assets.
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.
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.

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*'EBIT, EBITDA, EBIT (beia) and net profit (beia)' are not financial measures calculated in accordance with IFRS. Accordingly, it should not be considered as an alternative to 'results from operation activities' or 'profits' as indicators of Heineken's performance. However, Heineken believes that 'EBIT, EBITDA, EBIT (beia) and net profit (beia)' 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.

FINANCIAL STATEMENTS

Consolidated financial statements of Heineken N.V. for the year ended 31 December 2011

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The consolidated financial statements of Heineken N.V. have been derived from the statutory financial statements of Heineken N.V. for the year ended 31 December 2011 dated 14 February 2012 as included in the 2011 Annual Report. The 2011 financial statements have not yet been adopted by the General Meeting of shareholders of Heineken N.V. The adoption of the 2011 financial statements is scheduled on the agenda of the next Annual General Meeting of Shareholders on 19 April 2012.

KPMG Accountants N.V. has issued an Independent Auditor's Report on the statutory financial statements of Heineken N.V. for the year ended 31 December 2011 on 14 February 2012, including an unqualified opinion with respect to the consolidated financial statements. This Auditor's Report is included on F-84. For the purposes of this Base Prospectus, the parts of the Independent Auditor's Report relating to the consolidated financial statements only, as included on F-1 to F-75, are applicable.

Consolidated Income Statement

For the year ended 31 December In millions of EUR	Note	2011	2010*
Revenue	5	**17,123**	16,133
Other income	8	**64**	239
Raw materials, consumables and services	9	(10,966)	(10,291)
Personnel expenses	10	(2,838)	(2,665)
Amortisation, depreciation and impairments	11	(1,168)	(1,118)
Total expenses		**(14,972)**	(14,074)
Results from operating activities		**2,215**	2,298
Interest income	12	70	100
Interest expenses	12	(494)	(590)
Other net finance income/(expenses)	12	(6)	(19)
Net finance expenses		**(430)**	(509)
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	16	240	193
Profit before income tax		**2,025**	1,982
Income tax expenses	13	(465)	(403)
Profit		**1,560**	1,579
Attributable to:			
Equity holders of the Company (net profit)		1,430	1,447
Non-controlling interests		130	132
Profit		**1,560**	1,579
Weighted average number of shares – basic	23	585,100,381	562,234,726
Weighted average number of shares – diluted	23	586,277,702	563,387,135
Basic earnings per share (EUR)	23	2.44	2.57
Diluted earnings per share (EUR)	23	2.44	2.57

* Comparatives have been adjusted due to the accounting policy change in employee benefits (see note 2e)

Consolidated Statement of Comprehensive Income

For the year ended 31 December In millions of EUR	Note	2011	2010*
Profit		**1,560**	1,579
Other comprehensive income:			
Foreign currency translation differences for foreign operations	24	(493)	390
Effective portion of change in fair value of cash flow hedges	24	(21)	43
Effective portion of cash flow hedges transferred to profit or loss	24	(11)	45
Ineffective portion of cash flow hedges	24	–	9
Net change in fair value available-for-sale investments	24	71	11
Net change in fair value available-for-sale investments transferred to profit or loss	24	(1)	(17)
Actuarial gains and losses	24/28	(93)	99
Share of other comprehensive income of associates/joint ventures	24	(5)	(29)
Other comprehensive income, net of tax	24	**(553)**	551
Total comprehensive income		**1,007**	2,130
Attributable to:			
Equity holders of the Company		884	1,983
Non-controlling interests		123	147
Total comprehensive income		**1,007**	2,130

* Comparatives have been adjusted due to the accounting policy change in employee benefits (see note 2e)

Consolidated Statement of Financial Position

As at 31 December In millions of EUR	Note	2011	2010*
Assets			
Property, plant & equipment	14	7,860	7,687
Intangible assets	15	10,835	10,890
Investments in associates and joint ventures	16	1,764	1,673
Other investments and receivables	17	1,129	1,103
Advances to customers	32	357	449
Deferred tax assets	18	474	542
Total non-current assets		**22,419**	22,344
Inventories	19	1,352	1,206
Other investments	17	14	17
Trade and other receivables	20	2,260	2,273
Prepayments and accrued income		170	206
Cash and cash equivalents	21	813	610
Assets classified as held for sale	7	99	6
Total current assets		**4,708**	4,318
Total assets		**27,127**	26,662
Equity			
Share capital		922	922
Share premium		2,701	2,701
Reserves		498	814
Allotted Share Delivery Instrument		–	666
Retained earnings		5,653	4,829
Equity attributable to equity holders of the Company		**9,774**	9,932
Non-controlling interests		318	288
Total equity	22	**10,092**	10,220
Liabilities			
Loans and borrowings	25	8,199	8,078
Tax liabilities		160	178
Employee benefits	28	1,174	1,097
Provisions	30	449	475
Deferred tax liabilities	18	894	991
Total non-current liabilities		**10,876**	10,819
Bank overdrafts	21	207	132
Loans and borrowings	25	981	862
Trade and other payables	31	4,624	4,265
Tax liabilities		207	241
Provisions	30	140	123
Liabilities classified as held for sale	7	–	–
Total current liabilities		**6,159**	5,623
Total liabilities		**17,035**	16,442
Total equity and liabilities		**27,127**	26,662

* Comparatives have been adjusted due to the accounting policy change in employee benefits (see note 2e)

Consolidated Statement of Cash Flows

For the year ended 31 December In millions of EUR	Note	2011	2010*
Operating activities			
Profit		1,560	1,579
Adjustments for:			
Amortisation, depreciation and impairments	11	1,168	1,118
Net interest expenses	12	424	490
Gain on sale of property, plant & equipment, intangible assets and subsidiaries, joint ventures and associates	8	(64)	(239)
Investment income and share of profit and impairments of associates and joint ventures and dividend income on AFS and HFT investments		(252)	(200)
Income tax expenses	13	465	403
Other non-cash items		244	163
Cash flow from operations before changes in working capital and provisions		**3,545**	3,314
Change in inventories		(145)	95
Change in trade and other receivables		(21)	515
Change in trade and other payables		417	(156)
Total change in working capital		**251**	454
Change in provisions and employee benefits		(76)	(220)
Cash flow from operations		**3,720**	3,548
Interest paid		(485)	(554)
Interest received		65	15
Dividend received		137	91
Income taxes paid		(526)	(443)
Cash flow related to interest, dividend and income tax		**(809)**	(891)
Cash flow from operating activities		**2,911**	2,657
Investing activities			
Proceeds from sale of property, plant & equipment and intangible assets		101	113
Purchase of property, plant & equipment	14	(800)	(648)
Purchase of intangible assets	15	(56)	(56)
Loans issued to customers and other investments		(127)	(145)
Repayment on loans to customers		64	72
Cash flow (used in)/from operational investing activities		**(818)**	(664)
Free operating cash flow		**2,093**	1,993
Acquisition of subsidiaries, net of cash acquired	6	(806)	17
Acquisition/Additions of associates, joint ventures and other investments		(166)	(77)
Disposal of subsidiaries, net of cash disposed of		(9)	270
Disposal of associates, joint ventures and other investments		44	47
Cash flow (used in)/from acquisitions and disposals		**(937)**	257
Cash flow (used in)/from investing activities		**(1,755)**	(407)

* Comparatives have been adjusted due to the accounting policy change in employee benefits (see note 2e)

For the year ended 31 December 2011 In millions of EUR	Note	2011	2010 *
Financing activities			
Proceeds from loans and borrowings		1,782	1,920
Repayment of loans and borrowings		(1,587)	(3,127)
Dividends paid		(580)	(483)
Purchase own shares		(687)	(381)
Acquisition of non-controlling interests		(11)	(92)
Disposal of interests without a change in control		43	–
Other		6	(9)
Cash flow (used in)/from financing activities		**(1,034)**	(2,172)
Net Cash Flow		**122**	78
Cash and cash equivalents as at 1 January		478	364
Effect of movements in exchange rates		6	36
Cash and cash equivalents as at 31 December	21	**606**	478

* Comparatives have been adjusted due to the accounting policy change in employee benefits (see note 2e)

Consolidated Statement of Changes in Equity

In millions of EUR	Note	Share capital	Share Premium	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	ASDI	Retained earnings	Equity attributable to equity holders of the Company	Non-controlling interests	Total equity*
Balance as at 1 January 2010		784	–	(451)	(124)	100	676	(42)	–	4,408	5,351	296	5,647
Policy changes (note 2e)		–	–	–	–	–	–	–	–	(397)	(397)	–	(397)
Restated balance as at 1 January 2010		784	–	(451)	(124)	100	676	(42)	–	4,011	4,954	296	5,250
Other comprehensive income	24	–	–	358	97	(10)	75	–	–	16	536	15	551
Profit		–	–	–	–	–	241	–	–	1,206	1,447	132	1,579
Total comprehensive income		**–**	**–**	**358**	**97**	**(10)**	**316**	**–**	**–**	**1,222**	**1,983**	**147**	**2,130**
Transfer to retained earnings		–	–	–	–	–	(93)	–	–	93	–	–	–
Dividends to shareholders		–	–	–	–	–	–	–	–	(351)	(351)	(138)	(489)
Share issued		138	2,701	–	–	–	–	–	1,026	–	3,865	–	3,865
Purchase/re issuance own/non-controlling shares		–	–	–	–	–	–	(381)	–	–	(381)	–	(381)
Allotted Share Delivery Instrument		–	–	–	–	–	–	362	(360)	(2)	–	–	–
Own shares delivered		–	–	–	–	–	–	6	–	(6)	–	–	–
Share-based payments		–	–	–	–	–	–	–	–	15	15	–	15
Share purchase mandate		–	–	–	–	–	–	–	–	(96)	(96)	–	(96)
Acquisition of non-controlling interests without a change in control		–	–	–	–	–	–	–	–	(57)	(57)	(35)	(92)
Acquisition of non-controlling interests with a change in control		–	–	–	–	–	–	–	–	–	–	20	20
Changes in consolidation		–	–	–	–	–	–	–	–	–	–	(2)	(2)
Balance as at 31 December 2010		**922**	**2,701**	**(93)**	**(27)**	**90**	**899**	**(55)**	**666**	**4,829**	**9,932**	**288**	**10,220**

* Comparatives have been adjusted due to the accounting policy change in employee benefits (see note 2e)
** See note 22 for Hyperinflation impact

In millions of EUR	Note	Share capital	Share Premium	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	ASDI	Retained earnings	Equity attributable to equity holders of the Company	Non-controlling interests	Total equity
Balance as at 1 January 2011		922	2,701	(93)	(27)	90	899	(55)	666	4,829	9,932	288	10,220
Other comprehensive income **	24	–	–	(482)	(42)	69	–	–	–	(91)	(546)	(7)	(553)
Profit		–	–	–	–	–	253	–	–	1,177	1,430	130	1,560
Total comprehensive income		**–**	**–**	**(482)**	**(42)**	**69**	**253**	**–**	**–**	**1,086**	**884**	**123**	**1,007**
Transfer to retained earnings		–	–	–	–	–	(126)	–	–	126	–	–	–
Dividends to shareholders		–	–	–	–	–	–	–	–	(474)	(474)	(97)	(571)
Purchase/reissuance own/non-controlling shares		–	–	–	–	–	–	(687)	–	–	(687)	(1)	(688)
Allotted Share Delivery Instrument		–	–	–	–	–	–	694	(666)	(28)	–	–	–
Own shares delivered		–	–	–	–	–	–	5	–	(5)	–	–	–
Share-based payments		–	–	–	–	–	–	–	–	11	11	–	11
Share purchase mandate		–	–	–	–	–	–	–	–	96	96	–	96
Acquisition of non-controlling interests without a change in control		–	–	–	–	–	–	–	–	(21)	(21)	(1)	(22)
Disposal of interests without a change in control		–	–	–	–	–	–	–	–	33	33	6	39
Balance as at 31 December 2011		**922**	**2,701**	**(575)**	**(69)**	**159**	**1,026**	**(43)**	**–**	**5,653**	**9,774**	**318**	**10,092**

** See note 22 for Hyperinflation impact

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 2011 comprise the Company, its subsidiaries (together referred to as 'HEINEKEN' or the 'Group' and individually as 'HEINEKEN' entities) and HEINEKEN's interest in jointly controlled entities and associates.

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

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

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. All standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) effective year-end 2011 have been adopted by the EU, except that the EU carved out certain hedge accounting provisions of IAS 39. The Company does not utilise this carve-out permitted by the EU, as it is not applicable. Consequently, the accounting policies applied by the Company also comply fully with IFRS as issued by the IASB. The Company presents a condensed income statement, using the facility of Article 402 of Part 9, Book 2, of the Dutch Civil Code.

The consolidated financial statements have been prepared by the Executive Board of the Company and authorised for issue on 14 February 2012 and will be submitted for adoption to the Annual General Meeting of Shareholders on 19 April 2012.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Available-for-sale investments
- Derivative financial instruments
- Liabilities for equity-settled share-based payment arrangements
- Long-term interest-bearing liabilities on which fair value hedge accounting is applied
- The defined benefit assets
- The financial statements of subsidiaries whose functional currency is the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the end of the reporting period.

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

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

(e) Changes in accounting policies

Accounting for employee benefits

On 1 January 2011 HEINEKEN changed its accounting policy with respect to the recognition of actuarial gains and losses arising from defined benefit plans. After the policy change, HEINEKEN recognises all actuarial gains and losses arising immediately in other comprehensive income (OCI). In prior years, HEINEKEN applied the corridor method. To the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion was recognised in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss was not recognised. As such, this change means that deferral of actuarial gains and losses within the corridor are no longer applied.

HEINEKEN believes this accounting policy change provides more relevant information as all amounts will be recognised on balance, which is consistent with industry practice and in accordance with the amended reporting standard of Employee Benefits as issued by the International Accounting Standards Board on 16 June 2011.

The change in accounting policy was recognised retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', and comparatives have been restated. This results in a EUR15 million and EUR11 million positive impact on 'Results from operating activities' and 'Net profit' for the year ended 31 December 2010, respectively. The adjustment results in a EUR296 million decline in 'Total Equity' for the full year 2010 on Group level. No statement of financial position as at 1 January 2010 has been included. The information included below provides insight in all balance sheet items affected by this change in policy.

The following table summarises the transitional adjustments on implementation of the new accounting policy for the full year 2010:

In millions of EUR	Employee Benefit obligation	Deferred Tax Assets	Retained earnings/ profit or loss
Balance as reported at 1 January 2010	634	561	4,408
Effect of policy change on 1 January 2010 retained earnings	548	151	(397)
Restated balance at 1 January 2010	1,182	712	4,011
Balance as reported at 31 December 2010	687	429	5,125
Effect of policy change during 2010 on retained earnings	410	113	(307)
P&L impact for the period 2010	–	–	11
Restated balance at 31 December 2010	1,097	542	4,829

The 2010 amounts as included in the notes to these consolidated financial statements as at and for the year ended 31 December 2010 have been restated as a result of this policy change.

3. Significant accounting policies

General

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

(a) Basis of consolidation

(i) Business combinations

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

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

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

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

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

(ii) Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(iii) Subsidiaries

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

(iv) 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 SPEs or their assets.

(v) Loss of control

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

(vi) Investments in associates and joint ventures

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

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

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

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

(vii) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

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

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to euro at exchange rates approximating the exchange rates ruling at the dates of the transactions. Group entities, with a functional currency being the currency of a hyperinflationary economy, first restate their financial statements in accordance with IAS 29, Financial Reporting in Hyperinflationary Economies (see 'Reporting in hyperinflationary economies' below). The related income, costs and balance sheet amounts are translated at the foreign exchange rate ruling at the balance sheet date.

3. Significant accounting policies continued

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

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

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

In EUR	Year-end 2011	Year-end 2010	Average 2011	Average 2010
BRL	0.4139	0.4509	0.4298	0.4289
GBP	1.1972	1.1618	1.1522	1.1657
MXN	0.0554	0.0604	0.0578	0.0598
NGN	0.0049	0.0050	0.0047	0.0051
PLN	0.2243	0.2516	0.2427	0.2503
RUB	0.0239	0.0245	0.0245	0.0248
USD	0.7729	0.7484	0.7184	0.7543

(iii) Reporting in hyperinflationary economies

When the economy of a country in which we operate is deemed hyperinflationary and the functional currency of a Group entity is the currency of that hyperinflationary economy, the financial statements of such Group entities are adjusted so that they are stated in terms of the measuring unit current at the end of the reporting period. This involves restatement of income and expenses to reflect changes in the general price index from the start of the reporting period and, restatement of non-monetary items in the balance sheet, such as P, P & E to reflect current purchasing power as at the period end using a general price index from the date when they were first recognised. Comparative amounts are not adjusted. Any differences arising were recorded in equity on adoption.

(iv) Hedge of net investments in foreign operations

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

(c) Non-derivative financial instruments

(i) General

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

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

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

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

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale investments

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

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

(iv) Investments at fair value through profit or loss

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

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

(v) Other

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

(d) Derivative financial instruments (including hedge accounting)

(i) General

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

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

3. Significant accounting policies continued

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

(ii) Cash flow hedges

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

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

(iii) Fair value hedges

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

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

(iv) Separable embedded derivatives

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

(e) Share capital

(i) Ordinary shares

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

(ii) Repurchase of share capital (treasury shares)

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

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

(iii) Dividends

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

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

(i) Owned assets

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

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

Spare parts that are acquired as part of an equipment purchase and only to be used in connection with this specific equipment are capitalised and amortised as part of the equipment. For example, purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. In all other cases spare parts are carried as inventory and recognised in profit and loss as consumed. Where an item of P, P & E comprises major components having different useful lives, they are accounted for as separate items (major components) of P, P & E.

Returnable bottles and kegs in circulation are recorded within P, P & E and a corresponding liability is recorded in respect of the obligation to repay the customers' deposits. Deposits paid by customers for returnable items are reflected in the consolidated statement of financial position within current liabilities.

(ii) Leased assets

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

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

(iii) Subsequent expenditure

The cost of replacing a part of an item of P, P & E 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 P, P & E are recognised in profit or loss when incurred.

(iv) Depreciation

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

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

▪ Buildings	30 – 40 years
▪ Plant and equipment	10 – 30 years
▪ Other fixed assets	3 – 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.

3. Significant accounting policies continued

(v) Gains and losses on sale

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

(g) Intangible assets

(i) Goodwill

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

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

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

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

(ii) Brands

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

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

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

(iii) Customer-related and contract-based intangibles

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Significant accounting policies continued

(h) Inventories

(i) General

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

(ii) Finished products and work in progress

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

(iii) Other inventories and spare parts

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

(i) Impairment

(i) Financial assets

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

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

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

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

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

(ii) Non-financial assets

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

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

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

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

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

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

(j) Non-current assets held for sale

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

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

(k) Employee benefits

(i) Defined contribution plans

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

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

(ii) Defined benefit plans

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

3. Significant accounting policies continued

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 past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

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

HEINEKEN recognises all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

(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 other comprehensive income in the period in which they arise.

(iv) Termination benefits

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

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

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

(v) Share-based payment plan (LTV)

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

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

At each balance sheet date, HEINEKEN revises its estimates of the number of share rights that are expected to vest, for the 100 per cent internal performance conditions of the share plan 2010 – 2012 and the share plan 2011– 2013 of the senior management members and the Executive Board and for the 75 per cent internal performance conditions of the share plan 2008– 2010 and 2009 – 2011 of the senior management members. It recognises the impact of the revision of original estimates – only applicable for internal performance conditions, if any, in profit or loss, with a corresponding adjustment to equity. The fair value for the share plan 2009 – 2011 is measured at grant date using the Monte Carlo model taking into account the terms and conditions of the plan.

(vi) Matching share entitlement
As from 21 April 2011 HEINEKEN established a matching share entitlement for the Executive Board. The grant date fair value of the matching shares is recognised as personnel expenses in the income statement as it is deemed an equity settled incentive.

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

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

(l) Provisions

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

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

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

(iv) Other
The other provisions, not being provisions for restructuring or onerous contracts, consist mainly of surety and guarantees, litigation and claims and environmental provisions.

(m) Loans and borrowings

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

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

(n) Revenue

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

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

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

3. Significant accounting policies continued

(o) Other income

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

(p) Expenses

(i) Operating lease payments

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

(ii) Finance lease payments

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

(q) Government grants

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

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

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

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

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

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

Other net finance income and expenses comprises dividend income, gains and losses 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, changes in fair value of hedging instruments that are recognised in profit or loss, unwinding of the discount on provisions and impairment losses recognised on investments. Dividend income is recognised in profit or loss on the date that HEINEKEN's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

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

(s) Income tax

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

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

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

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

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

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

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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.

(t) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(u) Earnings per share

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

(v) Cash flow statement

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

3. Significant accounting policies continued

(w) Operating segments

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

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

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

Segment capital expenditure is the total cost incurred during the period to acquire P, P & E, and intangible assets other than goodwill.

(x) Emission rights

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

(y) Recently issued IFRS

(i) Standards effective in 2011 and reflected in these consolidated financial statements

- IAS 19 Pensions and IFRIC 14 (amendments effective 1 January 2011) – The limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction. These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense.
- IFRS 7 Financial Instruments: Disclosure (amendments effective 1 January 2011). The amendments add an explicit statement that qualitative disclosure should be made to better enable users to evaluate an entity's exposure to risk arising from financial instruments. These amendments are reflected in disclosure note 32 Financial Instruments.

Other standards and interpretations effective from 1 January 2011 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 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of HEINEKEN, except for IAS 19 Employee benefits and IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2013 consolidated financial statements. HEINEKEN is in the process of evaluating the impact of the applicability of the new standards. HEINEKEN does not plan to early adopt these standards and the extent of the impact has not been determined:

- IAS 1 Presentation of Financial Statements was amended in June 2011 for Presentation of Items of Other Comprehensive Income with an effective date of 1 July 2012.
- IAS 12 Deferred Tax: Recovery of Underlying Assets. The amendments introduce an exception to the general measurement requirements of IAS 12 Income Taxes in respect of investment properties measured at fair value. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset.
- IAS 19 Employee Benefits was amended. The standard is effective for annual periods beginning on or after 1 January 2013, but has not yet been endorsed by the EU. HEINEKEN is in the process of evaluating the impact of the applicability of the new standard.
- IAS 27 Separate financial statements contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. The standard is effective for annual periods beginning on or after 1 January 2013.
- IAS 28 Investments in Associates and Joint Ventures prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard is effective for annual periods beginning on or after 1 January 2013. This amendment is in line with the new IFRS 11, which no longer gives entities the choice in accounting treatment for joint ventures, only the equity method is allowed. HEINEKEN already applied the equity method since 2008.
- IFRS 7 Disclosures – Transfers of Financial Assets. The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for:
  - financial assets that are not derecognised in their entirety; and
  - financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.
- 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 2015, 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.
- IFRS 10 Consolidated Financial Statements establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This IFRS supersedes IAS 27 Consolidated and separate financial statements and SIC-12 Consolidation – Special purpose entities and is effective for annual periods beginning on or after 1 January 2013.
- IFRS 11 Joint arrangements establish principles for financial reporting by parties to a joint arrangement. This IFRS supersedes IAS 31 Interest in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-monetary contributions by ventures and is effective for annual periods beginning on or after 1 January 2013. Under IFRS 11 the structure of the arrangement is no longer the only determinant for the accounting treatment and entities do no longer have a choice in accounting treatment. HEINEKEN is in the process of evaluating the impact of the applicability of the new standard.
- IFRS 12 Disclosure of interests in other entities applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The IFRS is effective for annual periods beginning on or after 1 January 2013. This IFRS integrates and make consistent the disclosure requirements for all entities mentioned above.
- IFRS 13 Fair value measurement defines fair value; sets out in a single IFRS a framework for measuring fair value; and requires disclosures about fair value measurements. The IFRS is to be applied for annual periods beginning on or after 1 January 2013. The IFRS explains how to measure fair value for financial reporting. It does not require fair value measurements in addition to those already required or permitted by other IFRSs and is not intended to establish valuation standards or affect valuation practices outside financial reporting.

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 P, P & E recognised as a result of a business combination is based on the quoted market prices for similar items when available and replacement cost when appropriate.

(iii) Intangible assets

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

(iv) Inventories

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

(v) Investments in equity and debt securities

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

(vi) Trade and other receivables

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

(vii) Derivative financial instruments

The fair value of derivative financial instruments 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 cash flows based on contractual price and the cash flows based on current price for the residual maturity of the contract using a risk-free interest rate (based on inter-bank interest rates).

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

(viii) Non-derivative financial instruments

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

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.

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 and Other/eliminations.

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

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

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

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

Starting 1st of January 2011 Empaque (our Mexican packaging business) was transferred from the America's region to Head Office as this managerial resides under Global Supply Chain situated in Head Office. Also, in 2011 HEINEKEN reallocated certain management costs from regions to Head Office reflecting a change in the Company's operating framework from regional to global reporting lines for certain roles within global functions. As a consequence the comparative figures have been restated.

5. Operating segments continued

Information about reportable segments

In millions of EUR	Note	Western Europe 2011	Western Europe 2010*	Central and Eastern Europe 2011	Central and Eastern Europe 2010*	The Americas 2011	The Americas 2010*
Revenue							
Third party revenue[1]		7,158	7,284	3,209	3,130	4,002	3,284
Interregional revenue		594	610	20	13	27	12
Total revenue		**7,752**	7,894	**3,229**	3,143	**4,029**	3,296
Other income		48	71	7	8	1	–
Results from operating activities		**820**	786	**318**	345	**493**	429
Net finance expenses							
Share of profit of associates and joint ventures and impairments thereof		3	3	17	21	77	75
Income tax expenses							
Profit							
Attributable to:							
Equity holders of the Company (net profit)							
Non-controlling interest							
EBIT reconciliation							
EBIT		823	789	335	366	570	504
eia[2]		139	136	11	12	85	96
EBIT (beia)	27	**962**	925	**346**	378	**655**	600
Beer volumes[2]							
Consolidated beer volume		45,380	45,394	45,377	42,237	50,497	37,843
Joint Ventures' volume		–	–	7,303	7,229	9,663	9,195
Licences		300	284	–	–	65	173
Group volume		**45,680**	45,678	**52,680**	49,466	**60,225**	47,211
Current segment assets		1,843	2,104	985	961	1,045	1,011
Other Non-current segment assets		8,186	8,019	3,365	3,622	5,619	5,965
Investment in associates and joint ventures		23	28	165	134	711	758
Total segment assets		**10,052**	10,151	**4,515**	4,717	**7,375**	7,734
Unallocated assets							
Total assets							
Segment liabilities		3,723	3,444	1,160	1,145	1,068	987
Unallocated liabilities							
Total equity							
Total equity and liabilities							
Purchase of P, P & E		215	205	170	158	199	117
Acquisition of goodwill		–	4	1	–	4	1,495
Purchases of intangible assets		11	5	9	4	20	24
Depreciation of P, P & E		343	381	234	253	183	131
Impairment and reversal of impairment of P, P & E		–	1	2	9	(5)	–
Amortisation intangible assets		100	90	18	22	93	69
Impairment intangible assets		–	15	3	1	–	–

[1] Includes other revenue of EUR463 million in 2011 and EUR439 million in 2010.
[2] For definitions see 'Glossary'. Note that these are both non-GAAP measures and therefore un-audited.

Africa and the Middle East 2011	Africa and the Middle East 2010*	Asia Pacific 2011	Asia Pacific 2010*	Head Office & Other/ Eliminations 2011	Head Office & Other/ Eliminations 2010*	Consolidated 2011	Consolidated 2010*
2,223	1,982	216	206	315	247	17,123	16,133
–	6	–	–	(641)	(641)	–	–
2,223	1,988	**216**	206	**(326)**	(394)	**17,123**	16,133
3	–	5	158	–	2	64	239
533	531	**64**	203	**(13)**	4	**2,215**	2,298
						(430)	(509)
35	28	112	79	(4)	(13)	240	193
						(465)	(403)
						1,560	1,579
						1,430	1,447
						130	132
						1,560	1,579
568	559	176	282	(17)	(9)	2,455	2,491
2	1	–	(158)	5	45	242	132
570	560	**176**	124	**(12)**	36	**2,697**	2,623
22,029	19,070	1,309	1,328	–	–	164,592	145,872
5,706	5,399	24,410	22,181	–	–	47,082	44,004
1,093	1,204	769	806	–	–	2,227	2,467
28,828	25,673	**26,488**	24,315	**–**	–	**213,901**	192,343
854	639	91	74	(124)	(536)	4,694	4,253
1,867	1,272	2	12	1,143	1,242	20,182	20,132
272	262	536	507	57	(16)	1,764	1,673
2,993	2,173	**629**	593	**1,076**	690	**26,640**	26,058
						487	604
						27,127	26,662
653	532	36	33	508	625	7,148	6,766
						9,887	9,676
						10,092	10,220
						27,127	26,662
202	163	–	1	14	4	800	648
282	1	–	–	–	248	287	1,748
–	9	–	–	16	14	56	56
140	100	–	1	36	27	936	893
3	2	–	–	–	2	–	14
6	4	–	–	12	7	229	192
–	–	–	–	–	–	3	16

* Comparatives have been adjusted due to the transfer of Empaque causing the move of an amount of EUR54 million of EBIT from the Americas region to Head Office; the centralisation of the Regional Head Offices resulting in a shift of EUR43 million EBIT from regions to Head Office; the policy change in Employee Benefits, causing an increase of EUR15 million in EBIT (EUR11 million in region Western Europe and EUR4 million in the Americas region)

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

Acquisition of the beer operations of Sona Group

On 12 January 2011, HEINEKEN announced that it had acquired from Lewiston Investments SA ('Seller') two holding companies which together own the Sona brewery group. The two holding companies had controlling interests in Sona Systems Associates Business Management Limited ('Sona Systems'), which held certain assets of Sona Breweries Plc ('Sona') and International Beer and Beverages (Nigeria) Limited ('IBBI'), Champion Breweries Plc ('Champion'), Benue Brewery Limited ('Benue') and Life Brewery Company Limited ('Life') (together referred to as the 'acquired businesses').

Due to the integration of the newly acquired businesses with our existing activities separate financial information on Sona activities is not available anymore.

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

In millions of EUR*	
Property, plant & equipment	162
Intangible assets	56
Other investments	1
Inventories	19
Trade and other receivables	2
Cash and cash equivalents	2
Assets acquired	**242**

In millions of EUR*	
Employee benefits	6
Provisions	2
Deferred tax liabilities	44
Bank overdraft	–
Loans and borrowings (current)	76
Tax liabilities (current)	12
Trade and other current liabilities	21
Liabilities assumed	**161**
Total net identifiable assets	**81**

Consideration transferred	289
Recognition indemnification receivable	(12)
Non-controlling interests	(1)
Net identifiable assets acquired	(81)
Goodwill on acquisition	195

* Amounts were converted into euros at the rate of EUR/NGN192.6782. Additionally, certain amounts provided in US dollar were converted into euros based on the following exchange rate EUR/USD 1.2903.

The purchase price accounting for the acquired businesses is prepared on a final basis. The outcome indicates goodwill of EUR195 million. The derived goodwill includes synergies mainly related to the available production capacity.

Goodwill has been allocated to Nigeria in the Africa and Middle East region and is held in NGN. The rationale for the allocation is that the acquisition provides access to the Nigerian market: access to additional capacity, consolidate market share within a fast-growing market and improved profitability through synergy. The entire amount of goodwill is not expected to be tax deductible.

Between HEINEKEN and the Seller certain indemnifications were agreed on, that primarily relate to tax and legal matters existing at the date of acquisition. Our assessment of these contingencies indicates an indemnification receivable of EUR12 million that is considered an included element of the business combination. The purchase price for the acquired businesses was based on an estimate of the net debt and working capital position of the acquired businesses as at 11 January 2011 (the date of the completion of the acquisition). HEINEKEN and the Seller have determined the exact net debt and working capital position of the acquired businesses as at 11 January 2011 by reference to agreed accounting principles and there will be no adjustment to the final purchase price. Non-controlling interests are recognised based on their proportional interest in the net identifiable assets acquired of Champion, Benue and Life for a total of EUR1 million.

In this year acquisition-related costs of EUR1 million have been recognised in the income statement.

Acquisition of two breweries in Ethiopia

On 11 August 2011, HEINEKEN announced that it had acquired from the government of the Federal Democratic Republic of Ethiopia ('Seller') two breweries named Bedele and Harar (together referred to as the 'acquired business').

The acquired businesses contributed revenue of EUR13 million and results from operating activities of EUR1.5 million (EBIT) for the five-month period from 4 August 2011 to 31 December 2011. For the financial statements of HEINEKEN the additional 8 months would not have been material.

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

In millions of EUR*	
Property, plant & equipment	27
Intangible assets	8
Inventories	8
Trade and other receivables	3
Cash and cash equivalents	1
Assets acquired	**47**

In millions of EUR*	
Deferred tax liabilities	8
Trade and other current liabilities	12
Liabilities assumed	**20**
Total net identifiable assets	**27**

Consideration transferred	115
Net identifiable assets acquired	(27)
Goodwill on acquisition	**88**

* Amounts were converted into euros at the rate of EUR/ETB 24,492 and EUR/USD 1.426 for the statement of financial position.

The purchase price accounting for the acquired business is prepared on a provisional basis. The outcome indicates goodwill of EUR88 million. The derived goodwill includes synergies mainly related to market access and the available production capacity.

Goodwill has been allocated to Ethiopia in the Africa and Middle East region and is held in ETB. The rationale for the allocation is that the acquisition provides access to the Ethiopian market: access to additional capacity, consolidate market share within a fast-growing market and improved profitability through synergy. The entire amount of goodwill is not expected to be tax deductible.

Acquisition-related costs of EUR2.5 million have been recognised in the income statement for the period ended 31 December 2011.

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

Acquisition of pubs in the UK

On 2 December 2011, HEINEKEN announced that it had acquired from The Royal Bank of Scotland ('RBS') ('Seller') the Galaxy Pub Estate ('Galaxy') in the UK (referred to as the 'acquired business'). The following summarises the major classes of consideration transferred, and the recognised amounts of assets and assumed liabilities at the acquisition date. Management agreements that were in place were settled upon acquisition.

In millions of EUR*	
Property, plant & equipment	441
Cash and cash equivalents	–
Assets acquired	**441**

In millions of EUR*	
Liabilities assumed	–
Total net identifiable assets	**441**

Consideration transferred	480
Settlement of pre-existing relationship	(39)
Net identifiable assets acquired	(441)
Goodwill on acquisition	–

* Amounts were converted into euros at the rate of EUR/GBP 0.859 for the statement of financial position.

The purchase price accounting for the acquired business is prepared on a provisional basis. The outcome indicates no goodwill as the fair value of the assets acquired approximates the consideration transferred. The rationale for the acquisition is to further drive volume growth and to strengthen the leading position in the UK beer and cider market. The acquisition creates a strong platform from which HEINEKEN is building leadership in the high value UK on-trade channel and will mainly impacts net result. The early amortisation and termination of associated contracts under the acquisition gave rise to a one-off, pre-tax expense of EUR36 million.

Acquisition related cost of EUR3 million have been recognised in the income statement for the period ended 31 December 2011.

Provisional accounting FEMSA acquisition in 2010

The FEMSA acquisition accounting has been concluded during the first half year of 2011. A final adjustment was made to provisional accounting for the FEMSA acquisition. Total impact resulted in an increase of goodwill of EUR4 million, the comparatives have not been restated. The adjustment resulted from the filing of a tax return in March 2011, which was EUR6 million lower, a negative impact of EUR12 million due to a legal provision and recognition of certain employee benefits for EUR10 million. In 2010 FEMSA results were included from 1 May 2010 onwards (8 months) and have been fully consolidated in 2011 (12 months).

Disposals

Disposal of interest without losing control

On 12 May 2010 HEINEKEN acquired an additional interest in Commonwealth Brewery Limited (CBL) and Burns House Limited (BHL) situated in the Bahamas, increasing its ownership to 100 per cent in both entities. This acquisition was subject to government approval that 25 per cent of the combined entities would be disposed of. During the period which ended 31 December 2011, HEINEKEN disposed of 25 per cent of its 100 per cent interest in CBL (which had acquired 100 per cent of BHL prior to this), for an amount of EUR43 million through an initial public offering (IPO) in the Bahamas. As a result, its ownership decreased to 75 per cent. After the disposal of this non-controlling interest, HEINEKEN maintains a controlling interest in CBL. There is no impact on net result, the impact is recognised in equity.

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

Other assets classified as held for sale represent land and buildings following the commitment of HEINEKEN to a plan to sell certain land and buildings in the UK and our associate in Kazakhstan. Efforts to sell these assets have commenced and are expected to be completed during 2012.

Assets classified as held for sale

In millions of EUR	2011	2010
Current assets	–	–
Non-current assets	99	6
	99	**6**

8. Other income

In millions of EUR	2011	2010
Net gain on sale of property, plant & equipment	35	37
Net gain on sale of intangible assets	24	13
Net gain on sale of subsidiaries, joint ventures and associates	5	189
	64	**239**

In 2010 HEINEKEN transferred in total a 78.3 per cent stake in PT Multi Bintang Indonesia (MBI) and HEINEKEN's 87 per cent stake in Grande Brasserie de Nouvelle-Caledonie S.A. (GBNC) to its JV Asia Pacific Breweries (APB). As a result of the transaction a gain of EUR157 million before tax was recognised in net gain on sale of subsidiaries, joint ventures and associates.

9. Raw materials, consumables and services

In millions of EUR	2011	2010
Raw materials	1,576	1,474
Non-returnable packaging	2,075	1,863
Goods for resale	1,498	1,655
Inventory movements	(8)	(8)
Marketing and selling expenses	2,186	2,072
Transport expenses	1,056	979
Energy and water	525	442
Repair and maintenance	417	375
Other expenses	1,641	1,439
	10,966	**10,291**

Other expenses include rentals of EUR241 million (2010: EUR224 million), consultant expenses of EUR166 million (2010: EUR126 million), telecom and office automation of EUR159 million (2010: EUR156 million), travel expenses of EUR137 million (2010: EUR120 million) and other fixed expenses of EUR938 million (2010: EUR813 million).

10. Personnel expenses

In millions of EUR	Note	2011	2010
Wages and salaries		1,891	1,787
Compulsory social security contributions		333	317
Contributions to defined contribution plans		24	16
Expenses related to defined benefit plans	28	56	89
Increase in other long-term employee benefits		11	9
Equity-settled share-based payment plan	29	11	15
Other personnel expenses		512	432
		2,838	2,665

Restructuring costs in Spain for an amount of EUR53 million are included in other personnel expenses.

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

	2011	2010
The Netherlands	4,032	3,861
Other Western Europe	14,707	15,751
Central and Eastern Europe	17,424	18,043
The Americas	16,414	17,164
Africa and the Middle East	11,396	10,607
Asia Pacific	279	304
Heineken N.V. and subsidiaries	**64,252**	65,730

11. Amortisation, depreciation and impairments

In millions of EUR	Note	2011	2010
Property, plant & equipment	14	936	907
Intangible assets	15	232	208
Impairment on available-for-sale assets		–	3
		1,168	1,118

12. Net finance income and expenses

Recognised in profit or loss

In millions of EUR	2011	2010
Interest income	**70**	100
Interest expenses	**(494)**	(590)
Dividend income on available-for-sale investments	2	1
Dividend income on investments held for trading	11	7
Net gain/(loss) on disposal of available-for-sale investments	1	–
Net change in fair value of derivatives	96	(75)
Net foreign exchange gain/(loss)	(107)	61
Impairment losses on available-for-sale investments	–	(3)
Unwinding discount on provisions	(7)	(7)
Other net financial income/(expenses)	(2)	(3)
Other net finance income/(expenses)	**(6)**	(19)
Net finance income/(expenses)	**(430)**	(509)

Recognised in other comprehensive income

In millions of EUR	2011	2010*
Foreign currency translation differences for foreign operations	(493)	390
Effective portion of changes in fair value of cash flow hedges	(21)	43
Effective portion of cash flow hedges transferred to profit or loss	(11)	45
Ineffective portion of cash flow hedges transferred to profit or loss	–	9
Net change in fair value of available-for-sale investments	71	11
Net change in fair value available-for-sale investments transferred to profit or loss	(1)	(17)
Actuarial (gains) and losses	(93)	99
Share of other comprehensive income of associates/joint ventures	(5)	(29)
	(553)	551
Recognised in:		
Fair value reserve	69	(10)
Hedging reserve	(42)	97
Translation reserve	(482)	358
Other	(98)	106
	(553)	551

* Comparatives have been adjusted due to the accounting policy change in employee benefits (see note 2e)

The negative impact of foreign currency translation differences for foreign operations in other comprehensive income is mainly due to the impact of devaluation of the Mexican peso on the net assets and goodwill measured in Mexican peso of total EUR295 million. Remaining impact is related to the depreciation of the Polish zloty, the Chilean peso, Nigerian naira and Belarusian ruble, partly offset by the revaluation of the US dollar and the British pound.

13. Income tax expense

Recognised in profit or loss

In millions of EUR	2011	2010*
Current tax expense		
Current year	502	502
Under/(over) provided in prior years	(26)	52
	476	554
Deferred tax expense		
Origination and reversal of temporary differences	17	(19)
Previously unrecognised deductible temporary differences	(9)	(2)
Changes in tax rate	1	3
Utilisation/(benefit) of tax losses recognised	(19)	(39)
Under/(over) provided in prior years	(1)	(94)
	(11)	(151)
Total income tax expense in profit or loss	**465**	403

13. Income tax expense continued

Reconciliation of the effective tax rate

In millions of EUR	2011	2010*
Profit before income tax	2,025	1,982
Share of net profit of associates and joint ventures and impairments thereof	(240)	(193)
Profit before income tax excluding share of profit of associates and joint ventures (inclusive impairments thereof)	**1,785**	1,789

	%	2011	%	2010*
Income tax using the Company's domestic tax rate	25.0	446	25.5	456
Effect of tax rates in foreign jurisdictions	3.5	62	1.9	34
Effect of non-deductible expenses	3.2	58	4.0	72
Effect of tax incentives and exempt income	(6.0)	(107)	(8.2)	(146)
Recognition of previously unrecognised temporary differences	(0.5)	(9)	(0.1)	(2)
Utilisation or recognition of previously unrecognised tax losses	(0.3)	(5)	(1.2)	(21)
Unrecognised current year tax losses	1.0	18	0.8	15
Effect of changes in tax rate	0.1	1	0.2	3
Withholding taxes	1.5	26	1.4	25
Under/(over) provided in prior years	(1.5)	(27)	(2.3)	(42)
Other reconciling items	0.1	2	0.5	9
	26.1	**465**	22.5	403

* Comparatives have been adjusted due to the accounting policy change in employee benefits (see note 2e)

The reported tax rate is 26.1 per cent (2010: 22.5 per cent) and includes the effect of the release of tax provisions after having reached agreement with the tax authorities, mainly explaining the under/over provided amount as part of the current tax expense. The reported 2010 tax rate included the tax-exempt transfer of PT Multi Bintang Indonesia (MBI) and Grande Brasserie de Nouvelle-Caledonie S.A. (GBNC).

Income tax recognised in other comprehensive income

In millions of EUR	Note	2011	2010
Changes in fair value		–	(5)
Changes in hedging reserve		13	(38)
Changes in translation reserve		11	–
Other		16	(38)
	24	**40**	(81)

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 2010		3,460	5,337	3,518	315	12,630
Changes in consolidation		745	635	253	72	1,705
Purchases		38	82	249	279	648
Transfer of completed projects under construction		106	142	104	(352)	–
Transfer to/(from) assets classified as held for sale		26	34	39	2	101
Disposals		(49)	(130)	(285)	(1)	(465)
Effect of movements in exchange rates		71	107	61	15	254
Balance as at 31 December 2010		4,397	6,207	3,939	330	14,873
Balance as at 1 January 2011		4,397	6,207	3,939	330	14,873
Changes in consolidation	6	505	89	(31)	3	566
Purchases		55	99	320	326	800
Transfer of completed projects under construction		82	90	150	(322)	–
Transfer to/(from) assets classified as held for sale		(65)	–	–	–	(65)
Disposals		(35)	(92)	(255)	(6)	(388)
Effect of hyperinflation		2	11	2	2	17
Effect of movements in exchange rates		(71)	(127)	(73)	(1)	(272)
Balance as at 31 December 2011		**4,870**	**6,277**	**4,052**	**332**	**15,531**
Depreciation and impairment losses						
Balance as at 1 January 2010		(1,405)	(2,875)	(2,333)	–	(6,613)
Changes in consolidation		12	31	35	–	78
Depreciation charge for the year	11	(117)	(342)	(434)	–	(893)
Impairment losses	11	(15)	(19)	(6)	–	(40)
Reversal impairment losses	11	4	21	1	–	26
Transfer (to)/from assets classified as held for sale		(6)	(14)	(23)	–	(43)
Disposals		37	128	263	–	428
Effect of movements in exchange rates		(36)	(54)	(39)	–	(129)
Balance as at 31 December 2010		(1,526)	(3,124)	(2,536)	–	(7,186)
Balance as at 1 January 2011		(1,526)	(3,124)	(2,536)	–	(7,186)
Changes in consolidation	6	–	4	14	–	18
Depreciation charge for the year	11	(128)	(356)	(452)	–	(936)
Impairment losses	11	–	–	(8)	–	(8)
Reversal impairment losses	11	–	3	5	–	8
Transfer (to)/from assets classified as held for sale		3	–	–	–	3
Disposals		18	92	224	–	334
Effect of movements in exchange rates		11	42	43	–	96
Balance as at 31 December 2011		**(1,622)**	**(3,339)**	**(2,710)**	**–**	**(7,671)**
Carrying amount						
As at 1 January 2010		2,055	2,462	1,185	315	6,017
As at 31 December 2010		2,871	3,083	1,403	330	7,687
As at 1 January 2011		**2,871**	**3,083**	**1,403**	**330**	**7,687**
As at 31 December 2011		**3,248**	**2,938**	**1,342**	**332**	**7,860**

Impairment losses

In 2011 a total impairment loss of EUR8 million (2010: EUR40 million) was charged to profit or loss.

14. Property, plant and equipment continued

Financial lease assets

The Group leases P, P & E under a number of finance lease agreements. At 31 December 2011 the net carrying amount of leased P,P & E was EUR39 million (2010: EUR95 million). During the year, the Group acquired leased assets of EUR6 million (2010: EUR17 million).

Security to authorities

Certain P, P & E for EUR137 million (2010: EUR149 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. This mainly relates to Brazil (see note 34).

Property, plant and equipment under construction

P, P & E under construction mainly relates to expansion of the brewing capacity in Mexico, the UK, and Nigeria.

Capitalised borrowing costs

During 2011 no borrowing costs have been capitalised (2010: EUR nil).

15. Intangible assets

In millions of EUR	Note	Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total
Cost							
Balance as at 1 January 2010		5,713	1,382	351	124	259	7,829
Changes in consolidation		1,748	924	943	86	39	3,740
Purchases/internally developed		–	–	–	–	56	56
Disposals		(1)	(8)	–	–	(16)	(25)
Transfers to assets held for sale		–	–	–	–	3	3
Effect of movements in exchange rates		132	23	(10)	12	3	160
Balance as at 31 December 2010		7,592	2,321	1,284	222	344	11,763
Balance as at 1 January 2011		**7,592**	**2,321**	**1,284**	**222**	**344**	**11,763**
Changes in consolidation	6	287	8	18	38	–	351
Purchased/internally developed		–	–	–	6	50	56
Disposals		–	–	–	(91)	(6)	(97)
Effect of movements in exchange rates		(70)	(57)	(74)	(13)	(10)	(224)
Balance as at 31 December 2011		**7,809**	**2,272**	**1,228**	**162**	**378**	**11,849**
Amortisation and impairment losses							
Balance as at 1 January 2010		(280)	(108)	(74)	(50)	(182)	(694)
Changes in consolidation		–	–	–	25	3	28
Amortisation charge for the year	11	–	(54)	(88)	(16)	(34)	(192)
Impairment losses	11	–	(1)	–	(15)	–	(16)
Disposals		1	2	–	–	10	13
Transfers to assets held for sale		–	–	–	–	(2)	(2)
Effect of movements in exchange rates		–	(2)	(1)	(4)	(3)	(10)
Balance as at 31 December 2010		(279)	(163)	(163)	(60)	(208)	(873)

In millions of EUR	Note	Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total
Balance as at 1 January 2011		(279)	(163)	(163)	(60)	(208)	(873)
Changes in consolidation	6	–	–	–	1	(1)	–
Amortisation charge for the year	11	–	(59)	(110)	(24)	(36)	(229)
Impairment losses	11	–	(1)	–	–	(2)	(3)
Disposals		–	(1)	–	91	1	91
Effect of movements in exchange rates		–	3	5	(11)	3	–
Balance as at 31 December 2011		**(279)**	**(221)**	**(268)**	**(3)**	**(243)**	**(1,014)**
Carrying amount							
As at 1 January 2010		5,433	1,274	277	74	77	7,135
As at 31 December 2010		7,313	2,158	1,121	162	136	10,890
As at 1 January 2011		**7,313**	**2,158**	**1,121**	**162**	**136**	**10,890**
As at 31 December 2011		**7,530**	**2,051**	**960**	**159**	**135**	**10,835**

Brands and customer-related/contract-based intangibles

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

Impairment tests for cash-generating units containing goodwill

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

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

In millions of EUR	2011	2010*
Western Europe	3,396	3,328
Central and Eastern Europe (excluding Russia)	1,394	1,494
Russia	102	105
The Americas (excluding Brazil)	1,743	1,751
Brazil	111	110
Africa and the Middle East (aggregated)	528	245
Head Office and others	256	280
	7,530	7,313

* Comparatives have been adjusted due to the transfer of Empaque from the Americas region to Head Office.

Throughout the year total goodwill mainly increased due to the acquisition of the Sona and Ethiopian beer business and net foreign currency differences.

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

15. Intangible assets continued

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 a perpetual growth rate equal to the expected annual long-term inflation, in order to calculate the terminal recoverable amount.
- A per CGU-specific pre-tax Weighted Average Cost of Capital (WACC) was applied in determining the recoverable amount of the units.

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

	Pre-tax WACC	Expected annual long-term inflation 2015-2021	Expected volume growth rates 2015-2021
Western Europe	8.3%	2.1%	(0.4)%
Central and Eastern Europe (excluding Russia)	12.3%	2.7%	1.7%
Russia	14.8%	4.8%	1.9%
The Americas (excluding Brazil)	10.1%	2.5%	1.8%
Brazil	16.1%	4.3%	3.0%
Africa and Middle East	10.7-21.4%	2.7-8.4%	1.1-5.9%
Head Office and others	8.3-12.6%	2.1-3.6%	(0.4)-2.4%

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).

HEINEKEN applied its methodology to determine CGU specific WACC's to perform its annual impairment testing on a consistent basis. The trend and outcome of several WACC's, for amongst others the Western Europe CGU, turned out lower than expected based on the current economic climate and associated outlooks. HEINEKEN does not believe the risk profile in Western Europe is significantly lower than in prior years. The lower WACC for 2011 is mainly driven by lower observed risk-free rates reflecting the capital flee towards safer deemed economies. HEINEKEN performed an additional impairment sensitivity calculation and concluded that applying a different WACC would not result in a materially different outcome. The WACC's disclosed are based on our internal consistent methodology.

Sensitivity to changes in assumptions

Limited headroom is available in our CGU's Russia and Brazil, however the outcome of a sensitivity analysis of a 100 basis points adverse change in key assumptions (lower growth rates or higher discount rates respectively) did not result in a materially different outcome of the impairment test.

16. Investments in associates and joint ventures

HEINEKEN has the following (direct and indirect) significant investments in associates and joint ventures:

	Country	Ownership 2011	Ownership 2010
Joint ventures			
Brau Holding International GmbH & Co KgaA	Germany	49.9%	49.9%
Zagorka Brewery A.D.	Bulgaria	49.4%	49.4%
Brewinvest S.A.	Greece	50.0%	50.0%
Pivara Skopje A.D.	FYR Macedonia	48.2%	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%
Millennium Alcobev Private Limited**	India	–	68.8%
DHN Drinks (Pty) Ltd.	South Africa	44.5%	44.5%
Sedibeng Brewery Pty Ltd.*	South Africa	75.0%	75.0%
UB Nizam Breweries Pvt. Ltd**	India	–	50.0%
UB Ajanta Breweries Pvt. Ltd	India	50.0%	50.0%
Associates			
Cerveceria Costa Rica S.A.	Costa Rica	25.0%	25.0%
JSC FE Efes Karaganda Brewery***	Kazakhstan	28.0%	28.0%

* HEINEKEN has joint control as the contract and ownership details determine that for certain main operating and financial decisions unanimous approval is required. As a result this investment is not consolidated.
** In 2011 these entities ceased to exist, they were merged into United Breweries Limited.
*** This entity is classified as Held for Sale (see note 7)

Reporting date

The reporting date of the financial statements of all HEINEKEN entities and joint ventures disclosed are the same as for the Company except for
(i) Asia Pacific Breweries Ltd., Heineken Lion Australia Pty. and Asia Pacific Investment Pte. Ltd which have a 30 September reporting date (the APB results are included with a three-month delay in reporting);
(ii) DHN Drinks (Pty) Ltd. which has a 30 June reporting date, and;
(iii) United Breweries Limited and Millennium Alcobev Private Limited which have a 31 March reporting date. The results of (ii) and (iii) have been adjusted to include numbers for the full financial year ended 31 December 2011.

16. Investments in associates and joint ventures continued

Share of profit of associates and joint ventures and impairments thereof

In millions of EUR	2011	2010
Income associates	25	28
Income joint ventures	215	165
Impairments	–	–
	240	193

In the year APB (the JV of HEINEKEN and its partner Fraser and Neave) completed the sale of Kingway Brewery for SGD205 million (EUR116 million) of which SGD72 million (EUR41 million) was recorded as income by APB. As HEINEKEN has a share of 45.95 per cent a capital gain of SGD33 million (EUR19 million) is included in the share of profit of JV's.

Summary financial information for equity accounted joint ventures and associates

In millions of EUR	Joint ventures 2011	Joint ventures 2010	Associates 2011	Associates 2010
Non-current assets	1,708	1,696	73	50
Current assets	1,005	869	52	51
Non-current liabilities	(581)	(611)	(25)	(28)
Current liabilities	(725)	(684)	(30)	(23)
Revenue	2,313	2,108	153	547
Expenses	(1,914)	(1,887)	(117)	(420)

In the above table HEINEKEN represents its share of the aggregated amounts of assets, liabilities, revenues and expenses for its Joint Ventures and Associates for the year ended 31 December.

17. Other investments and receivables

In millions of EUR	Note	2011	2010
Non-current other investments			
Loans and advances to customers	32	384	455
Indemnification receivable	32	156	145
Other receivables	32	178	174
Held-to-maturity investments	32	5	4
Available-for-sale investments	32	264	190
Non-current derivatives	32	142	135
		1,129	1,103
Current other investments			
Investments held for trading	32	14	17
		14	17

Included in loans are loans to customers with a carrying amount of EUR120 million as at 31 December 2011 (2010: EUR166 million). Effective interest rates range from 6 to 12 per cent. EUR72 million (2010: EUR100 million) matures between one and five years and EUR48 million (2010: EUR66 million) after five years.

The indemnification receivable represents the receivable on FEMSA and Lewiston investments and is a mirroring of the corresponding indemnified liabilities originating from the acquisition of the beer operations of FEMSA and Sona.

The other receivables mainly originate from the acquisition of the beer operations of FEMSA and represent a receivable on the Brazilian Authorities on which interest is calculated in accordance with Brazilian legislation. Collection of this receivable is expected to be beyond a period of five years.

The main available-for-sale investments are S.A. Des Brasseries du Cameroun, Consorcio Cervecero de Nicaragua S.A., Desnoes & Geddes Ltd., Brasserie Nationale d'Haiti S.A. and Cerveceria Nacional Dominicana. As far as these investments are listed they are measured at their quoted market price. For others the value in use or multiples are used. Debt securities (which are interest-bearing) with a carrying amount of EUR20 million (2010: EUR21 million) are included in available-for-sale investments.

Sensitivity analysis – equity price risk

An amount of EUR95 million as at 31 December 2011 (2010: EUR87 million) of available-for-sale investments and investments held for trading is listed on stock exchanges. An impact of 1 per cent increase or decrease in the share price at the reporting date would not result in a material impact on a consolidated Group level.

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	2011	2010	2011	2010	2011	2010
Property, plant & equipment	93	86	(590)	(550)	(497)	(464)
Intangible assets	51	62	(733)	(789)	(682)	(727)
Investments	91	87	(6)	(9)	85	78
Inventories	16	33	(5)	(6)	11	27
Loans and borrowings	3	1	–	(2)	3	(1)
Employee benefits	252	254	12	11	264	265
Provisions	150	133	1	1	151	134
Other items	146	77	(138)	(51)	8	26
Tax losses carry-forwards	237	213	–	–	237	213
Tax assets/(liabilities)	**1,039**	946	**(1,459)**	(1,395)	**(420)**	(449)
Set-off of tax	(565)	(404)	565	404	–	–
Net tax assets/(liabilities)	**474**	542	**(894)**	(991)	**(420)**	(449)

Tax losses carry-forwards

HEINEKEN has losses carry-forwards for an amount of EUR1,920 million as at 31 December 2011 (2010: EUR1,833 million), which expire in the following years:

In millions of EUR	2011	2010
2011	–	11
2012	5	8
2013	6	32
2014	28	30
2015	23	32
2016	36	–
After 2016 respectively 2015 but not unlimited	372	314
Unlimited	1,450	1,406
	1,920	1,833
Recognised as deferred tax assets gross	(859)	(807)
Unrecognised	**1,061**	1,026

The unrecognised losses relate to entities for which it is not probable that taxable profit will be available to offset these losses. The majority of the unrecognised losses were acquired as part of the beer operations of FEMSA in 2010.

18. Deferred tax assets and liabilities continued

Movement in deferred tax on temporary differences during the year

In millions of EUR	Balance 1 January 2010	Policy change	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	Balance 31 December 2010
Property, plant & equipment	(330)	–	(161)	–	28	–	(1)	(464)
Intangible assets	(269)	–	(475)	3	17	–	(3)	(727)
Investments	9	–	54	(3)	18	–	–	78
Inventories	11	–	(4)	(1)	20	–	1	27
Loans and borrowings	1	–	(1)	–	(1)	–	–	(1)
Employee benefits	116	151	53	(2)	(15)	(38)	–	265
Provisions	92	–	14	(2)	30	–	–	134
Other items	8	–	40	(2)	15	(43)	8	26
Tax losses carry-forwards	137	–	33	5	39	–	(1)	213
Net tax assets/(liabilities)	(225)	151	(447)	(2)	151	(81)	4	(449)

In millions of EUR	Balance 1 January 2011	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	Balance 31 December 2011
Property, plant & equipment	(464)	(41)	20	(10)	–	(2)	(497)
Intangible assets	(727)	(18)	38	25	–	–	(682)
Investments	78	–	(7)	14	–	–	85
Inventories	27	–	–	(16)	–	–	11
Loans and borrowings	(1)	–	2	2	–	–	3
Employee benefits	265	–	–	(17)	16	–	264
Provisions	134	1	–	13	–	3	151
Other items	26	–	(5)	(19)	8	(2)	8
Tax losses carry-forwards	213	7	(2)	19	–	–	237
Net tax assets/(liabilities)	**(449)**	**(51)**	**46**	**11**	**24**	**(1)**	**(420)**

19. Inventories

In millions of EUR	2011	2010
Raw materials	263	241
Work in progress	150	147
Finished products	354	261
Goods for resale	205	231
Non-returnable packaging	143	120
Other inventories and spare parts	237	206
	1,352	1,206

During 2011 and 2010 no write-down of inventories to net realisable value was required.

20. Trade and other receivables

In millions of EUR	Note	2011	2010
Trade receivables due from associates and joint ventures		42	102
Trade receivables		1,657	1,680
Other receivables		524	481
Derivatives		37	10
	32	**2,260**	2,273

A net impairment loss of EUR57 million (2010: EUR115 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	2011	2010
Cash and cash equivalents	32	813	610
Bank overdrafts	25	(207)	(132)
Cash and cash equivalents in the statement of cash flows		**606**	478

22. Capital and reserves

Share issuance

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

Allotted Share Delivery Instrument

In addition to the shares issued to FEMSA, HEINEKEN also committed itself to deliver 29,172,504 additional shares to FEMSA (the 'Allotted Shares') over a period of no longer than five years. This financial instrument is classified to be equity as the number of shares is fixed. HEINEKEN had the option to accelerate the delivery of the Allotted Shares at its discretion. Pending delivery of the Allotted Shares, HEINEKEN paid a coupon on each undelivered Allotted Share such that FEMSA was 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.

On 3 October 2011, HEINEKEN announced that the share repurchase programme in connection with the acquisition of FEMSA had been completed. During the period of 1 January through 31 December 2011 HEINEKEN acquired 18,407,246 shares with an average quoted market price of EUR36.67. During the year 2011 all these shares were delivered to FEMSA under the ASDI.

Share capital

	Ordinary shares	
In millions of EUR	2011	2010
On issue as at 1 January	922	784
Issued	–	138
On issue as at 31 December	**922**	922

22. Capital and reserves continued

As at 31 December 2011 the issued share capital comprised 576,002,613 ordinary shares (2010: 576,002,613). The ordinary shares have a par value of EUR1.60. All issued shares are fully paid.

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

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

Translation reserve

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

Inflation in Belarus has been at relatively high levels in recent years. In the third quarter of 2011 cumulative three year inflation exceeded 100 per cent. This, combined with other indicators, results in HEINEKEN deeming Belarus as a hyperinflationary economy under IAS 29, Financial Reporting in Hyperinflationary Economies. IAS 29 is applied to the historical cost financial statements of our Belarusian operations from the beginning of 2011.

The restated financial statements of our Belarusian operations are translated to euro at the closing rate at the end of the reporting period. Differences arising on translation to euro are recognised in the translation reserve. The Consumer Price Index end of 2011 was 224.9 (2009: 100; 2010: 107.8) and increased in 2011 by 108.7.

The impact on equity is a net amount of EUR14 million, PP&E remeasurement of EUR18 million with offset in deferred tax liabilities for EUR4 million. The impact on the income statement for 2011 is not material.

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 2011, HEINEKEN held 1,265,140 of the Company's shares (2010: 1,630,258), all of which are LTV shares in 2011.

The coupon paid on the ASDI in 2011 amounts to EUR15 million (2010: EUR7 million).

LTV

During the period of 1 January through 31 December 2011 HEINEKEN acquired 330.000 shares for LTV delivery with an average quoted market price of EUR40.91 for a total of EUR14 million.

Share purchase mandate

There are no outstanding share purchase mandates per 31 December 2011 (2010: EUR96 million). The current liability presented in accordance with IAS 32.23 per 31 December 2010 of EUR96 million was reversed in full.

Dividends

The following dividends were declared and paid by HEINEKEN:

In millions of EUR	2011	2010
Final dividend previous year EUR0.50, respectively EUR0.40 per qualifying ordinary share	299	195
Interim dividend current year EUR0.30, respectively EUR0.26 per qualifying ordinary share	175	156
Total dividend declared and paid	**474**	351

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

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

In millions of EUR	2011	2010
per qualifying ordinary share EUR0.83 (2010: EUR0.76)	**477**	438

23. Earnings per share

Basic earnings per share

The calculation of basic earnings per share as at 31 December 2011 is based on the profit attributable to ordinary shareholders of the Company (net profit) of EUR1,430 million (2010: EUR1,447 million) and a weighted average number of ordinary shares – basic outstanding during the year ended 31 December 2011 of 585,100,381 (2010: 562,234,726). Basic earnings per share for the year amounts to EUR2.44 (2010: EUR2.57).

Weighted average number of shares – basic

	2011	2010
Number of shares basic 1 January	576,002,613	489,974,594
Effect of LTV own shares held	(1,177,321)	(1,152,409)
Effect of undelivered ASDI shares	10,275,089	14,726,761
Effect of new shares issued	–	58,685,780
Weighted number of basic shares for the year	**585,100,381**	562,234,726

ASDI

Allotted Share Delivery Instrument (ASDI) represents HEINEKEN's obligation to deliver shares to FEMSA, either through issuance and/or purchasing of its own shares in the open market, which was concluded in 2011. EPS is impacted by ASDI as in the formula, calculating EPS, the net profit is divided by the weighted average number of ordinary shares. In this weighted average number of ordinary shares, the weighted average of outstanding ASDI is included. This means that the ASDI leads to a lower basic EPS until the year all shares have been repurchased.

Diluted earnings per share

The calculation of diluted earnings per share as at 31 December 2011 was based on the profit attributable to ordinary shareholders of the Company (net profit) of EUR1,430 million (2010: EUR1,447 million) and a weighted average number of ordinary shares – basic outstanding after adjustment for the effects of all dilutive potential ordinary shares of 586,277,702 (2010: 563,387,135). Diluted earnings per share for the year amounted to EUR2.44 (2010: EUR2.57).

Weighted average number of shares – diluted

	2011	2010
Weighted number of basic shares for the year	585,100,381	562,234,726
Effect of LTV own shares held	1,177,321	1,152,409
Weighted average diluted shares for the year	**586,277,702**	563,387,135

24. Income tax on other comprehensive income

In millions of EUR	2011 Amount before tax	2011 Tax	2011 Amount net of tax	2010* Amount before tax	2010* Tax	2010* Amount net of tax
Other comprehensive income						
Foreign currency translation differences for foreign operations	(504)	11	(493)	390	–	390
Effective portion of changes in fair value of cash flow hedge	(31)	10	(21)	61	(18)	43
Effective portion of cash flow hedges transferred to profit or loss	(14)	3	(11)	65	(20)	45
Ineffective portion of cash flow hedges transferred to profit or loss	–	–	–	9	–	9
Net change in fair value available-for-sale investments	71	–	71	16	(5)	11
Net change in fair value available-for-sale investments transferred to profit or loss	(1)	–	(1)	(17)	–	(17)
Actuarial gains and losses	(109)	16	(93)	137	(38)	99
Share of other comprehensive income of associates/joint ventures	(5)	–	(5)	(29)	–	(29)
Total other comprehensive income	**(593)**	**40**	**(553)**	632	(81)	551

* Comparatives have been adjusted due to the accounting policy change in employee benefits (see note 2e)

The difference between the income tax on other comprehensive income and the deferred tax on equity (note 18) in 2011 can be explained by current tax on other comprehensive income.

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	2011	2010
Secured bank loans		37	48
Unsecured bank loans		3,607	3,260
Unsecured bond issues		2,493	2,482
Finance lease liabilities	26	33	47
Other non-current interest-bearing liabilities		1,825	1,895
Non-current interest-bearing liabilities		**7,995**	7,732
Non-current derivatives		177	291
Non-current non-interest-bearing liabilities		27	55
		8,199	8,078

Current interest-bearing liabilities

In millions of EUR	Note	2011	2010
Current portion of secured bank loans		13	11
Current portion of unsecured bank loans		329	346
Current portion of finance lease liabilities	26	6	48
Current portion of other non-current interest-bearing liabilities		184	32
Total current portion of non-current interest-bearing liabilities		**532**	437
Deposits from third parties (mainly employee loans)		449	425
		981	862
Bank overdrafts	21	207	132
		1,188	994

Net interest-bearing debt position

In millions of EUR	Note	2011	2010
Non-current interest-bearing liabilities		7,995	7,732
Current portion of non-current interest-bearing liabilities		532	437
Deposits from third parties (mainly employee loans)		449	425
		8,976	8,594
Bank overdrafts	21	207	132
		9,183	8,726
Cash, cash equivalents and current other investments		(828)	(627)
Net interest-bearing debt position		**8,355**	8,099

Non-current liabilities

In millions of EUR	Secured bank loans	Unsecured bank loans	Unsecured bond issues	Finance lease liabilities	Other non-current interest-bearing liabilities	Non-current derivatives	Non-current non-interest-bearing liabilities	Total
Balance as at 1 January 2011	48	3,260	2,482	47	1,895	291	55	**8,078**
Consolidation changes	–	–	–	–	(24)	–	–	**(24)**
Effect of movements in exchange rates	(1)	(35)	–	–	18	(4)	(9)	**(31)**
Transfers to current liabilities	(6)	(802)	3	(4)	(169)	(57)	(7)	**(1,042)**
Charge to/(from) profit or loss i/r derivatives	–	–	–	–	–	(8)	–	**(8)**
Charge to/(from) equity i/r derivatives	–	–	–	–	–	(26)	–	**(26)**
Proceeds	1	1,711	–	1	75	–	(9)	**1,779**
Repayments	(5)	(568)	3	(11)	(3)	(19)	(17)	**(620)**
Other	–	41	5	–	33	–	14	**93**
Balance as at 31 December 2011	**37**	**3,607**	**2,493**	**33**	**1,825**	**177**	**27**	**8,199**

25. Loans and borrowings continued

Terms and debt repayment schedule

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

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2011	Face value 2011	Carrying amount 2010	Face value 2010
Secured bank loans	Bank facilities	GBP	1.9	2016	17	17	23	23
Secured bank loans	Various	various	various	various	33	33	36	36
Unsecured bank loans	2008 Syndicated Bank Facility	EUR	0.4-1.7	2013	1,305	1,313	1,708	1,709
Unsecured bank loans	Bank Facility	EUR	6.0	2013-2016	329	329	434	434
Unsecured bank loans	German Schuldschein notes	EUR	1.0-6.0	2016	111	111	111	111
Unsecured bank loans	German Schuldschein notes	EUR	1.0-6.0	2012	102	102	102	102
Unsecured bank loans	German Schuldschein notes	EUR	1.0-6.0	2016	207	207	207	207
Unsecured bank loans	2008 Syndicated Bank Facility	GBP	0.4-1.2	2013	287	287	336	340
Unsecured bank loans	Bank Facilities	PLN	5.4-5.6	2013-2014	72	72	60	60
Unsecured bank loans	2011 Syndicated Bank Facilities	USD	0.8	2016	450	450	–	–
Unsecured bank loans	2011 Syndicated Bank Facilities	GBP	0.8	2016	422	422	–	–
Unsecured bank loans	2011 Syndicated Bank Facilities	EUR	0.8	2016	107	107	–	–
Unsecured bank loans	Bank Facilities	USD	0.8	2012-2013	93	93	167	172
Unsecured bank loans	Bank Facilities	MXN	4.5-10.6	2012-2013	183	176	444	445
Unsecured bank loans	Bank facilities	NGN	12.5-17.3	2012-2016	228	228	–	–
Unsecured bank loans	Various	various	various	various	40	40	37	37
Unsecured bond	Issue under EMTN programme	GBP	7.3	2015	476	479	461	465
Unsecured bond	Eurobond on Luxembourg Stock Exchange	EUR	5.0	2013	599	600	599	600
Unsecured bond	Issue under EMTN programme	EUR	7.1	2014	1,000	1,000	1,009	1,000
Unsecured bond	Issue under EMTN programme	EUR	4.6	2016	398	400	397	400
Unsecured bond issues	n/a	various	various	various	20	20	16	16
Other interest-bearing liabilities	2010 US private placement	USD	4.6	2018	559	561	541	546
Other interest-bearing liabilities	2002 S&N US private placement	USD	5.4-5.6	2012-2014	632	580	616	569
Other interest-bearing liabilities	2005 S&N US private placement	USD	5.4	2015	258	232	247	225
Other interest-bearing liabilities	2008 US private placement	USD	5.9-6.3	2015-2018	341	342	331	333
Other interest-bearing liabilities	2011 US private placement	USD	2.8	2017	69	70	–	–
Other interest-bearing liabilities	2008 US private placement	EUR	7.25	2016	30	30	30	33
Other interest-bearing liabilities	Various	various	various	various	120	120	162	158
Deposits from third parties	n/a	various	various	various	449	449	425	425
Finance lease liabilities	n/a	various	various	various	39	39	95	100
					8,976	**8,909**	8,594	8,546

Revolving Credit Facility

On 5 May 2011, Heineken N.V. announced the successful closing of a new Revolving Credit Facility for an amount of EUR2 billion with a syndicate of 17 banks. The new self-arranged credit line has a tenor of five years with two 1-year extension options and can be used for general corporate purposes. The new Revolving Credit Facility replaces the existing EUR2 billion facility. As at 31 December 2011, the committed available financing headroom was approximately EUR1.3 billion, including cash available at Group level.

On 27 October 2011, HEINEKEN issued USD90 million of notes with a 6-year maturity, further improving the currency and maturity profile of its long-term debt.

EMTN Programme

In September 2008, HEINEKEN established a Euro Medium Term Note ("EMTN") Programme which was subsequently updated in September 2009 and September 2010. The programme allows HEINEKEN from time to time to issue Notes. Currently approximately EUR1.9 billion of Notes is outstanding under the programme. The programme can be used for issuance up to one year after its latest update. The EMTN Programme and all Heineken N.V. bonds are listed on the Luxembourg Stock Exchange. HEINEKEN still has a capacity of EUR3.1 billion under this programme. HEINEKEN is in the process of updating the programme.

Incurrence covenant

HEINEKEN has an incurrence covenant in some of its financing facilities. This 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 2011). As at 31 December 2011 this ratio was 2.1 (2010: 2.1). If the ratio would be beyond a level of 3.5, the incurrence covenant would prevent us from conducting further significant debt financed acquisitions.

26. Finance lease liabilities

Finance lease liabilities are payable as follows:

In millions of EUR	Future minimum lease payments 2011	Interest 2011	Present value of minimum lease payments 2011	Future minimum lease payments 2010	Interest 2010	Present value of minimum lease payments 2010
Less than one year	7	(1)	6	49	(1)	48
Between one and five years	27	(1)	26	39	(3)	36
More than five years	7	–	7	13	(2)	11
	41	**(2)**	**39**	101	(6)	95

27. Non-GAAP measures

In the internal management reports HEINEKEN measures its performance primarily based on EBIT and EBIT (beia), these are non-GAAP measures not calculated in accordance with IFRS. A similar non-GAAP adjustment can be made to the IFRS profit or loss as defined in IAS 1 paragraph 7 being the total of income less expense. Exceptional items are defined as items of income and expense of such size, nature or incidence, that in the view of management their disclosure is relevant to explain the performance of HEINEKEN for the period. The table below presents the relationship with IFRS terms, the results from operating activities and profit and HEINEKEN non-GAAP measures being EBIT, EBIT (beia) and profit (beia) for the financial year 2011.

In millions of EUR	2011*	2010*
Results from operating activities	**2,215**	2,298
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	240	193
HEINEKEN EBIT	2,455	2,491
Exceptional items and amortisation included in EBIT	242	132
HEINEKEN EBIT (beia)	2,697	2,623
Profit attributable to equity holders of the Company	**1,430**	1,447
Exceptional items and amortisation included in EBIT	242	132
Exceptional items included in finance costs	(14)	(5)
Exceptional items included in tax expense	(74)	(118)
HEINEKEN net profit beia	**1,584**	1,456

* unaudited

The exceptional items included in EBIT contain the amortisation of brands and customer relations for EUR170 million (2010: EUR142 million). The EU fine reduction of EUR21 million (gain), gain on sale of brands EUR24 million, redundancies and contract settlements for EUR81 million and the early amortisation and termination of contracts for EUR36 million relating to the Galaxy pub estate.

Exceptional items in the other net financing costs reflects fair value movements on interest rate swaps made by Scottish & Newcastle in the past that do not qualify for hedge accounting under IFRS. The tax expense exceptional items are for EUR47 million (2010: EUR39 million) related to amortisation of brands and customer relations and the remainder relates to the other exceptional items included in EBIT.

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	2011	2010*
Present value of unfunded obligations	96	118
Present value of funded obligations	6,804	6,525
Total present value of obligations	**6,900**	6,643
Fair value of plan assets	(5,860)	(5,646)
Present value of net obligations	**1,040**	997
Asset ceiling items	14	–
Recognised liability for defined benefit obligations	**1,054**	997
Other long-term employee benefits	120	100
	1,174	1,097

* Comparatives have been adjusted due to the accounting policy change in employee benefits (see note 2e)

Plan assets comprise:

In millions of EUR	2011	2010
Equity securities	2,520	2,484
Government bonds	2,534	2,421
Properties and real estate	410	436
Other plan assets	396	305
	5,860	5,646

The primary goal of the HEINEKEN pension funds is to monitor 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.

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 and the UK (83 per cent of the total DBO). Other countries with a defined benefit plan are: Ireland, Greece, Austria, Italy, France, Spain, Mexico, Belgium, Switzerland, Portugal and Nigeria. In other countries the pension plans are defined contribution plans and/or similar arrangements for employees.

In the UK the defined benefit scheme for employees (actives) was closed in 2011 and was replaced by a defined contribution scheme. The remaining defined benefit schemes in the UK are now closed for new entrants.

Other long-term employee benefits mainly relate to long-term bonus plans, termination benefits, medical plans and jubilee benefits.

Movements in the present value of the defined benefit obligations

In millions of EUR	2011	2010
Defined benefit obligations as at 1 January	6,643	5,935
Changes in consolidation and reclassification	–	286
Effect of movements in exchange rates	75	131
Benefits paid	(307)	(298)
Employee contributions	24	19
Current service costs and interest on obligation	411	411
Past service costs	(5)	(9)
Effect of any curtailment or settlement	(35)	(15)
Actuarial (gains)/losses in other comprehensive income	94	183
Defined benefit obligations as at 31 December	**6,900**	6,643

28. Employee benefits continued

Movements in the present value of plan assets

In millions of EUR	2011	2010
Fair value of plan assets as at 1 January	5,646	4,858
Changes in consolidation and reclassification	–	115
Effect of movements in exchange rates	76	127
Contributions paid into the plan	145	226
Benefits paid	(307)	(298)
Expected return on plan assets	315	298
Actuarial gains/(losses) in other comprehensive income	(15)	320
Fair value of plan assets as at 31 December	**5,860**	5,646
Actual return on plan assets	**307**	618

Expense recognised in profit or loss

In millions of EUR	Note	2011	2010*
Current service costs		71	77
Interest on obligation		340	334
Expected return on plan assets		(315)	(298)
Past service costs		(5)	(9)
Effect of any curtailment or settlement		(35)	(15)
	10	**56**	89

* Comparatives have been adjusted due to the accounting policy change in employee benefits (see note 2e)

Actuarial gains and losses recognised in other comprehensive income

In millions of EUR	Note	2011	2010
Amount accumulated in retained earnings at 1 January		410	547
Recognised during the year		109	(137)
Amount accumulated in retained earnings at 31 December		**519**	410

Principal actuarial assumptions as at the balance sheet date

The defined benefit plans in the Netherlands and the UK cover 87.2 per cent of the present value of the plan assets (2010: 86.8 per cent), 82.8 per cent of the present value of the defined benefit obligations (2010: 81.7 per cent) and 57.8 per cent of the present value of net obligations (2010: 52.9 per cent) as at 31 December 2011. The table below presents the expected return on plan assets compared to the actual return on plan assets for our main defined benefit plans.

	The Netherlands		UK	
In millions of EUR	2011	2010	2011	2010
Expected return on plan assets	125	121	152	145
Actual return on plan assets	62	275	226	304
Variance	**(63)**	154	**74**	159

For the Netherlands and the UK the following actuarial assumptions apply as at 31 December:

	The Netherlands		UK	
	2011	2010	2011*	2010
Discount rate as at 31 December	4.6	5.1	4.7	5.4
Expected return on plan assets as at 1 January	5.5	5.7	6.2	6.4
Future salary increases	3	3	–	4.6
Future pension increases	1	1.5	3	3
Medical cost trend rate	–	–	–	7

* The UK plan closed for future accruals leading to certain assumptions being equal to zero.

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

	Other Western, Central and Eastern Europe		The Americas		Africa and the Middle East	
	2011	2010	2011	2010	2011	2010
Discount rate as at 31 December	2.9–4.8	2.4–5.8	7.6–10.7	7–7.6	13	7–10
Expected return on plan assets as at 1 January	3.3–7.3	2.9–7.3	7.6	6.5–8.2	–	–
Future salary increases	1–10	1–10	3.8	3.8–5.5	12	5–10
Future pension increases	1–2.1	1–2.1	2.9	2.8–3	–	–
Medical cost trend rate	3.5	3.5–4.5	5.1	5.1	–	–

Assumptions regarding future mortality rates are based on published statistics and mortality tables. For the Netherlands the rates are obtained from the 'AG-Prognosetafel 2010-2060', fully generational. Correction factors from TowersWatson are applied on these. For the UK the rates are obtained from the Continious Mortality Investigation 2011 projection model.

The overall expected long-term rate of return on assets is 5.5 per cent (2010: 6 per cent), which is based on the asset mix and the expected rate of return on each major asset class, as managed by the pension funds.

Assumed healthcare cost trend rates have no effect on the amounts recognised in profit or loss. A one percentage point change in assumed healthcare cost trend rates would not have any effect on profit or loss neither on the statement of financial position as at 31 December 2011.

Based on the most recent triannual review finalised in early 2010, HEINEKEN has agreed a 12-year plan aiming to fund the recovery of the Scottish & Newcastle pension fund through additional Company contributions. These could total GBP504 million of which GBP35 million has been paid to December 2011. As at 31 December 2011 the IAS 19 present value of the net obligations of the Scottish & Newcastle pension fund represents a GBP465 million (EUR557 million) deficit. No additional liability has to be recognised as the net present value of the minimum funding requirement does not exceed the net obligation. The start of the next review of the funding position and the recovery plan will take place no later than around year-end 2012 and is not expected to be finalised beginning 2013.

The Group expects the 2012 contributions to be paid for the defined benefit plan to be in line with 2011.

Historical information

In millions of EUR	2011	2010	2009	2008	2007
Present value of the defined benefit obligation	6,900	6,643	5,936	4,963	2,858
Fair value of plan assets	(5,860)	(5,646)	(4,858)	(4,231)	(2,535)
Deficit in the plan	**1,040**	997	1,078	732	323
Experience adjustments arising on plan liabilities, losses/(gains)	(30)	(24)	(116)	71	(4)
Experience adjustments arising on plan assets, (losses)/gains	(15)	320	313	(817)	16

29. Share-based payments – Long-Term Variable Award

As from 1 January 2005 HEINEKEN established a performance-based share plan (Long-Term Variable award; LTV) for the Executive Board. As from 1 January 2006 a similar plan was established for senior management. Under this LTV share rights are awarded to incumbents on an annual basis. The vesting of these rights is subject to the performance of Heineken N.V. on specific performance conditions over a three year period.

The LTV 2009 – 2011 performance condition for the Executive Board is Relative Total Shareholder Return (RTSR) or TSR performance in comparison with the TSR performance of a selected peer group. The LTV 2009-2011 performance conditions for senior management are RTSR (25 per cent) and internal financial measures (75 per cent).

The performance conditions for LTV 2010-2012 and LTV 2011-2013 are the same for the Executive Board and senior management and comprise solely of internal financial measures, being Organic Gross Profit beia growth, Organic EBIT beia growth, Earnings Per Share (EPS) beia growth and Free Operating Cash Flow.

At target performance, 100 per cent of the awarded shares vest. At threshold performance, 50 per cent of the awarded shares vest. At maximum performance 200 per cent of the awarded shares vest for the Executive Board as well as senior managers contracted by the US and 175 per cent vest for all other senior managers.

The performance period for share rights granted in 2009 was from 1 January 2009 to 31 December 2011. The performance period for share rights granted in 2010 is from 1 January 2010 to 31 December 2012. The performance period for the share rights granted in 2011 is from 1 January 2011 to 31 December 2013. 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 2011, 2012 and 2013 respectively.

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

The terms and conditions of the share rights granted are as follows:

Grant date/employees entitled	Number*	Based on share price	Vesting conditions	Contractual life of rights
Share rights granted to Executive Board in 2009	53,083	21.90	Continued service and RTSR performance	3 years
Share rights granted to senior management in 2009	562,862	21.90	Continued service, 75% internal performance conditions and 25% RTSR performance	3 years
Share rights granted to Executive Board in 2010	55,229	33.27	Continued service, 100% internal performance conditions	3 years
Share rights granted to senior management in 2010	516,765	33.27	Continued service, 100% internal performance conditions	3 years
Share rights granted to Executive Board in 2011	65,072	36.69	Continued service, 100% internal performance conditions	3 years
Share rights granted to senior management in 2011	730,090	36.69	Continued service, 100% internal performance conditions	3 years

* The number of shares is based on target performance.

Based on RTSR and internal performance, it is expected that approximately 593,428 shares will vest in 2012 for senior management.

The number -as corrected for the expected performance for the various awards- and weighted average share price per share under the LTV of senior management are as follows:

	Weighted average share price 2011	Number of share rights 2011	Weighted average share price 2010	Number of share rights 2010*
Outstanding as at 1 January	30.11	1,575,880	30.35	1,481,269
Granted during the year	36.69	795,162	33.27	571,994
Forfeited during the year	31.73	(119,856)	30.89	(94,817)
Vested during the year	44.22	(234,485)	36.03	(253,377)
Performance adjustment	–	(470,187)	–	(129,189)
Outstanding as at 31 December	**29.14**	**1,546,514**	30.11	1,575,880

* The 2010 figures are restated to reflect the performance adjustment in number of shares.

No vesting occurred under the 2008 – 2010 LTV of the Executive Board. A total of 234,485 (gross) shares vested under the 2008 – 2010 LTV of senior management.

Additionally, under extraordinary share plans 52,746 shares were granted and 17,864 (gross) shares vested. These extraordinary grants only have a service condition and vest between 1 and 5 years. The expenses relating to these expected additional grants are recognised in profit or loss during the vesting period. Expenses recognised in 2011 are EUR0.4 million (2010: EUR0.5 million).

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 (applicable for the LTV 2009 – 2011 LTV plan), with following inputs:

In EUR	Executive Board 2009	Senior management 2009
Fair value at grant date	512,359	8,478,659
Expected volatility	22.8%	22.8%
Expected dividends	2.1%	2.1%

Personnel expenses

In millions of EUR	Note	2011	2010
Share rights granted in 2008		–	3
Share rights granted in 2009		5	5
Share rights granted in 2010		1	7
Share rights granted in 2011		5	–
Total expense recognised as personnel expenses	10	**11**	15

30. Provisions

In millions of EUR	Note	Restructuring	Onerous contracts	Other	Total
Balance as at 1 January 2011		112	55	431	598
Changes in consolidation	6	–	–	15	15
Provisions made during the year		108	8	53	169
Provisions used during the year		(61)	(20)	(42)	(123)
Provisions reversed during the year		(10)	(3)	(61)	(74)
Effect of movements in exchange rates		–	–	(13)	(13)
Unwinding of discounts		2	2	13	17
Balance as at 31 December 2011		**151**	**42**	**396**	**589**
Non-current		84	30	335	449
Current		67	12	61	140
		151	**42**	**396**	**589**

Restructuring

The provision for restructuring of EUR151 million mainly relates to restructuring programmes in Spain, the Netherlands and the UK.

Other provisions

Included are, amongst others, surety and guarantees provided EUR27 million (2010: EUR56 million) and litigation and claims EUR207 million (2010: EUR230 million).

31. Trade and other payables

In millions of EUR	Note	2011	2010
Trade payables		2,009	1,660
Returnable packaging deposits		490	434
Taxation and social security contributions		665	652
Dividend		33	53
Interest		100	97
Derivatives		164	66
Share purchase mandate		–	96
Other payables		243	298
Accruals and deferred income		920	909
	32	**4,624**	4,265

32. Financial risk management and financial instruments

Overview

HEINEKEN has exposure to the following risks from its use of financial instruments, as they arise in the normal course of HEINEKEN's business:

- Credit risk
- Liquidity risk
- Market risk.

This note presents information about HEINEKEN's exposure to each of the above risks, and it summarises HEINEKEN's policies and processes that are in place for measuring and managing risk, including those related to capital management. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Executive Board, under the supervision of the Supervisory Board, has overall responsibility and sets rules for HEINEKEN's risk management and control systems. They are reviewed regularly to reflect changes in market conditions and the Group's activities. The Executive Board oversees the adequacy and functioning of the entire system of risk management and internal control, assisted by Group departments.

The Global Treasury function focuses primarily on the management of financial risk and financial resources. Some of the risk management strategies include the use of derivatives, primarily in the form of spot and forward exchange contracts and interest rate swaps, but options can be used as well. It is the Group policy that no speculative transactions are entered into.

Credit risk

Credit risk is the risk of financial loss to HEINEKEN if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from HEINEKEN's receivables from customers and investment securities.

The economic crisis has impacted our regular business activities and performance, in particular in consumer spending and solvency. However, the business impact differed across the regions and operations. Local management has assessed the risk exposure following Group instructions and is taking action to mitigate the higher than usual risks. Intensified and continuous focus is being given in the areas of customers (managing trade receivables and loans) and suppliers (financial position of critical suppliers).

As at the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial instrument, including derivative financial instruments, in the consolidated statement of financial position.

Loans to customers

HEINEKEN's exposure to credit risk is mainly influenced by the individual characteristics of each customer. HEINEKEN's held-to-maturity investments includes loans to customers, issued based on a loan contract. Loans to customers are ideally secured by, amongst others, rights on property or intangible assets, such as the right to take possession of the premises of the customer. Interest rates calculated by HEINEKEN are at least based on the risk-free rate plus a margin, which takes into account the risk profile of the customer and value of security given.

HEINEKEN establishes an allowance for impairment of loans that represents its estimate of incurred losses. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar customers in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics.

In a few countries the issue of new loans is outsourced to third parties. In most cases, HEINEKEN issues sureties (guarantees) to the third party for the risk of default by the customer.

32. Financial risk management and financial instruments continued

Trade and other receivables

HEINEKEN's local management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Under the credit policies all customers requiring credit over a certain amount are reviewed and new customers are analysed individually for creditworthiness before HEINEKEN's standard payment and delivery terms and conditions are offered. HEINEKEN's review includes external ratings, where available, and in some cases bank references. Purchase limits are established for each customer and these limits are reviewed regularly. As a result of the deteriorating economic circumstances since 2008, certain purchase limits have been redefined. Customers that fail to meet HEINEKEN's benchmark creditworthiness may transact with HEINEKEN only on a prepayment basis.

In monitoring customer credit risk, customers are, on a country base, grouped according to their credit characteristics, including whether they are an individual or legal entity, which type of distribution channel they represent, geographic location, industry, ageing profile, maturity and existence of previous financial difficulties. Customers that are graded as 'high risk' are placed on a restricted customer list, and future sales are made on a prepayment basis only with approval of Management.

HEINEKEN has multiple distribution models to deliver goods to end customers. Deliveries are done in some countries via own wholesalers, in other markets directly and in some others via third parties. As such distribution models are country specific and on consolidated level diverse, as such the results and the balance sheet items cannot be split between types of customers on a consolidated basis. The various distribution models are also not centrally managed or monitored.

HEINEKEN establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The components of this allowance are a specific loss component and a collective loss component.

Advances to customers

Advances to customers relate to an upfront cash-discount to customers. The advances are amortised over the term of the contract as a reduction of revenue.

In monitoring customer credit risk, refer to the paragraph above relating to trade and other receivables.

Investments

HEINEKEN limits its exposure to credit risk by only investing available cash balances in liquid securities and only with counterparties that have a credit rating of at least single A or equivalent for short-term transactions and AA- for long-term transactions. HEINEKEN actively monitors these credit ratings.

Guarantees

HEINEKEN's policy is to avoid issuing guarantees where possible unless this leads to substantial benefits 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	2011	2010
Loans and advances to customers	17	384	455
Indemnification receivable	17	156	145
Other long-term receivables	17	178	174
Held-to-maturity investments	17	5	4
Available-for-sale investments	17	264	190
Non-current derivatives	17	142	135
Investments held for trading	17	14	17
Trade and other receivables, excluding current derivatives	20	2,223	2,263
Current derivatives	20	37	10
Cash and cash equivalents	21	813	610
		4,216	4,003

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

In millions of EUR	2011	2010
Western Europe	1,038	997
Central and Eastern Europe	448	458
The Americas	405	497
Africa and the Middle East	166	151
Asia Pacific	19	19
Head Office/eliminations	147	141
	2,223	2,263

Impairment losses

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

In millions of EUR	Gross 2011	Impairment 2011	Gross 2010	Impairment 2010
Not past due	1,909	(67)	1,894	(49)
Past due 0 – 30 days	233	(17)	250	(21)
Past due 31 – 120 days	210	(83)	271	(106)
More than 120 days	349	(311)	294	(270)
	2,701	**(478)**	2,709	(446)

32. Financial risk management and financial instruments continued

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

In millions of EUR	2011	2010
Balance as at 1 January	446	378
Impairment loss recognised	104	168
Allowance used	(17)	(52)
Allowance released	(47)	(53)
Effect of movements in exchange rates	(8)	5
Balance as at 31 December	**478**	446

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

In millions of EUR	2011	2010
Balance as at 1 January	171	165
Changes in consolidation	–	(8)
Impairment loss recognised	10	37
Allowance used	(3)	(23)
Allowance released	(9)	(2)
Effect of movements in exchange rates	1	2
Balance as at 31 December	**170**	171

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

The income statement impact of EUR1 million (2010: EUR35 million) in respect of loans and the income statement impact of EUR57 million (2010: EUR115 million) in respect of trade receivables (excluding derivatives) were included in expenses for raw materials, consumables and services.

The allowance accounts in respect of trade and other receivables and held-to-maturity investments are used to record impairment losses, unless HEINEKEN is satisfied that no recovery of the amount owing is possible, at that point the amount considered irrecoverable is written off against the financial asset.

Liquidity risk

Liquidity risk is the risk that HEINEKEN will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. HEINEKEN's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to HEINEKEN's reputation.

Recent times have proven the credit markets situation could be such that it is difficult to generate capital to finance long-term growth of the Company. Although currently the situation is more stable, the Company has a clear focus on ensuring sufficient access to capital markets to finance long-term growth and to refinance maturing debt obligations. Financing strategies are under continuous evaluation. In addition, the Company focuses on a further fine-tuning of the maturity profile of its long-term debts with its forecasted operating cash flows. Strong cost and cash management and controls over investment proposals are in place to ensure effective and efficient allocation of financial resources.

Contractual maturities

The following are the contractual maturities of non-derivative financial liabilities and derivative financial assets and liabilities, including interest payments and excluding the impact of netting agreements:

In millions of EUR	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
						2011
Financial liabilities						
Interest-bearing liabilities	9,183	(10,287)	(1,543)	(2,864)	(4,794)	(1,086)
Non-interest-bearing liabilities	27	(20)	7	(16)	(5)	(6)
Trade and other payables, excluding interest, dividends and derivatives	4,327	(4,327)	(4,327)	–	–	–
Derivative financial (assets) and liabilities						
Interest rate swaps used for hedge accounting, net	(12)	9	(42)	26	(42)	67
Forward exchange contracts used for hedge accounting, net	46	(43)	(35)	(8)	–	–
Commodity derivatives used for hedge accounting, net	26	(26)	(22)	(4)	–	–
Derivatives not used for hedge accounting, net	102	(97)	(86)	(10)	(1)	–
	13,699	**(14,791)**	**(6,048)**	**(2,876)**	**(4,842)**	**(1,025)**

The total carrying amount and contractual cash flows of derivatives are included in trade and other receivables (note 20) and trade and other payables (note 31) and non-current non-interest bearing liabilities (note 25).

In millions of EUR	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
						2010
Financial liabilities						
Interest-bearing liabilities	8,726	(10,073)	(1,316)	(830)	(6,087)	(1,840)
Non-interest-bearing liabilities	55	(58)	(38)	(7)	(11)	(2)
Trade and other payables, excluding interest, dividends and derivatives	4,049	(4,073)	(4,073)	–	–	–
Derivative financial (assets) and liabilities						
Interest rate swaps used for hedge accounting, net	123	(87)	(25)	(31)	(78)	47
Forward exchange contracts used for hedge accounting, net	7	(16)	(20)	4	–	–
Commodity derivatives used for hedge accounting, net	7	(7)	(8)	3	(2)	–
Derivatives not used for hedge accounting, net	75	(121)	(77)	(15)	(29)	–
	13,042	(14,435)	(5,557)	(876)	(6,207)	(1,795)

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).

32. Financial risk management and financial instruments continued

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect HEINEKEN's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

HEINEKEN uses derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. Generally, HEINEKEN seeks to apply hedge accounting or make use of natural hedges in order to minimise the effects of foreign currency fluctuations in profit or loss.

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

Foreign currency risk

HEINEKEN is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of HEINEKEN entities. The main currencies that give rise to this risk are the US dollar, euro and British pound.

In managing foreign currency risk, HEINEKEN aims to reduce the impact of short-term fluctuations on earnings. Over the longer term, however, permanent changes in foreign exchange rates would have an impact on profit.

HEINEKEN hedges up to 90 per cent of its mainly intra-HEINEKEN US dollar cash flows on the basis of rolling cash flow forecasts in respect to forecasted sales and purchases. Cash flows in other foreign currencies are also hedged on the basis of rolling cash flow forecasts. HEINEKEN mainly uses forward exchange contracts to hedge its foreign currency risk. The majority of the forward exchange contracts have maturities of less than one year after the balance sheet date.

The Company has a clear policy on hedging transactional exchange risks, which postpones the impact on financial results. Translation exchange risks are hedged to a limited extent, as the underlying currency positions are generally considered to be long-term in nature. The result of the net investment hedging is recognised in the translation reserve as can be seen in the consolidated statement of comprehensive income.

It is HEINEKEN's policy to provide intra-HEINEKEN financing in the functional currency of subsidiaries where possible to prevent foreign currency exposure on subsidiary level. The resulting exposure at Group level is hedged by means of forward exchange contracts. Intra-HEINEKEN financing in foreign currencies is mainly in British pounds, US dollars, Swiss franc and Polish zloty. In some cases HEINEKEN elects to treat intra-HEINEKEN financing with a permanent character as equity and does not hedge the foreign currency exposure.

The principal amounts of HEINEKEN's British pound, Polish zloty, Mexican peso and Egyptian pound bank loans and bond issues are used to hedge local operations, which generate cash flows that have the same respective functional currencies. Corresponding interest on these borrowings is also denominated in currencies that match the cash flows generated by the underlying operations of HEINEKEN. This provides an economic hedge without derivatives being entered into.

In respect of other monetary assets and liabilities denominated in currencies other than the functional currencies of the Company and the various foreign operations, HEINEKEN ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to foreign currency risk

HEINEKEN's transactional exposure to the British pound, US dollar and euro was as follows based on notional amounts. The euro column relates to transactional exposure to the euro within subsidiaries which are reporting in other currencies.

			2011			2010
In millions	EUR	GBP	USD	EUR	GBP	USD
Financial Assets						
Trade and other receivables	14	1	12	11	–	6
Cash and cash equivalents	52	60	21	40	–	6
Intragroup assets	4	455	1,384	–	355	1,203
Financial Liabilities						
Interest bearing borrowings	(50)	(1,050)	(3,082)	(54)	(746)	(2,217)
Non-interest-bearing liabilities	–	–	(75)	–	–	–
Trade and other payables	(61)	–	(34)	(46)	–	(2)
Intragroup liabilities	(314)	–	(502)	(259)	–	(490)
Gross balance sheet exposure	**(355)**	**(534)**	**(2,276)**	(308)	(391)	(1,494)
Estimated forecast sales next year	119	16	1,041	129	1	947
Estimated forecast purchases next year	(442)	–	(723)	(463)	(1)	(539)
Gross exposure	**(678)**	**(518)**	**(1,958)**	(642)	(391)	(1,086)
Net notional amount forward exchange contracts	(851)	535	1,161	(915)	396	1,448
Net exposure	**(1,529)**	**17**	**(797)**	(1,557)	5	362
Sensitivity analysis						
Equity	15	–	14	(5)	–	38
Profit or loss	–	–	–	–	(1)	–

Included in the US dollar amounts are intra-HEINEKEN cash flows. Within the net notional amount forward exchange contracts, the cross-currency interest rate swaps of Heineken UK forms the largest component.

Sensitivity analysis

A 10 per cent strengthening of the euro against the British pound and US dollar or in case of the euro a strengthening of the euro against all other currencies as at 31 December would have increased (decreased) equity and profit by the amounts shown above. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

A 10 per cent weakening of the euro against the British pound and US dollar or in case of the euro a weakening of the euro against all other currencies as at 31 December would have had the equal but opposite effect on the basis that all other variables remain constant.

Interest rate risk

In managing interest rate risk, HEINEKEN aims to reduce the impact of short-term fluctuations on earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit.

HEINEKEN opts for a mix of fixed and variable interest rates in its financing operations, combined with the use of interest rate instruments. Currently HEINEKEN's interest rate position is more weighted towards fixed rather than floating. Interest rate instruments that can be used are interest rate swaps, forward rate agreements, caps and floors.

Swap maturity follows the maturity of the related loans and borrowings and have swap rates for the fixed leg ranging from 1.0 to 8.1 per cent (2010: from 2.0 to 8.8 per cent).

32. Financial risk management and financial instruments continued

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	2011	2010
Fixed rate instruments		
Financial assets	95	84
Financial liabilities	(5,253)	(5,275)
Interest rate swaps floating to fixed	(1,051)	(456)
	(6,209)	(5,647)
Variable rate instruments		
Financial assets	431	633
Financial liabilities	(3,177)	(2,786)
Interest rate swaps fixed to floating	1,051	456
	(1,695)	(1,697)

Fair value sensitivity analysis for fixed rate instruments

During 2011, HEINEKEN opted to apply fair value hedge accounting on certain fixed rate financial liabilities. The fair value movements on these instruments are recognised in profit or loss. The change in fair value on these instruments was EUR(30) million in 2011 (2010: EUR(67) million), which was offset by the change in fair value of the hedge accounting instruments, which was EUR39 million (2010: EUR70 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 2011				
Instruments designated at fair value	29	(29)	29	(29)
Interest rate swaps	(20)	21	(2)	2
Fair value sensitivity (net)	**9**	**(8)**	**27**	**(27)**
31 December 2010				
Instruments designated at fair value	39	(40)	40	(40)
Interest rate swaps	(25)	27	(4)	5
Fair value sensitivity (net)	14	(13)	36	(35)

As part of the acquisition of Scottish & Newcastle in 2008, HEINEKEN took over a specific portfolio of euro floating-to-fixed interest rate swaps of which currently EUR690 million is still outstanding. Although interest rate risk is hedged economically, it is not possible to apply hedge accounting on this portfolio. A movement in interest rates will therefore lead to a fair value movement in the profit or loss under the other net financing income/(expenses). Any related non-cash income or expenses in our profit or loss are expected to reverse over time.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates constantly applied during the reporting period would have increased (decreased) equity and profit or loss by the amounts shown below (after tax). This analysis assumes that all other variables, in particular foreign currency rates, remain constant and excludes any possible change in fair value of derivatives at period-end because of a change in interest rates. The analysis is performed on the same basis for 2010.

	Profit or loss		Equity	
In millions of EUR	100 bp increase	100 bp decrease	100 bp increase	100 bp Decrease
31 December 2011				
Variable rate instruments	(20)	20	(20)	20
Net interest rate swaps fixed to floating	8	(8)	8	(8)
Cash flow sensitivity (net)	**(12)**	**12**	**(12)**	**12**
31 December 2010				
Variable rate instruments	(16)	16	(16)	16
Net interest rate swaps fixed to floating	3	(3)	3	(3)
Cash flow sensitivity (net)	(13)	13	(13)	13

Commodity price risk

Commodity price risk is the risk that changes in commodity prices will affect HEINEKEN's income. The objective of commodity price risk management is to manage and control commodity risk exposures within acceptable parameters, whilst optimising the return on risk. The main commodity exposure relates to the purchase of cans, glass bottles, malt and utilities. Commodity price risk is in principle addressed by negotiating fixed prices in supplier contracts with various contract durations. So far, commodity hedging with financial counterparties by the Company is limited to the incidental sale of surplus CO_2 emission rights and to aluminium hedging and, to a limited extent, gas hedging, which is done in accordance with risk policies. HEINEKEN does not enter into commodity contracts other than to meet HEINEKEN's expected usage and sale requirements. As at 31 December 2011, the market value of aluminium swaps was EUR(22) million (2010: EUR12 million).

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.

						2011
In millions of EUR	Carrying amount	Expected cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Interest rate swaps:						
Assets	170	1,904	120	107	726	951
Liabilities	(48)	(1,786)	(136)	(108)	(658)	(884)
Forward exchange contracts:						
Assets	15	1,078	871	207	–	–
Liabilities	(49)	(1,111)	(896)	(215)	–	–
Commodity derivatives:						
Assets	11	11	11	–	–	–
Liabilities	(36)	(36)	(32)	(4)	–	–
	63	**60**	**(62)**	**(13)**	**68**	**67**

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

32. Financial risk management and financial instruments continued

In millions of EUR	Carrying amount	Expected cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
						2010
Interest rate swaps:						
Assets	89	1,902	95	90	715	1,002
Liabilities	(105)	(1,921)	(158)	(118)	(690)	(955)
Forward exchange contracts:						
Assets	10	1,093	805	288	–	–
Liabilities	(18)	(1,117)	(833)	(284)	–	–
Commodity derivatives:						
Assets	26	27	8	18	1	–
Liabilities	(33)	(33)	(15)	(15)	(3)	–
	(31)	(49)	(98)	(21)	23	47

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	Less than 1 year	1-2 years	2-5 years	More than 5 years
						2011
Interest rate swaps:						
Assets	27	967	171	49	747	–
Liabilities	(136)	(1,059)	(180)	(22)	(857)	–
Forward exchange contracts:						
Assets	–	177	177	–	–	–
Liabilities	(12)	(187)	(187)	–	–	–
	(121)	**(102)**	**(19)**	**27**	**(110)**	**–**

In millions of EUR	Carrying amount	Expected cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
						2010
Interest rate swaps:						
Assets	32	1,009	64	176	769	–
Liabilities	(139)	(1,077)	(26)	(179)	(872)	–
Forward exchange contracts:						
Assets	1	317	317	–	–	–
Liabilities	–	(309)	(309)	–	–	–
	(106)	(60)	46	(3)	(103)	–

Capital management

There were no major changes in HEINEKEN's approach to capital management during the year. The Executive Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of business and acquisitions. Capital is herein defined as equity attributable to equity holders of the Company (total equity minus non-controlling interests).

HEINEKEN is not subject to externally imposed capital requirements other than the legal reserves explained in note 22. Shares are purchased to meet the requirements under the Long-Term Incentive Plan as further explained in note 29.

Fair values

The fair values of financial assets and liabilities that differ from the carrying amounts shown in the statement of financial position are as follows:

In millions of EUR	Carrying amount 2011	Fair value 2011	Carrying amount 2010	Fair value 2010
Bank loans	(3,986)	(4,017)	(3,665)	(3,734)
Unsecured bond issues	(2,493)	(2,727)	(2,482)	(2,739)
Finance lease liabilities	(39)	(39)	(95)	(95)
Other interest-bearing liabilities	(2,009)	(2,039)	(1,927)	(2,260)

Basis for determining fair values

The significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above are discussed in note 4.

Fair value hierarchy

IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

In millions of EUR	Level 1	Level 2	Level 3
31 December 2011			
Available-for-sale investments	81	–	183
Non-current derivative assets	–	142	–
Current derivative assets	–	37	–
Investments held for trading	14	–	–
	95	**179**	**183**
Non-current derivative liabilities	–	177	–
Current derivative liabilities	–	164	–
	–	**341**	**–**

32. Financial risk management and financial instruments continued

31 December 2010	Level 1	Level 2	Level 3
Available-for-sale investments	70	–	120
Non-current derivative assets	–	135	–
Current derivative assets	–	10	–
Investments held for trading	17	–	–
	87	145	120
Non-current derivative liabilities	–	291	–
Current derivative liabilities	–	66	–
	–	357	–

In millions of EUR	2011	2010
Available-for-sale investments based on Level 3		
Balance as at 1 January	120	162
Fair value adjustments recognised in other comprehensive income	61	(8)
Disposals	–	(26)
Transfers	2	(8)
Balance as at 31 December	**183**	120

33. Off-balance sheet commitments

In millions of EUR	Total 2011	Less than 1 year	1-5 years	More than 5 years	Total 2010
Lease & operational lease commitments	503	124	258	121	433
Property, plant & equipment ordered	50	45	2	3	49
Raw materials purchase contracts	3,843	1,413	2,134	296	4,503
Other off-balance sheet obligations	2,589	509	1,277	803	1,943
Off-balance sheet obligations	**6,985**	2,091	3,671	1,223	6,928
Undrawn committed bank facilities	**1,274**	233	1,041	–	2,188

HEINEKEN leases buildings, cars and equipment in the ordinary course of business.

Raw material contracts include long-term purchase contracts with suppliers in which prices are fixed or will be agreed based upon predefined price formulas. These contracts mainly relate to malt, bottles and cans.

During the year ended 31 December 2011 EUR241 million (2010: EUR224 million) was recognised as an expense in profit or loss in respect of operating leases and rent.

Other off-balance sheet obligations mainly include distribution, rental, service and sponsorship contracts.

Committed bank facilities are credit facilities on which a commitment fee is paid as compensation for the bank's requirement to reserve capital. For the details of these committed bank facilities see note 25. The bank is legally obliged to provide the facility under the terms and conditions of the agreement.

34. Contingencies

Netherlands

HEINEKEN is involved in an antitrust case initiated by the European Commission for particular violations of the European Union competition law. By decision of 18 April 2007 the European Commission concluded 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.

In its judgment of 16 June 2011 the European Court of First Instance largely upheld the decision of the European Commission. However, the original fine was reduced by EUR21 million. On 26 August 2011 HEINEKEN appealed with the European Court of Justice against the judgment of the European Court of First Instance. A final decision is expected in 2013.

Brazil

As part of the acquisition of the beer operations of FEMSA, HEINEKEN also inherited existing legal proceedings with labour unions, tax authorities and other parties of its, now wholly-owned, subsidiary Cervejarias Kaiser (Heineken Brazil). The proceedings have arisen in the ordinary course of business and are common to the current economic and legal environment of Brazil. The proceedings have partly been provided for, see note 30. The contingent amount being claimed against Heineken Brazil resulting from such proceedings as at 31 December 2011 is EUR848 million. Such contingencies were classified by legal counsel as less than probable but more than remote of being settled against Heineken Brazil. However, HEINEKEN believes that the ultimate resolution of such legal proceedings will not have a material adverse effect on its consolidated financial position or result of operations. HEINEKEN does not expect any significant liability to arise from these contingencies. A significant part of the aforementioned contingencies (EUR364 million) are tax related and qualify for indemnification by FEMSA, see note 17.

As is customary in Brazil, Heineken Brazil has been requested by the tax authorities to collateralise tax contingencies currently in litigation amounting to EUR280 million by either pledging fixed assets or entering into available lines of credit which cover such contingencies.

Guarantees

In millions of EUR	Total 2011	Less than 1 year	1-5 years	More than 5 years	Total 2010
Guarantees to banks for loans (to third parties)	339	208	91	40	384
Other guarantees	372	128	7	237	271
Guarantees	**711**	336	98	277	655

Guarantees to banks for loans relate to loans to customers, which are given by external parties in the ordinary course of business of HEINEKEN. HEINEKEN provides guarantees to the banks to cover the risk related to these loans.

35. Related parties

Identification of related parties

HEINEKEN has a related party relationship with its associates and joint ventures (refer note 16), HEINEKEN Holding N.V., Heineken pension funds (refer note 28), Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA), employees (refer note 25) and with its key management personnel (Executive Board and the Supervisory Board). For our shareholder structure reference is made to the section 'Shareholder Information'.

Key management remuneration

In millions of EUR	2011	2010**
Executive Board	7.5	6.4
Supervisory Board	0.9	0.5
Total	**8.4**	6.9

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 Variable pay and a Long-Term Variable award. The Short-Term Variable pay is based on financial and operational measures and on individual leadership targets as set by the Supervisory Board. It will be subject to the approval of the General Meeting of Shareholders to be held on 19 April 2012. It is partly paid out in shares that are blocked over a period of five calendar years. After the 5 calendar years HEINEKEN will match the blocked shares 1:1 which we refer to as the matching share entitlement. For the Long-Term Variable award see note 29. The separate remuneration report is stated on page 60.

As at 31 December 2011, J.F.M.L. van Boxmeer held 25,369 Company shares and D.R. Hooft Graafland 14,818 (2010: 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 2011 (2010: 3,052 shares).

Executive Board

	Fixed Salary		Short-Term Variable Pay		Matching Share Entitlement**		Long-Term Variable award*		Pension Plan		Total	
In thousands of EUR	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010**
J.F.M.L. van Boxmeer	1,050	950	1,764	1,306	882	653	669	595	590	464	4,955	3,968
D.R. Hooft Graafland	650	650	780	670	390	335	355	326	399	404	2,574	2,385
Total	**1,700**	1,600	**2,544**	1,976	**1,272**	988	**1,024**	921	**989**	868	**7,529**	6,353

* The remuneration reported as part of LTV is based on IFRS accounting policies and does not reflect the value of vested performance shares.
** Under agenda item 4c of the Annual General Meeting of Shareholders held on 21 April 2011 it was proposed to amend the short-term incentive for the Executive Board. A matching share entitlement was introduced already per pay-out over 2010. In our 2011 financial statement this has been reflected in the 2010 remuneration as the matching entitlement relates to the 2010 performance.

The matching share entitlement for 2010 is based on 2010 performance and was granted upon adoption of the remuneration policy by the Annual General Meeting of Shareholders. The matching share entitlement for 2011 is based on 2011 performance. The granted matching shares vest immediately and as such EUR2.3 million was recognised in the 2011 income statement, consisting of EUR1.0 million for 2010 and EUR1.3 million for 2011.

No vesting occurred under the 2008 – 2010 LTV of the Executive Board.

Supervisory Board

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

In thousands of EUR	2011	2010
C.J.A. van Lede	160	67
J.A. Fernández Carbajal**	85	35
M. Das	85	52
M.R. de Carvalho	135	53
J.M. Hessels	75	50
J.M. de Jong	80	53
A.M. Fentener van Vlissingen	80	50
M.E. Minnick	70	48
V.C.O.B.J. Navarre	75	48
J.G. Astaburuaga Sanjinés**	75	35
I.C. MacLaurin*	–	15
Total	**920**	506

* Stepped down as at 22 April 2010.
** Appointed as at 30 April 2010.

On the Annual General Meeting of Shareholders held on 21 April 2011 it was proposed, under agenda item 5, to increase the remuneration of our Supervisory Board. The fees initially established on 1 January 2006 were updated as per 1 January 2011 to reflect the increased size and global footprint of HEINEKEN and also to align to the market practice in Europe (excl. UK). In 2010 Mr. C.J.A. van Lede and Mr. M.R. de Carvalho both received EUR45 thousand from Heineken Holding N.V. for attending meetings of the board of Directors of Heineken Holding N.V. in their position of member of the Preparatory Committee. As of 2011 this fee is included in the fees as stated above and paid by Heineken N.V.

M.R. de Carvalho held 8 shares of Heineken N.V. as at 31 December 2011 (2010: 8 shares). As at 31 December 2011 and 2010, 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 2011 (2010: C.J.A. van Lede 2,656 and M.R. de Carvalho 8 shares).

Other related party transactions

	Transaction value		Balance outstanding as at 31 December	
In millions of EUR	2011	2010	2011	2010
Sale of products and services				
To associates and joint ventures	98	93	35	12
To FEMSA	572	298	77	78
	670	391	**112**	90
Raw materials, consumables and services				
Goods for resale – joint ventures	2	–	–	–
Other expenses – joint ventures	–	–	–	1
Other expenses FEMSA	128	54	13	–
	130	54	**13**	1

Heineken Holding N.V.

In 2011, an amount of EUR586,942 (2010: EUR7.4 million) was paid to Heineken Holding N.V. for management services for the Heineken Group, the decrease in comparison to 2010 was caused by the acquisition of FEMSA and related services performed by Heineken Holding N.V. in 2010.

This payment is based on an agreement of 1977 as amended in 2001, providing that Heineken N.V. reimburses Heineken Holding N.V. for its costs. Best practice provision III.6.4 of the Dutch Corporate Governance Code of 10 December 2008 has been observed in this regard.

35. Related parties continued

FEMSA

As consideration for HEINEKEN's acquisition of the beer operations of Fomento Economico Mexicano, S.A.B. de C.V. (FEMSA). FEMSA, became a major shareholder of Heineken N.V. Therefore, several existing contracts between FEMSA and former FEMSA-owned companies acquired by HEINEKEN have become related-party contracts. The total revenue amount related to these related-party relationships amounts to EUR572 million.

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 ▪ below.

Significant subsidiaries

		Ownership interest	
	Country of incorporation	2011	2010
▪ Heineken Nederlands Beheer B.V.	The Netherlands	100%	100%
▪ Heineken Brouwerijen B.V.	The Netherlands	100%	100%
▪ Heineken CEE Investments B.V.	The Netherlands	100%	100%
▪ Heineken Nederland B.V.	The Netherlands	100%	100%
▪ Heineken International B.V.	The Netherlands	100%	100%
▪ Heineken Supply Chain B.V.	The Netherlands	100%	100%
▪ Amstel Brouwerij B.V.	The Netherlands	100%	100%
▪ Amstel Internationaal B.V.	The Netherlands	100%	100%
▪ Vrumona B.V.	The Netherlands	100%	100%
▪ Invebra Holland B.V.	The Netherlands	100%	100%
▪ B.V. Beleggingsmaatschappij Limba	The Netherlands	100%	100%
▪ Brand Bierbrouwerij B.V.	The Netherlands	100%	100%
▪ Heineken CEE Holdings B.V.	The Netherlands	100%	100%
▪ Brasinvest B.V.	The Netherlands	100%	100%
▪ Heineken Beer Systems B.V.	The Netherlands	100%	100%
Central Europe Beverages B.V.	The Netherlands	72%	72%
Heineken France S.A.S.	France	100%	100%
Heineken UK Ltd.	United Kingdom	100%	100%
Sociedade Central de Cervejas et Bebidas S.A.	Portugal	98.7%	98.7%
Oy Hartwell Ab.	Finland	100%	100%
Heineken España S.A.	Spain	98.7%	98.7%
Heineken Italia S.p.A.	Italy	100%	100%
Athenian Brewery S.A.	Greece	98.8%	98.8%
Brau Union AG	Austria	100%	100%
Brau Union Österreich AG	Austria	100%	100%
Grupa Zywiec S.A.	Poland	61.9%	61.9%
Heineken Ireland Ltd.[1]	Ireland	100%	100%
Heineken Hungária Sorgyárak Zrt.	Hungary	100%	100%
Heineken Slovensko a.s.	Slovakia	100%	100%
Heineken Switzerland AG	Switzerland	100%	100%
Karlovacka Pivovara d.o.o.	Croatia	100%	100%
Mouterij Albert N.V.	Belgium	100%	100%
Ibecor S.A.	Belgium	100%	100%
N.V. Brouwerijen Alken-Maes Brasseries S.A.	Belgium	99.9%	99.9%
LLC Heineken Breweries	Russia	100%	100%
Heineken USA Inc.	United States	100%	100%

		Ownership interest	
	Country of incorporation	2011	2010
Heineken Ceská republika a.s.	Czech Republic	100%	100%
Heineken Romania S.A.	Romania	98.4%	98.6%
FCJSC Heineken Breweries	Belarus	100%	100%
OJSC, Rechitsapivo	Belarus	96.2%	95.4%
Commonwealth Brewery Ltd.	Bahamas	75%	100%
Windward & Leeward Brewery Ltd.	St Lucia	72.7%	72.7%
Cervecerias Baru-Panama S.A.	Panama	74.9%	74.9%
Nigerian Breweries Plc.	Nigeria	54.1%	54.1%
Al Ahram Beverages Company S.A.E.	Egypt	99.9%	99.9%
Brasserie Lorraine S.A.	Martinique	100%	100%
Surinaamse Brouwerij N.V.	Surinam	76.2%	76.2%
Cuauhtémoc Moctezuma Holding, S.A. de C.V.	Mexico	100%	100%
Fabricas Monterrey, S.A. de C.V.	Mexico	100%	100%
Silices de Veracruz, S.A. de C.V.	Mexico	100%	100%
Cervejarias Kaiser Brazil S.A.	Brazil	100%	100%
Consolidated Breweries Ltd.	Nigeria	50.5%	50.5%
Brasserie Almaza S.A.L.	Lebanon	67.0%	67.0%
Brasseries, Limonaderies et Malteries 'Bralima' S.A.R.L.	D.R. Congo	95.0%	95.0%
Brasseries et Limonaderies du Rwanda 'Bralirwa' S.A.	Rwanda	75.0%	75.0%
Brasseries et Limonaderies du Burundi 'Brarudi' S.A.	Burundi	59.3%	59.3%
Brasseries de Bourbon S.A.	Réunion	85.7%	85.7%
Sierra Leone Brewery Ltd.	Sierra Leone	83.1%	83.1%
Tango s.a.r.l.	Algeria	100%	100%
Société Nouvelle des Boissons Gazeuses S.A. ('SNBG')	Tunisia	74.5%	74.5%
Société Nouvelle de Brasserie S.A. 'Sonobra'	Tunisia	49.9%	49.9%

[1] In accordance with Article 17 of the Republic of Ireland Companies (Amendment) Act 1986, the Company issued an irrevocable guarantee for the year ended 31 December 2011 and 2010 regarding the liabilities of Heineken Ireland Ltd., Heineken Ireland Sales Ltd., West Cork Bottling Ltd., Western Beverages Ltd., Beamish and Crawford Ltd. and Nash Beverages Ltd as referred to in Article 5(l) of the Republic of Ireland Companies (Amendment) Act 1986.

37. Subsequent events

Acquisition of business in Haiti

On 14 December 2011 HEINEKEN announced its intention to increase its shareholding in Brasserie Nationale d'Haiti S.A. (Brana), the country's leading brewer from 22.5 per cent to 95 per cent. The transaction closed on 17 January 2012 and has been funded from existing resources.

Heineken N.V. Balance Sheet

Before appropriation of profit
As at 31 December

In millions of EUR	Note	2011	2010*
Fixed assets			
Financial fixed assets			
Investments in participating interests	38	16,233	15,846
Other investments		247	243
Deferred tax assets		28	12
Total financial fixed assets		**16,508**	16,101
Trade and other receivables		2	–
Cash and cash equivalents		–	–
Total current assets		2	–
Total assets		**16,510**	16,101
Shareholders' equity			
Issued capital		922	922
Share Premium		2,701	2,701
Translation reserve		(575)	(93)
Hedging reserve		(69)	(27)
Fair value reserve		159	90
Other legal reserves		1,026	899
Reserve for own shares		(43)	(55)
ASDI		–	666
Retained earnings		4,223	3,382
Net profit		1,430	1,447
Total shareholders' equity	39	**9,774**	9,932
Liabilities			
Loans and borrowings	40	6,553	5,942
Deferred tax liability		–	5
Total non-current liabilities		**6,553**	5,947
Bank overdrafts		50	–
Trade and other payables		110	211
Tax payable		23	11
Total current liabilities		**183**	222
Total liabilities		**6,736**	6,169
Total shareholders' equity and liabilities		**16,510**	16,101

* Comparatives have been adjusted due to the accounting policy change in employee benefits (see note 2e)

Heineken N.V. Income Statement

For the year ended 31 December

In millions of EUR	Note	2011	2010*
Share of profit of participating interests, after income tax		1,613	1,629
Other profit after income tax		(183)	(182)
Net profit	39	**1,430**	1,447

* Comparatives have been adjusted due to the accounting policy change in employee benefits (see note 2e)

Notes to the Heineken N.V. Financial Statements

Reporting entity
The financial statements of Heineken N.V. (the 'Company') are included in the consolidated statements of Heineken N.V.

Basis of preparation
The Company financial statements have been prepared in accordance with the provisions of Part 9, Book 2, of the Dutch Civil Code. The Company uses the option of Article 362.8 of Part 9, Book 2, of the Dutch Civil Code to prepare the Company financial statements, using the same accounting policies as in the consolidated financial statements. Valuation is based on recognition and measurement requirements of accounting standards adopted by the EU (i.e., only IFRS that is adopted for use in the EU at the date of authorisation) as explained further in the notes to the consolidated financial statements.

Significant accounting policies
Financial fixed assets
Participating interests (subsidiaries, joint ventures and associates) are measured on the basis of the equity method.

Shareholders' equity
The translation reserve and other legal reserves were previously formed under and still recognised in accordance with the Dutch Civil Code.

Profit of participating interests
The share of profit of participating interests consists of the share of the Company in the results of these participating interests. Results on transactions, where the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are not recognised.

38. Investments in participating interests

In millions of EUR	Participating interests	Loans to participating interest	Total
Balance as at 1 January 2010	5,129	6,216	11,345
Policy change	(397)	–	(397)
Restated balance as at 1 January 2010	4,732	6,216	10,948
Profit of participating interests	1,629	–	1,629
Dividend payments by participating interests	(307)	307	–
Effect of movements in exchange rates	350	–	350
Changes in hedging and fair value adjustments	(4)	–	(4)
Actuarial gains/(losses)	99	–	99
Acquisition of non-controlling interests without a change in control	(58)	–	(58)
Investments/(repayments)	3,885	(1,003)	2,882
Balance as at 31 December 2010	10,326	5,520	15,846
Balance as at 1 January 2011	10,326	5,520	15,846
Profit of participating interests	1,613	–	1,613
Dividend payments by participating interests	(216)	216	–
Effect of movements in exchange rates	(475)	–	(475)
Changes in hedging and fair value adjustments	13	–	13
Actuarial gains/(losses)	(93)	–	(93)
Acquisition of non-controlling interests without a change in control	12	–	12
Investments/(repayments)	76	(759)	(683)
Balance as at 31 December 2011	**11,256**	**4,977**	**16,233**

39. Shareholders' equity

In millions of EUR	Share capital	Share Premium	Translation reserve	Hedging reserve	Fair value reserve
Balance as at 1 January 2010	784	–	(451)	(124)	100
Policy change	–	–	–	–	–
Restated balance as at 1 January 2010	784	–	(451)	(124)	100
Other comprehensive income	–	–	358	97	(10)
Profit	–	–	–	–	–
Total comprehensive income	–	–	358	97	(10)
Transfer to retained earnings	–	–	–	–	–
Dividends to shareholders	–	–	–	–	–
Shares issued	138	2,701	–	–	–
Purchase/reissuance own shares	–	–	–	–	–
ASDI	–	–	–	–	–
Own shares granted	–	–	–	–	–
Share-based payments	–	–	–	–	–
Share purchase mandate	–	–	–	–	–
Acquisition of non-controlling interests without a change in control	–	–	–	–	–
Balance as at 31 December 2010	922	2,701	(93)	(27)	90
Balance as at 1 January 2011	922	2,701	(93)	(27)	90
Other comprehensive income	–	–	(482)	(42)	69
Profit	–	–	–	–	–
Total comprehensive income	**–**	**–**	**(482)**	**(42)**	**69**
Transfer to retained earnings	–	–	–	–	–
Dividends to shareholders	–	–	–	–	–
Shares issued	–	–	–	–	–
Purchase/reissuance own shares	–	–	–	–	–
ASDI	–	–	–	–	–
Own shares granted	–	–	–	–	–
Share-based payments	–	–	–	–	–
Share purchase mandate	–	–	–	–	–
Acquisition of non-controlling interests without a change in control	–	–	–	–	–
Disposal of interests without a change in control	–	–	–	–	–
Balance as at 31 December 2011	**922**	**2,701**	**(575)**	**(69)**	**159**

In millions of EUR	Other legal reserve	Reserve for own shares	ASDI	Retained earnings	Net profit	Share-holders' equity
Balance as at 1 January 2010	676	(42)	–	3,390	1,018	5,351
Policy change	–	–	–	(397)	–	(397)
Restated balance at 1 January 2010	676	(42)	–	2,993	1,018	4,954
Other comprehensive income	75	–	–	17	–	537
Profit	241	–	–	(241)	1,447	1,447
Total comprehensive income	316	–	–	(224)	1,447	1,984
Transfer to retained earnings	(93)	–	–	1,111	(1,018)	–
Dividends to shareholders	–	–	–	(351)	–	(351)
Shares issued	–	–	1,026	–	–	3,865
Purchase/reissuance own shares	–	(381)	–	–	–	(381)
ASDI	–	362	(360)	(2)	–	–
Own shares granted	–	6		(6)	–	–
Share-based payments	–	–	–	15	–	15
Share purchase mandate	–	–	–	(96)	–	(96)
Acquisition of non-controlling interests without a change in control	–	–	–	(58)	–	(58)
Balance as at 31 December 2010	899	(55)	666	3,382	1,447	9,932
Balance as at 1 January 2011	899	(55)	666	3,382	1,447	9,932
Other comprehensive income	–	–	–	(91)	–	(546)
Profit	253	–	–	(253)	1,430	1,430
Total comprehensive income	**253**	**–**	**–**	**(344)**	**1,430**	**884**
Transfer to retained earnings	(126)	–	–	1,573	(1,447)	–
Dividends to shareholders	–	–	–	(474)	–	(474)
Shares issued	–	–	–	–	–	–
Purchase/reissuance own shares	–	(687)	–	–	–	(687)
ASDI	–	694	(666)	(28)	–	–
Own shares granted	–	5	–	(5)	–	–
Share-based payments	–	–	–	11	–	11
Share purchase mandate	–	–	–	96	–	96
Disposal of interests without a change in control	–	–	–	33	–	33
Acquisition of non-controlling interests with a change in control	–	–	–	(21)	–	(21)
Balance as at 31 December 2011	**1,026**	**(43)**	**–**	**4,223**	**1,430**	**9,774**

For more details on reserves, please see note 22 of the consolidated financial statements.

For more details on LTV, please see note 29 of the consolidated financial statements.

40. Loans and borrowings

Non-current liabilities

In millions of EUR	Note	2011	2010
Unsecured bank loans		2,991	2,461
Unsecured bond issues		2,473	2,467
Other		1,048	938
Non-current interest-bearing liabilities		**6,512**	5,866
Non-current non-interest-bearing liabilities		–	–
Non-current derivatives		41	76
		6,553	5,942

Non-current liabilities

In millions of EUR	Unsecured bank loans	Unsecured bond issues	Other non-current interest-bearing liabilities	Non-current derivatives	Non-current non-interest bearing liabilities	Total
Balance as at 1 January 2011	2,461	2,467	938	76	–	5,942
Charge from/to equity i/r derivatives	–	–	–	(21)	–	(21)
Effects of movements of exchange rates	–	–	–	–	–	–
Proceeds	1,350	–	75	–	–	1,425
Repayments	(299)	–	–	–		(299)
Transfers	(541)	2	–	(14)	–	(553)
Other	20	4	35	–	–	59
Balance as at 31 December 2011	**2,991**	**2,473**	**1,048**	**41**	–	**6,553**

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2011	Face value 2011	Carrying amount 2010	Face value 2010
Unsecured bank loans	German Schuld-schein notes	EUR	1.0 – 6.0	2012	102	102	102	102
Unsecured bank loans	German Schuld-schein notes	EUR	1.0 – 6.0	2016	111	111	111	111
Unsecured bank loans	2008 Syndicated Bank Facility	EUR	0.4 – 1.7	2013	1,305	1,313	1,708	1,709
Unsecured bank loans	German Schuld-schein notes	EUR	1.0 – 6.0	2016	207	207	207	207
Unsecured bank loans	2008 Syndicated Bank Facility	GBP	0.4 – 1.2	2013	287	287	336	340
Unsecured bank loans	2011 Syndicated Bank Facility	USD	0.8	2016	450	450	–	–
Unsecured bank loans	2011 Syndicated Bank Facility	GBP	0.8	2016	422	422	–	–
Unsecured bank loans	2011 Syndicated Bank Facility	EUR	0.8	2016	107	107	–	–
Unsecured bond	Issue under EMTN programme	GBP	7.3	2015	476	479	461	465
Unsecured bond	Eurobond on Luxembourg Stock Exchange	EUR	5.0	2013	599	600	599	600
Unsecured bond	Issue under EMTN programme	EUR	7.1	2014	1,000	1,000	1,009	1,000
Unsecured bond	Issue under EMTN programme	EUR	4.6	2016	398	400	397	400
Other interest-bearing liabilities	2010 US private placement	USD	4.6	2018	559	561	541	546
Other interest-bearing liabilities	2008 US private placement	USD	5.9 – 6.3	2015-2018	341	342	331	333
Other interest-bearing liabilities	2011 US private placement	USD	2.8	2017	69	70	–	–
Other interest-bearing liabilities	Various	various	various	various	79	78	64	64
					6,512	6,529	5,866	5,877

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

41. Audit fees

Other expenses in the consolidated financial statements include EUR13.5 million of fees in 2011 (2010: EUR15.2 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	
	2011	2010	2011	2010	2011	2010
Audit of HEINEKEN and its subsidiaries	1.9	2.3	6.8	7.4	8.7	9.7
Other audit services	0.2	0.3	0.6	0.6	0.8	0.9
Tax services	–	–	1.8	1.7	1.8	1.7
Other non-audit services	0.2	0.2	2.0	2.7	2.2	2.9
Total	2.3	2.8	11.2	12.4	13.5	15.2

42. Off-balance sheet commitments

In millions of EUR	Total	Less than 1 Year	1 – 5 Years	More than 5 Years	Total 2010
Undrawn committed bank facility	1,041	–	1,041	–	2,000

	2011		2010	
	Third parties	HEINEKEN companies	Third parties	HEINEKEN companies
Declarations of joint and several liability	–	2,248	–	2,193

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 Article 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 Article 2:101 paragraph 2 Civil Code and Article 5:25c paragraph 2 sub c Financial Markets Supervision Act.

Amsterdam, 14 February 2012	Executive Board	Supervisory Board
	Van Boxmeer	Van Lede
	Hooft Graafland	Fernández Carbajal
		Das
		de Carvalho
		Hessels
		De Jong
		Fentener van Vlissingen
		Minnick
		Navarre
		Astaburuaga Sanjinés

Independent Auditor's Report

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

Report on the financial statements

We have audited the accompanying financial statements 2011 of Heineken N.V., Amsterdam. The financial statements include the consolidated financial statements and the Company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2011, the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information as included on page 67 to 141. The Company financial statements comprise the Company balance sheet as at 31 December 2011, the Company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information as included on page 142 to 149.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the 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. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Heineken N.V. as at 31 December 2011 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 2011 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 requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the report of the Executive Board as included on page 6 to 55, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the report of the Executive Board, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 14 February 2012

KPMG ACCOUNTANTS N.V.
E.J.L. van Leeuwen RA

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