HEINEKEN HOLDING NV

2012

Ann

Established in Amsterdam

HEINEKEN HOLDING N.V.
ANNUAL REPORT 2012

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PROFILE

Heineken Holding N.V., which holds 50.005 per cent of the issued share capital of Heineken N.V., heads the HEINEKEN group.

The object of Heineken Holding N.V. pursuant to its Articles of Association is to manage and supervise the management of the HEINEKEN group and to provide services for Heineken N.V. It seeks to promote the continuity, independence and stability of the HEINEKEN group, thereby enabling Heineken N.V. to grow in a controlled and steady manner and to pursue its long-term policy in the interest of all stakeholders.

Heineken Holding N.V. does not engage in operational activities itself. These have been assigned within the HEINEKEN group to Heineken N.V. and its subsidiaries and associated companies. Heineken Holding N.V.'s income consists almost exclusively of dividends received on its interest in Heineken N.V.

Every Heineken N.V. share held by Heineken Holding N.V. is matched by one share issued by Heineken Holding N.V. The dividend payable on the two shares is identical.

Heineken Holding N.V. ordinary shares are listed on NYSE Euronext Amsterdam.

An abbreviated version of this report is available in the Dutch language.
Een verkorte versie van dit rapport is beschikbaar in de Nederlandse taal.

Both the English and Dutch versions can be downloaded from www.heinekenholding.com
Zowel de Engelse als de Nederlandse versie kunnen worden gedownload vanaf de website www.heinekenholding.com

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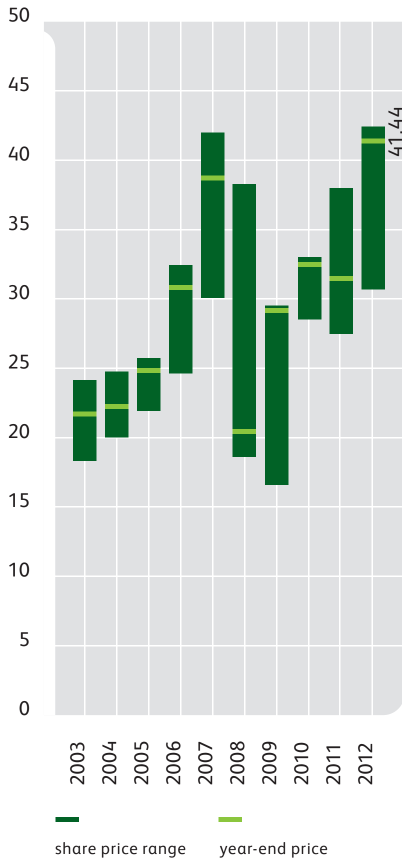
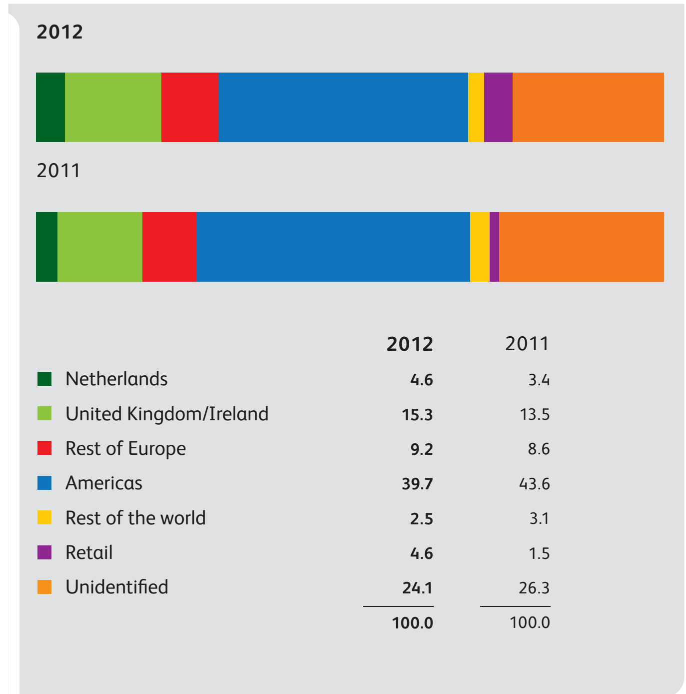
SHAREHOLDER INFORMATION

Heineken Holding N.V. share price
in euros
NYSE Euronext Amsterdam
after restatement for share split



Average trade in 2012:
169,956 shares per day

Nationality Heineken Holding N.V. shareholders
in %
Based on 97.9 million shares in free float
(excluding the holding of L'Arche Green N.V.
and FEMSA in Heineken Holding N.V.)



	2012	2011
Netherlands	**4.6**	3.4
United Kingdom/Ireland	**15.3**	13.5
Rest of Europe	**9.2**	8.6
Americas	**39.7**	43.6
Rest of the world	**2.5**	3.1
Retail	**4.6**	1.5
Unidentified	**24.1**	26.3
	100.0	100.0

Source: Capital Precision
Estimate based on available information
January 2013

HEINEKEN HOLDING N.V.

Heineken Holding N.V. ordinary shares are traded on NYSE Euronext Amsterdam. Heineken Holding N.V.'s ordinary shares are also trading Over-the-Counter (OTC) in the USA as American Depositary Receipts (ADRs). The ratio between Heineken Holding N.V. ADRs and the ordinary Dutch (EUR denominated) shares is 2:1, i.e. two ADRs represent one Heineken Holding N.V. ordinary share. Deutsche Bank Trust Company Americas acts as depositary bank for Heineken Holding N.V.'s ADR programme.
In 2012, the average daily trading volume of Heineken Holding N.V. shares was 169,956 shares. Heineken Holding N.V. is not a 'structuurvennootschap' within the meaning of the Dutch Civil Code.

Market capitalisation
Shares in issue as at 31 December 2012:
288,030,168 ordinary shares of EUR1.60 nominal value;
250 priority shares of EUR2 nominal value.
At a year-end price of EUR41.44 on 31 December 2012, the market capitalisation of Heineken Holding N.V. as at the balance sheet date was EUR11.9 billion.

Year-end price	EUR41.44	31 December 2012
Highest closing price	EUR42.47	10 December 2012
Lowest closing price	EUR30.73	27 January 2012

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

- 1 November 2006: Mrs C.L. de Carvalho-Heineken (52.01 per cent, including a 50.005 per cent shareholding by L'Arche Holding S.A.)*;
- 30 April 2010: Voting Trust (FEMSA), through its affiliate CB Equity LLP (14.94 per cent).

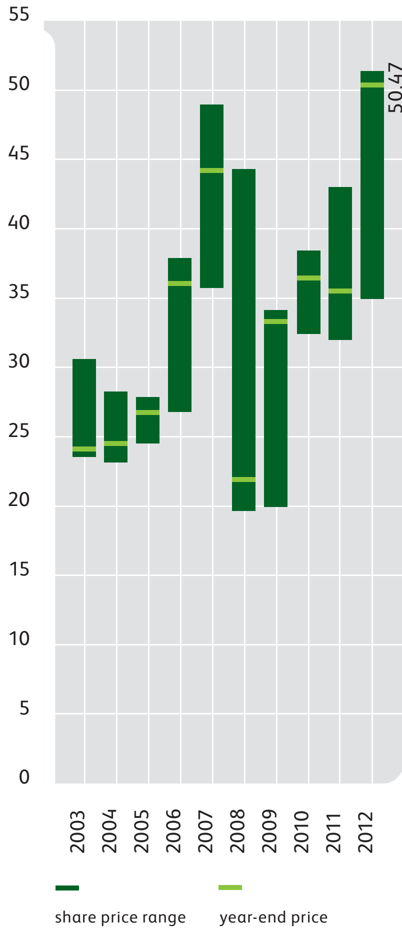
* The AFM register for substantial shareholdings is no longer up-to-date. For the present situation reference is made to the organisation chart on page 13.

Dividend per share

in euros
after restatement for share split

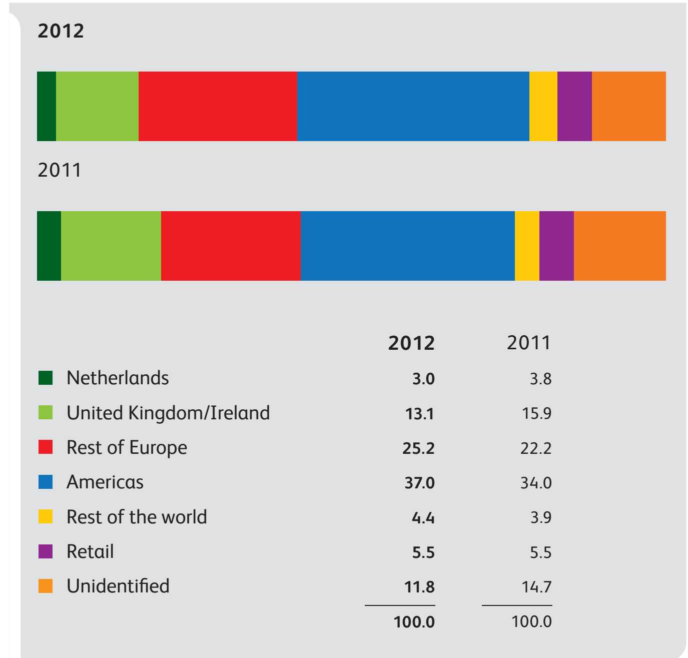
2003	0.32
2004	0.40
2005	0.40
2006	0.60
2007	0.70
2008	0.62
2009	0.65
2010	0.76
2011	0.83
2012	0.89 (proposed)

Heineken N.V. share price
in euros
NYSE Euronext Amsterdam
after restatement for share split



Average trade in 2012:
811,248 shares per day

Nationality Heineken N.V. shareholders
in %
Based on 215.8 million shares in free float
(excluding the holding of Heineken Holding N.V.
and FEMSA in Heineken N.V.)



	2012	2011
Netherlands	**3.0**	3.8
United Kingdom/Ireland	**13.1**	15.9
Rest of Europe	**25.2**	22.2
Americas	**37.0**	34.0
Rest of the world	**4.4**	3.9
Retail	**5.5**	5.5
Unidentified	**11.8**	14.7
	100.0	100.0

Source: Capital Precision
Estimate based on available information
January 2013

HEINEKEN N.V.

The shares of Heineken N.V. are traded on NYSE Euronext Amsterdam, where the company is included in the AEX Index. Heineken N.V.'s shares are also trading Over-the-Counter (OTC) in the USA as American Depositary Receipts (ADRs). The ratio between Heineken N.V. ADRs and the ordinary Dutch (EUR denominated) shares is 2:1, i.e. two ADRs represent one Heineken N.V. share. Deutsche Bank Trust Company Americas acts as depositary bank for Heineken N.V.'s ADR programme.
Options on Heineken N.V. shares are listed on Euronext. Liffe Amsterdam.
In 2012, the average daily trading volume of Heineken N.V. shares was 811,248 shares.
Heineken N.V. is not a 'structuurvennootschap' within the meaning of the Dutch Civil Code.

Market capitalisation
Shares in issue as at 31 December 2012:
576,002,613 shares of EUR1.60 nominal value.
At a year-end price of EUR50.47 on 31 December 2012, the market capitalisation of Heineken N.V. as at the balance sheet date was EUR29.1 billion.

Year-end price	EUR50.47	31 December 2012
Highest closing price	EUR51.43	29 November 2012
Lowest closing price	EUR35.02	16 January 2012

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

- 1 November 2006: Mrs C.L. de Carvalho-Heineken (indirectly 50.005 per cent through L'Arche Holding S.A.; the direct 50.005 per cent shareholder is Heineken Holding N.V.)[1];
- 2 February 2010: Massachusetts Financial Services Company (a direct capital interest of 2.12 per cent and a voting interest of 5 per cent of which 2.94 per cent is held directly and 2.06 per cent is held indirectly);
- 30 April 2010: Voting Trust (FEMSA) (indirectly 10.14 per cent; the direct 12.53 per cent shareholder is CB Equity LLP)[1].

Bonds
For the first time in Heineken N.V.'s 148 year history, Heineken N.V. was assigned investment grade credit ratings in 2012 by the world's two leading credit agencies, Moody's Investor Service and Standard & Poor's. Both long-term credit ratings were solid, Baa1 and BBB+, respectively and both have a 'stable' outlook

[1] The AFM register for substantial shareholdings is no longer up-to-date. For the present situation reference is made to the organisation chart on page 13.

Traded Heineken N.V. Notes	Issue date	Total face value	Interest rate (%)	Maturity	ISIN code
EUR Note 2013	November 4, 2003	EUR600 million	5.0	November 4, 2013	XS0179266753
EUR EMTN 2014	April 6, 2009	EUR1 billion	7.125	April 7, 2014	XS0421464719
144A/RegS 2015	October 10, 2012	USD500 million	0.8	October 1, 2015	US423012AC71
GBP EMTN 2015	March 10, 2009	GBP400 million	7.25	March 10, 2015	XS0416081296
EUR EMTN 2016	October 8, 2009	EUR400 million	4.625	October 10, 2016	XS0456567055
144A/RegS 2017	October 10, 2012	USD1.25 billion	1.4	October 1, 2017	US423012AB98
EUR EMTN 2019	March 19, 2012	EUR850 million	2.5	March 19, 2019	XS0758419658
EUR EMTN 2020	August 2, 2012	EUR1 billion	2.125	August 4, 2020	XS0811554962
144A/RegS 2022	April 3, 2012	USD750 million	3.4	April 1, 2022	US423012AA16
144A/RegS 2023	October 10, 2012	USD1 billion	2.75	April 1, 2023	US423012AD54
EUR EMTN 2024	March 19, 2012	EUR500 million	3.5	March 19, 2024	XS0758420748
EUR EMTN 2025	August 2, 2012	EUR750 million	2.875	August 4, 2025	XS0811555183
144A/RegS 2042	October 10, 2012	USD500 million	4.0	October 1, 2042	US423012AA16

per the date of this Annual Report. The assignment of the credit ratings has allowed HEINEKEN to further diversify its funding base.

On 19 March 2012, HEINEKEN issued EUR1.35 billion of Notes under its Euro Medium Term Note (EMTN) Programme comprising EUR850 million of 7-year Notes with a coupon of 2.5 per cent and EUR500 million of 12-year Notes with a coupon of 3.5 per cent. On 3 April 2012, HEINEKEN issued USD750 million of 10-year 144A/RegS US Notes with a coupon of 3.4 per cent. On 2 August 2012, HEINEKEN issued EUR1.75 billion of Notes under its EMTN Programme, consisting of 8-year Notes for a principal amount of EUR1 billion with a coupon of 2.125 per cent and 13-year Notes for a principal amount of EUR750 million with a coupon of 2.875 per cent. On 3 October 2012, HEINEKEN successfully priced 144A/RegS US Notes for a principal amount of USD3.25 billion. This comprised USD500 million of 3-year Notes at a coupon of 0.8 per cent, USD1.25 billion of 5-year Notes at a coupon of 1.4 per cent, USD1 billion of 10.5-year Notes at a coupon of 2.75 per cent and USD500 million of 30-year Notes at a coupon of 4.0 per cent. The proceeds of the Notes have been used for various corporate purposes including the financing of the acquisition of Asia Pacific Breweries Limited and the repayment of debt facilities. The issues have enabled HEINEKEN to further improve the currency and maturity profile of its long-term debt.

In September 2008, HEINEKEN established the Euro Medium Term Note Programme which was subsequently updated in September 2009, September 2010, March 2012 (and March 2013). The programme allows HEINEKEN from time to time to issue Notes up to EUR10 billion. Currently, approximately EUR5 billion of Notes is outstanding under the programme.

The EMTN Programme and all Notes issued thereunder are listed on the Luxembourg Stock Exchange.

Financial calendar in 2013 for both Heineken Holding N.V. and Heineken N.V.

Announcement of 2012 results	13 February
Publication of annual report	1 March
Trading update first quarter 2013	24 April
Annual General Meeting of Shareholders, Amsterdam[2]	25 April
Quotation ex-final dividend 2012	29 April
Final dividend 2012 payable	8 May
Announcement of half-year results 2013	21 August
Quotation ex-interim dividend	23 August
Interim dividend 2013 payable	3 September
Trading update third quarter 2013	23 October

Contacting Heineken Holding N.V. and Heineken N.V.

Further information on Heineken Holding N.V. is available by telephone +31 20 622 11 52 or by fax +31 20 625 22 13.
Information is also available from the Investor Relations department, telephone +31 20 523 95 90, or by e-mail: investors@heineken.com.
Further information on Heineken N.V. is available from the Investor Relations department, telephone +31 20 523 95 90, or by e-mail: investors@heineken.com.
The website www.heinekenholding.com also carries further information about both Heineken Holding N.V. and Heineken N.V.

[2] Shareholders Heineken Holding N.V. are entitled to attend the meetings of shareholders in Heineken N.V., to put questions at those meetings and to participate in the discussions.

BOARD OF DIRECTORS

Mr M. Das (1948)
Non-executive director (Chairman)
Dutch nationality
Member of the Board of Directors since 1994
Lawyer

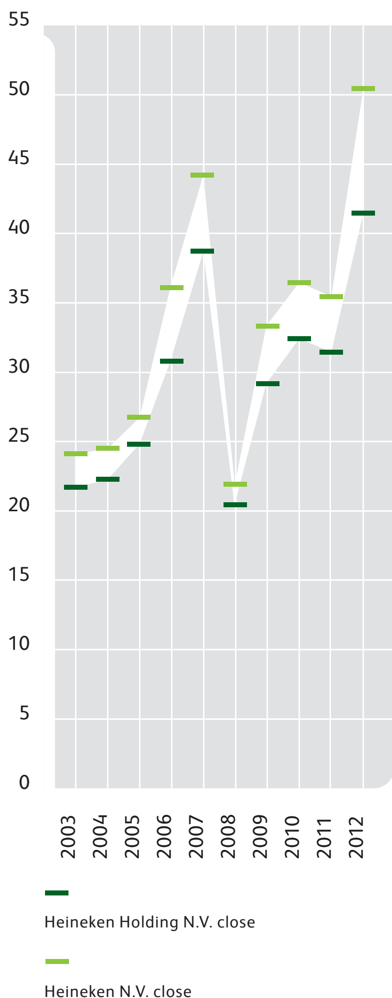
Mr J.A. Fernández Carbajal (1954)
Non-executive director
Mexican nationality
Member of the Board of Directors since 2010
Chairman and CEO Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA)

Mrs C.M. Kwist (1967)
Non-executive director
Dutch nationality
Member of the Board of Directors since 2011
Consultant in brand management, marketing and communication

Mr K. Vuursteen (1941)
Non-executive director
Dutch nationality
Member of the Board of Directors since 2002
Former chairman of the Executive Board of Heineken N.V.

Mrs C.L. de Carvalho-Heineken (1954)
Executive director
Dutch nationality
Member of the Board of Directors since 1988

Gap between Heineken Holding N.V. and Heineken N.V. share price
in euros
NYSE Euronext Amsterdam
after restatement for share split



POLICY PRINCIPLES

Heineken Holding N.V. has played an important role in the HEINEKEN group for over sixty years. The company seeks to promote the continuity, independence and stability of the HEINEKEN group. This creates the conditions which enable Heineken N.V. to pursue its long-term policy in the interest of the shareholders, the staff and other stakeholders.

The company's policy has been successful. Thanks in part to its unique and stable structure, the HEINEKEN group now has the widest international presence of all the world's brewing groups and the Heineken® brand is one of the best-known international premium lagers.

ACTIVITIES

The Board of Directors met with the Preparatory Committee of the Supervisory Board of Heineken N.V. on twelve occasions in 2012. Four of these meetings were convened especially to discuss the acquisition of the APB shares (Asia Pacific Breweries) of the joint venture partner F&N (Fraser & Neave). Tabled during these special meetings were the acquisition strategy and the financial aspects of this acquisition for the company. The Board of Directors also met separately on two occasions to discuss, among other things, the Report of the Board of Directors and the financial statements for 2011 and the first half of 2012.

Other matters considered during the year included acquisition proposals, opportunities and priorities, amongst others the strategic acquisition of Stassen Ciders in Belgium, the decision to unwind the partnership with Efes in Kazakhstan and Serbia, HEINEKEN ending up with the Serbian activities, the divestment of the minority share in Cervecería Nacional Dominicana S.A. in the Dominican Republic and the sale of Pago fruit juices.

Important developments affecting the business in various countries were discussed, such as the political situation in Egypt and the economic situation in Europe with special attention for Greece.

A recurrent element in all meetings is a discussion of the results: volumes, revenues and gross profits are reviewed by region and country and a member of the Executive Board of Heineken N.V. outlines conditions in those markets, paying special attention in all cases to the development of the Heineken® brand. Dividend proposals are considered at two meetings each year.

At one of the meetings of the Board of Directors

to consider the directors' report and the financial statements, the external auditors give a comprehensive report on their activities.

The composition of the Supervisory Board and the Executive Board of Heineken N.V. and management development are also recurring items on the agenda.

There were informal discussions during the year regarding current business matters on which the opinion of the Board of Directors had been sought.

Mrs C.L. de Carvalho-Heineken, executive director, travelled to the US to attend the distributors meeting in Atlanta and was at the award ceremony of the GBCHealth Business Leadership Awards in New York. Furthermore she opened the Holland Heineken House at the Olympic Games in London.

Further information regarding developments during the 2012 financial year affecting Heineken N.V. and its related companies and the material risks faced by those companies is given in Heineken N.V.'s annual report.

REVIEW OF 2012

Share price

The share price went up during the year, with a little dip in June. The gap between the Heineken N.V. and Heineken Holding N.V. share prices moved up from around 12 per cent at the beginning of the year to around 18 per cent in the last four months of the year.

Price movements are shown in the graph on page 10. More information regarding the shares can be found on page 5 of this report.

Interest in Heineken N.V.

The nominal value of our company's interest in Heineken N.V. as at 31 December 2012 was EUR461 million (31 December 2011: EUR461 million). The nominal value of the ordinary shares issued by our company as at the same date was also EUR461 million. As at 31 December 2012, our company's interest in Heineken N.V. represented 50.005 per cent of the issued capital (being 50.083 per cent of the outstanding capital) of Heineken N.V.

Results

With regard to the company's balance sheet and income statement, the Board of Directors has the following comments.

The Board of Directors has elected to avail itself of the option given by Section 362, subsection 8, of Book 2 of the Dutch Civil Code of using the same accounting policies for the valuation of assets and liabilities and determination of results in the company financial statements as those used for the preparation of the consolidated financial statements of Heineken Holding N.V. Since the interest in Heineken N.V. is measured using the equity method, the equity attributable to the equity holders of Heineken Holding N.V., amounting to EUR5,766 million, shown in the consolidated statement of financial position, is equal to the shareholders' equity shown in the company balance sheet less the priority shares.

Our company's 50.083 per cent share in Heineken N.V.'s 2012 profit of EUR2,949 million is recognised as income of EUR1,477 million in the 2012 company income statement. This share in Heineken N.V.'s profit consists of both distributed and retained earnings for 2012.

HEINEKEN N.V. PERFORMANCE IN 2012 AND OUTLOOK

Heineken N.V. posted a net profit of EUR2,949 million in 2012. The net profit includes a non-cash exceptional gain of EUR1.5 billion, primarily related to the revaluation of the previously held equity interest in APB and APIPL. The organic revenue growth of 3.9 per cent was driven by the growth in four regions: Central and Eastern Europe, Africa and Middle East, Asia Pacific and the Americas. In all regions HEINEKEN realised market share increase. The Heineken® brand outperformed the market by growing 6.1 per cent in volume. The Total Cost Management programme is on track delivering EUR196 million of cost savings. Because of higher capital expenditure in growth markets, the free operating cash flow decreased.

More information on the performance is provided in Heineken N.V.'s annual report.

In 2013, HEINEKEN anticipates continued volume and revenue growth momentum. The higher growth regions of Africa, Latin America and Asia Pacific are expected to more than offset volume weakness in European markets affected by continued economic uncertainty and government-led austerity measures. However, HEINEKEN will continue to seek opportunities in Europe to drive positive price and sales mix.

The Heineken® brand is expected to continue to outperform the international premium segment and overall beer market in 2013 by further leveraging HEINEKEN's global marketing scale, superior brand

campaigns and strong execution in the marketplace. In 2013, the continued growth and planned roll-out of HEINEKEN's other premium global brands – Desperados, Strongbow Gold, Amstel Premium Pilsner and Sol – are expected to support top-line development.

Marketing and selling (beia) expense as a percentage of revenue are expected to remain broadly stable, reflecting improved marketing spend effectiveness from increased global scale (2012: 12.2 per cent).

HEINEKEN forecasts a slight increase in input cost prices (excluding the effect of currency translation).

It is expected that EUR525 million of cost savings under the TCM2 programme covering the period 2012-2014 (previously EUR500 million) will be realised. The increase of EUR25 million reflects identified cost synergies under the acquisition of Asia Pacific Breweries (APB) and Asia Pacific Investment Pte Ltd (APIPL).

HEINEKEN expects to incur approximately EUR100 million of further upfront GBS (Global Business Services) costs through to the end of 2014 (with around two thirds of this spend expected in 2013). As a result of on-going productivity initiatives, an organic decline in the number of employees in 2013 is expected.

HEINEKEN expects the effective tax rate (beia) in 2013 to be in the range of 27 per cent to 29 per cent (2012: 26.5 per cent). The higher tax rate can be primarily explained by the result of favourable outcomes with tax authorities in 2012 and the full year consolidation of APB and APIPL in 2013 which is subject to a higher effective tax rate.

HEINEKEN forecasts an average interest rate of around 4.5 per cent in 2013 (2012: 5.4 per cent) reflecting lower coupons on bond issuances in 2012.

Cash flow generation is expected to remain strong, further reducing the level of net debt. In 2013, capital expenditure related to property, plant and equipment is forecast to be EUR1.5 billion (2012: EUR1.2 billion) primarily reflecting the consolidation of APB and continued investment in higher growth markets to capture anticipated top-line growth. Increased investments in 2013 will be focused on brewing capacity expansions, the upgrading of existing production facilities and new commercial equipment. As a consequence, HEINEKEN expects a cash conversion ratio of below 100 per cent in 2013.

The acquisition of APB and APIPL is expected to be marginally EPS accretive in the first year.

FINANCIAL STATEMENTS AND APPROPRIATION OF PROFIT

The Board of Directors will submit the financial statements for 2012 to the General Meeting of Shareholders. These financial statements, on pages 22 to 128 of this report, have been audited by KPMG Accountants N.V., whose report can be found on page 131.

Heineken N.V. proposes to distribute a dividend for 2012 of EUR0.89 per share of EUR1.60 nominal value, of which EUR0.33 per share of EUR1.60 nominal value has already been paid as interim dividend.

With the approval of the meeting of priority shareholders, the Board of Directors has resolved to vote at the General Meeting of Shareholders of Heineken N.V. in favour of Heineken N.V.'s dividend proposal. On that basis, the dividend payable to our company for 2012 totals EUR256.3 million in cash, of which EUR95 million has already been received by way of interim dividend. The final dividend due will therefore be EUR161.3 million.

In accordance with the provisions of Article 10, paragraph 9, of the Articles of Association, an interim dividend of EUR0.33 per share of EUR1.60 nominal value was distributed to holders of ordinary shares on 4 September 2012. Pursuant to the provisions of Article 10 of the Articles of Association, a final dividend of EUR0.56 per share of EUR1.60 nominal value currently in issue will be payable to holders of ordinary shares from 8 May 2013. Like the holders of Heineken N.V. shares, holders of ordinary shares will therefore receive a total dividend for 2012 of EUR0.89 per share of EUR1.60 nominal value. A total of EUR256.3 million will be distributed to holders of ordinary shares and a total of EUR20 (4 per cent of the nominal value of EUR2 per share) will be distributed as dividend to holders of priority shares.

CORPORATE GOVERNANCE

On 10 December 2008, a revised Dutch Corporate Governance Code was published (the 'Code'), referred to in Section 391, subsection 5, of Book 2 of the Dutch Civil Code, superseding the Dutch Corporate Governance Code of 9 December 2003. The Code is available at www.commissiecorporategovernance.nl.

While Heineken Holding N.V. endorses the principles of the Code, the structure of the HEINEKEN group, and in particular the relationship between Heineken

Holding N.V. and Heineken N.V., prevents Heineken Holding N.V. from applying a number of the Code's principles and best-practice provisions. At the General Meeting of Shareholders on 20 April 2005, this departure from the Dutch Corporate Governance Code of 9 December 2003 was put to the vote and approved.

The departure from the Code (as revised) was discussed at the General Meeting of Shareholders on 22 April 2010.

Structure of the HEINEKEN group

Heineken Holding N.V. has a 50.005 per cent interest in the issued share capital of Heineken N.V. Both companies are listed on NYSE Euronext Amsterdam. L'Arche Green N.V., a company owned by the Heineken family and the Hoyer family, holds a 51.083 per cent interest of the issued share capital of Heineken Holding N.V. The Heineken family holds 88.67 per cent of the issued share capital of L'Arche Green N.V. and the remaining 11.33 per cent is held by the Hoyer family. The Heineken family also owns a direct 0.03 per cent stake in Heineken Holding N.V.

A full description of rights conferred by the outstanding priority shares in the share capital of Heineken Holding N.V. is given in the paragraph headed 'Further Information pursuant to the Article 10 Takeover Directive Decree' and the 'Other Information' section (page 129) of this annual report.

Standing at the head of the HEINEKEN group, Heineken Holding N.V. is not an ordinary holding company. Since its formation in 1952, Heineken Holding N.V.'s main object pursuant to its Articles of Association has been to manage and supervise the management of the HEINEKEN group and to provide services for Heineken N.V., in accordance with the policy principles outlined above.

Within the HEINEKEN group, the primary duties of Heineken N.V.'s Executive Board are to initiate and implement corporate strategy and to manage Heineken N.V. and its related companies. It is supervised in the performance of its duties by Heineken N.V.'s Supervisory Board.

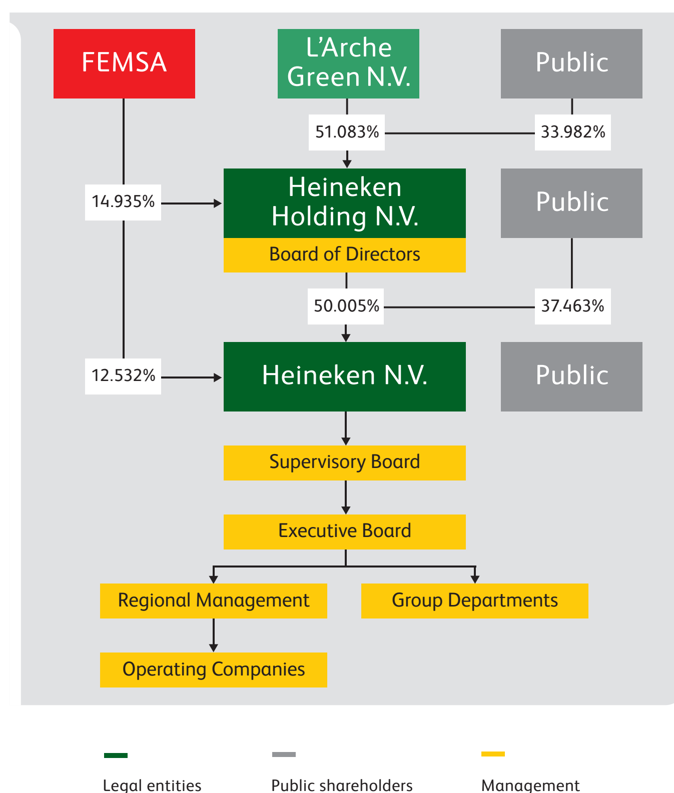
Heineken Holding N.V.'s governance structure and risk management and control system

Heineken Holding N.V. is managed by its Board of Directors, whose activities are directed towards implementing the policy principles outlined above.

On 25 April 2012, Heineken Holding N.V. implemented a one-tier board management structure by way of an amendment of its Articles of Association, such in anticipation of the implementation of Management and Supervision Act *(Wet Bestuur en Toezicht)* which entered into force on 1 January 2013 and which provides for a legal basis for the one-tier board management structure. The Board of Directors now comprises one executive member *(uitvoerend bestuurder)* and four non-executive members *(niet-uitvoerende bestuurders)*.

Because Heineken N.V. manages the HEINEKEN group companies, Heineken Holding N.V., unlike Heineken N.V., does not have an internal risk management and control system. Heineken Holding N.V. does not engage in any operational activities and employs no staff. As to Heineken N.V., the risk management and control system for the business is described in the Heineken N.V. annual report, page 36 and further. Note 32 to the consolidated financial statements of Heineken Holding N.V. itemises the specific financial risks and explains the control systems relating to those risks.

Pursuant to Article 10, paragraph 6, of the Articles of Association of Heineken Holding N.V., holders of Heineken Holding N.V. ordinary shares receive the same dividend as holders of Heineken N.V. shares.



Within Heineken Holding N.V., there are established rules governing the disclosure of holdings of and transactions in Heineken Holding N.V. and Heineken N.V. shares and other securities that are applicable to the Board of Directors and, where required, other persons directly associated with the company.

Compliance with the Code

Heineken Holding N.V. intends to preserve its existing governance structure and does therefore not apply those principles and best-practice provisions which are inconsistent with this structure.

For the reasons stated above, Heineken Holding N.V. does not engage in any operational activities, employs no staff and has no internal risk management and control system. Pursuant to its Articles of Association, Heineken Holding N.V. distributes the dividend it receives from Heineken N.V. in full to its shareholders. Heineken Holding N.V. does not apply principles and best-practice provisions which presume that the actual situation is different.

Heineken Holding N.V. applies best-practice provision II.1.1, which limits the period of appointment and reappointment of a member of the Board of Directors to a maximum of four years. Previously, members of the Board of Directors were appointed for an indefinite period, but as of 2011 a rotation schedule has been drawn up under which they will retire or be proposed for reappointment for a maximum period of four years. This rotation schedule is subject to revision from time to time. The first proposal to reappoint was put to the General Meeting of Shareholders on 21 April 2011. In principle an age limit of 70 years applies, but an exception of this age limit is possible in individual cases. The same limit and possibility of exception applies to the Supervisory Board of Heineken N.V. In the context of the Code, Heineken Holding N.V. previously stated that its Board of Directors was comparable with a Supervisory Board and that, therefore, certain rules pertaining to Boards of Directors were not applied but certain rules pertaining to Supervisory Boards were applied. The Board of Directors now comprises executive as well as non-executive members, but its duties and the aforementioned principle have in essence not changed.

Although the nature of the activities of the Board of Directors has essentially not changed as a result of the implementation of the one-tier management structure, such implementation may result in a formal non-compliance of best-practice provisions III.8.1 and III.8.4 (in conjunction with III.2.2 sub a) of the Code, simply because all non-executive members of the current one-tier Board of Directors used to be members of the Board of Directors prior to the implementation of the new one-tier management structure, which formally only had an executive role. The Board of Directors considers a strict interpretation of these best-practice provisions, such that current non-executive members could not be chairman of the Board of Directors (III.8.1) or would not be regarded as independent (III.8.4) due to their previous formal executive role in the same Board of Directors, inconsistent with Heineken Holding N.V.'s governance structure.

Best-practice provision II.1.8 of the Code limits the number of supervisory directorships *(commissariaten)* of listed companies which may be held by a member of an executive board *(bestuurder)* of a listed company to a maximum of two, and does not permit a member of an executive board to be the chairman of the supervisory board of a listed company. Pursuant to the Management and Supervision Act, this best-practice provision has, as of 1 January 2013, been made mandatory law for 'large companies' such as Heineken Holding N.V. (Section 2:132a of the Dutch Civil Code), which means that this new provision should be taken into account for any new appointment or reappointment of an executive member *(uitvoerend bestuurder)* of the Board of Directors.

Similarly, best-practice provision III.3.4 of the Code limits the number of supervisory directorships *(commissariaten)* of listed companies which may be held by a member of a supervisory board *(commissaris)* of a listed company to a maximum of five, whereby the position of chairman of the supervisory board counts double i.e. as two such memberships. Pursuant to the Management and Supervision Act, this best-practice provision has, as of 1 January 2013, been made mandatory law for 'large companies' such as Heineken Holding N.V. (Section 2:142a Dutch Civil Code), which means that this new provision should be taken into account for any new appointment or reappointment of a non-executive member *(niet-uitvoerend bestuurder)* of the Board of Directors.

Heineken Holding N.V. complies with the other principles and best-practice provisions of the Code.

BOARD OF DIRECTORS

The Board of Directors consists of five members: Mr M. Das, non-executive director (chairman), Mrs C.L. de Carvalho-Heineken, executive director, and non-executive directors Mr J.A. Fernández Carbajal, Mrs C.M. Kwist and Mr K. Vuursteen.

The members of the Board of Directors are appointed by the General Meeting of Shareholders from a non-binding list of candidates drawn up by the meeting of priority shareholders. The General Meeting of Shareholders may appoint one of the members as executive director, who shall be charged in particular with the day-to-day management and the preparation and implementation of the Board of Directors' resolutions. The General Meeting of Shareholders may suspend and/or dismiss members of the Board of Directors by a resolution adopted by an absolute majority of the votes cast which represents at least one-third of the issued capital. An executive member of the Board of Directors may also be suspended by the Board of Directors. The relevant executive director shall not participate in decision-making on his suspension. A resolution to suspend an executive director shall require a unanimous vote by all members of the Board of Directors except the member whose suspension is the subject of the motion. A suspension imposed by the Board of Directors may be lifted at any time by the General Meeting of Shareholders.

In accordance with the current rotation schedule, Mr M. Das will stand down at the Annual General Meeting of Shareholders on 25 April 2013. The meeting of holders of priority shares has, pursuant to the provisions of Article 7, paragraph 5, of the Articles of Association of the company, drawn up a non-binding nomination of Mr M. Das for reappointment as non-executive member of the Board of Directors with effect from 25 April 2013, for the maximum period of four years (i.e. until the end of the Annual General Meeting of Shareholders held in 2017). Mr M. Das was first appointed in 1994. The meeting of holders of priority shares proposes to reappoint Mr M. Das in view of his legal expertise and the way he has fulfilled his role as a member of the Board of Directors.

Pursuant to the provisions in Article 7, paragraph 5, of the Articles of Association of the company, the meeting of holders of priority shares has drawn up a non-binding nomination of Mr A.A.C. de Carvalho for appointment as a non-executive member of the Board of Directors with effect from 25 April 2013, for a period of four years (i.e. until the end of the Annual General Meeting of Shareholders to be held in 2017). After graduating from Harvard College, Mr A.A.C. de Carvalho worked for Bank Gutmann in Austria in the Alternative Investments Group. In 2011, he joined Lion Capital, a private equity firm, where he is an associate. Mr A.A.C. de Carvalho holds both Dutch and English nationality and lives in London. The meeting of holders of priority shares proposes to appoint Mr A.A.C. de Carvalho, the eldest son of Mrs C.L. de Carvalho-Heineken, as a non-executive member of the Board of Directors. This continues the tradition of personal involvement in the HEINEKEN group by successive generations of the Heineken family.

Following implementation of the one-tier management structure by Heineken Holding N.V., the Board of Directors has revoked the existing rotation schedule for members of the Board of Directors and has adopted new rotation schedules for the executive members and the non-executive members of the Board of Directors, assuming that the above reappointment and appointment are confirmed. The new rotation schedules are made available at the company's website (www.heinekenholding.com).

Remuneration policy

Remuneration of the members of the Board of Directors was enabled by an amendment to the company's Articles of Association in 2001. The policy on the remuneration of members of the Board of Directors was approved by the General Meeting of Shareholders in 2005. Under this policy, the members of the Board of Directors receive the same remuneration as the members of the Supervisory Board of Heineken N.V. For 2013, this means EUR90,000 a year for the chairman and EUR60,000 a year for the other members of the Board of Directors.

More information on how this policy was applied can be found in the notes to the consolidated financial statements (see note 35).

THE GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders shall be held each year within six months of the end of the financial year, the agenda for which shall, inter alia, include: *(i)* consideration of the annual report, *(ii)* consideration and adoption of the financial statements, *(iii)* discharge of the members of the

Board of Directors in respect of their management and *(iv)* announcement of the appropriation of profit and dividend. General Meetings of Shareholders shall be held in Amsterdam.

Notice of meeting
Pursuant to the prevailing provisions of the law, the Board of Directors shall give at least forty-two (42) days' notice of General Meetings of Shareholders (excluding the date of the meeting, but including the date of the notice of meeting).

The Board of Directors is obliged to convene a General Meeting of Shareholders at the request of shareholders who together own at least 25 per cent of the issued share capital. Such meeting shall be held within eight weeks of receipt of the request and shall consider the matters specified by those requesting the meeting.

Right of shareholders to place items on agenda
An item that one or more holders of shares which alone or together *(i)* represent at least one per cent (1%) of the issued capital or *(ii)* have a value of at least 50 million euros have requested to be placed on the agenda shall be included in the notice of meeting or announced in a similar manner, provided the Board of Directors receives the request in writing, which request is to be furnished with reasons or accompanied by a proposal for a resolution, not later than the 60th day before the date of the General Meeting of Shareholders. If shareholders have requested that an item be placed on the agenda, they shall explain this to the meeting and answer any questions thereon.

Best-practice provision IV.4.4 of the Code states: *'A shareholder shall exercise the right of putting an item on the agenda only after he consulted the management board about this. If one or more shareholders intend to request that an item be put on the agenda that may result in a change in the company's strategy, for example through the dismissal of one or more management or supervisory board members, the management board shall be given the opportunity to stipulate a reasonable period in which to respond (the response time). This shall also apply to an intention as referred to above for judicial leave to call a general meeting of shareholders pursuant to Section 2:110 of the Dutch Civil Code. The shareholder shall respect the response time stipulated by the management board within the meaning of best-practice provision II.1.9.'*

Pursuant to best-practice provision II.1.9 of the Code, if the Board of Directors stipulates a response time, such period may not exceed 180 days from the date on which the Board of Directors is informed by one or more shareholders of their intention to place an item on the agenda to the date of the General Meeting of Shareholders at which the item is to be considered. The Board of Directors shall use the response time for further deliberation and constructive consultation. A response time may be stipulated only once for any given General Meeting of Shareholders and may not apply to an item in respect of which the response time has been previously stipulated.

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

Persons who are entitled to vote at and/or attend the General Meeting of Shareholders are those in whom those rights are vested on the record date.

Attendance by proxy or electronic communication
All shareholders are entitled, either in person or represented by a proxy appointed in writing, to attend the General Meeting of Shareholders, to address the meeting and to exercise their voting rights.

If shareholders wish to exercise their rights through a proxy appointed in writing, the instrument appointing the proxy must be received by the company no later than the date stated for that purpose in the notice of meeting.

The Board of Directors may determine that the powers set out in the previous sentence may also be exercised by means of electronic communication. The Board of Directors may impose certain conditions on the use of electronic communications, which will in that case be stated in the notice of meeting.

Attendance register
All persons present at a General Meeting of Shareholders entitled to vote or otherwise entitled to attend, or their representatives shall sign the attendance register, stating the number of shares and votes they represent.

Chairman of the General Meeting of Shareholders
All General Meetings of Shareholders shall be presided over by the chairman of the Board of Directors or, in his absence, by one of the members of the Board of Directors present at the meeting, to be appointed by the latter in consultation. If none of the members of the Board of Directors is present, the meeting shall appoint its own chairman.

Voting
Adoption of resolutions at all General Meetings of Shareholders shall require an absolute majority of the votes cast, except where a larger majority is required by law or the Articles of Association.

Each share confers the entitlement to cast one vote. Blank votes shall be deemed not to have been cast.

When convening a General Meeting of Shareholders, the Board of Directors may determine that votes cast electronically in advance of the meeting are to be equated to votes cast in the course of the meeting. Such votes may not be cast prior to the record date. A shareholder who has voted electronically in advance of a General Meeting of Shareholders shall still be entitled to attend and address the meeting, either in person or represented by a proxy appointed in writing.

Once cast, a vote cannot be retracted.

Minutes
Minutes shall be kept of the proceedings of General Meetings of Shareholders by a secretary appointed by the chairman. The minutes shall be adopted by the chairman and the secretary and shall be signed by them in evidence thereof. If a notarial record is made of the proceedings of a General Meeting of Shareholders, it shall be co-signed by the chairman of the meeting. Shareholders shall be provided on request with copies of the minutes of the General Meeting of Shareholders not later than three months after the end of the meeting and shall be given three months in which to comment on these minutes.

Resolutions to be adopted by the General Meeting of Shareholders
The General Meeting of Shareholders has authority to adopt resolutions concerning among others the following matters: *(i)* issue of shares by the company or rights attaching to shares (and authorisation of the Board of Directors to resolve that the company issue shares or rights attaching to shares), *(ii)* authorisation of the Board of Directors to resolve that the company acquire its own shares, *(iii)* cancellation of shares and reduction of share capital, but only after a motion of the meeting of priority shareholders, *(iv)* appointment of members of the Board of Directors from a non-binding list of candidates drawn up by the meeting of priority shareholders, *(v)* the remuneration policy for the Board of Directors, *(vi)* suspension and dismissal of members of the Board of Directors, *(vii)* adoption of the financial statements, *(viii)* discharge of the members of the Board of Directors in respect of their management, *(ix)* the profit reservation and distribution policy, *(x)* a substantial change in the corporate governance structure, *(xi)* (re)appointment of the external auditor, *(xii)* amendment of the Articles of Association and *(xiii)* winding-up of the company.

Board of Directors' resolutions on any material change in the nature or identity of the company or enterprise shall be subject to the approval of the meeting of priority shareholders and the General Meeting of Shareholders, in any event including resolutions relating to (a) transfer of all or virtually all of the company's enterprise to a third party, (b) entry into or termination of a lasting cooperation between the company or a subsidiary and another legal entity or partnership or as general partner in a limited partnership or general partnership where such cooperation or termination thereof has material significance for the company and (c) acquisition or disposal by the company or a subsidiary of an interest in the capital of another company amounting to one-third or more of the company's assets as disclosed in its consolidated statement of financial position and notes thereto according to its most recently adopted financial statements.

Provision of information
The Board of Directors shall provide the General Meeting of Shareholders with all the information it may require, unless there are compelling reasons to withhold it in the company's interest. If the Board of Directors withholds information on the grounds of the company's interest, it shall give its reasons for doing so.

Priority shares
The company has issued 250 priority shares, 50 per cent of which are held by Stichting Administratiekantoor Priores, the other 50 per cent being held by Stichting Beheer Prioriteitsaandelen Heineken Holding N.V.

A full description of rights conferred by the priority shares is given in the paragraph headed 'Further Information pursuant to the Article 10 Takeover Directive Decree' and the 'Other Information' section (page 129) of this annual report.

FURTHER INFORMATION PURSUANT TO THE ARTICLE 10 TAKEOVER DIRECTIVE DECREE

Heineken Holding N.V.'s issued capital (the 'Capital') consists of 288,030,168 ordinary shares (representing 99.99 per cent of the Capital) with a nominal value of EUR1.60 each and 250 priority shares (representing 0.01 per cent of the Capital) with a nominal value of EUR2 each.

The priority shares are registered. The meeting of holders of priority shares has the right to draw up a non-binding list of candidates for each appointment to the Board of Directors by the General Meeting of Shareholders. The approval of the meeting of the holders of priority shares is required for resolutions of the Board of Directors relating to the exercise of voting rights on shares in public limited liability companies and other legal entities and the way in which such votes are to be cast. Pursuant to Section 107a of Book 2 of the Dutch Civil Code and the Articles of Association of the company, the approval of both the meeting of the holders of priority shares and the General Meeting of Shareholders is required for resolutions of the Board of Directors relating to any material change in the nature or identity of the company or the enterprise, in any event including and subject to the statutory limits, resolutions relating to the transfer of all or virtually all of the company's enterprise to a third party, entry into or termination of a lasting cooperation between the company or a subsidiary and another legal entity or relating to the acquisition or disposal by the company or a subsidiary of a substantial interest in the capital of another company.

Shares are issued pursuant to a resolution of the General Meeting of Shareholders, without prejudice to its right to delegate that authority. Such a resolution shall be valid only if prior or simultaneous approval is given by resolution of the meeting of holders of shares of the same class as that to which the issue relates, except in the case where the company is obliged pursuant to Article 10 of the Articles of Association to distribute stock dividend or bonus shares or grant pre-emptive rights to shareholders.

Fully paid ordinary shares in its own capital may only be acquired by the company for no consideration or if (a) the shareholders' equity minus the purchase price is not less than the sum of the paid-in and called capital and the reserves prescribed by law and (b) the nominal amount of own shares which the company acquires, holds or keeps in pledge or which are held by a subsidiary does not exceed half of the issued capital.

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

- 1 November 2006: Mrs C.L. de Carvalho-Heineken (52.01 per cent, including a 50.005 per cent shareholding by L'Arche Holding S.A.)*;
- 30 April 2010: Voting Trust (FEMSA), through its affiliate CB Equity LLP (14.94 per cent).

There are no restrictions on the voting rights on ordinary shares. Heineken Holding N.V. has no staff share plan or option plan. Heineken Holding N.V. is not aware of any agreement with a shareholder which might give rise to the restriction of voting rights. The company is party to an agreement providing for certain (customary) restrictions on the transfer of shares in the company held by a specific shareholder.

Persons who hold shares on a predetermined record date may attend and exercise their voting rights at General Meetings of Shareholders. The record date for the General Meeting of Shareholders on 25 April 2013 has been set 28 days before the General Meeting of Shareholders, i.e. on 28 March 2013.

The members of the Board of Directors are appointed by the General Meeting of Shareholders from a non-binding list of candidates drawn up by the meeting of priority shareholders.

Members of the Board of Directors may be suspended or dismissed by the General Meeting at any time by a resolution adopted by an absolute majority of the votes cast which represents at least one-third of the issued capital. An executive member of the Board of Directors may also be suspended by the

* The AFM register for substantial shareholdings is no longer up-to-date. For the present situation reference is made to the organisation chart on page 13.

Board of Directors. The relevant executive director shall not participate in decision-making on his suspension. A resolution to suspend an executive director shall require a unanimous vote by all members of the Board of Directors except the member whose suspension is the subject of the motion. A suspension imposed by the Board of Directors may be lifted at any time by the General Meeting of Shareholders.

The Articles of Association may be amended by a resolution adopted by the General Meeting of Shareholders only on a motion of the meeting of priority shareholders and only if at least half of the issued capital is represented. A resolution to amend the Articles of Association must in all cases be stated in the notice of meeting and a copy of the resolution must be deposited simultaneously at the company's offices for inspection by shareholders. If the required capital is not represented at the meeting, a second General Meeting of Shareholders must be held within eight weeks of that meeting, at which a resolution to amend the Articles of Association may be adopted irrespective of the capital represented.

The Annual General Meeting of Shareholders on 19 April 2012 extended, for the statutory maximum period of 18 months, commencing on 19 April 2012, the authorisation which it had granted to the Board of Directors on 21 April 2011 to acquire own shares subject to the following conditions and with due observance of the law and the Articles of Association:

a the maximum number of shares which may be acquired is 10 per cent of the issued share capital of the company at any time during the period of authorisation;
b transactions must be executed at a price between the nominal value of the shares and 110 per cent of the opening price quoted for the shares in the Official Price List *(Officiële Prijscourant)* of NYSE Euronext Amsterdam on the date of the transaction or, in the absence of such a price, the latest price quoted therein;
c transactions may be executed on the stock exchange or otherwise.

The Annual General Meeting of Shareholders on 19 April 2012 furthermore extended, for a period of 18 months, commencing on 19 April 2012, the authorisation which it had granted to the Board of Directors on 21 April 2011 to issue shares or grant rights to subscribe for shares, with due observance of the law and the Articles of Association. The authorisation is limited to 10 per cent of the issued share capital of the company on the date of issue.

The Annual General Meeting of Shareholders on 19 April 2012 also extended, for a period of 18 months, commencing on 19 April 2012, the authorisation which it had granted to the Board of Directors on 21 April 2011 to restrict or exclude shareholders' pre-emptive rights in relation to the issue of shares or the granting of rights to subscribe for shares, with due observance of the law and the Articles of Association.

The company is not a party to material agreements which are in any way subject to or affected by a change of control over the company following a public offer as referred to in Section 5:70 of the Financial Supervision Act. There are no agreements under which Heineken Holding N.V. is liable to make any payment to members of the Board of Directors or employees on termination of employment following a public offer as referred to in Section 5:70 of the Financial Supervision Act.

Amsterdam, 12 February 2013

Board of Directors
Mr M. Das
Mrs C.L. de Carvalho-Heineken
Mr J.A. Fernández Carbajal
Mrs C.M. Kwist
Mr K. Vuursteen

HEINEKEN HOLDING NV

2012

FINANCIAL STATEMENTS 2012

BALANCE SHEET OF HEINEKEN HOLDING N.V.

before appropriation of profit
in millions of euros

		31 December **2012**	31 December 2011
Assets			
Financial fixed assets			
Participating interest in Heineken N.V.	note I	**5,766**	4,804
Current assets			
Cash	note II	**–**	–
		5,766	4,804

		31 December 2012		31 December 2011	
Equity and liabilities					
Shareholders' equity					
Issued capital:					
Priority shares		–		–	
Ordinary shares		461		461	
			461		461
Share premium			1,257		1,257
Translation reserve			(264)		(288)
Hedging reserve			(5)		(34)
Fair value reserve			76		80
Other legal reserves			390		514
Retained earnings			2,374		2,097
Profit for the year			1,477		717
	note III		5,766		4,804
Current liabilities					
Other payables			–		–
			5,766		4,804

INCOME STATEMENT OF HEINEKEN HOLDING N.V.

in millions of euros

		2012	2011
Share in result of participating interest in Heineken N.V. after income tax	note IV	**1,477**	717
Other revenues and expenses after income tax	note V	**–**	–
Profit		**1,477**	717

NOTES TO THE BALANCE SHEET AS AT 31 DECEMBER 2012 AND THE INCOME STATEMENT FOR 2012 OF HEINEKEN HOLDING N.V.

Reporting entity
Heineken Holding N.V. (the 'Company') is a company domiciled in the Netherlands.

Basis of preparation
The Company financial statements have been prepared in accordance with the provisions of Part 9 of Book 2 of the Dutch Civil Code. The Company uses the option of Section 362, subsection 8, of Part 9, Book 2, of the Dutch Civil Code to prepare the Company financial statements on the basis of the same accounting principles as those applied for the consolidated financial statements. These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. Only IFRSs adopted by the EU have been applied in preparation of the consolidated financial statements. For a further description of these principles see the notes to the consolidated financial statements.

Heineken Holding N.V. presents a condensed income statement, using the facility of Article 402 of Part 9, Book 2, of the Dutch Civil Code.

The amounts disclosed in the notes to the balance sheet and income statement are in millions of euros, unless otherwise indicated.

The financial statements have been prepared by the Board of Directors of the Company and authorised for issue on 12 February 2013 and will be submitted for adoption to the Annual General Meeting of Shareholders on 25 April 2013.

Change in accounting policy
There were no changes in standards and interpretations effective from 1 January 2012 that had a significant impact on Heineken Holding N.V.

Significant accounting policies

Financial fixed assets
Participating interests, over which significant influence is exercised, are measured on basis of the equity method.

Shareholders' equity
The translation reserve and other legal reserves are recognised in accordance with the Dutch Civil Code.

Profit of participating interests
The share in the result of participating interests consists of the share of the Company in the result of these participating interests.

note I PARTICIPATING INTEREST IN HEINEKEN N.V.

The interest of Heineken Holding N.V. in Heineken N.V. is 50.005 per cent of the issued capital (being 50.083 per cent (2011: 50.115 per cent) of the outstanding capital following the purchase of own shares by Heineken N.V.). The nominal value of the Heineken N.V. shares held by the Company amounted to EUR461 million as at 31 December 2012 (EUR461 million as at 31 December 2011).

Valuation of the participating interest in Heineken N.V. is based on 50.083 per cent of the shareholders' equity published by Heineken N.V. in its financial statements.

The market capitalisation of the participating interest in Heineken N.V. as at 31 December 2012 amounted to EUR14.5 billion (31 December 2011: EUR10.3 billion).

Balance as at 1 January 2011	4,553
50.115% of the profit of Heineken N.V.	717
Dividend payments received by Heineken Holding N.V.	(230)
Declaration ASDI dividends	(8)
Shares issued	–
Movements in translation reserve	(242)
Movements cash flow hedges	(21)
Movements fair value adjustments	35
Actuarial gains and losses	(46)
Purchase own shares by Heineken N.V. ASDI	(11)
Own shares granted by Heineken N.V. (including dilution effect)	(3)
Share-based payments by Heineken N.V.	6
Purchase mandate Heineken N.V. shares	48
Movement because of changes in consolidation	6
Balance as at 31 December 2011	4,804
Balance as at 1 January 2012	4,804
50.083% of the profit of Heineken N.V.	1,477
Dividend payments received by Heineken Holding N.V.	(247)
Declaration ASDI dividends	–
Shares issued	–
Movements in translation reserve	26
Movements cash flow hedges	29
Movements fair value adjustments	(4)
Actuarial gains and losses	(221)
Purchase own shares by Heineken N.V. ASDI	–
Own shares granted by Heineken N.V. (including dilution effect)	–
Share-based payments by Heineken N.V.	8
Purchase mandate Heineken N.V. shares	–
Movement because of changes in consolidation	(106)
Balance as at 31 December 2012	5,766

note II

CASH

This item relates to the balances as at balance sheet date on a current account and a deposit account relating to the priority shares.

note III **SHAREHOLDERS' EQUITY**

	Issued capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Retained earnings	Profit for the year	Total equity [1]
Balance as at 1 January 2011	461	1,257	(46)	(13)	45	450	1,673	726	4,553
Other comprehensive income [2]	–	–	(242)	(21)	35	–	(46)	–	(274)
Profit for the year	–	–	–	–	–	127	(127)	717	717
Total comprehensive income	–	–	(242)	(21)	35	127	(173)	717	443
Transfer of profit to retained earnings	–	–	–	–	–	–	726	(726)	–
Transfer between reserves	–	–	–	–	–	(63)	63	–	–
Dividends to shareholders	–	–	–	–	–	–	(230)	–	(230)
Declaration ASDI dividends	–	–	–	–	–	–	(8)	–	(8)
Shares issued	–	–	–	–	–	–	–	–	–
Purchase own shares by Heineken N.V. ASDI	–	–	–	–	–	–	(11)	–	(11)
Own shares granted by Heineken N.V.	–	–	–	–	–	–	(3)	–	(3)
Share-based payments by Heineken N.V	–	–	–	–	–	–	6	–	6
Purchase mandate Heineken N.V. shares	–	–	–	–	–	–	48	–	48
Changes in consolidation	–	–	–	–	–	–	6	–	6
Balance as at 31 December 2011	461	1,257	(288)	(34)	80	514	2,097	717	4,804
Balance as at 1 January 2012	461	1,257	(288)	(34)	80	514	2,097	717	4,804
Other comprehensive income [2]	–	–	24	29	(4)	2	(221)	–	(170)
Profit for the year	–	–	–	–	–	111	(111)	1,477	1,477
Total comprehensive income	–	–	24	29	(4)	113	(332)	1,477	1,307
Transfer of profit to retained earnings	–	–	–	–	–	–	717	(717)	–
Transfer between reserves	–	–	–	–	–	(237)	237	–	–
Dividends to shareholders	–	–	–	–	–	–	(247)	–	(247)
Declaration ASDI dividends	–	–	–	–	–	–	–	–	–
Shares issued	–	–	–	–	–	–	–	–	–
Purchase own shares by Heineken N.V. ASDI	–	–	–	–	–	–	–	–	–
Own shares granted by Heineken N.V.	–	–	–	–	–	–	–	–	–
Share-based payments by Heineken N.V.	–	–	–	–	–	–	8	–	8
Purchase mandate Heineken N.V. shares	–	–	–	–	–	–	–	–	–
Changes in consolidation	–	–	–	–	–	–	(106)	–	(106)
Balance as at 31 December 2012	461	1,257	(264)	(5)	76	390	2,374	1,477	5,766

[1] Total equity attributable to equity holders of Heineken Holding N.V.
[2] Net income recognised directly in equity is explained in the consolidated statement of comprehensive income.

For further explanation reference is made to note 22 to the consolidated financial statements.

note IV SHARE IN RESULT OF PARTICIPATING INTEREST IN HEINEKEN N.V. AFTER INCOME TAX

Included here is the share in the profit of Heineken N.V. for 2012, being 50.083 per cent of EUR2,949 million (2011: 50.115 per cent of EUR1,430 million).

note V OTHER REVENUES AND EXPENSES AFTER INCOME TAX

Expenses made to manage and provide services to Heineken N.V. amounting to EUR694 thousand (2011: EUR587 thousand) are reimbursed by Heineken N.V. to Heineken Holding N.V. in accordance with the management agreement.

The remuneration of the Board of Directors is disclosed in note 35 to the consolidated financial statements.

note VI
AUDIT FEES

Other expenses in the consolidated financial statements include EUR14.5 million of fees in 2012 (2011: EUR13.5 million) for services provided by KPMG Accountants N.V. and its member firms and/or affiliates. Fees for audit services include the audit of the financial statements of Heineken Holding N.V. 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.

In millions of euros	KPMG Accountants N.V.		Other KPMG member firms and affiliates		Total	
	2012	2011	**2012**	2011	**2012**	2011
Audit of Heineken Holding N.V. and its subsidiaries	**2.4**	1.9	**7.5**	6.8	**9.9**	8.7
Other audit services	**0.3**	0.2	**0.3**	0.6	**0.6**	0.8
Tax services	–	–	**2.1**	1.8	**2.1**	1.8
Other non-audit services	**0.4**	0.2	**1.5**	2.0	**1.9**	2.2
	3.1	2.3	**11.4**	11.2	**14.5**	13.5

Amsterdam, 12 February 2013

Board of Directors
Mr M. Das
Mrs C.L. de Carvalho-Heineken
Mr J.A. Fernández Carbajal
Mrs C.M. Kwist
Mr K. Vuursteen

CONSOLIDATED INCOME STATEMENT

in millions of euros

			2012		2011
Revenue	note 5		**18,383**		17,123
Other income	note 8		**1,510**		64
Raw materials, consumables and services	note 9	**(11,849)**		(10,966)	
Personnel expenses	note 10	**(3,037)**		(2,838)	
Amortisation, depreciation and impairments	note 11	**(1,316)**		(1,168)	
Total expenses			**(16,202)**		(14,972)
Results from operating activities			**3,691**		2,215
Interest income	note 12	**62**		70	
Interest expenses	note 12	**(551)**		(494)	
Other net finance income/(expenses)	note 12	**219**		(6)	
Net finance expenses			**(270)**		(430)
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	note 16		**213**		240
Profit before income tax			**3,634**		2,025
Income tax expenses	note 13		**(525)**		(465)
Profit			**3,109**		1,560
Attributable to:					
Equity holders of Heineken Holding N.V. (net profit)			**1,477**		717
Non-controlling interests in Heineken N.V.			**1,472**		713
Non-controlling interests in Heineken N.V. group companies			**160**		130
Profit			**3,109**		1,560
Weighted average number of ordinary shares – basic	note 23		**288,030,168**		288,030,168
Weighted average number of ordinary shares – diluted	note 23		**288,030,168**		288,030,168
Basic earnings per ordinary share (EUR)	note 23		**5.13**		2.49
Diluted earnings per ordinary share (EUR)	note 23		**5.13**		2.49

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in millions of euros

		2012		2011	
Profit			**3,109**		1,560
Other comprehensive income:					
Foreign currency translation differences for foreign operations	note 24	**45**		(493)	
Effective portion of change in fair value of cash flow hedges	note 24	**14**		(21)	
Effective portion of cash flow hedges transferred to profit or loss	note 24	**41**		(11)	
Ineffective portion of cash flow hedges (transferred to profit or loss)	note 24	**–**		–	
Net change in fair value available-for-sale investments	note 24	**135**		71	
Net change in fair value available-for-sale investments transferred to profit or loss	note 24	**(148)**		(1)	
Actuarial gains and losses	note 24/28	**(439)**		(93)	
Share of other comprehensive income of associates/joint ventures	note 24	**(1)**		(5)	
Other comprehensive income, net of tax	note 24		**(353)**		(553)
Total comprehensive income			**2,756**		1,007
Attributable to:					
Equity holders of Heineken Holding N.V.			**1,307**		443
Non-controlling interests in Heineken N.V.			**1,301**		441
Non-controlling interests in Heineken N.V. group companies			**148**		123
Total comprehensive income			**2,756**		1,007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in millions of euros

		31 December 2012		31 December 2011	
Assets					
Non-current assets					
Property, plant & equipment	note 14	**8,792**		7,860	
Intangible assets	note 15	**17,725**		10,835	
Investments in associates and joint ventures	note 16	**1,950**		1,764	
Other investments and receivables	note 17	**1,099**		1,129	
Advances to customers	note 32	**312**		357	
Deferred tax assets	note 18	**564**		474	
			30,442		22,419
Current assets					
Inventories	note 19	**1,596**		1,352	
Other investments	note 17	**11**		14	
Trade and other receivables	note 20	**2,537**		2,260	
Prepayments and accrued income		**232**		170	
Cash and cash equivalents	note 21	**1,037**		813	
Assets classified as held for sale	note 7	**124**		99	
			5,537		4,708
			35,979		27,127

		31 December 2012		31 December 2011	
Equity					
Share capital		461		461	
Share premium		1,257		1,257	
Reserves		197		272	
Retained earnings		3,851		2,814	
Equity attributable to equity holders of Heineken Holding N.V.			5,766		4,804
Non-controlling interests in Heineken N.V.			5,925		4,970
Non-controlling interests in Heineken N.V. group companies	note 6/22		1,071		318
	note 22		12,762		10,092
Liabilities					
Non-current liabilities					
Loans and borrowings	note 25	11,437		8,199	
Tax liabilities		140		160	
Employee benefits	note 28	1,632		1,174	
Provisions	note 30	418		449	
Deferred tax liabilities	note 18	1,790		894	
			15,417		10,876
Current liabilities					
Bank overdrafts	note 21	191		207	
Loans and borrowings	note 25	1,863		981	
Trade and other payables	note 31	5,273		4,624	
Tax liabilities		305		207	
Provisions	note 30	129		140	
Liabilities classified as held for sale	note 7	39		–	
			7,800		6,159
			23,217		17,035
			35,979		27,127

CONSOLIDATED STATEMENT OF CASH FLOWS

in millions of euros

		2012		2011	
Operating activities					
Profit		3,109		1,560	
Adjustments for:					
Amortisation, depreciation and impairments	note 11	1,316		1,168	
Net interest expenses	note 12	489		424	
Gain on sale of property, plant & equipment, intangible assets and subsidiaries, joint ventures and associates	note 8	(1,510)		(64)	
Investment income and share of profit and impairments of associates and joint ventures and dividend income on available-for-sale investments and investments held for trading		(238)		(252)	
Income tax expenses	note 13	525		465	
Other non-cash items		(110)		244	
Cash flow from operations before changes in working capital and provisions			3,581		3,545
Change in inventories		(52)		(145)	
Change in trade and other receivables		(64)		(21)	
Change in trade and other payables		217		417	
Total change in working capital			101		251
Change in provisions and employee benefits			(164)		(76)
Cash flow from operations			3,518		3,720
Interest paid		(490)		(485)	
Interest received		82		65	
Dividends received		184		137	
Income taxes paid		(599)		(526)	
Cash flow related to interest, dividend and income tax			(823)		(809)
Cash flow from operating activities			2,695		2,911

		2012		2011	
Investing activities					
Proceeds from sale of property, plant & equipment and intangible assets		131		101	
Purchase of property, plant & equipment	note 14	(1,170)		(800)	
Purchase of intangible assets	note 15	(78)		(56)	
Loans issued to customers and other investments		(143)		(127)	
Repayment on loans to customers		50		64	
Cash flow (used in)/from operational investing activities			(1,210)		(818)
Free operating cash flow			*1,485*		*2,093*
Acquisition of subsidiaries, net of cash acquired	note 6	(3,311)		(806)	
Acquisition/additions of associates, joint ventures and other investments	note 6	(1,246)		(166)	
Disposal of subsidiaries, net of cash disposed of		–		(9)	
Disposal of associates, joint ventures and other investments		142		44	
Cash flow (used in)/from acquisitions and disposals			(4,415)		(937)
Cash flow (used in)/from investing activities			(5,625)		(1,755)
Financing activities					
Proceeds from loans and borrowings		6,837		1,782	
Repayment of loans and borrowings		(2,928)		(1,587)	
Dividends paid		(604)		(580)	
Purchase own shares by Heineken N.V.		–		(687)	
Acquisition of non-controlling interests		(252)		(11)	
Disposal of interests without a change in control		–		43	
Other		3		6	
Cash flow (used in)/from financing activities			3,056		(1,034)
Net cash flow			126		122
Cash and cash equivalents as at 1 January			606		478
Effect of movements in exchange rates			114		6
Cash and cash equivalents as at 31 December	note 21		846		606

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in millions of euros

		Share capital	Share Premium	Translation reserve	Hedging reserve
Balance as at 1 January 2011		461	1,257	(46)	(13)
Other comprehensive income	note 12/24	–	–	(242)	(21)
Profit		–	–	–	–
Total comprehensive income		–	–	(242)	(21)
Transfer to retained earnings		–	–	–	–
Dividends to shareholders		–	–	–	–
Declaration ASDI dividends		–	–	–	–
Purchase own shares by Heineken N.V. ASDI		–	–	–	–
Own shares granted by Heineken N.V.		–	–	–	–
Share-based payments by Heineken N.V.		–	–	–	–
Purchase mandate Heineken N.V. shares		–	–	–	–
Acquisition of non-controlling interests in Heineken N.V. group companies without a change in control		–	–	–	–
Disposal of interests without a change in control		–	–	–	–
Balance as at 31 December 2011		461	1,257	(288)	(34)
Balance as at 1 January 2012		461	1,257	(288)	(34)
Other comprehensive income	note 24	–	–	24	29
Profit		–	–	–	–
Total comprehensive income		–	–	24	29
Transfer to retained earnings		–	–	–	–
Dividends to shareholders		–	–	–	–
Declaration ASDI dividends		–	–	–	–
Purchase own shares by Heineken N.V. ASDI		–	–	–	–
Own shares granted by Heineken N.V.		–	–	–	–
Share-based payments by Heineken N.V.		–	–	–	–
Purchase mandate Heineken N.V. shares		–	–	–	–
Acquisition of non-controlling interests in Heineken N.V. group companies without a change in control		–	–	–	–
Disposal of interests without a change in control		–	–	–	–
Balance as at 31 December 2012		461	1,257	(264)	(5)

* Equity attributable to equity holders of Heineken Holding N.V.

Fair value reserve	Other legal reserves	Retained earnings	Equity*	Non-controlling interests in Heineken N.V.	Non-controlling interests in Heineken N.V. group companies	Total equity
45	450	2,399	4,553	5,379	288	10,220
35	127	(173)	(274)	(272)	(7)	(553)
–	–	717	717	713	130	1,560
35	127	544	443	441	123	1,007
–	(63)	63	–	–	–	–
–	–	(230)	(230)	(230)	(97)	(557)
–	–	(8)	(8)	(6)	–	(14)
–	–	(11)	(11)	(676)	(1)	(688)
–	–	(3)	(3)	3	–	–
–	–	6	6	5	–	11
–	–	48	48	48	–	96
–	–	(11)	(11)	(10)	(1)	(22)
–	–	17	17	16	6	39
80	514	2,814	4,804	4,970	318	10,092
80	514	2,814	4,804	4,970	318	10,092
(4)	2	(221)	(170)	(171)	(12)	(353)
–	111	1,366	1,477	1,472	160	3,109
(4)	113	1,145	1,307	1,301	148	2,756
–	(237)	237	–	–	–	–
–	–	(247)	(247)	(247)	(110)	(604)
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	8	8	7	–	15
–	–	–	–	–	–	–
–	–	(106)	(106)	(106)	715	503
–	–	–	–	–	–	–
76	390	3,851	5,766	5,925	1,071	12,762

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

note1 REPORTING ENTITY

Heineken Holding N.V. (the 'Company') is a company domiciled in the Netherlands. The address of the Company's registered office is Tweede Weteringplantsoen 5, Amsterdam. The consolidated financial statements of the Company as at and for the year ended 31 December 2012 comprise Heineken Holding N.V., Heineken N.V., 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. The APIPL/APB acquisition has been included in the consolidated financial statements from 15 November 2012.

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

note 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 European Union (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 2012 have been adopted by the EU, except that the EU carved out certain hedge accounting provisions of IAS 39. HEINEKEN does not utilise this carve-out permitted by the EU, as it is not applicable. Consequently, the accounting policies applied by HEINEKEN also comply fully with IFRS as issued by the IASB.

The consolidated financial statements have been prepared by the Board of Directors of the Company and authorised for issue on 12 February 2013 and will be submitted for adoption to the Annual General Meeting of Shareholders on 25 April 2013.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis unless otherwise indicated.
The methods used to measure fair values are discussed further in note 3 and 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

There were no changes made to the HEINEKEN accounting policies in 2012, the changes in standards and interpretations effective from 1 January 2012 had no significant impact on HEINEKEN.

note 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 include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

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

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

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 euros	*Year-end*		*Average*	
	2012	2011	**2012**	2011
BRL	**0.3699**	0.4139	**0.3987**	0.4298
GBP	**1.2253**	1.1972	**1.2332**	1.1522
MXN	**0.0582**	0.0554	**0.0592**	0.0578
NGN	**0.0049**	0.0049	**0.0050**	0.0047
PLN	**0.2455**	0.2243	**0.2390**	0.2427
RUB	**0.0248**	0.0239	**0.0250**	0.0245
SGD	**0.6207**	0.5946	**0.6229**	0.5718
VND in 1,000	**0.0364**	0.0367	**0.0373**	0.0348
USD	**0.7579**	0.7729	**0.7783**	0.7184

(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 and 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 3i*(i)*), and foreign currency differences on available-for-sale monetary items (see 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 of Heineken N.V.

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 3q), 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 the income statement 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 except for financial leases on land over the contractual period 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.

(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 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.

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, contract-based intangibles and reacquired rights

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.

Reacquired rights are identifiable intangible assets recognised in an acquisition that represent the right an acquirer previously has granted to the acquiree to use one or more of the acquirer's recognised or unrecognised assets.

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, contract-based intangibles and reacquired rights 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 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 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 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
▪ Reacquired rights	3-12 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.

(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.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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 3h) and deferred tax assets (refer 3s), 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 defined benefit plan 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.

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 defined benefit 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 of Heineken N.V. 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 plans 2010-2012, 2011-2013 and 2012-2014 of the senior management members and the Executive Board. 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.

(vi) Matching share entitlement

As from 21 April 2011 HEINEKEN established a matching share entitlement for the Executive Board of Heineken N.V. 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.

(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 the income statement on the date that HEINEKEN's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.
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 the income statement except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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

(ii) Deferred tax
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 is not recognised for:

- temporary differences on 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;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that HEINEKEN is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which HEINEKEN expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

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

(iii) Tax exposures
In determining the amount of current and deferred income tax, HEINEKEN takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes HEINEKEN to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the income tax expense in the period that such a determination is made.

(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
The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period including the weighted average of outstanding ASDI, adjusted for the weighted average of own shares purchased in the year. Diluted EPS is determined by adjusting the profit or loss attributable

to ordinary shareholders and the weighted average number of ordinary shares outstanding including weighted average of outstanding ASDI, adjusted for the weighted average of own shares purchased in the year, for the effects of all dilutive potential ordinary shares, which comprise share rights granted to employees.

(v) Cash flow statement

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

(w) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Board of Heineken N.V., who is considered to be 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 of Heineken N.V. 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 2012 and reflected in these consolidated financial statements

Standards and interpretations effective from 1 January 2012 did not have a significant impact on HEINEKEN.

(ii) New relevant standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to HEINEKEN are set out below, however HEINEKEN does not expect these changes to have a significant effect on the consolidated financial statements.

- IAS 19 Employee Benefits was amended. The standard is effective for annual periods beginning on or after 1 January 2013 and was endorsed by the EU. HEINEKEN has evaluated the impact of the applicability of this new standard. The prescribed calculation method to determine the return on net assets would result in an estimated increase in total pension costs of EUR99 million for 2012. This amount represents the variance between expected return on net assets and the prescribed application of the discount rate. Previously, total pension costs were reported within personnel expenses. With effect from 1 January 2013 HEINEKEN will present the interest expense on its net pension liability, an estimated EUR60 million, in Other net finance income and expenses.
- IFRS 9 Financial Instruments, introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. 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 2014.
- IFRS 11 Joint arrangements establishes 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 adopted by the EU for annual periods beginning on or after 1 January 2014. 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.
- 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 EU has adopted this IFRS for annual periods beginning on or after 1 January 2014. This IFRS integrates and makes 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 EU has adopted this IFRS for annual periods beginning on or after 1 January 2014. 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.
- HEINEKEN has the intention to early adopt IFRS 10, 11, 12 and 13 to align with the IASB effective date of 1 January 2013.

note 4 DETERMINATION OF FAIR VALUES

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, hothe 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.

Fair value as a result of business combinations

(i) 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.

(ii) Intangible assets
The fair value of brands acquired in a business combination is based on the 'relief of royalty' method or determined using the multi-period excess earnings 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 reacquired rights and other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) 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.

(iv) 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.

Fair value from normal business

(i) 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.

(ii) 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 include the instrument's credit risk and adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(iii) 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 include the instrument's credit risk and adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

note 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
- Heineken N.V. 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 of Heineken N.V. (the chief operating decision maker) to discuss operating activities, regional forecasts and regional results. The Heineken N.V. Head Office operating segment falls directly under the responsibility of the Executive Board of Heineken N.V. For each of the six reportable segments, the Executive Board of Heineken N.V. 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 of Heineken N.V. EBIT (beia) is defined as earnings before interest and taxes and net finance expenses, before exceptional items and amortisation of acquisition related intangibles. 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 segments.

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 of Heineken N.V. 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.

Information about reportable segments		Western Europe		Central and Eastern Europe		The Americas	
		2012	2011	**2012**	2011	**2012**	2011
Revenue							
Third party revenue [1]		**7,140**	7,158	**3,255**	3,209	**4,507**	4,002
Interregional revenue		**645**	594	**25**	20	**16**	27
Total revenue		**7,785**	7,752	**3,280**	3,229	**4,523**	4,029
Other income		**13**	48	**9**	7	**2**	1
Results from operating activities		**739**	820	**313**	318	**581**	493
Net finance expenses							
Share of profit of associates and joint ventures and impairments thereof		**1**	3	**24**	17	**81**	77
Income tax expenses							
Profit							
Attributable to:							
Equity holders of Heineken Holding N.V. (net profit)							
Non-controlling interests in Heineken N.V.							
Non-controlling interests in Heineken N.V. group companies							
EBIT reconciliation							
EBIT		**740**	823	**337**	335	**662**	570
Eia [2]		**224**	139	**12**	11	**86**	85
EBIT (beia) [2]	note 27	**964**	962	**349**	346	**748**	655

[1] Includes other revenue of EUR433 million in 2012 and EUR463 million in 2011.
[2] Note that these are non-GAAP measures and therefore unaudited.

Africa and the Middle East 2012	Africa and the Middle East 2011	Asia Pacific 2012	Asia Pacific 2011	Heineken N.V. Head Office & Other/ eliminations 2012	Heineken N.V. Head Office & Other/ eliminations 2011	Consolidated 2012	Consolidated 2011
2,639	2,223	**527**	216	**315**	315	**18,383**	17,123
–	–	**–**	–	**(686)**	(641)	**–**	–
2,639	2,223	**527**	216	**(371)**	(326)	**18,383**	17,123
–	3	**1,486**	5	**–**	–	**1,510**	64
613	533	**1,546**	64	**(101)**	(13)	**3,691**	2,215
						(270)	(430)
1	35	**109**	112	**(3)**	(4)	**213**	240
						(525)	(465)
						3,109	1,560
						1,477	717
						1,472	713
						160	130
						3,109	1,560
614	568	**1,655**	176	**(104)**	(17)	**3,904**	2,455
38	2	**(1,388)**	–	**36**	5	**(992)**	242
652	570	**267**	176	**(68)**	(12)	**2,912**	2,697

Information about reportable segments (continued)	Western Europe		Central and Eastern Europe		The Americas	
	2012	2011	**2012**	2011	**2012**	2011
Beer volumes [2]						
Consolidated beer volume	**44,288**	45,380	**47,269**	45,377	**53,124**	50,497
Joint ventures' volume	**–**	–	**7,578**	7,303	**9,611**	9,663
Licenses	**288**	300	**–**	–	**74**	65
Group volume	**44,576**	45,680	**54,847**	52,680	**62,809**	60,225
Current segment assets	**2,007**	1,843	**1,082**	985	**1,193**	1,045
Other non-current segment assets	**8,015**	8,186	**3,423**	3,365	**5,649**	5,619
Investment in associates and joint ventures	**22**	23	**196**	165	**835**	711
Total segment assets	**10,044**	10,052	**4,701**	4,515	**7,677**	7,375
Unallocated assets						
Total assets						
Segment liabilities	**4,178**	3,723	**1,347**	1,160	**1,072**	1,068
Unallocated liabilities						
Total equity						
Total equity and liabilities						
Purchase of P, P & E	**260**	215	**197**	170	**250**	199
Acquisition of goodwill	**7**	–	**–**	1	**36**	4
Purchases of intangible assets	**26**	11	**12**	9	**14**	20
Depreciation of P, P & E	**(344)**	(343)	**(247)**	(234)	**(201)**	(183)
(Impairment) and reversal of impairment of P, P & E	**(36)**	–	**15**	(2)	**(17)**	5
Amortisation intangible assets	**(86)**	(100)	**(16)**	(18)	**(103)**	(93)
(Impairment) and reversal of impairment of intangible assets	**(7)**	–	**–**	(3)	**–**	–

[2] Note that these are non-GAAP measures and therefore unaudited.

Africa and the Middle East		Asia Pacific		Heineken N.V. Head Office & Other/ eliminations		Consolidated	
2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
23,289	22,029	**3,742**	1,309	**–**	–	**171,712**	164,592
6,002	5,706	**24,297**	24,410	**(157)**	–	**47,331**	47,082
1,149	1,093	**675**	769	**1**	–	**2,187**	2,227
30,440	28,828	**28,714**	26,488	**(156)**	–	**221,230**	213,901
959	854	**913**	91	**(629)**	(124)	**5,525**	4,694
2,073	1,867	**7,151**	2	**1,619**	1,143	**27,930**	20,182
281	272	**534**	536	**82**	57	**1,950**	1,764
3,313	2,993	**8,598**	629	**1,072**	1,076	**35,405**	26,640
						574	487
						35,979	27,127
760	653	**498**	36	**238**	508	**8,093**	7,148
						15,124	9,887
						12,762	10,092
						35,979	27,127
395	202	**20**	–	**48**	14	**1,170**	800
–	282	**2,757**	–	**480**	–	**3,280**	287
2	–	**–**	–	**24**	16	**78**	56
(176)	(140)	**(11)**	–	**(38)**	(36)	**(1,017)**	(936)
(8)	(3)	**–**	–	**2**	–	**(44)**	–
(6)	(6)	**(24)**	–	**(12)**	(12)	**(247)**	(229)
–	–	**–**	–	**–**	–	**(7)**	(3)

note 6 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

Acquisition of the beer operations in Asia Pacific Breweries

On 17 August 2012, HEINEKEN announced that, through its wholly owned subsidiary Heineken International B.V., it had signed the definitive agreements with Fraser & Neave Limited ('F&N') regarding the acquisition of control of Asia Pacific Investment Pte. Ltd ('APIPL') and Asia Pacific Breweries Ltd. ('APB') and their subsidiaries (together referred to as the 'Acquired Businesses', the 'Transaction' or 'APIPL/APB acquisition'). For this Transaction, HEINEKEN agreed to pay SGD53.00 per share for F&N's entire (direct and indirect) 39.7 per cent effective stake in APB for a total consideration of EUR3,480 million and a total consideration of EUR104 million for F&N's interest in the non-APB assets held by APIPL. The Transaction has been approved by F&N's Extraordinary General Meeting on 28 September 2012 and was completed, after regulatory approvals, on 15 November 2012.

Between 17 August 2012 and 15 November 2012, HEINEKEN purchased an additional 13.7 per cent stake in APB (including an 8.6 per cent stake it acquired from Kindest Place Group Limited on 24 September 2012) for a total consideration of EUR1,194 million.

Prior to the Acquisition, HEINEKEN owned a 50 per cent stake in APIPL, a combined direct and indirect stake in APB of 55.6 per cent as well as a direct stake in PT Multi Bintang of 6.78 per cent. Together these stakes are referred to as the Previously Held Equity Interests ('PHEI'). Prior to the acquisition HEINEKEN did not have control over APB as 64.8 per cent of the shares were held by APIPL, the joint venture between F&N and HEINEKEN. In accordance with IFRS, the PHEI in the Acquired Businesses is accounted for at fair value at the date of acquisition and amounts to EUR2,975 million. The PHEI is treated as one unit of account and the fair value has been determined based on a number of data points including the Acquired Businesses' equity value, the undisturbed share price of APB and multiples in comparable transactions. HEINEKEN's carrying amount consists of the book value of the original investment as well as the price paid for shares bought up to 15 November 2012. The fair value compared to HEINEKEN's carrying amount results in a non-cash exceptional gain of EUR1,486 million, recognised in Other Income.

After completion of the Transaction, HEINEKEN, in aggregate, owns a 95.3 per cent stake in APB, wholly owns APIPL and also has a combined direct and indirect stake of 83.6 per cent in PT Multi Bintang. From 15 November 2012 onwards these entities are consolidated by HEINEKEN.

On 15 November 2012, HEINEKEN announced a Mandatory General Offer ('MGO') for all shares of APB that Heineken does not already own (i.e. the remaining 4.7 per cent APB free-float shares), in accordance with the Singapore Code on Take-overs and Mergers. HEINEKEN expects to delist APB around 18 February 2013. The total consideration for all remaining shares will be EUR398 million.

Non-controlling interests are measured based on their proportional interest in the recognised amounts of the assets and liabilities of the Acquired Businesses. HEINEKEN recognised EUR797 million of non-controlling interests of which EUR645 million represents the APIPL/APB non-controlling stakes.

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

	2012	
Property, plant & equipment	731	
Intangible assets	3,809	
Investments in associates & joint ventures	473	
Other investments and non-current receivables	82	
Deferred tax assets	4	
Inventories	187	
Trade and other receivables	296	
Assets held for sale	17	
Cash and cash equivalents	377	
Assets acquired		5,976
Loans and borrowings, current and non-current	296	
Employee benefits	12	
Provisions	3	
Deferred tax liabilities	1,001	
Tax liabilities	95	
Trade and other current liabilities	455	
Liabilities assumed		1,862
Total net identifiable assets		4,114
Consideration paid in cash for the transaction on 15 November 2012	3,584	
Fair value of previously held equity interest in the acquiree	2,975	
Non-controlling interests	797	
Settlement of pre-existing relationship	(5)	
Net identifiable assets acquired	(4,114)	
Goodwill on acquisition (provisional)		3,237

Amounts were converted into euros at the rate of EUR/SGD1.5622 for the statement of financial position.

The majority of the goodwill has been allocated to the Asia Pacific region and it is attributable to a number of factors such as the future growth platform and synergies that can be achieved. To properly account for the currency impact (in accordance with IAS21) on goodwill the provisional amount of EUR2,757 million allocated to the Asia Pacific region is held in the following currencies. In alphabetical order: Chinese Yuan Renminbi (CNY), Indonesian Rupiah (IDR), Mongolian Tugrik (MTN), New Zealand Dollar (NZD), Papua New Guinea Kina (PGK), New Solomon Island Dollar (SBD), Singapore Dollar(SGD), Vietnamese Dong (VND), New Caledonian Franc (XPF) and Cambodia in USD. The remaining part of the provisional goodwill (EUR480 million) has been allocated to the Heineken Global Commerce cash-generating unit ('CGU') in Heineken N.V. Head Office and Others and reflects the benefit to HEINEKEN for safeguarding the position of Heineken® as a global brand and future royalty streams.

Prior to the acquisition, HEINEKEN accounted for its investment in the Acquired Businesses with a three-month delay with any identified specific large, material events being recognised immediately. At the acquisition date HEINEKEN discontinued the use of equity method accounting. Included within the revaluation gain of the PHEI is the catch up on the three-month lagging period. This gain amounts to EUR23 million and is embedded within the PHEI gain presented as Other Income.

The Acquired Businesses contributed revenue of EUR287 million and results from operating activities of negative EUR9 million (including the reversal of the EUR76 million fair value lift up on inventory) for the six-week period from 15 November 2012 to 31 December 2012. Amortisation of identified intangible assets for the six-week period amounts to EUR24 million.
Had the acquisition occurred on 1 January 2012, pro-forma revenue and pro-forma results from operating activities for the 12-month period ended 31 December 2012 would have amounted to EUR1,698 million and EUR159 million, respectively. The pro-forma amortisation of identified intangible assets would have amounted to EUR191 million. This pro-forma information does not purport to represent what HEINEKEN's actual results would have been had the acquisition actually occurred on 1 January 2012, nor are they necessarily indicative of future results of operations. In determining the contributions, management has assumed that the fair value adjustments that arose on the date of the acquisition would have been the same as if the acquisition had occurred on 1 January 2012.

Acquisition-related costs of EUR28 million have been recognised in the income statement for the period ended 31 December 2012.

In accordance with IFRS 3R, the amounts recorded for the Transaction are provisional and are subject to adjustments during the measurement period if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

Other acquisitions

During 2012 HEINEKEN completed transactions 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. HEINEKEN also acquired 100 per cent of the Belgian cider innovation company Stassen in 2012.

The acquisition of BraNa and Stassen contributed revenue of EUR113 million, results from operating activities of EUR19 million (EBIT) and amortisation of identified intangible assets amounts to EURnil million.

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

	2012	
Property, plant & equipment	64	
Intangible assets	9	
Inventories	22	
Trade and other receivables	9	
Cash and cash equivalents	9	
Assets acquired		**113**
Loans and borrowings, current and non-current	13	
Deferred tax liabilities	5	
Other long-term liabilities	1	
Tax liabilities (current)	3	
Trade and other current liabilities	22	
Liabilities assumed		**44**
Total net identifiable assets		**69**
Consideration transferred	88	
Fair value of previously held equity interest in the acquiree	21	
Non-controlling interests	3	
Net identifiable assets acquired	(69)	
Provisional goodwill on acquisition		**43**

The BraNa amounts were converted into euros at the rate of EUR/HTG54.2613. Additionally, certain amounts provided in US dollar were converted into euros based at the rate of EUR/USD1.3446.

The amounts recorded for the acquired businesses are prepared on a provisional basis. Goodwill has been allocated to Haiti in the America's region which is held in HTG (Haitian Gourde) and for Stassen to the Western Europe region held in EUR. The entire amounts of goodwill are not expected to be tax deductible.

The fair value of the previously held 22.5 per cent in BraNa is recognised at EUR21 million. The revaluation to fair value of the Group's existing 22.5 per cent in BraNa resulted in a net profit of EUR20 million that has been recognised in the income statement in other net finance income (note 12).

Non-controlling interests are recognised based on their proportional interest in the recognised amounts of the assets and liabilities of BraNa of EUR3 million.

Acquisition-related costs are not material and have been recognised in the income statement for the period ended 31 December 2012.

Acquisition of non-controlling interest

As part of the unwinding of their partnerships in Kazakhstan and Serbia with Efes Breweries International N.V. (EBI) HEINEKEN acquired EBI's 28 per cent stake in the Serbian operations and since 27 December wholly owns Central Europe Beverages (CEB). On 8 January 2013 HEINEKEN sold its 28 per cent stake in Efes Kazakhstan which is reported in the subsequent events, note 37. Selling the cross-holdings to each other will result in a net consideration to be paid by EBI to HEINEKEN of USD161 million.

Disposals

Disposal of HEINEKEN's minority shareholding in Cervecería Nacional Dominicana S.A.
On 16 April 2012 HEINEKEN sold its 9.3 per cent minority shareholding in Cervecería Nacional Dominicana S.A. ('CND') in the Dominican Republic for USD237 million, ultimately to AmBev Brasil Bebidas S.A. ('AmBev Brasil'), a subsidiary of Companhia de Bebidas das Américas – AmBev.

A pre-tax EUR175 million gain on disposal of the available for sale investment was recorded under other net finance income.

note 7 ASSETS AND LIABILITIES (OR DISPOSAL GROUPS) CLASSIFIED AS HELD FOR SALE

Other assets classified as held for sale represent:

- HEINEKEN's associate in Efes Kazakhstan. The transaction to sell the stake in Kazakhstan closed on 8 January 2013.
- HEINEKEN's share in the Chinese joint venture Jiangsu Dafuhao Breweries Co. Ltd. resulting from the acquisition of APIPL/APB. The joint venture was included as available-for-sale in the opening balance sheet of this acquisition. The sale of HEINEKEN's share in Jiangsu Dafuhao Breweries Co. Ltd. has been completed on 9 January 2013.
- Assets and liabilities following the commitment of HEINEKEN to sell its wholly-owned subsidiary Pago International GmbH to Eches-Granini Group. The transaction is expected to close in the first quarter of 2013.

Assets and liabilities classified as held for sale	2012	2011
Current assets	**38**	–
Non-current assets	**86**	99
Current liabilities	**(36)**	–
Non-current liabilities	**(3)**	–
	85	99

note 8 OTHER INCOME

	2012	2011
Net gain on sale of property, plant & equipment	**22**	35
Net gain on sale of intangible assets	**2**	24
Net gain on sale of subsidiaries, joint ventures and associates	**1,486**	5
	1,510	64

Included in other income is the fair value gain of HEINEKEN's previously held equity interest in APB amounting to EUR1,486 million (refer to note 6).

note 9 RAW MATERIALS, CONSUMABLES AND SERVICES

	2012	2011
Raw materials	**1,892**	1,576
Non-returnable packaging	**2,376**	2,075
Goods for resale	**1,616**	1,498
Inventory movements	**(85)**	(8)
Marketing and selling expenses	**2,250**	2,186
Transport expenses	**1,029**	1,056
Energy and water	**562**	525
Repair and maintenance	**458**	417
Other expenses	**1,751**	1,641
	11,849	10,966

Other expenses include rentals of EUR264 million (2011: EUR241 million), consultant expenses of EUR191 million (2011: EUR166 million), telecom and office automation of EUR179 million (2011: EUR159 million), travel expenses of EUR155 million (2011: EUR137 million) and other fixed expenses of EUR962 million (2011: EUR938 million).

note 10 PERSONNEL EXPENSES

		2012	2011
Wages and salaries		2,078	1,891
Compulsory social security contributions		352	333
Contributions to defined contribution plans		39	24
Expenses related to defined benefit plans	note 28	28	56
Increase in other long-term employee benefits		11	11
Equity-settled share-based payment plan	note 29	12	11
Other personnel expenses		517	512
		3,037	2,838

Restructuring costs related to the restructuring of wholesale operations across Western Europe are included in other personnel expenses for an amount of EUR35 million. These costs are primarily related to the Netherlands and Italy.

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

	2012	2011*
The Netherlands	4,053	3,991
Other Western Europe	14,410	14,749
Central and Eastern Europe	16,835	17,424
The Americas	25,035	23,906
Africa and the Middle East	14,604	11,396
Asia Pacific	1,254	279
	76,191	71,745

* Updated

note 11 AMORTISATION, DEPRECIATION AND IMPAIRMENTS

		2012		2011	
Property, plant & equipment	note 14	1,061		936	
Intangible assets	note 15	254		232	
Impairment on available-for-sale assets		1		–	
			1,316		1,168

note 12 NET FINANCE INCOME AND EXPENSE

	2012		2011	
Recognised in profit or loss				
Interest income		62		70
Interest expenses		(551)		(494)
Dividend income on available-for-sale investments	2		2	
Dividend income on investments held for trading	23		11	
Net gain/(loss) on disposal of available-for-sale investments	192		1	
Net change in fair value of derivatives	(7)		96	
Net foreign exchange gain/(loss)	15		(107)	
Impairment losses on available-for-sale investments	–		–	
Unwinding discount on provisions	(7)		(7)	
Other net financial income/(expenses)	1		(2)	
Other net finance income/(expenses)		219		(6)
		(270)		(430)

Included in other net finance income on the line Net gain/(loss) on disposal of available-for-sale investments are the sale of HEINEKEN's 9.3 per cent minority shareholding in Cervecería Nacional Dominicana S.A. in the Dominican Republic leading to a gain on disposal of the available-for-sale investment of pre-tax EUR175 million and the revaluation of HEINEKEN's existing 22.5 per cent interest in Brasserie d'Haiti of EUR20 million.

	2012		2011	
Recognised in other comprehensive income				
Foreign currency translation differences for foreign operations	**45**		(493)	
Effective portion of changes in fair value of cash flow hedges	**14**		(21)	
Effective portion of cash flow hedges transferred to profit or loss	**41**		(11)	
Ineffective portion of cash flow hedges transferred to profit or loss	**–**		–	
Net change in fair value of available-for-sale investments	**135**		71	
Net change in fair value available-for-sale investments transferred to profit or loss	**(148)**		(1)	
Actuarial (gains) and losses	**(439)**		(93)	
Share of other comprehensive income of associates/joint ventures	**(1)**		(5)	
		(353)		(553)
Recognised in:				
Fair value reserve	**(9)**		69	
Hedging reserve	**58**		(42)	
Translation reserve	**48**		(482)	
Other	**(450)**		(98)	
		(353)		(553)

note 13 INCOME TAX EXPENSE

	2012	2012	2011	2011
Recognised in the income statement				
Current tax expense				
Current year	**639**		502	
Under/(over) provided in prior years	**(6)**		(26)	
		633		476
Deferred tax expense				
Origination and reversal of temporary differences	**(90)**		17	
Previously unrecognised deductible temporary differences	**(28)**		(9)	
Changes in tax rate	**4**		1	
Utilisation/(benefit) of tax losses recognised	**(6)**		(19)	
Under/(over) provided in prior years	**12**		(1)	
		(108)		(11)
		525		465

	2012	2012	2011	2011
Reconciliation of the effective tax rate				
Profit before income tax	**3,634**		2,025	
Share of net profit of associates and joint ventures and impairments thereof	**(213)**		(240)	
Profit before income tax excluding share of profit of associates and joint ventures (including impairments thereof)		**3,421**		1,785

	%	2012	%	2011
Income tax using the Company's domestic tax rate	**25.0**	**855**	25.0	446
Effect of tax rates in foreign jurisdictions	**1.8**	**63**	3.5	62
Effect of non-deductible expenses	**1.9**	**64**	3.2	58
Effect of tax incentives and exempt income	**(13.8)**	**(472)**	(6.0)	(107)
Recognition of previously unrecognised temporary differences	**(0.8)**	**(28)**	(0.5)	(9)
Utilisation or recognition of previously unrecognised tax losses	**(0.5)**	**(17)**	(0.3)	(5)
Unrecognised current year tax losses	**0.7**	**25**	1.0	18
Effect of changes in tax rate	**0.1**	**4**	0.1	1
Withholding taxes	**0.8**	**27**	1.5	26
Under/(over) provided in prior years	**0.2**	**6**	(1.5)	(27)
Other reconciling items	**(0.1)**	**(2)**	0.1	2
	15.3	**525**	26.1	465

The lower reported tax rate in 2012 of 15.3 per cent (2011: 26.1 per cent) can be explained by the tax exempt remeasurement of HEINEKEN's PHEI in APIPL/APB, prior to consolidation.

	2012	2011
Income tax recognised in other comprehensive income		
Changes in fair value	**(24)**	–
Changes in hedging reserve	**(18)**	13
Changes in translation reserve	**(22)**	11
Other	**123**	16
note 24	**59**	40

note 14 PROPERTY, PLANT AND EQUIPMENT

Cost property, plant & equipment		Land and buildings	Plant and equipment	Other fixed assets	Under construction	Total
Balance as at 1 January 2011		4,397	6,207	3,939	330	14,873
Changes in consolidation		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
Balance as at 1 January 2012		4,870	6,277	4,052	332	15,531
Changes in consolidation	note 6	245	385	91	77	798
Purchases		38	105	365	662	1,170
Transfer of completed projects under construction and other		58	235	270	(540)	23
Transfer (to)/from assets classified as held for sale		(37)	(21)	(24)	–	(82)
Disposals		(19)	(81)	(284)	(1)	(385)
Effect of hyperinflation		1	4	1	–	6
Effect of movements in exchange rates		59	23	23	(4)	101
Balance as at 31 December 2012		5,215	6,927	4,494	526	17,162

Depreciation and impairment losses property, plant & equipment		Land and buildings	Plant and equipment	Other fixed assets	Under construction	Total
Balance as at 1 January 2011		(1,526)	(3,124)	(2,536)	–	(7,186)
Changes in consolidation		–	4	14	–	18
Depreciation charge for the year	note 11	(128)	(356)	(452)	–	(936)
Impairment losses	note 11	–	–	(8)	–	(8)
Reversal impairment losses	note 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)
Balance as at 1 January 2012		(1,622)	(3,339)	(2,710)	–	(7,671)
Changes in consolidation	note 6	–	(2)	(1)	–	(3)
Depreciation charge for the year	note 11	(142)	(399)	(476)	–	(1,017)
Impairment losses	note 11	(10)	(36)	(19)	–	(65)
Reversal impairment losses	note 11	4	12	5	–	21
Transfer to/(from) assets classified as					–	
held for sale		26	15	20	–	61
Disposals		5	80	261	–	346
Effect of movements in exchange rates		(14)	(9)	(19)	–	(42)
Balance as at 31 December 2012		(1,753)	(3,678)	(2,939)	–	(8,370)
Carrying amount						
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
As at 1 January 2012		3,248	2,938	1,342	332	7,860
As at 31 December 2012		3,462	3,249	1,555	526	8,792

Impairment losses
In 2012 a total impairment loss of EUR65 million (2011: EUR8 million) was charged to profit or loss.

Financial lease assets
The Group leases P, P & E under a number of finance lease agreements. At 31 December 2012 the net carrying amount of leased P,P & E was EUR39 million (2011: EUR39 million). During the year, the Group acquired leased assets of EUR5 million (2011: EUR6 million).

Security to authorities
Certain P, P & E for EUR142 million (2011: EUR137 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, Nigeria, Democratic Republic of Congo, UK, Vietnam and Russia.

Capitalised borrowing costs
During 2012 no borrowing costs have been capitalised (2011: EURnil).

note 15 INTANGIBLE ASSETS

	Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total
Cost						
Balance as at 1 January 2011	7,592	2,321	1,284	222	344	11,763
Changes in consolidation	287	8	18	38	–	351
Purchases/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
Balance as at 1 January 2012	7,809	2,272	1,228	162	378	11,849
Changes in consolidation note 6	3,280	2,069	1,077	624	48	7,098
Purchases/internally developed	–	–	–	7	71	78
Disposals	(11)	–	(5)	(4)	–	(20)
Transfers to assets held for sale	–	–	–	–	(1)	(1)
Effect of movements in exchange rates	(1)	(9)	4	(9)	6	(9)
Balance as at 31 December 2012	11,077	4,332	2,304	780	502	18,995

		Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total
Amortisation and impairment losses							
Balance as at 1 January 2011		(279)	(163)	(163)	(60)	(208)	(873)
Changes in consolidation		–	–	–	1	(1)	–
Amortisation charge for the year	note 11	–	(59)	(110)	(24)	(36)	(229)
Impairment losses	note 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)
Balance as at 1 January 2012		(279)	(221)	(268)	(3)	(243)	(1,014)
Changes in consolidation	note 6	–	–	–	–	–	–
Amortisation charge for the year	note 11	–	(68)	(121)	(11)	(47)	(247)
Impairment losses	note 11	(7)	–	–	–	–	(7)
Disposals		–	–	–	–	–	–
Transfers to assets held for sale		–	–	–	–	1	1
Effect of movements in exchange rates		(11)	–	7	(9)	10	(3)
Balance as at 31 December 2012		(297)	(289)	(382)	(23)	(279)	(1,270)
Carrying amount							
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
As at 1 January 2012		7,530	2,051	960	159	135	10,835
As at 31 December 2012		10,780	4,043	1,922	757	223	17,725

Brands, customer-related and contract-based intangibles

The main brands capitalised are the brands acquired in 2008: Scottish & Newcastle (Fosters and Strongbow), 2010: Cervecería Cuauhtémoc Moctezuma (Dos Equis, Tecate and Sol) and 2012 Asia Pacific Breweries (Tiger, Anchor and Bintang). The main customer-related and contract-based intangibles were acquired in 2010 and 2012 and are related to customer relationships with retailers in Mexico and Asia Pacific (constituting either by way of a contractual agreement or by way of non-contractual relations) and reacquired rights.

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), the Americas (excluding Brazil) and Asia Pacific is allocated and monitored by management on a regional basis. In respect of less integrated Operating Companies such as Russia, Brazil, Africa and the Middle East and Heineken N.V. Head Office and other, goodwill is allocated and monitored by management on an individual country basis.

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

	2012		2011	
Western Europe	**3,428**		3,396	
Central and Eastern Europe (excluding Russia)	**1,445**		1,394	
Russia	**106**		102	
The Americas (excluding Brazil)	**1,778**		1,743	
Brazil	**99**		111	
Africa and the Middle East (aggregated)	**507**		528	
Asia Pacific	**2,674**		–	
Heineken N.V. Head Office and Other	**743**		256	
		10,780		7,530

Throughout the year total goodwill mainly increased due to the acquisition of APIPL/APB, BraNa 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.
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:

In %	Pre-tax WACC	Expected annual long-term inflation 2016-2022	Expected volume growth rates 2016-2022
Western Europe	10.1	2.0	(0.4)
Central and Eastern Europe (excluding Russia)	12.2	2.4	0.9
Russia	13.8	4.1	1.1
The Americas (excluding Brazil)	10.0	3.0	1.4
Brazil	12.6	4.1	2.9
Africa and the Middle East	13.7-21.9	2.6-8.6	1.5-7.1
Asia Pacific	15.7	5.3	5.4
Heineken N.V. Head Office and Other	10.1-13.2	2.0-3.8	(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. HEINEKEN decided to adjust the risk-free rates for this observation.

Sensitivity to changes in assumptions

Limited headroom is available in some of HEINEKEN's CGU's in the region Africa and Middle East, however the outcome of the sensitivity analysis of a 100 basis points adverse change in key assumptions (lower growth rates and higher discount rates respectively) did not result in a materially different outcome of the impairment test.

note 16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

HEINEKEN has the following (direct and indirect) significant investments in associates and joint ventures:

	Country	Ownership (%)	
		2012	2011
Joint ventures			
Brau Holding International GmbH & Co KgaA	Germany	**49.9**	49.9
Zagorka Brewery A.D.	Bulgaria	**49.4**	49.4
Pivara Skopje A.D.	FYR Macedonia	**48.2**	48.2
Brasseries du Congo S.A.	Congo	**50.0**	50.0
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	**37.4**	37.5
DHN Drinks (Pty) Ltd.	South Africa	**44.6**	44.5
Sedibeng Brewery Pty Ltd.[1]	South Africa	**75.0**	75.0
Asia Pacific Investment Pte. Ltd.[3]	Singapore	**–**	50.0
Asia Pacific Breweries Ltd.[3]	Singapore	**–**	41.9
Guinness Anchor Berhad [4]	Malaysia	**25.2**	10.7
Thai Asia Pacific Brewery [4]	Thailand	**36.4**	15.4
Associates			
Cerveceria Costa Rica S.A.	Costa Rica	**25.0**	25.0
JSC FE Efes Kazakhstan[2]	Kazakhstan	**28.0**	28.0

[1] 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.

[2] This entity is classified as held for sale (see note 7).

[3] These entities are consolidated as from 15 November 2012 following the APIPL/APB acquisition.

[4] The ownership percentages have changed following the APIPL/APB acquisition on 15 November 2012.

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) Heineken Lion Australia Pty which has a 30 September reporting date;
(ii) DHN Drinks (Pty) Ltd. which has a 30 June reporting date;
(iii) United Breweries Limited which has a 31 March reporting date;
(iv) Guinness Anchor Berhad which has a 30 June reporting date, and
(v) Thai Asia Pacific Brewery which has a 30 September reporting date.
The results of *(ii), (iii) (iv)* and *(v)* have been adjusted to include numbers for the full financial year ended 31 December 2012.

Share of profit of associates and joint ventures and impairments thereof	2012		2011	
Income associates	**34**		25	
Income joint ventures	**179**		215	
Impairments	**–**		–	
		213		240

The income associates contain HEINEKEN's share in the write off in deferred tax assets in an associate of EUR36 million (see note 27). Included in the income joint ventures is HEINEKEN's share of the net impairment in Jiangsu Dafuhao Breweries Co. Ltd. in China of EUR11 million.

Summary financial information for equity accounted joint ventures and associates	Joint ventures 2012	Joint ventures 2011	Associates 2012	Associates 2011
Non-current assets	**1,270**	1,708	**65**	73
Current assets	**683**	1,005	**50**	52
Non-current liabilities	**(512)**	(581)	**(18)**	(25)
Current liabilities	**(477)**	(725)	**(30)**	(30)
Revenue	**2,234**	2,313	**203**	153
Expenses	**(1,851)**	(1,914)	**(161)**	(117)

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. The revenue and expenses of Joint Ventures in 2012 contain 10.5 months of APIPL/APB and 1.5 months of Guinness Anchor Berhad and Thai Asia Pacific Brewery. Both Guinness Anchor Berhad and Thai Asia Pacific Brewery are included in the joint ventures 2012 ending balances.

note 17 OTHER INVESTMENTS AND RECEIVABLES

		2012		2011	
Non-current other investments					
Loans and advances to customers	note 32	368		384	
Indemnification receivable	note 32	136		156	
Other receivables	note 32	148		178	
Held-to-maturity investments	note 32	4		5	
Available-for-sale investments	note 32	327		264	
Non-current derivatives	note 32	116		142	
			1,099		1,129
Current other investments					
Investments held for trading	note 32		11		14
			11		14

Included in loans are loans to customers with a carrying amount of EUR108 million as at 31 December 2012 (2011: EUR120 million). Effective interest rates range from 6 to 12 per cent. EUR60 million (2011: EUR72 million) matures between one and five years and EUR48 million (2011: EUR48 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 Caribbean Development Company Ltd., S.A. Des Brasseries du Cameroun, Consorcio Cervecero de Nicaragua S.A., Desnoes & Geddes Ltd. and Sabeco Ltd. As far as these investments are listed they are measured at their quoted market price. For others the value in use or multiples are used. Debt securities (which are interest-bearing) with a carrying amount of EUR21 million (2011: EUR20 million) are included in available-for-sale investments.

Sensitivity analysis – equity price risk

An amount of EUR193 million as at 31 December 2012 (2011: EUR95 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.

note 18 DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities		Assets		Liabilities		Net
Deferred tax assets and liabilities are attributable to the following items:	**2012**	2011	**2012**	2011	**2012**	2011
Property, plant & equipment	**136**	93	**(756)**	(590)	**(620)**	(497)
Intangible assets	**75**	51	**(1,608)**	(733)	**(1,533)**	(682)
Investments	**134**	91	**(12)**	(6)	**122**	85
Inventories	**20**	16	**(7)**	(5)	**13**	11
Loans and borrowings	**2**	3	**–**	–	**2**	3
Employee benefits	**399**	252	**(2)**	12	**397**	264
Provisions	**125**	150	**(17)**	1	**108**	151
Other items	**242**	146	**(195)**	(138)	**47**	8
Tax losses carry forward	**238**	237	**–**	–	**238**	237
Tax assets/(liabilities)	**1,371**	1,039	**(2,597)**	(1,459)	**(1,226)**	(420)
Set-off of tax	**(807)**	(565)	**807**	565	**–**	–
Net tax assets/(liabilities)	**564**	474	**(1,790)**	(894)	**(1,226)**	(420)

Of the total net deferred tax assets of EUR564 million as at 31 December 2012 (2011: EUR474 million), EUR301 million (2011: EUR246 million) is recognised in respect of OpCos in various countries where there have been tax losses in the current or preceding period. Management's projections support the assumption that it is probable that the results of future operations will generate sufficient taxable income to utilise these deferred tax assets.

The increase in deferred tax liabilities in 2012 is mainly related to the APIPL/APB acquisition.

Tax losses carry forward		**2012**		2011
HEINEKEN has tax losses carry forward for an amount of EUR2,011 million as at 31 December 2012 (2011: EUR1,920 million), which expire in the following years:				
2012	**–**		5	
2013	**11**		6	
2014	**17**		28	
2015	**32**		23	
2016	**29**		36	
2017	**27**		–	
After 2017 respectively 2016 but not unlimited	**292**		372	
Unlimited	**1,603**		1,450	
		2,011		1,920
Recognised as deferred tax assets gross		**(989)**		(859)
Unrecognised		**1,022**		1,061

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.

Movement in deferred tax balances during the year 2011	Balance 1 January	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	Balance 31 December
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 forward	213	7	(2)	19	–	–	237
Net tax assets/(liabilities)	(449)	(51)	46	11	24	(1)	(420)

Movement in deferred tax balances during the year 2012	Balance 1 January	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	Balance 31 December
Property, plant & equipment	(497)	(66)	(5)	(54)	–	2	(620)
Intangible assets	(682)	(921)	6	59	–	5	(1,533)
Investments	85	(4)	4	37	(2)	2	122
Inventories	11	(18)	1	22	–	(3)	13
Loans and borrowings	3	–	(2)	–	–	1	2
Employee benefits	264	6	6	2	123	(4)	397
Provisions	151	(9)	3	(34)	–	(3)	108
Other items	8	9	(9)	70	(40)	9	47
Tax losses carry forward	237	1	4	6	–	(10)	238
Net tax assets/(liabilities)	(420)	(1,002)	8	108	81	(1)	(1,226)

note 19 INVENTORIES

	2012	2011
Raw materials	**320**	263
Work in progress	**176**	150
Finished products	**407**	354
Goods for resale	**207**	205
Non-returnable packaging	**191**	143
Other inventories and spare parts	**295**	237
	1,596	1,352

During 2012 and 2011 no write-down of inventories to net realisable value was required.

note 20 TRADE AND OTHER RECEIVABLES

	2012	2011
Trade receivables due from associates and joint ventures	**27**	42
Trade receivables	**1,944**	1,657
Other receivables	**529**	524
Derivatives	**37**	37
note 32	**2,537**	2,260

A net impairment loss of EUR38 million (2011: EUR57 million) in respect of trade and other receivables was included in expenses for raw materials, consumables and services.

note 21 CASH AND CASH EQUIVALENTS

		2012	2011
Cash and cash equivalents	note 32	**1,037**	813
Bank overdrafts	note 25	**(191)**	(207)
Cash and cash equivalents in the statement of cash flows		**846**	606

note 22 CAPITAL AND RESERVES

Share capital	Priority shares		Ordinary shares	
In thousands of euros	**2012**	2011	**2012**	2011
On issue as at 1 January	**1**	1	**460,848**	460,848
Issued	**–**	–	**–**	–
On issue as at 31 December	**1**	1	**460,848**	460,848

As at 31 December 2012 the issued share capital comprised 288,030,168 ordinary shares (2011: 288,030,168) with a par value of EUR1.60 and 250 priority shares (2011: 250) with a par value of EUR2. All issued shares are fully paid. The Company's authorised capital amounts to EUR1,500,000,500, comprising of 937,500,000 ordinary shares and 250 priority 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. For the rights of the priority shareholders reference is made to the Other information on page 129.

Translation reserve

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

Hedging reserve

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

Fair value reserve

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

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

Non-controlling interests in Heineken N.V.

Share issuance Heineken N.V.
On 30 April 2010 Heineken N.V. issued 86,028,019 ordinary shares with a nominal value of EUR1.60, as a result of which the issued share capital consists of 576,002,613 shares. To these shares a share premium value was assigned of EUR2,701 million based on the quoted market price value of 43,009,699 shares Heineken N.V. 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 N.V. also committed itself to deliver 29,172,504 additional Heineken N.V. shares to FEMSA (the 'Allotted Shares'/ASDI) over a period of no longer than five years. This financial instrument was classified as equity of Heineken N.V. as the number of shares was fixed. Heineken N.V. had the option to accelerate the delivery of the Allotted Shares at its discretion. Pending delivery of the Allotted Shares, Heineken N.V. 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 N.V. 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 N.V. acquired 18,407,246 shares with an average quoted market price of EUR36.67. All shares were delivered in 2011.

Purchase/reissuance own shares by Heineken N.V.
As at 31 December 2012, Heineken N.V. held 891,561 own shares (2011: 1,265,140). This results in an increased interest in shareholding by Heineken Holding N.V.

The related dilution effect has been recognised directly in equity.

Purchase own shares by Heineken N.V. LTV
During the period of 1 January through 31 December 2012 Heineken N.V. acquired no Heineken N.V. shares for LTV delivery.

Dividends

The following dividends were declared and paid by Heineken Holding N.V.:

	2012	2011
Final dividend previous year EUR0.53, respectively EUR0.50 per ordinary share	152	144
Interim dividend current year EUR0.33, respectively EUR0.30 per ordinary share	95	86
Total dividend declared and paid	247	230

The Heineken N.V. dividend policy is to pay out a ratio of 30 per cent to 35 per cent of full-year net profit (beia).

The interim dividend is fixed at 40 per cent of the total dividend of the previous year.

Pursuant to Article 10, paragraph 6, of the Articles of Association of Heineken Holding N.V., holders of Heineken Holding N.V. ordinary shares receive the same dividend as holders of Heineken N.V. shares.

After the balance sheet date the Board of Directors announced the following dividends. The dividends, taking into account the interim dividends declared and paid, have not been provided for.

	2012	2011
Per ordinary share EUR0.89 (2011: EUR0.83)	256	239

Non-controlling interests in Heineken N.V. group companies

The non-controlling interests (NCI) relate to minority stakes held by third parties in HEINEKEN consolidated subsidiaries. Due to the APIPL/APB acquisition HEINEKEN recognised additional NCI's for a total of EUR797 million. An amount of EUR645 million represents the share of third parties in subsidiaries of the APIPL/APB Group. An amount of EUR152 million represents the APB shares that HEINEKEN did not yet acquire on 15 November 2012. These shares are subject to the Mandatory General Offer. Both NCI's are valued at their share in net assets acquired. Due to purchases of APB shares, between 15 November 2012 and 31 December 2012, the NCI decreased with EUR91 million and as at 31 December 2012 HEINEKEN owns 98.7 per cent of APB.

note 23

EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share as at 31 December 2012 is based on the profit attributable to ordinary shareholders of the Company (net profit) of EUR1,477 million (2011: EUR717 million) and a weighted average number of ordinary shares – basic outstanding during the year ended 31 December 2012 of 288,030,168 (2011: 288,030,168). Basic earnings per share for the year amounted to EUR5.13 (2011: EUR2.49).

	2012	2011
Weighted average number of ordinary shares – basic		
Number of ordinary shares basic 1 January	**288,030,168**	288,030,168
Weighted number of basic ordinary shares for the year	**288,030,168**	288,030,168

note 24

INCOME TAX ON OTHER COMPREHENSIVE INCOME

Other comprehensive income	Amount before tax **2012**	Tax **2012**	Amount net of tax **2012**	Amount before tax 2011	Tax 2011	Amount net of tax 2011
Foreign currency translation differences for foreign operations	**67**	**(22)**	**45**	(504)	11	(493)
Effective portion of changes in fair value of cash flow hedge	**16**	**(2)**	**14**	(31)	10	(21)
Effective portion of cash flow hedges transferred to profit or loss	**57**	**(16)**	**41**	(14)	3	(11)
Ineffective portion of cash flow hedges transferred to profit or loss	**–**	**–**	**–**	–	–	–
Net change in fair value available-for-sale investments	**203**	**(68)**	**135**	71	–	71
Net change in fair value available-for-sale investments transferred to profit or loss	**(192)**	**44**	**(148)**	(1)	–	(1)
Actuarial gains and losses	**(562)**	**123**	**(439)**	(109)	16	(93)
Share of other comprehensive income of associates/joint ventures	**(1)**	**–**	**(1)**	(5)	–	(5)
	(412)	**59**	**(353)**	(593)	40	(553)

The difference between the income tax on other comprehensive income and the deferred tax reported in equity (note 18) can be explained by current tax on other comprehensive income.

note 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.

		2012		2011	
Non-current liabilities					
Secured bank loans		28		37	
Unsecured bank loans		1,221		3,607	
Unsecured bond issues		8,206		2,493	
Finance lease liabilities	note 26	22		33	
Other non-current interest-bearing liabilities		1,828		1,825	
Non-current interest-bearing liabilities			11,305		7,995
Non-current derivatives			111		177
Non-current non-interest-bearing liabilities			21		27
			11,437		8,199
Current interest-bearing liabilities					
Current portion of secured bank loans		13		13	
Current portion of unsecured bank loans		740		329	
Current portion of unsecured bonds issues		600		–	
Current portion of finance lease liabilities	note 26	16		6	
Current portion of other non-current interest-bearing liabilities		12		184	
Total current portion of non-current interest-bearing liabilities			1,381		532
Deposits from third parties (mainly employee loans)			482		449
			1,863		981
Bank overdrafts	note 21		191		207
			2,054		1,188

		2012		2011	
Net interest-bearing debt position					
Non-current interest-bearing liabilities		11,305		7,995	
Current portion of non-current interest-bearing liabilities		1,381		532	
Deposits from third parties (mainly employee loans)		482		449	
			13,168		8,976
Bank overdrafts	note 21		191		207
			13,359		9,183
Cash, cash equivalents and current other investments			(1,048)		(828)
			12,311		8,355

Non-current liabilities	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 2012	37	3,607	2,493	33	1,825	177	27	8,199
Consolidation changes	–	11	228	1	–	–	1	241
Effect of movements in exchange rates	(1)	7	(7)	–	(21)	6	1	(15)
Transfers to current liabilities	(11)	(1,020)	(600)	(12)	–	32	–	(1,611)
Charge to/(from) equity i/r derivatives	–	–	–	–	–	(29)	–	(29)
Proceeds	6	517	6,112	–	104	–	3	6,742
Repayments	(3)	(1,895)	–	–	(62)	(68)	1	(2,027)
Other	–	(6)	(20)	–	(18)	(7)	(12)	(63)
Balance as at 31 December 2012	28	1,221	8,206	22	1,828	111	21	11,437

Terms and debt repayment schedule

Terms and conditions of outstanding non-current and current loans and borrowings were as follows:	Category	Currency	Nominal interest rate (%)	Repayment	Carrying amount **2012**	Face value **2012**	Carrying amount 2011	Face value 2011
Secured bank loans	Bank Facilities	GBP	1.8	2016	**13**	**13**	17	17
Secured bank loans	Various	various	various	various	**28**	**28**	33	33
Unsecured bank loans	2008 Syndicated Bank Facility	EUR	0.8	2013	**198**	**200**	1,305	1,313
Unsecured bank loans	Bank Facility	EUR	5.1	2016	**207**	**207**	329	329
Unsecured bank loans	German Schuldschein notes	EUR	1.0-6.2	2016	**111**	**111**	111	111
Unsecured bank loans	German Schuldschein notes	EUR	1.0-6.0	2013	**102**	**102**	102	102
Unsecured bank loans	German Schuldschein notes	EUR	1.0-6.0	2014	**207**	**207**	207	207
Unsecured bank loans	2008 Syndicated Bank Facility	GBP	1.2	2013	**291**	**294**	287	287
Unsecured bank loans	Bank Facilities	PLN	5.2-5.5	2013-2014	**81**	**81**	72	72
Unsecured bank loans	2011 Syndicated Bank Facility	USD	0.8	2017	**–**	**–**	450	450
Unsecured bank loans	2011 Syndicated Bank Facility	GBP	0.9	2017	**196**	**196**	422	422
Unsecured bank loans	2011 Syndicated Bank Facility	EUR	0.6	2017	**180**	**180**	107	107
Unsecured bank loans	Bank Facilities	USD	0.7	2013	**30**	**30**	93	93
Unsecured bank loans	Bank Facilities	MXN	4.9	2013	**36**	**36**	183	176
Unsecured bank loans	Bank Facilities	NGN	12.5	2013-2016	**276**	**276**	228	228
Unsecured bank loans	Various	various	various	various	**45**	**45**	40	40
Unsecured bond	Issue under EMTN programme	GBP	7.3	2015	**488**	**490**	476	479
Unsecured bond	Eurobond on Luxembourg Stock Exchange	EUR	5.0	2013	**600**	**600**	599	600
Unsecured bond	Issue under EMTN programme	EUR	7.1	2014	**1,001**	**1,000**	1,000	1,000
Unsecured bond	Issue under EMTN programme	EUR	4.6	2016	**398**	**400**	398	400
Unsecured bond	Issue under EMTN programme	EUR	2.5	2019	**841**	**850**	–	–
Unsecured bond	Issue under EMTN programme	EUR	2.1	2020	**995**	**1,000**	–	–
Unsecured bond	Issue under EMTN programme	EUR	3.5	2024	**496**	**500**	–	–
Unsecured bond	Issue under EMTN programme	EUR	2.9	2025	**740**	**750**	–	–
Unsecured bond	Issue under APB MTN programme	SGD	1.0-4.0	2014-2022	**220**	**220**	–	–
Unsecured bond	Issue under 144A/RegS	USD	0.8	2015	**377**	**379**	–	–
Unsecured bond	Issue under 144A/RegS	USD	1.4	2017	**941**	**947**	–	–
Unsecured bond	Issue under 144A/RegS	USD	3.4	2022	**563**	**568**	–	–
Unsecured bond	Issue under 144A/RegS	USD	2.8	2023	**753**	**758**	–	–
Unsecured bond	Issue under 144A/RegS	USD	4.0	2042	**369**	**379**	–	–
Unsecured bond issues	n/a	various	various	various	**24**	**24**	20	20
Other interest-bearing liabilities	2010 US private placement	USD	4.6	2018	**548**	**549**	559	561
Other interest-bearing liabilities	2002 S&N US private placement	USD	5.6	2014	**491**	**455**	632	580
Other interest-bearing liabilities	2005 S&N US private placement	USD	5.4	2015	**248**	**227**	258	232
Other interest-bearing liabilities	2008 US private placement	USD	5.9-6.3	2015-2018	**335**	**336**	341	342
Other interest-bearing liabilities	2011 US private placement	USD	2.8	2017	**68**	**69**	69	70
Other interest-bearing liabilities	2008 US private placement	EUR	7.3	2016	**31**	**31**	30	30
Other interest-bearing liabilities	Various	various	various	various	**120**	**120**	120	120
Deposits from third parties	n/a	various	various	various	**482**	**482**	449	449
Finance lease liabilities	n/a	various	various	various	**38**	**38**	39	39
					13,168	**13,178**	8,976	8,909

As at 31 December 2012 an amount of EUR376 million was drawn on the existing revolving credit facility of EUR2 billion. This revolving credit facility matures in 2017.

Financial structure

For the first time in Heineken N.V.'s 148 year history, Heineken N.V. was assigned investment grade credit ratings in 2012 by the world's two leading credit agencies, Moody's Investor Service and Standard & Poor's. Both long-term credit ratings were solid, Baa1 and BBB+, respectively and both have a 'stable' outlook as per the date of this Annual Report.

New Financing

On 19 March 2012, HEINEKEN issued EUR1.35 billion of Notes under its European Medium Term Note (EMTN) Programme comprising EUR850 million of 7-year Notes with a coupon of 2.5 per cent and EUR500 million of 12-year Notes with a coupon of 3.5 per cent. On 3 April 2012, HEINEKEN issued USD750 million of 10-year 144A/RegS US Notes with a coupon of 3.4 per cent. On 2 August 2012, HEINEKEN issued EUR1.75 billion of Notes under its EMTN Programme, consisting of 8-year Notes for a principal amount of EUR1 billion with a coupon of 2.125 per cent and 13-year Notes for a principal amount of EUR750 million with a coupon of 2.875 per cent. On 3 October 2012, HEINEKEN successfully priced 144A/RegS US Notes for a principal amount of USD3.25 billion. This comprised USD500 million of 3-year Notes at a coupon of 0.80 per cent, USD1.25 billion of 5-year Notes at a coupon of 1.4 per cent, USD1 billion of 10.5-year Notes at a coupon of 2.75 per cent and USD500 million of 30-year Notes at a coupon of 4.0 per cent.

The proceeds of the Notes have been mainly used for the financing of the acquisition of APB and APIPL and the repayment of debt facilities. The issues have enabled HEINEKEN to further improve the currency and maturity profile of its long-term debt.

The EMTN Programme and the Notes issued thereunder are listed on the Luxembourg Stock Exchange. HEINEKEN still has a capacity of EUR5 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 2012). As at 31 December 2012 this ratio was 2.8 (2011: 2.1). If the ratio would be beyond a level of 3.5, the incurrence covenant would prevent HEINEKEN from conducting further significant debt-financed acquisitions.

note 26 FINANCE LEASE LIABILITIES

Finance lease liabilities are payable as follows:	Future minimum lease payments 2012	Interest 2012	Present value of minimum lease payments 2012	Future minimum lease payments 2011	Interest 2011	Present value of minimum lease payments 2011
Less than one year	**16**	**–**	**16**	7	(1)	6
Between one and five years	**21**	**(1)**	**20**	27	(1)	26
More than five years	**2**	**–**	**2**	7	–	7
	39	**(1)**	**38**	41	(2)	39

note 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 measures, the results from operating activities and profit and HEINEKEN non-GAAP measures being EBIT, EBIT (beia) and profit (beia) for the financial year 2012.

HEINEKEN updated its non-GAAP measure definition to properly present the future impact of intangibles recognised in the APIPL/APB acquisition. Two specific types of contract-based intangibles (beer licences and reacquired rights), that are similar to brands and customer relations, were added and HEINEKEN now refers to this group as acquisition related intangible assets. The update of the definition has no impact on prior years.

	2012*	2011*
Results from operating activities	**3,691**	2,215
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	**213**	240
HEINEKEN EBIT	**3,904**	2,455
Exceptional items and amortisation of acquisition related intangible assets included in EBIT	**(992)**	242
HEINEKEN EBIT (beia)	**2,912**	2,697
Profit attributable to equity holders of Heineken Holding N.V.	**1,477**	717
Non-controlling interests in Heineken N.V.	**1,472**	713
	2,949	1,430
Exceptional items and amortisation of acquisition related intangible assets included in EBIT	**(992)**	242
Exceptional items included in finance costs	**(206)**	(14)
Exceptional items included in tax expense	**(55)**	(74)
HEINEKEN net profit beia	**1,696**	1,584

* Unaudited

The 2012 exceptional items included in EBIT contain the amortisation of acquisition related intangibles for EUR198 million (2011: EUR170 million). Additional exceptional items included in EBIT relating to the APIPL/APB acquisition are the gain on PHEI for EUR1,486 million, the reversal of the inventory fair value adjustment in cost of goods sold for EUR76 million and acquisition related costs of EUR28 million. The remainder of EUR192 million primarily relates to restructuring

activities in wholesale in Western Europe for EUR97 million, impairment of assets for EUR37 million, HEINEKEN's share in the write off of deferred tax assets in an associate for EUR36 million and adjustments to an acquisition of EUR20 million outside the provisional period.

Exceptional items in other net financing costs contain a pre-tax gain of EUR175 million for the sale of a minority stake in a brewery in the Dominican Republic, a book gain of the existing stake in BraNa of EUR20 million and fair value changes of interest rate swaps of Scottish & Newcastle for EUR11 million that do not qualify for hedge accounting.

The exceptional items in the tax expense are EUR53 million (2011: EUR47 million) related to acquisition related intangibles and the remainder of EUR2 million represents the net impact of other exceptional items included in EBIT and finance cost.

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.

note 28 EMPLOYEE BENEFITS

	2012	2012	2011	2011
Present value of unfunded obligations	113		96	
Present value of funded obligations	7,788		6,804	
Total present value of obligations		7,901		6,900
Fair value of defined benefit plan assets		(6,401)		(5,860)
Present value of net obligations		1,500		1,040
Asset ceiling items		1		14
Recognised liability for defined benefit obligations		1,501		1,054
Other long-term employee benefits		131		120
		1,632		1,174

	2012	2012	2011	2011
Defined benefit plan assets comprise:				
Equity securities	2,867		2,520	
Government bonds	2,726		2,534	
Properties and real estate	429		410	
Other plan assets	379		396	
		6,401		5,860

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 (82 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 Ireland the defined benefit scheme for employees (actives) was closed in 2012 and was replaced by a defined contribution scheme.

Other long-term employee benefits mainly relate to long-term bonus plans, termination benefits, medical plans and jubilee benefits.

	2012		2011	
Movements in the present value of the defined benefit obligations				
Defined benefit obligations as at 1 January	**6,900**		6,643	
Changes in consolidation and reclassification	**(1)**		–	
Effect of movements in exchange rates	**99**		75	
Benefits paid	**(326)**		(307)	
Employee contributions	**26**		24	
Current and past service costs and interest on obligation	**391**		406	
Effect of any curtailment or settlement	**(41)**		(35)	
Actuarial (gains)/losses in other comprehensive income	**853**		94	
Defined benefit obligations as at 31 December		**7,901**		6,900

	2012		2011	
Movements in the present value of defined benefit plan assets				
Fair value of defined benefit plan assets as at 1 January	**5,860**		5,646	
Changes in consolidation and reclassification	**(1)**		–	
Effect of movements in exchange rates	**73**		76	
Contributions paid into the plan	**182**		145	
Benefits paid	**(326)**		(307)	
Expected return on defined benefit plan assets	**322**		315	
Actuarial gains/(losses) in other comprehensive income	**291**		(15)	
Fair value of defined benefit plan assets as at 31 December		**6,401**		5,860
Actual return on defined benefit plan assets		**610**		307

	2012	2011
Expense recognised in profit or loss		
Current service costs	63	71
Interest on obligation	330	340
Expected return on defined benefit plan assets	(322)	(315)
Past service costs	(2)	(5)
Effect of any curtailment or settlement	(41)	(35)
note 10	28	56

	2012	2011
Actuarial gains and losses recognised in other comprehensive income		
Amount accumulated in retained earnings as at 1 January	519	410
Recognised during the year	562	109
Amount accumulated in retained earnings as at 31 December	1,081	519

Principal actuarial assumptions as at the balance sheet date

The defined benefit plans in the Netherlands and the UK cover 87.4 per cent of the present value of the defined benefit plan assets (2011: 87.2 per cent), 82.2 per cent of the present value of the defined benefit obligations (2011: 82.8 per cent) and 60.1 per cent of the present value of net obligations (2011: 57.8 per cent) as at 31 December 2012.

For the Netherlands and the UK the following actuarial assumptions apply as at 31 December:

	The Netherlands		UK*	
	2012	2011	**2012**	2011
Discount rate as at 31 December	**3.0**	4.6	**4.4**	4.7
Expected return on defined benefit plan assets as at 1 January	**5.5**	5.5	**6.1**	6.2
Future salary increases	**2.0**	3.0	**–**	–
Future pension increases	**1.0**	1.0	**2.9**	3.0
Medical cost trend rate	**–**	–	**–**	–

* 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 at 31 December:

	Other Western, Central and Eastern Europe		The Americas		Africa and the Middle East	
	2012	2011	**2012**	2011	**2012**	2011
Discount rate as at 31 December	**2.0-3.2**	2.9-4.8	**6.7**	7.6-10.7	**14.0**	13.0
Expected return on defined benefit plan assets as at 1 January	**2.4-4.9**	3.3-7.3	**6.7**	7.6	**–**	–
Future salary increases	**1.0-10.0**	1.0-10.0	**3.8**	3.8	**10.8**	12.0
Future pension increases	**1.0-2.5**	1.0-2.1	**2.8**	2.9	**–**	–
Medical cost trend rate	**3.4-4.5**	3.5	**5.1**	5.1	**10.0**	–

Assumptions regarding future mortality rates are based on published statistics and mortality tables. For the Netherlands the rates are obtained from the 'AG-Prognosetafel 2012-2062', fully generational. Correction factors from Towers Watson are applied on these. For the UK the rates are obtained from the Continuous Mortality Investigation 2012 projection model.
The overall expected long-term rate of return on assets is 5.6 per cent (2011: 5.5 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 2012.

Based on the tri-annual review finalised in early 2010, HEINEKEN has agreed a 12-year plan aiming to fund the recovery of the Scottish & Newcastle Pension Plan through additional contributions. These could total GBP504 million of which GBP65 million has been paid to December 2012. As at 31 December 2012 the IAS 19 present value of the net obligations of the Scottish & Newcastle Pension Plan represents a GBP331 million (EUR405 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 next review of the funding position and the recovery plan commenced in October 2012 and is expected to be finalised during 2013.
The Group expects the 2013 contributions to be paid for the defined benefit plan to be in line with 2012.

Historical information	2012	2011	2010	2009	2008
Present value of the defined benefit obligation	**7,901**	6,900	6,643	5,936	4,963
Fair value of defined benefit plan assets	**(6,401)**	(5,860)	(5,646)	(4,858)	(4,231)
Deficit in the plan	**1,500**	1,040	997	1,078	732
Experience adjustments arising on plan liabilities, losses/(gains)	**(170)**	(30)	(24)	(116)	71
Experience adjustments arising on defined benefit plan assets, (losses)/gains	**291**	(15)	320	313	(817)

note 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 of Heineken N.V. As from 1 January 2006 a similar plan was established for senior management. Under this LTV Heineken N.V. 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 performance conditions for LTV 2010-2012, LTV 2011-2013 and LTV 2012-2014 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 share rights vest. At threshold performance, 50 per cent of the awarded share rights vest. As from LTV 2011-2013 at maximum performance 200 per cent of the awarded share rights vest for the Executive Board as well as senior managers contracted by the US, Mexico and Brazil, and 175 per cent vest for all other senior managers. For LTV 2010-2012 the maximum vesting is 150 per cent of target vesting for all participants.

The performance period for share rights granted in 2010 was from 1 January 2010 to 31 December 2012. The performance period for share rights granted in 2011 is from 1 January 2011 to 31 December 2013. The performance period for the share rights granted in 2012 is from 1 January 2012 to 31 December 2014. 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 2012, 2013 and 2014 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 Heineken N.V. 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 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
Share rights granted to Executive Board in 2012	66,746	35.77	Continued service, 100% internal performance conditions	3 years
Share rights granted to senior management in 2012	703,382	35.77	Continued service, 100% internal performance conditions	3 years

Based on internal performance, it is expected that approximately 328,346 shares of the 2010-2012 LTV will vest in 2013 for senior management and Executive Board.

* The number of shares is based on target performance.

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 and Executive Board are as follows:

	Weighted average share price 2012	Number of share rights 2012	Weighted average share price 2011	Number of share rights 2011
Outstanding as at 1 January	**29.14**	**1,546,514**	30.11	1,575,880
Granted during the year	**35.77**	**770,128**	36.69	795,162
Forfeited during the year	**35.44**	**(99,391)**	31.73	(119,856)
Vested during the year	**21.90**	**(615,967)**	44.22	(234,485)
Performance adjustment	**–**	**(243,458)**	–	(470,187)
Outstanding as at 31 December	**35.42**	**1,357,826**	29.14	1,546,514

No vesting occurred under the 2009-2011 LTV of the Executive Board. A total of 615,967 (gross) shares vested under the 2009-2011 LTV of senior management.

Additionally, under the extraordinary share plans 16,700 shares were granted and 2,192 (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 2012 are EUR1.1 million (2011: EUR0.4 million).

			2012		2011
Personnel expenses					
Share rights granted in 2009		**–**		5	
Share rights granted in 2010		**5**		1	
Share rights granted in 2011		**2**		5	
Share rights granted in 2012		**5**		–	
Total expense recognised as personnel expenses	note 10		**12**		11

note 30 PROVISIONS

		Restructuring	Onerous contracts	Other	Total
Balance as at 1 January 2012		151	42	396	589
Changes in consolidation	note 6	1	–	2	3
Provisions made during the year		50	6	70	126
Provisions used during the year		(57)	(10)	(29)	(96)
Provisions reversed during the year		(11)	(4)	(58)	(73)
Effect of movements in exchange rates		–	1	(16)	(15)
Unwinding of discounts		4	–	9	13
Balance as at 31 December 2012		138	35	374	547
Non-current		86	24	308	418
Current		52	11	66	129
		138	35	374	547

Restructuring

The provision for restructuring of EUR138 million mainly relates to restructuring programmes in Spain, the Netherlands and Italy.

Other provisions

Included are, amongst others, surety and guarantees provided EUR23 million (2011: EUR27 million) and litigation and claims EUR202 million (2011: EUR207 million).

note 31 **TRADE AND OTHER PAYABLES**

	2012	2011
Trade payables	2,244	2,009
Returnable packaging deposits	512	490
Taxation and social security contributions	751	665
Dividend	47	33
Interest	204	100
Derivatives	53	164
Other payables	299	243
Accruals and deferred income	1,163	920
note 32	5,273	4,624

note 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 of Heineken N.V., under the supervision of the Supervisory Board of Heineken N.V., 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 HEINEKEN 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 the 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 issuance 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.

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:

		2012	2011
Loans and advances to customers	note 17	**368**	384
Indemnification receivable	note 17	**136**	156
Other long-term receivables	note 17	**148**	178
Held-to-maturity investments	note 17	**4**	5
Available-for-sale investments	note 17	**327**	264
Non-current derivatives	note 17	**116**	142
Investments held for trading	note 17	**11**	14
Trade and other receivables, excluding current derivatives	note 20	**2,500**	2,223
Current derivatives	note 20	**37**	37
Cash and cash equivalents	note 21	**1,037**	813
		4,684	4,216

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

	2012	2011
Western Europe	**978**	1,038
Central and Eastern Europe	**502**	448
The Americas	**225**	405
Africa and the Middle East	**448**	166
Asia Pacific	**214**	19
Heineken N.V. Head Office/eliminations	**133**	147
	2,500	2,223

Impairment losses
The ageing of trade and other receivables (excluding derivatives) at the reporting date was:

	Gross **2012**	Impairment **2012**	Gross 2011	Impairment 2011
Not past due	**2,052**	**(49)**	1,909	(67)
Past due 0-30 days	**323**	**(14)**	233	(17)
Past due 31-120 days	**213**	**(67)**	210	(83)
More than 120 days	**373**	**(331)**	349	(311)
	2,961	**(461)**	2,701	(478)

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

	2012	2011
Balance as at 1 January	**478**	446
Changes in consolidation	**1**	–
Impairment loss recognised	**104**	104
Allowance used	**(60)**	(17)
Allowance released	**(66)**	(47)
Effect of movements in exchange rates	**4**	(8)
Balance as at 31 December	**461**	478

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

	2012	2011
Balance as at 1 January	**170**	171
Changes in consolidation	**–**	–
Impairment loss recognised	**38**	10
Allowance used	**–**	(3)
Allowance released	**(53)**	(9)
Effect of movements in exchange rates	**3**	1
Balance as at 31 December	**158**	170

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 EUR15 million (2011: EUR1 million) in respect of loans and the income statement impact of EUR38 million (2011: EUR57 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 HEINEKEN. Although currently the situation is more stable, HEINEKEN 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, HEINEKEN 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:

2012	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial liabilities						
Interest-bearing liabilities	(13,360)	(15,900)	(2,683)	(2,277)	(4,192)	(6,748)
Non-interest-bearing liabilities	(21)	(47)	(8)	(22)	(13)	(4)
Trade and other payables, excluding interest, dividends and derivatives	(4,969)	(4,969)	(4,969)	–	–	–
Derivative financial assets and (liabilities)						
Interest rate swaps used for hedge accounting, net	12	46	33	(114)	85	42
Forward exchange contracts used for hedge accounting, net	10	7	4	3	–	–
Commodity derivatives used for hedge accounting, net	(22)	(21)	(20)	(1)	–	–
Derivatives not used for hedge accounting, net	(11)	(17)	(16)	(1)	–	–
	(18,361)	(20,901)	(7,659)	(2,412)	(4,120)	(6,710)

The total carrying amount and contractual cash flows of derivatives are included in trade and other receivables (note 20), other investments (note 17) and trade and other payables (note 31) and non-current non-interest-bearing liabilities (note 25).

2011	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
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), other investments (note 17), trade and other payables (note 31) and non-current non-interest-bearing liabilities (note 25).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect HEINEKEN's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

HEINEKEN uses derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. Generally, HEINEKEN seeks to apply hedge accounting or make use of natural hedges in order to minimise the effects of foreign currency fluctuations in profit or loss.

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

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.

HEINEKEN has a clear policy on hedging transactional exchange risks, which postpones the impact on financial results. Translation exchange risks are hedged to a limited extent, 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, Nigerian naira, Singapore dollar, Polish zloty and Mexican peso 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 HEINEKEN and the various foreign operations, HEINEKEN ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to foreign currency risk

HEINEKEN's transactional exposure to the British pound, US dollar and euro was as follows based on notional amounts. The euro column relates to transactional exposure to the euro within subsidiaries which are reporting in other currencies.

In millions	EUR 2012	GBP 2012	USD 2012	EUR 2011	GBP 2011	USD 2011
Financial assets						
Trade and other receivables	12	–	10	14	1	12
Cash and cash equivalents	72	–	92	52	60	21
Intragroup assets	10	455	4,788	4	455	1,384
Financial liabilities						
Interest-bearing borrowings	(6)	(858)	(6,285)	(50)	(1,050)	(3,082)
Non-interest-bearing liabilities	(1)	–	(61)	–	–	(75)
Trade and other payables	(74)	–	(33)	(61)	–	(34)
Intragroup liabilities	(298)	–	(715)	(314)	–	(502)
Gross balance sheet exposure	(285)	(403)	(2,204)	(355)	(534)	(2,276)
Estimated forecast sales next year	71	10	1,476	119	16	1,041
Estimated forecast purchases next year	(780)	(1)	(1,360)	(442)	–	(723)
Gross exposure	(994)	(394)	(2,088)	(678)	(518)	(1,958)
Net notional amount forward exchange contracts	(507)	483	1,216	(851)	535	1,161
Net exposure	(1,501)	89	(872)	(1,529)	17	(797)
Sensitivity analysis						
Equity	11	7	36	15	–	14
Profit or loss	–	(1)	(3)	–	–	–

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 form 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 as for 2011.

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 which have swap rates for the fixed leg ranging from 1.0 to 8.1 per cent (2011: from 1.0 to 8.1 per cent).

Interest rate risk – Profile
At the reporting date the interest rate profile of HEINEKEN's interest-bearing financial instruments was as follows:

	2012		2011	
Fixed rate instruments				
Financial assets	**97**		95	
Financial liabilities	**(11,133)**		(5,253)	
Interest rate swaps floating to fixed	**(9)**		(1,051)	
		(11,045)		(6,209)
Variable rate instruments				
Financial assets	**1,430**		431	
Financial liabilities	**(2,054)**		(3,177)	
Interest rate swaps fixed to floating	**9**		1,051	
		(615)		(1,695)

Fair value sensitivity analysis for fixed rate instruments

During 2012, 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 2012 (2011: EUR(30) million), which was offset by the change in fair value of the hedge accounting instruments, which was EUR18 million (2011: EUR36 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
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2012				
Instruments designated at fair value	11	(11)	20	(20)
Interest rate swaps	(6)	6	(9)	9
Fair value sensitivity (net)	5	(5)	11	(11)
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)

As part of the acquisition of Scottish & Newcastle in 2008, HEINEKEN took over a portfolio of euro floating-to-fixed interest rate swaps of which currently EUR400 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 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 as for 2011.

		Profit or loss		Equity
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2012				
Variable rate instruments	(4)	4	(4)	4
Net interest rate swaps fixed to floating	–	–	–	–
Cash flow sensitivity (net)	(4)	4	(4)	4
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

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 HEINEKEN is limited to the incidental sale of surplus CO_2 emission rights, aluminium hedging and, to a limited extent, gas hedging, which are 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 2012, the market value of commodity swaps was EUR(22) million (2011: EUR(25) 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.

2012	Carrying amount	Expected cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Interest rate swaps:						
Assets	96	1,752	85	82	696	889
Liabilities	(26)	(1,632)	(89)	(79)	(617)	(847)
Forward exchange contracts:						
Assets	28	1,296	1,150	146	–	–
Liabilities	(16)	(1,288)	(1,145)	(143)	–	–
Commodity derivatives:						
Assets	1	1	1	–	–	–
Liabilities	(23)	(23)	(22)	(1)	–	–
	60	106	(20)	5	79	42

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.

2011	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

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.

2012	Carrying amount	Expected cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Interest rate swaps:						
Assets	19	780	48	492	240	–
Liabilities	(77)	(849)	(6)	(609)	(234)	–
Forward exchange contracts:						
Assets	–	181	181	–	–	–
Liabilities	(2)	(183)	(183)	–	–	–
	(60)	(71)	40	(117)	6	–

2011	Carrying amount	Expected cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
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)	–

Capital management

Heineken Holding N.V.'s capital management is strongly related to Heineken N.V.'s capital management because every Heineken N.V. share held by Heineken Holding N.V. is matched by one share issued by Heineken Holding N.V. This enables Heineken N.V. to pursue its long-term policy in the interest of the Heineken N.V. shareholders.

There were no major changes in Heineken Holding N.V.'s approach to capital management during the year. The policy of the Board of Directors of Heineken Holding N.V. 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 of Heineken N.V. Capital is herein defined as equity attributable to equity holders of Heineken Holding N.V. (total equity minus non-controlling interests).

Heineken Holding N.V. is not subject to externally imposed capital requirements other than the legal reserves explained in note 22.

Pursuant to Article 10, paragraph 6, of the Articles of Association of Heineken Holding N.V., holders of Heineken Holding N.V. ordinary shares receive the same dividend as holders of Heineken N.V. shares.

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:

	Carrying amount **2012**	Fair value **2012**	Carrying amount 2011	Fair value 2011
Bank loans	**(2,002)**	**(2,002)**	(3,986)	(4,017)
Unsecured bond issues	**(8,806)**	**(9,126)**	(2,493)	(2,727)
Finance lease liabilities	**(38)**	**(38)**	(39)	(39)
Other interest-bearing liabilities	**(1,840)**	**(1,840)**	(2,009)	(2,039)

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).

31 December 2012	Level 1	Level 2	Level 3
Available-for-sale investments	193	–	134
Non-current derivative assets	–	116	–
Current derivative assets	–	37	–
Investments held for trading	11	–	–
	204	153	134
Non-current derivative liabilities	–	111	–
Current derivative liabilities	–	53	–
	–	164	–

31 December 2011	Level 1	Level 2	Level 3
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	–

	2012	2011
Available-for-sale investments based on level 3		
Balance as at 1 January	**183**	120
Fair value adjustments recognised in other comprehensive income	**1**	61
Disposals	**(50)**	–
Transfers	**–**	2
Balance as at 31 December	**134**	183

note 33 OFF-BALANCE SHEET COMMITMENTS

	Total 2012	Less than 1 year	1-5 years	More than 5 years	Total 2011
Lease & operational lease commitments	618	143	302	173	503
Property, plant & equipment ordered	136	133	3	–	50
Raw materials purchase contracts	3,806	1,416	2,227	163	3,843
Other off-balance sheet obligations	2,139	400	1,129	610	2,589
Off-balance sheet obligations	6,699	2,092	3,661	946	6,985
Undrawn committed bank facilities	1,832	121	1,711	–	1,274

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 2012 EUR265 million (2011: EUR241 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.

note 34 CONTINGENCIES

Netherlands

On 19 December 2012 the European Court of Justice in Luxembourg confirmed the fine imposed on HEINEKEN for their participation in a cartel on the Dutch market from 1996 to 1999. This judgement is not subject to appeal. The fine was paid in 2007 and was treated as an expense in the 2007 Annual Report.

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, subsidiaries Cervejarias Kaiser and Cervejarias Kaiser Nordeste (jointly, Heineken Brasil). The proceedings have arisen in the ordinary course of business and are common in the current economic and legal environment of Brazil. The proceedings have partly been provided for, see note 30. The contingent amount being claimed against Heineken Brasil resulting from such proceedings as at 31 December 2012 is EUR663 million. Such contingencies were classified by legal counsel as less than probable but more than remote of being settled against Heineken Brasil. However, HEINEKEN believes that the ultimate resolution of such legal proceedings will not have a material adverse effect on its consolidated financial position or result of operations. HEINEKEN does not expect any significant liability to arise from these contingencies. A significant part of the aforementioned contingencies (EUR367 million) are tax related and qualify for indemnification by FEMSA, see note 17.

As is customary in Brazil, Heineken Brasil has been requested by the tax authorities to collateralise tax contingencies currently in litigation amounting to EUR292 million by either pledging fixed assets or entering into available lines of credit which cover such contingencies.

Guarantees	Total 2012	Less than 1 year	1-5 years	More than 5 years	Total 2011
Guarantees to banks for loans (to third parties)	300	194	95	11	339
Other guarantees	358	63	5	290	372
	658	257	100	301	711

Guarantees to banks for loans relate to loans to customers, which are given to external parties in the ordinary course of business of HEINEKEN. HEINEKEN provides guarantees to the banks to cover the risk related to these loans.

note 35 RELATED PARTIES

Identification of related parties

Heineken Holding N.V. has a related party relationship with its Board of Directors, the Executive Board and Supervisory Board of Heineken N.V., L'Arche Green N.V., Stichting Administratiekantoor Priores, Stichting Beheer Prioriteitsaandelen Heineken Holding N.V., Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA), associates and joint ventures (refer to note 16), Heineken pension funds (refer to note 28) and employees (refer to note 25). For the structure of the HEINEKEN Group reference is made to the Report of the Board of Directors.

Board of Directors of Heineken Holding N.V. remuneration	**2012**	2011
In thousands of euros		
M. Das	**90**	90
C.L. de Carvalho-Heineken	**60**	60
J.A. Fernández Carbajal	**60**	60
D.P. Hoyer [1]	**–**	18
C.M. Kwist [2]	**60**	42
K. Vuursteen	**60**	60
	330	330

As at 31 December 2012, the Board of Directors represented 147,218,501 ordinary shares in the Company (2011: 147,218,501 ordinary shares).

[1] Stood down as at 21 April 2011.
[2] Appointed as at 21 April 2011.

Executive Board

The remuneration of the members of the Executive Board comprises of 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 measures as set by the Supervisory Board. It is partly paid out in shares that are blocked for a period of five calendar years. After the five calendar years HEINEKEN will match the blocked shares 1:1 which is referred to as the matching share entitlement. For the Long-Term Variable award see note 29.

As at 31 December 2012, J.F.M.L. van Boxmeer held 48,641 Heineken N.V. shares and D.R. Hooft Graafland 25,109 (2011: J.F.M.L. van Boxmeer 25,369 and D.R. Hooft Graafland 14,818 shares). D.R. Hooft Graafland held 3,052 ordinary shares of Heineken Holding N.V. as at 31 December 2012 (2011: 3,052 ordinary shares).

Executive Board of Heineken N.V. remuneration *In thousands of euros*	Fixed salary		Short-Term Variable pay		Matching Share Entitlement[2]		Long-Term Variable award[1]		Pension plan		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011[1]
J.F.M.L. van Boxmeer	**1,050**	1,050	**1,361**	1,764	**681**	882	**912**	669	**496**	590	**4,500**	4,955
D.R. Hooft Graafland	**650**	650	**602**	780	**301**	390	**477**	355	**318**	399	**2,348**	2,574
	1,700	1,700	**1,963**	2,544	**982**	1,272	**1,389**	1,024	**814**	989	**6,848**	7,529

The Dutch government has introduced a one-off additional tax levy of 16 per cent over 2012 taxable income, as a liability for the employer. This tax levy related to remuneration over 2012 for the Executive Board is EUR754 (in thousands) and is not included in the table above.

[1] The remuneration reported as part of LTV is based on IFRS accounting policies and does not reflect the value of vested performance shares.

[2] The matching share entitlement for 2011 is based on 2011 performance. The matching share entitlement for 2012 is based on 2012 performance. The matching share entitlement vests immediately and as such EUR1.0 million was recognised in the 2012 income statement.

The individual members of the Supervisory Board received the following remuneration:

Supervisory Board of Heineken N.V. remuneration *In thousands of euros*	**2012**	2011
C.J.A. van Lede	**160**	160
J.A. Fernández Carbajal	**85**	85
M. Das	**85**	85
M.R. de Carvalho	**135**	135
J.M. Hessels [1]	**23**	75
J.M. de Jong	**80**	80
A.M. Fentener van Vlissingen	**80**	80
M.E. Minnick	**70**	70
V.C.O.B.J. Navarre	**75**	75
J.G. Astaburuaga Sanjinés	**75**	75
G.J. Wijers [2]	**52**	–
	920	920

At the Annual General Meeting of Shareholders held on 21 April 2011 it was resolved to increase the remuneration of the 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). M.R. de Carvalho held 8 shares of Heineken N.V. as at 31 December 2012 (2011: 8 shares). As at 31 December 2012 and 2011, the Supervisory Board members did not hold any of the Heineken N.V. bonds or option rights. C.J.A. van Lede held 2,656 and M.R. de Carvalho held 8 ordinary shares of Heineken Holding N.V. as at 31 December 2012 (2011: C.J.A. van Lede 2,656 and M.R. de Carvalho 8 ordinary shares).

[1] Stepped down as at 19 April 2012.

[2] Appointed as at 19 April 2012.

Other related party transactions	Transaction value		Balance outstanding as at 31 December	
	2012	2011	**2012**	2011
Sale of products, services and royalties				
To associates and joint ventures	**107**	98	**31**	35
To FEMSA	**649**	572	**114**	77
	756	670	**145**	112
Raw materials, consumables and services				
Goods for resale – joint ventures	**–**	2	**–**	–
Other expenses – joint ventures	**–**	–	**–**	–
Other expenses FEMSA	**175**	128	**27**	13
	175	130	**27**	13

There are no significant transactions with L'Arche Green N.V.

FEMSA

As consideration for HEINEKEN's acquisition of the beer operations of Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA), FEMSA became a major shareholder of Heineken Holding N.V. and 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 EUR649 million.

note 36 HEINEKEN ENTITIES

Control of HEINEKEN

The ordinary shares of the Company are traded on NYSE Euronext Amsterdam. L'Arche Green N.V. holds 51.083 per cent of the Heineken Holding N.V. ordinary shares. The Heineken family has an interest of 88.67 per cent in L'Arche Green N.V. Heineken Holding N.V. holds an interest in Heineken N.V. of 50.005 per cent of the issued capital (being 50.083 per cent (2011: 50.115 per cent) of the outstanding capital following the purchase of own shares by Heineken N.V.). The Heineken family also owns a direct 0.03 per cent stake in 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 by Heineken N.V. with respect to legal entities established in the Netherlands marked with a ▪ below.

	Significant subsidiaries of Heineken N.V.	*Country of incorporation*	*Ownership interest (%)* **2012**	2011
▪	Heineken Nederlands Beheer B.V.	The Netherlands	**100.0**	100.0
▪	Heineken Brouwerijen B.V.	The Netherlands	**100.0**	100.0
▪	Heineken CEE Investments B.V.	The Netherlands	**100.0**	100.0
▪	Heineken Nederland B.V.	The Netherlands	**100.0**	100.0
▪	Heineken International B.V.	The Netherlands	**100.0**	100.0
▪	Heineken Supply Chain B.V.	The Netherlands	**100.0**	100.0
▪	Heineken Global Procurement B.V.	The Netherlands	**100.0**	100.0
▪	Amstel Brouwerij B.V.	The Netherlands	**100.0**	100.0
▪	Amstel Internationaal B.V.	The Netherlands	**100.0**	100.0
▪	Vrumona B.V.	The Netherlands	**100.0**	100.0
▪	Invebra Holland B.V.	The Netherlands	**100.0**	100.0
▪	B.V. Beleggingsmaatschappij Limba	The Netherlands	**100.0**	100.0
▪	Brand Bierbrouwerij B.V.	The Netherlands	**100.0**	100.0
▪	Heineken CEE Holdings B.V.	The Netherlands	**100.0**	100.0
▪	Brasinvest B.V.	The Netherlands	**100.0**	100.0
▪	Heineken Beer Systems B.V.	The Netherlands	**100.0**	100.0
▪	Heineken Asia Pacific B.V.	The Netherlands	**100.0**	–
▪	Central Europe Beverages B.V.	The Netherlands	**100.0**	72.0
	Mouterij Albert N.V.	Belgium	**100.0**	100.0
	Ibecor S.A.	Belgium	**100.0**	100.0
	N.V. Brouwerijen Alken-Maes Brasseries S.A.	Belgium	**99.9**	99.9
	Heineken France S.A.S.	France	**100.0**	100.0
	Oy Hartwall Ab.	Finland	**100.0**	100.0
	Heineken Ireland Ltd.*	Ireland	**100.0**	100.0
	Heineken Italia S.p.A.	Italy	**100.0**	100.0
	Sociedade Central de Cervejas et Bebidas S.A.	Portugal	**98.7**	98.7

* In accordance with Article 17 of the Republic of Ireland Companies (Amendment) Act 1986, Heineken N.V. issued an irrevocable guarantee for the year ended 31 December 2012 and 2011 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.

Significant subsidiaries of Heineken N.V.	*Country of incorporation*	*Ownership interest (%)* **2012**	2011
Heineken España S.A.	Spain	**98.7**	98.7
Heineken Switzerland AG	Switzerland	**100.0**	100.0
Heineken UK Ltd.	United Kingdom	**100.0**	100.0
Brau Union AG	Austria	**100.0**	100.0
Brau Union Österreich AG	Austria	**100.0**	100.0
FCJSC Heineken Breweries	Belarus	**100.0**	100.0
OJSC, Rechitsapivo	Belarus	**96.4**	96.2
Karlovacka Pivovara d.o.o.	Croatia	**100.0**	100.0
Heineken Ceská republika a.s.	Czech Republic	**100.0**	100.0
Athenian Brewery S.A.	Greece	**98.8**	98.8
Heineken Hungária Sorgyárak Zrt.	Hungary	**100.0**	100.0
Grupa Zywiec S.A.	Poland	**61.9**	61.9
Heineken Romania S.A.	Romania	**98.4**	98.4
LLC Heineken Breweries	Russia	**100.0**	100.0
United Serbian Breweries EUC LLC	Serbia	**100.0**	72.0
United Serbian Breweries Zajecarsko JSC	Serbia	**73.0**	52.5
Heineken Slovensko a.s.	Slovakia	**100.0**	100.0
Commonwealth Brewery Ltd.	Bahamas	**75.0**	75.0
Cervejarias Kaiser Brasil S.A.	Brazil	**100.0**	100.0
Brasserie Nationale d'Haiti	Haiti	**94.8**	22.5
Brasserie Lorraine S.A.	Martinique	**100.0**	100.0
Cuauhtémoc Moctezuma Holding, S.A. de C.V.	Mexico	**100.0**	100.0
Fabricas Monterrey, S.A. de C.V.	Mexico	**100.0**	100.0
Silices de Veracruz, S.A. de C.V.	Mexico	**100.0**	100.0
Cervecerias Baru-Panama S.A.	Panama	**74.9**	74.9
Windward & Leeward Brewery Ltd.	St Lucia	**72.7**	72.7
Surinaamse Brouwerij N.V.	Surinam	**76.2**	76.2
Heineken USA Inc.	United States	**100.0**	100.0
Tango s.a.r.l.	Algeria	**100.0**	100.0
Brasseries et Limonaderies du Burundi 'Brarudi' S.A.	Burundi	**59.3**	59.3
Brasseries, Limonaderies et Malteries 'Bralima' S.A.R.L.	D.R. Congo	**95.0**	95.0
Al Ahram Beverages Company S.A.E.	Egypt	**99.9**	99.9
Bedele Brewery	Ethiopia	**100.0**	100.0
Harar Brewery	Ethiopia	**100.0**	100.0
Brasserie Almaza S.A.L.	Lebanon	**67.0**	67.0
Nigerian Breweries Plc.	Nigeria	**54.1**	54.1
Consolidated Breweries Ltd.	Nigeria	**53.6**	50.5
Brasseries de Bourbon S.A.	Réunion	**85.7**	85.7
Brasseries et Limonaderies du Rwanda 'Bralirwa' S.A.	Rwanda	**75.0**	75.0
Sierra Leone Brewery Ltd.	Sierra Leone	**83.1**	83.1
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
Cambodia Brewery Ltd.	Cambodia	**79.0**	33.5
Shanghai Asia Pacific Brewery Co. Ltd.	China	**99.3**	46.0
Hainan Asia Pacific Brewery Co. Ltd.	China	**99.3**	46.0
Guangzhou Asia Pacific Brewery Co. Ltd.	China	**99.3**	46.0

Significant subsidiaries of Heineken N.V.	*Country of incorporation*	*Ownership interest (%)* **2012**	2011
PT Multi Bintang Indonesia Tbk.	Indonesia	**86.4**	40.6
Lao Asia Pacific Breweries Ltd.	Laos	**67.1**	28.5
MCS Asia Pacific Brewery LLC.	Mongolia	**54.3**	23.1
Grande Brasserie de Nouvelle – Calédonie S.A.	New Calédonia	**86.3**	36.6
DB Breweries Ltd.	New Zealand	**98.7**	41.9
DB South Island Brewery Ltd.	New Zealand	**54.3**	23.1
South Pacific Brewery Ltd.	Papua New Guinea	**75.4**	31.8
Asia Pacific Investments Pte. Ltd.	Singapore	**100.0**	50.0
Asia Pacific Breweries Ltd.	Singapore	**98.7**	41.9
Asia Pacific Breweries (Singapore) Pte. Ltd.	Singapore	**98.7**	41.9
Solomon Breweries Ltd.	Solomon Islands	**96.4**	40.9
Asia Pacific Breweries (Lanka) Ltd.	Sri Lanka	**59.2**	25.2
Vietnam Brewery Ltd.	Vietnam	**59.2**	25.2
Asia Pacific Breweries (Hanoi) Ltd.	Vietnam	**98.7**	41.9
VBL Da Nang Co. Ltd.	Vietnam	**59.2**	25.2
VBL Tien Giang Ltd.	Vietnam	**59.2**	25.2
VBL Quang Nam Ltd.	Vietnam	**47.4**	20.1

note 37 SUBSEQUENT EVENTS

Sale of stake in Kazakhstan
On 21 December 2012 HEINEKEN announced its intentions to sell its 28 per cent stake in Efes Kazakhstan JSC FE to majority shareholders Efes Breweries International N.V. The transaction closed on 8 January 2013 and resulted in an estimated post tax book gain of EUR80 million.

Sale of Jiangsu Dafuhao Breweries Co. Ltd
On 9 January 2013 HEINEKEN's Asian subsidiary that holds a 49 per cent stake in Jiangsu Dafuhao Breweries Co. Ltd entered into a conditional share transfer agreement whereby Nantong Fuhao Alcohol Co. Ltd. will purchase HEINEKEN's shareholding interests for USD24.5 million. The transaction closed on 15 January 2013 when the funds were received in full.

Sale of Pago International GmbH
On 17 December 2012 HEINEKEN announced the sale of its wholly-owned subsidiary Pago International GmbH to Eckes-Granini Group. The transaction is expected to close in the first quarter of 2013.

Mandatory unconditional cash offer (Offer for APB shares)
On 17 January 2013 HEINEKEN announced that the final closing date of its Offer for all of the issued and paid-up ordinary APB shares other than those already owned or controlled by HEINEKEN is 31 January 2013.

On 16 January 2013 the required acceptance level of 90 per cent of the APB shares in the open market was reached. As such, HEINEKEN was entitled to exercise its right of compulsory acquisition of the remaining APB shares. The total cash consideration in relation to the acquisition of the remaining shares after 31 December 2012 amounts to approximately EUR146 million.

Strategic review of Hartwall in Finland
On 4 February 2013 HEINEKEN announced that it had started a strategic review of its Hartwall business in Finland. During this review, HEINEKEN evaluates strategic options for Hartwall to drive continued growth of the business, within or outside of HEINEKEN. The strategic review is expected to be finalised before the end of the year.

Rights of holders of priority shares
The priority shares in issue with a nominal value of EUR500, which comprise 250 shares of EUR2 nominal value, are held by:
Stichting Administratiekantoor Priores
(125 priority shares)
The members of the board of this foundation are
Mrs C.L. de Carvalho-Heineken, chairman
Mr M. Das
Mr R.H. Meppelink

Stichting Beheer Prioriteitsaandelen
Heineken Holding N.V.
(125 priority shares)
The members of the board of this foundation are
Mr H.A. Oosters, chairman
Mr P.E.B. Corten

For the rights conferred by the priority shares, reference is made to the following articles of the company's Articles of Association:
Article 4, para. 8
(cooperation of the meeting of priority shareholders in issue of depositary receipts for shares)
Article 7, para. 5
(the meeting of priority shareholders draws up non-binding list of candidates for appointments to the Board of Directors by the General Meeting)
Article 8, para. 7
(the meeting of priority shareholders gives approval for exercising voting rights on shares)
Article 8, para. 8
(the meeting of priority shareholders and the General Meeting give approval for resolutions relating to any material change in the nature or identity of the company or the enterprise)
Article 9, para. 3
(appointment of representative by the meeting of priority shareholders in the event of absence or inability to act of all members of the Board of Directors)
Article 10, para. 6
(4 per cent dividend, after distribution of dividend to holders of ordinary shares)
Article 13, para. 1
(the meeting of priority shareholders brings resolutions to amend the Articles of Association or wind up the company to the General Meeting)
Article 14, para. 3
(priority shareholders' claims to liquidation surplus are subordinated).

Provisions of the Articles of Association concerning appropriation of profit
The relevant provisions of the Articles of Association concerning appropriation of profit read as follows:
Article 10, para. 4: Profit distributions may only be made if the shareholders' equity of the company exceeds the sum of the paid-up and called capital and the reserves prescribed by law.
Article 10, para. 6: Out of the profit as shown by the income statement adopted by the General Meeting, the ordinary shareholders shall first be paid the same dividend per share as paid by Heineken N.V. for the year concerned, having due regard to the provisions of paragraph 4. If and to the extent that the dividend paid by Heineken N.V. is in the form of a stock dividend, the dividend paid to the ordinary shareholders shall also be in the form of a stock dividend. From what remains after the distribution to the ordinary shareholders, the priority shareholders shall be paid a dividend of four per cent (4%) of the nominal value of the priority shares and the remainder shall be appropriated to the reserves. On a motion of the meeting of priority shareholders, the General Meeting shall be authorised to make distributions from the reserves.

Remuneration of the Board of Directors
Pursuant to the company's Articles of Association, Article 7, para. 8, the meeting of holders of priority shares may pass resolutions fixing the remuneration of the members of the Board of Directors.

Shares held by the Board of Directors
As at 31 December 2012, the Board of Directors represented 147,218,501 ordinary shares of the company.

Proposed appropriation of profit
It is proposed to appropriate EUR256 million of the profit for payment of dividend and to add EUR1,221 million to the reserves.

STATEMENT OF THE BOARD OF DIRECTORS

Statement ex Article 5:25c Paragraph 2 sub c
Financial Supervision Act
('Wet op het Financieel Toezicht')

To our knowledge,

1. the Financial Statements give a true and fair view of the assets, liabilities, financial position and profit of Heineken Holding N.V. and its consolidated companies;

2. the Report of the Board of Directors gives a true and fair view of the position as at 31 December 2012 and the developments during the financial year 2012 of Heineken Holding N.V. and its related companies included in its Financial Statements; and

3. the Report of the Board of Directors describes the material risks Heineken Holding N.V. is facing.

Amsterdam, 12 February 2013

Board of Directors
Mr M. Das
Mrs C.L. de Carvalho-Heineken
Mr J.A. Fernández Carbajal
Mrs C.M. Kwist
Mr K. Vuursteen

INDEPENDENT AUDITOR'S REPORT

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

Report on the financial statements

We have audited the accompanying financial statements 2012 of Heineken Holding 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 2012, 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 30 to 128. The company financial statements comprise the company balance sheet as at 31 December 2012, 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 22 to 29.

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 Board of Directors 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 company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Heineken Holding N.V. as at 31 December 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

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 Holding N.V. as at 31 December 2012 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.

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 Board of Directors, as included on pages 10 to 19, 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 Board of Directors, 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, 12 February 2013
KPMG Accountants N.V.
E.J.L. van Leeuwen RA

COLOPHON

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