

BASE PROSPECTUS



HEINEKEN N.V.

(incorporated with limited liability in the Netherlands)

€15,000,000,000

Euro Medium Term Note Programme

Under this €15,000,000,000 Euro Medium Term Note Programme (the "**Programme**"), Heineken N.V. (the "**Issuer**" or "**Heineken**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below).

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

This Base Prospectus has been approved by the Luxembourg *Commission de Surveillance du Secteur Financier* (the "**CSSF**") as a base prospectus issued in compliance with Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the "**Prospectus Directive**") and relevant implementing measures in Luxembourg for the purpose of giving information with regard to the issue of Notes under the Programme during the period of twelve months from the date hereof. The CSSF is the Luxembourg competent authority for the purposes of the Prospectus Directive and relevant implementing measures in Luxembourg. By approving this Base Prospectus, the CSSF shall give no undertaking as to the economic and financial soundness of the operation or the quality or solvency of the Issuer in accordance with Article 7(7) of the Luxembourg law dated 10 July 2005 on prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*) as amended by the Luxembourg law dated 3 July 2012 (the "**Prospectus Act 2005**").

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

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

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

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

Notes issued under the Programme may be rated or unrated. Where a Tranche (as defined herein) of Notes is rated, its rating will be specified in the applicable Final Terms along with confirmation of whether or not such rating will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended) (the "**CRA Regulation**"). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") will appear on its website (www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning credit rating agency.

Arranger

Credit Suisse

Dealers

**ABN AMRO
BNP PARIBAS
Credit Suisse
ING**

**Barclays
Citigroup
HSBC
J.P. Morgan**

3 March 2017

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IMPORTANT NOTICES

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

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

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

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

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

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

The section entitled "*Important Information relating to Public Offers of Notes*" sets out important information relating to the offer to the public of Notes issued under the Programme generally.

IMPORTANT – EEA RETAIL INVESTORS: If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of the Insurance Mediation Directive (Directive 2002/92/EC (as amended)), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to

retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

The maximum aggregate nominal amount of Notes outstanding at any one time under the Programme will not exceed €15,000,000,000 (and, for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement (as defined under "*Subscription and Sale*")))). The maximum aggregate nominal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement.

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

This Base Prospectus contains information sourced from third parties, where indicated with references to third party sources herein. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

CERTAIN DEFINED TERMS

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

ALTERNATIVE PERFORMANCE MEASURES

Certain alternative performance measures (as defined in the ESMA Guidelines on Alternative Performance Measures) ("**Alternative Performance Measures**" or "**APMs**") are included in this Base Prospectus. See "*Glossary*" below for more information.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the **Stabilising Manager(s)** (or persons acting on behalf of any **Stabilising Manager(s)**) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the **Stabilising Manager(s)** (or persons acting on behalf of the **Stabilising Manager(s)**) in accordance with all applicable laws and rules.

SUMMARY OF THE PROGRAMME

Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for these types of securities and this type of issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in this summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of "Not Applicable".

Section A – Introduction and Warnings		
Element	Title	
A.1	Introduction	This summary should be read as an introduction to the Base Prospectus. Any decision to invest in the Notes should be based on consideration of the Base Prospectus as a whole by the investor. Where a claim relating to the information contained in the Base Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the relevant Member State, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation hereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus, key information in order to aid investors when considering whether to invest in the Notes.
A.2	Consent	<p>[Certain tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered to financial intermediaries in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a "Public Offer".] <i>[Delete from issue specific summary]</i></p> <p>[Not Applicable; the Notes are issued in denominations of less than €100,000 (or its equivalent in any other currency) but will be offered pursuant to one or more exemptions from the obligation under the Prospectus Directive to publish a prospectus. There will be no Public Offer of Notes.]</p> <p>[Specific Consent:</p> <p>The Issuer consents to the use of this Base Prospectus in connection with a Public Offer of Notes by [], [] and any other financial intermediary appointed after [] and whose name is published on the Issuer's website (www.theheinekencompany.com) and identified as an Authorised Offeror in respect of the relevant Public Offer on the following basis:</p> <ul style="list-style-type: none"> (a) the Public Offer is only made in <i>[list Public Offer Jurisdiction(s)]</i>; (b) the Public Offer must occur during the period from and including [] to but excluding [] (the "Offer Period"); (c) the relevant Authorised Offeror must satisfy the following conditions: []; and

		<p>(d) [].</p> <p>Authorised Offerors will provide information to investors on the terms and conditions of the Public Offer of Notes at the time such Public Offer is made by the Authorised Offeror to investors.]</p> <p>[General Consent:</p> <p>[The Issuer consents to the use of this Base Prospectus in connection with a Public Offer of Notes for subsequent resale or final placement of the Notes by [], [] and any other financial intermediary which is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) ("MiFID") on the following basis:</p> <p>(a) the Public Offer is only made in [<i>list Public Offer Jurisdiction(s)</i>];</p> <p>(b) the relevant Public Offer must occur during the period from and including [] to but excluding [] (the "Offer Period");</p> <p>(c) the relevant Authorised Offeror must publish the following Acceptance Statement on its website:</p> <p><i>"We, [<i>insert legal name of financial intermediary</i>], refer to the [<i>insert title of relevant Notes</i>] (the "Notes") described in the Final Terms dated [<i>insert date</i>] (the "Final Terms") published by Heineken N.V. (the "Issuer").</i></p> <p><i>In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in [<i>list Public Offer Jurisdiction(s)</i>] during the Offer Period in accordance with the Authorised Offeror Terms (as specified in the Base Prospectus), we accept the offer by the Issuer. We confirm that we are authorised under MiFID to make, and are using the Base Prospectus in connection with, the Public Offer of Notes accordingly.</i></p> <p><i>Terms used herein and otherwise not defined shall have the same meaning as given to such terms in the Base Prospectus."</i></p> <p>Any financial intermediary who wishes to use this Base Prospectus in connection with the Public Offer of Notes is required, for the duration of the Offer Period, to publish a duly completed Acceptance Statement on its website.]</p> <p>[The financial intermediaries referred to above are together referred to herein as the "Authorised Offerors".</p> <p>The consent referred to above relates to Offer Periods occurring within 12 months from the date of this Base Prospectus.]</p> <p>[Neither the Issuer nor, for the avoidance of doubt, any of [<i>insert names of Dealer(s)/Manager(s)</i>] has any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer.</p> <p>AN INVESTOR INTENDING TO PURCHASE OR PURCHASING ANY NOTES FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO SUCH AN INVESTOR BY AN AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE</p>
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		<p>BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR (THE "TERMS AND CONDITIONS OF PUBLIC OFFERS OF NOTES"). THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTOR AND, ACCORDINGLY, THIS BASE PROSPECTUS DOES NOT, AND ANY FINAL TERMS WILL NOT, CONTAIN SUCH INFORMATION. THE TERMS AND CONDITIONS OF PUBLIC OFFERS OF NOTES SHALL BE PROVIDED TO SUCH INVESTOR BY THAT AUTHORISED OFFEROR AT THE TIME THE OFFER IS MADE. NONE OF THE ISSUER OR, FOR THE AVOIDANCE OF DOUBT, ANY OF THE DEALERS OR OTHER AUTHORISED OFFEROR HAS ANY RESPONSIBILITY OR LIABILITY FOR SUCH INFORMATION.]</p>
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Section B – Issuer																																												
Element	Title																																											
B.1	Legal and commercial name of the Issuer	Heineken N.V. (the "Issuer" or "Heineken").																																										
B.2	Domicile/legal form/legislation/country of incorporation	The Issuer is a public company with limited liability (<i>naamloze vennootschap</i>) incorporated and domiciled in the Netherlands and operating under the laws of the Netherlands.																																										
B.4b	Trends affecting the Issuer and its industry	Not Applicable. There are no particular trends affecting the Issuer and the industries in which it operates.																																										
B.5	Description of the Group	<p>The Issuer is the parent company of the Heineken Group.</p> <p>The Heineken Group is a leading international brewer, with total consolidated beer volume of 200.1 million hectolitres in 2016.</p>																																										
B.9	Profit forecasts or estimates	Not Applicable. The Issuer has not made any profit forecasts or estimates in the Base Prospectus.																																										
B.10	Audit report qualifications	Not Applicable. There are no qualifications in the audit reports relating to the 2016 financial statements and the 2015 financial statements of the Issuer.																																										
B.12	Selected historical key financial information	<p>The table below shows Heineken's full year key figures for the financial years ending 31 December 2016 and 31 December 2015.</p> <table> <tr> <th>Key Financial Figures</th><th>2016</th><th>2015</th></tr> <tr> <td colspan="3"><i>(In millions of EUR)</i></td></tr> <tr> <td colspan="3">Income Statement Data</td></tr> <tr> <td>Revenue</td><td>20,792</td><td>20,511</td></tr> <tr> <td>Operating profit (beia)</td><td>3,540</td><td>3,381</td></tr> <tr> <td>Operating profit (beia) margin</td><td>17.0%</td><td>16.5%</td></tr> <tr> <td>Net interest expense⁽¹⁾</td><td>359</td><td>352</td></tr> <tr> <td>Net profit (beia)</td><td>2,098</td><td>2,048</td></tr> <tr> <td>Net profit (attributable to equity holders of the Issuer)</td><td>1,540</td><td>1,892</td></tr> <tr> <td colspan="3">Balance Sheet Data</td></tr> <tr> <td>Cash and cash equivalents⁽²⁾</td><td>3,035</td><td>3,232</td></tr> <tr> <td>Total assets⁽²⁾</td><td>39,321</td><td>40,122</td></tr> <tr> <td>Net interest bearing debt</td><td>11,293</td><td>11,510</td></tr> <tr> <td>Equity attributable to equity holders of the Issuer</td><td>13,238</td><td>13,535</td></tr> </table>	Key Financial Figures	2016	2015	<i>(In millions of EUR)</i>			Income Statement Data			Revenue	20,792	20,511	Operating profit (beia)	3,540	3,381	Operating profit (beia) margin	17.0%	16.5%	Net interest expense ⁽¹⁾	359	352	Net profit (beia)	2,098	2,048	Net profit (attributable to equity holders of the Issuer)	1,540	1,892	Balance Sheet Data			Cash and cash equivalents ⁽²⁾	3,035	3,232	Total assets ⁽²⁾	39,321	40,122	Net interest bearing debt	11,293	11,510	Equity attributable to equity holders of the Issuer	13,238	13,535
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		<p>Notes:</p> <p>(1) Net interest expense: interest income less interest expense.</p> <p>(2) Comparative figures have been revised to reflect the change in accounting policy on netting cash and overdraft balances in cash pooling arrangements with legally enforceable rights to offset. Heineken previously presented the cash and overdraft balances within cash pooling arrangements on a net basis in the statement of financial position, based on the legally enforceable right to offset and the intention to settle on a net basis. In March 2016, the IFRS Interpretations Committee ("IFRIC") decided on when and whether entities are able to offset balances in accordance with IAS 32. Heineken has revised its accounting policy accordingly, by applying the stricter IFRIC interpretation on the intention to settle on a net basis. This change in accounting policy has been accounted for retrospectively and, as a result of this, the amount of 'Cash and cash equivalents' and 'Bank overdrafts and commercial papers' increased by €2,408 million as per 31 December 2015. Legal offset rights for the cash pooling arrangements continue to be in place. The amount subject to legal offset rights, but not netted in the statement of financial position is €1,489 million per 31 December 2016. If netted, 'Cash and cash equivalents' would amount to €1,546 million and 'Bank overdrafts and commercial papers' to €180 million. The Net interest-bearing debt position remains unchanged.</p> <p><i>Statements of no significant or material adverse change</i></p> <p>Since 31 December 2016, there has been no material adverse change in the prospects of the Issuer and no significant change in the financial or trading position of the Heineken Group.</p>
B.13	Recent events relevant to solvency	Not Applicable. There have been no recent events particular to the Issuer which are to a material extent relevant to an evaluation of the Issuer's solvency.
B.14	Description of the Group and dependence upon other Group entities	<p>See Element B.5 for a description of the Heineken Group and the Issuer's position within the Heineken Group. The Issuer is the parent company of the Heineken Group.</p> <p>Not Applicable. The Issuer is not dependent upon other entities within the Heineken Group.</p>
B.15	Issuer's principal activities	<p>Heineken operates in over 70 countries through more than 165 breweries, malteries, cider plants and other production facilities and also through other brewers under licence. Heineken also has a strong export business, which is carried out mainly from the Netherlands, Mexico and Singapore. The production and sale of beer represents Heineken's main source of income and cash flow. Heineken is also engaged in complementary businesses to its beer business, such as beverage distribution and the production of cider, soft drinks and other alcohol products. Heineken enjoys strong market positions and an efficient cost structure in many countries by combining the production, marketing and sale of Heineken's international brands and products with that of a range of prominent local beer brands.</p> <p>Heineken is a leading developer and marketer of premium beer and cider brands. Led by the Heineken® brand, the Heineken Group has a powerful portfolio of more than 250 international, regional, local and specialty beers and ciders. The international brands (Heineken®, Amstel, Desperados, Affligem, Sol, Lagunitas, Tecate, Tiger, Red Stripe, Krušovice and Strongbow Apple Ciders) are supplemented and supported by national and regional brands, and a range of specialty beers, light beers (low-calorie beers) and alcohol-free beers. Market leading positions have been built by developing a cohesive portfolio of strong brands, which offer high added value for Heineken's customers and consumers.</p>
B.16	Controlling persons	Heineken Holding N.V. holds 50.005 per cent. of the Heineken N.V. issued shares. On 31 December 2016, L'Arche Green N.V. held 51.709 per cent. of the Heineken Holding N.V. shares. The Heineken family holds 88.67 per cent. of L'Arche Green N.V. The remaining 11.33 per cent. of L'Arche Green N.V. is held by the Hoyer family.

B.17	Credit ratings	<p>The Issuer has long-term credit ratings of Baa1 by Moody's Investors Service Ltd ("Moody's") and BBB+ by Standard & Poor's Credit Market Services France SAS ("Standard & Poor's") as at the date of the Base Prospectus.</p> <p>Each of Moody's and Standard & Poor's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation"). As such, each of Moody's and Standard & Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.</p> <p>[The Notes [have been]/[are expected to be] rated [] by []. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.]</p>
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Section C – Securities		
Element	Title	
C.1	Description of type and class of the Notes, including any security identification number	<p>[The Notes described in this section are debt securities with a denomination of less than €100,000 (or its equivalent in any other currency). The Notes may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or a combination of the foregoing.] <i>[Delete from issue specific summary]</i></p> <p>The Notes are [€/U.S.\$/£/CHF/SGD/JPY/[<i>other</i>]] [] [[] per cent./Floating Rate/Zero Coupon] Notes due [].</p> <p>The International Securities Identification Number ("ISIN") is [].</p> <p>The Common Code is [].</p>
C.2	Currency of the Notes	<p>[Subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer at the time of issue.] <i>[Delete from issue specific summary]</i></p> <p>The currency of this Series of Notes is [Euro ("€")/U.S. dollars ("U.S.\$")/Pounds Sterling ("£")/Swiss Francs ("CHF")/Singapore dollars ("SGD")/Japanese Yen ("JPY")/ [<i>other</i>] ([)]].</p>
C.5	Restrictions on the free transferability of the Notes	Not Applicable. There are no restrictions on the free transferability of the Notes.
C.8	Description of the rights attached to the Notes, including ranking and limitations to those rights	<p>Trust Deed: The Notes will be constituted by a trust deed (such trust deed as amended and/or supplemented and/or restated from time to time, the "Trust Deed") dated 3 March 2017 made between the Issuer and BNP Paribas Trust Corporation UK Limited as trustee (the "Trustee") for the holders of the Notes. The Trustee will have certain rights as described below and no Noteholder or holder of any interest coupon shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.</p>

		<p>Negative Pledge: The Notes have the benefit of a negative pledge provision in respect of Relevant Debt of the Issuer and any subsidiary of the Issuer or any guarantee of or indemnity in respect of any such Relevant Debt.</p> <p>"Relevant Debt" means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange or other securities market.</p> <p>The negative pledge shall not prohibit the creation of any security interest expressly permitted by the terms of the Notes (any such security interest, a "Permitted Security Interest").</p> <p>Events of default: The terms of the Notes will contain, amongst others, the following events of default:</p> <ul style="list-style-type: none"> (a) default in payment of any principal or interest due in respect of the Notes, continuing for a specified period of time; (b) non-performance by the Issuer or non-compliance with any of its other obligations under the conditions of the Notes or the Trust Deed, in certain cases continuing for a specified period of time; (c) a cross default provision in respect of indebtedness of the Issuer or any Material Subsidiary for or in respect of moneys borrowed, subject to an aggregate threshold of €100,000,000 or, if greater, 0.5 per cent. of Total Group Assets, or their equivalent in any other currency; (d) certain events relating to enforcement of security or other legal process against the whole or a substantial part of the undertaking, assets or revenues of the Issuer or any Material Subsidiary, continuing for a specified period of time; and (e) events relating to the insolvency or winding up of the Issuer or any Material Subsidiary, <p>provided that, in the case of the happening of any event other than that described in (a) above, the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders.</p> <p>"Material Subsidiary" means, at any time, a subsidiary of the Issuer whose net turnover on ordinary activities (excluding intra-group items) accounts for at least 10 per cent. of the consolidated net turnover on ordinary activities of the Heineken Group.</p> <p>"substantial part" means 20 per cent. or more of the whole, as reasonably determined by the Trustee.</p> <p>"Total Group Assets" means the total assets of the Issuer on a consolidated basis, as shown in its then latest audited annual financial statements or (if more recently prepared and published) its then latest unaudited interim financial statements.</p>
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C.9	Interest/redemption/ yield/representation of noteholders	<p>[Delete Element C.9 from issue specific summary if the Notes are "derivative securities" for the purposes of Article 15 of Commission Regulation (EC) No. 809/2004.]</p> <p>See Element C.8 for the rights attached to the Notes, ranking and limitations.</p> <p>Interest: [Notes may or may not bear interest. Interest-bearing Notes will either bear interest payable at a fixed rate or a floating rate. Interest will be payable on such date or dates as may be specified below.] [Delete from issue specific summary]</p> <p>[Floating Rate Notes will bear interest determined separately for each Series; this will be determined either on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc) or else by reference to LIBOR, EURIBOR, SIBOR or SOR-VWAP, as adjusted for any applicable margin.]</p> <p>[The Notes bear interest from [their date of issue/[]]] at the fixed rate of [] per cent. per annum. Interest will be paid [annually] in arrear on [] in each year. The first interest payment will be made on [].]</p> <p>[The Notes bear interest from [their date of issue/[]]] at floating rates calculated by reference to [specify reference rate for Notes being issued] [plus/minus] a margin of [] per cent. Interest will be paid [quarterly/semi-annually] in arrear on [] and [] in each year, subject to adjustment for non-business days. The first interest payment will be made on [].]</p> <p>[The Notes do not bear any interest [and will be offered and sold at a discount to their nominal amount].]</p>

		<p>Redemption: [The terms under which Notes may be redeemed (including the maturity date and the price at which they will be redeemed on the maturity date as well as any provisions relating to early redemption) will be agreed between the Issuer and the relevant Dealer at the time of issue of the relevant Notes. The Notes will be redeemed at 100 per cent. of their nominal value or, if so agreed between the Issuer and the relevant Dealer, at a higher amount.] <i>[Delete from issue specific summary]</i></p> <p>Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on [] at [par/[] per cent. of their nominal amount].</p> <p>The Notes may be redeemed early for tax reasons [or <i>[specify any other early redemption option applicable to the Notes being issued such as the change of control put option]</i>] at <i>[specify the early redemption price and any maximum or minimum redemption amounts, applicable to the Notes being issued]</i>.</p> <p>Indication of yield: [Indication of yield: [] per cent. per annum.]/[Not Applicable]</p> <p>Representative of the Noteholders: The Issuer has appointed BNP Paribas Trust Corporation UK Limited to act as trustee for the holders of Notes (the "Trustee") pursuant to the terms of the Trust Deed. The Trustee may, without the consent of Noteholders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or the Trust Deed or (ii) determine that any event of default or potential event of default shall not be treated as such or (iii) agree to the substitution of another company as principal debtor under any Notes in place of the Issuer in the circumstances described in Condition 14.</p> <p>In connection with the exercise by it of any of its trusts, powers, authorities and discretions, the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof.</p>
C.10	Derivative component in interest payment	<p><i>[Delete Element C.10 from issue specific summary if the Notes are "derivative securities" for the purposes of Article 15 of Commission Regulation (EC) No. 809/2004.]</i></p> <p>See Element C.9.</p> <p>Not Applicable. Payments of interest on the Notes shall not involve any derivative component.</p>
C.11	Regulated market	<p>[Notes issued under the Programme may be admitted to trading on the Luxembourg Stock Exchange or may be issued without being admitted to trading on any stock exchange or market.] <i>[Delete from issue specific summary]</i></p> <p>[Application [has been] [is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange]/[Not Applicable. The Notes will not be admitted to trading on any stock exchange or market.]</p>

C.15	How the value of the investment is affected by the underlying instrument	<p><i>[Delete Element C.15 from issue specific summary if the Notes are not "derivative securities" for the purposes of Article 15 of Commission Regulation (EC) No. 809/2004.]</i></p> <p>Not Applicable. Payments on the Notes shall not involve any derivative component. There will be no underlying instrument.</p>
C.16	Expiration/maturity date of the derivative securities – the exercise date/final reference date	<p><i>[Delete Element C.16 from issue specific summary if the Notes are not "derivative securities" for the purposes of Article 15 of Commission Regulation (EC) No. 809/2004.]</i></p> <p>Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on [] (the "Maturity Date").</p>
C.17	Settlement procedure of the derivative securities	<p><i>[Delete Element C.17 from issue specific summary if the Notes are not "derivative securities" for the purposes of Article 15 of Commission Regulation (EC) No. 809/2004.]</i></p> <p>The Notes will be settled on a delivery [against] [free of] payment basis.</p>
C.18	How the return on the derivative securities takes place	<p><i>[Delete Element C.18 from issue specific summary if the Notes are not "derivative securities" for the purposes of Article 15 of Commission Regulation (EC) No. 809/2004.]</i></p> <p>Interest: [Notes may or may not bear interest. Interest-bearing Notes will either bear interest payable at a fixed rate or a floating rate. Interest will be payable on such date or dates as may be specified below.] <i>[Delete from issue specific summary]</i></p> <p>[Floating Rate Notes will bear interest determined separately for each Series; this will be determined either on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc) or else by reference to LIBOR, EURIBOR, SIBOR or SOR-VWAP, as adjusted for any applicable margin.]</p> <p>[The Notes bear interest from [their date of issue/[]]] at the fixed rate of [] per cent. per annum. Interest will be paid [annually] in arrear on [] in each year. The first interest payment will be made on [].]</p> <p>[The Notes bear interest from [their date of issue/[]]] at floating rates calculated by reference to [specify reference rate for Notes being issued] [plus/minus] a margin of [] per cent. Interest will be paid [quarterly/semi-annually] in arrear on [] and [] in each year, subject to adjustment for non-business days. The first interest payment will be made on [].]</p> <p>[The Notes do not bear any interest [and will be offered and sold at a discount to their nominal amount].]</p> <p>Redemption: [The terms under which Notes may be redeemed (including the maturity date and the price at which they will be redeemed on the maturity date as well as any provisions relating to early redemption) will be agreed between the Issuer and the relevant Dealer at the time of issue of the relevant Notes. The Notes will be redeemed at a percentage of their nominal value (less than 100 per cent.).] <i>[Delete from issue specific summary]</i></p>

		<p>Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [] per cent. of their nominal amount.</p> <p>The Notes may be redeemed early for tax reasons [or <i>[specify any other early redemption option applicable to the Notes being issued such as the change of control put option]</i>] at <i>[specify the early redemption price and any maximum or minimum redemption amounts, applicable to the Notes being issued]</i>.</p>
C.19	Exercise price/final reference price of the underlying	<p><i>[Delete Element C.19 from issue specific summary if the Notes are not "derivative securities" for the purposes of Article 15 of Commission Regulation (EC) No. 809/2004.]</i></p> <p>Not Applicable. Payments on the Notes shall not involve any derivative component. There is no such price on the underlying as there is no underlying.</p>
C.20	The type of underlying and where information on the underlying can be found	<p><i>[Delete Element C.20 from issue specific summary if the Notes are not "derivative securities" for the purposes of Article 15 of Commission Regulation (EC) No. 809/2004.]</i></p> <p>Not Applicable. Payments on the Notes shall not involve any derivative component as there is no underlying.</p>

Section D – Risks		
Element	Title	
D.2	Key risks specific to the Issuer	<p>In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of risks which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such risks or to determine which risks are most likely to occur, as the Issuer may not be aware of all relevant risks and certain risks which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified a number of risks which could materially adversely affect its business and ability to make payments due under the Notes. These risks include:</p> <ul style="list-style-type: none"> • Heineken is reliant on the reputation of its brands and the protection of its intellectual property rights. • Negative societal perceptions of alcohol could lead to a decrease in brand equity and sales of Heineken's products. • Decreases in beer consumption in favour of other beverage categories could have an adverse effect on Heineken's business, financial condition and/or results of operations. • Heineken may be impacted by changes in the availability or price of raw materials, water and other input costs. • Disruption in Heineken's product supply and supply chains could impact its sales and financial performance in its export markets.

		<ul style="list-style-type: none"> • Heineken is subject to risks generally associated with companies that operate in a global environment, which could have an adverse effect on its growth and financial performance. • Heineken is exposed to the risks and effects of economic recession and to falls in per-capita income, which could adversely affect the demand for its products. • Heineken's strategic change projects could temporarily reduce its operational effectiveness. • Heineken operates in highly competitive markets and industry consolidation in the beer and distribution sectors as well as among its customers could place Heineken at a competitive disadvantage to its competitors. • Heineken is dependent on the skills of its people and may fail to attract, develop and retain talented staff with the required capabilities. • Heineken may not be able to successfully carry out further acquisitions or to integrate acquired businesses with its existing businesses. • Heineken is reliant on its information technology to conduct its business in the different regions in which it operates. • Heineken faces risks resulting from its joint ventures, other strategic partnerships and independent distributorships and it may be unable to influence such joint ventures and strategic partnerships. • Heineken is exposed to fluctuations in exchange rates. • Heineken is exposed to interest rate risk on its floating rate indebtedness. • Heineken's future capital needs may require that it seeks debt financing, refinancing or additional equity funding, which may not be available or may be materially more expensive. • Heineken faces defined benefit pension obligations in some of the countries in which it operates. • The jurisdictions in which Heineken operates may adopt regulations or changes in tax and excise costs that could increase Heineken's costs and liabilities and/or limit its business activities. • Heineken is exposed to antitrust and competition laws in certain jurisdictions and the risk of changes in such laws or in the interpretation and enforcement of existing antitrust and competition laws. • Heineken has exposure to litigation risk.
D.3	Key risks specific to the Notes	<p><i>[Delete Element D.3 from issue specific summary if the Notes are "derivative securities" for the purposes of Article 15 of Commission Regulation (EC) No. 809/2004.]</i></p> <p>There are also risks associated with the Notes, including a range of risks relating to the structure of the Notes, market risks and risks relating to Notes generally.</p>

		<p>The Notes may not be a suitable investment for all investors. In particular, investors should consider the following risks: [there may be no or only a limited secondary market in the Notes;] [the value of an investor's investment may be adversely affected by exchange rate movements where the Notes are not denominated in the investor's own currency;] [any credit rating assigned to the Notes or the Issuer may not reflect all the risks associated with an investment in the Notes and may be subject to change;] [changes in interest rates will affect the value of Notes which bear interest at a fixed rate;] [an optional redemption feature is likely to limit the secondary market value of the Notes such that the secondary market value of such Notes will not rise substantially above the price at which they can be redeemed;] [Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates;] [investors who purchase Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued;] the fact that the conditions of the Notes may be modified without the consent of the holders in certain circumstances; the Issuer may in certain circumstances be substituted for another company as principal debtor under the Notes; the holder may not receive payment of the full amounts due in respect of the Notes as a result of amounts being withheld by the Issuer in order to comply with applicable law; [and] investors are exposed to the risk of changes in law or regulation affecting the value of Notes held by them.</p>
D.6	Risk warning	<p><i>[Delete Element D.6 from issue specific summary if the Notes are not "derivative securities" for the purposes of Article 15 of Commission Regulation (EC) No. 809/2004.]</i></p> <p>There are also risks associated with the Notes, including a range of risks relating to the structure of the Notes, market risks and risks relating to Notes generally.</p> <p>The Notes may not be a suitable investment for all investors. In particular, investors should consider the following risks: [the Notes will be redeemed at [] per cent. of their nominal amount;] [there may be no or only a limited secondary market in the Notes;] [the value of an investor's investment may be adversely affected by exchange rate movements where the Notes are not denominated in the investor's own currency;] [any credit rating assigned to the Notes or the Issuer may not reflect all the risks associated with an investment in the Notes and may be subject to change;] [changes in interest rates will affect the value of Notes which bear interest at a fixed rate;] [an optional redemption feature is likely to limit the secondary market value of the Notes such that the secondary market value of such Notes will not rise substantially above the price at which they can be redeemed;] [Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates;] [investors who purchase Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued;] the fact that the conditions of the Notes may be modified without the consent of the holders in certain circumstances; the Issuer may in certain circumstances be substituted for another company as principal debtor under the Notes; the holder may not receive payment of the full amounts due in respect of the Notes as a result of amounts being withheld by the Issuer in order to comply with applicable law; [and] investors are exposed to the risk of changes in law or regulation affecting the value of Notes held by them.</p>

Section E – Offer		
Element	Title	
E.2b	Reasons for the offer and use of proceeds	<p>[The reasons for each offer of Notes will be to raise debt, the net proceeds from which will be applied by the Issuer for its general corporate purposes, which include financing acquisitions, and/or for other particular uses, as determined by the Issuer.] <i>[Delete from issue specific summary]</i></p> <p>[The net proceeds from the issue of the Notes will be applied by the Issuer for [its general corporate purposes, which include financing acquisitions] [].]</p>
E.3	Terms and conditions of the offer	<p>[The terms and conditions of each offer of Notes will be determined by agreement between the Issuer and the relevant Dealers at the time of issue and specified in the applicable Final Terms. An investor intending to acquire or acquiring any Notes in a Public Offer from an Authorised Offeror will do so, and offers and sales of such Notes to an investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such investor including as to price, allocations and settlement arrangements.] <i>[Delete from issue specific summary]</i></p> <p>Offer Price: [Not Applicable]/[]</p> <p>Clear and objective conditions to which the offer is subject: [Not Applicable]/[]</p> <p>Description of the application process: [Not Applicable]/[]</p> <p>Details of the minimum and/or maximum amount of application: [Not Applicable]/[]</p> <p>Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable]/[]</p> <p>Details of the method and time limits for paying up and delivering the Notes: [Not Applicable]/[]</p> <p>Manner in and date on which results of the offer are to be made public: [Not Applicable]/[]</p> <p>Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable]/[]</p> <p>Whether tranche(s) have been reserved for certain countries: [Not Applicable]/[]</p> <p>Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable]/[]</p>

		<p>Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable]/[]</p> <p>Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [None/[]/The Authorised Offerors identified above]</p>
E.4	A description of any interest that is material to the issue/offer including conflicting interests	<p>[The relevant Dealers may be paid fees in relation to any issue of Notes under the Programme. Any such Dealer and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business.] <i>[Delete from issue specific summary]</i></p> <p>[The [Dealers/Managers] will be paid aggregate commissions equal to [] per cent. of the nominal amount of the Notes.]</p> <p>[Other than as mentioned above,[and save for [],] so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer, including conflicting interests.]</p>
E.7	Estimated expenses charged to the investor by the Issuer or the Offeror	<p>[It is not anticipated that the Issuer will charge any expenses to investors in connection with any issue of Notes. Other offerors may, however, charge expenses to investors. Such expenses (if any) will be determined on a case by case basis and will be charged in accordance with any contractual arrangements agreed between the offeror and the investor at the time of the relevant offer.] <i>[Delete from issue specific summary]</i></p> <p>[Not Applicable. No expenses are being charged to investors by the Issuer or, as far as the Issuer is aware, by any offeror.]</p> <p>[No expenses are being charged to investors by the Issuer. However, expenses may be charged by an offeror in the range of between [] per cent. and [] per cent. of the nominal amount of the Notes to be purchased by the relevant investor.]</p> <p>[The following expenses are being charged to investors by the Issuer: [].]</p>

RISK FACTORS

In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of risks which, individually or together, could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such risks or to determine which risks are most likely to occur, as the Issuer may not be aware of all relevant risks and certain risks which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. However, the Issuer has identified in this Base Prospectus a number of risks which could materially adversely affect its business and ability to make payments due under the Notes.

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

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

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

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

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

Product recall, product liability and/or safety, health and environmental issues, including incidents and accidents in the supply chain and en route to market, the discovery of contaminants in Heineken's beverage products, or unethical or irresponsible behaviour by Heineken or Heineken's employees could damage its reputation, brand image, sales and revenues. Additionally, poor quality or integrity of Heineken's products may result in health hazards, reputational damage, lower volumes and financial claims. Any damage to Heineken's brands or reputation could have an adverse effect on its business, financial condition and/or results of operations, even if the negative publicity is factually inaccurate or unfounded. In addition, Heineken may not be able to manage the risks arising from its increasing presence on social media (e.g. legal drinking age restrictions, reputation, IT or information security). On social media, concerns related to Heineken or any of its products, even when unfounded, could impact Heineken's reputation and the image of its products. Heineken may not be able to control information or respond in a timely manner to the threats to Heineken's reputation, which could affect its brand equity and income-generating capacity at scale and at pace. Social media may also work as an accelerator of other risks.

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

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

In recent years, there has been increased media, social and political criticism directed at the alcoholic beverage industry, particularly in the United States, the United Kingdom and Russia. An increasingly negative perception in society towards alcohol could prompt legislators to implement restrictive measures such as restrictions and/or bans on advertising and marketing, sponsorships, points of sales and increased

taxes and may cause consumption trends to shift away from beer to non-alcoholic beverages. Such negative publicity, including any on social media, restrictive measures and potential change in consumption trends could lead to a decrease in brand equity and sales of Heineken's products and affect Heineken's commercial freedom to operate and restrict the availability of its products, any of which, in turn, could have an adverse effect on Heineken's business, financial condition and/or results of operations.

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

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

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

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

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

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

Disruption of supply of Heineken's products could affect sales and its market share in certain countries in which it operates. Additionally, the loss or temporary discontinuity of supply chains from any of its suppliers without sufficient time to develop an alternative source could result in delays in shipments, expose Heineken to increased costs and place it at a relative disadvantage to its competitors. Disruption of supply and/or discontinuity of supply chains could result from increased competition, industry consolidation, the termination of (or material change to) arrangements with suppliers, disagreements with suppliers as to payment or other terms or the failure of a supplier to meet Heineken's contractual obligations or otherwise deliver materials

consistent with current usage. Factors that are hard to predict or beyond its control, like adverse weather conditions, natural disasters, earthquakes, hurricanes, flooding, fire, power loss, loss of water supply, terrorist attacks, telecommunications and IT system failures, political instability, civil strife, military conflict, the consequences of any military action and associated political instability in any of the countries where Heineken operates, generalised labour unrest or health pandemics, could also damage or disrupt Heineken's supply and supply chains. In particular, the supply of beer products from the Netherlands to export markets such as the United States of America is important to Heineken's business. Discontinuity of supply from the Netherlands could adversely impact its sales and financial performance in its various export markets. Such discontinuity in Heineken's product supply and supply chains could have an adverse effect on its business, financial condition and/or results of operations.

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

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

Moreover, political and economic changes, instability or volatility, geopolitical regional conflicts, terrorist activity, crime and lack of law enforcement, political unrest, civil strife, acts of war, public and private sector corruption, exchange rate depreciation, risk of hyperinflation, nationalisation or expropriation, weak economic institutions (such as protection of rights of investors, entrepreneurs or property rights) and other economic or political uncertainties could exacerbate the aforementioned risks and interrupt and have an adverse effect on Heineken's business operations. The United Kingdom's vote to leave the European Union in June 2016 and the change of administration in the United States in January 2017 have created significant additional uncertainties, such as the possible enactment of border taxes in the United States to be imposed on imported goods. All of these factors could result in increased costs or decreased revenues and could have an adverse effect on Heineken's business, financial condition and/or results of operations.

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

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

Heineken's strategic change projects could temporarily reduce its operational effectiveness.

Heineken is undertaking numerous strategic change projects including, for example, the centralisation of regional back office activities, the centralisation of its procurement activities, the possible closure of breweries and other rightsizing and downsizing activities. Estimated benefits could be too ambitious and may not be realised, significant costs could be borne, the quality of the deliverables may be lower than required

and programmes could be ineffectively or inefficiently executed. As such, there is a risk that production quality and supply continuity could be affected due to temporary disruptions, which, in turn, could have an adverse effect on Heineken's business, financial condition and/or results of operations as well as its brand reputation.

Heineken operates in highly competitive markets and industry consolidation in the beer and distribution sectors as well as among its customers could place Heineken at a competitive disadvantage to its competitors.

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

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

Consolidation of the alcoholic beverage industry has accelerated in 2016 and may affect existing market dynamics in the future due to competitive disadvantage with suppliers and increased competition on commercial spend and customer acquisition strategies. The merger between Heineken's two main competitors, Anheuser-Busch InBev and SABMiller, in particular, may cause Heineken to experience one or more of the competitive disadvantages described above, particularly in the distribution area.

Finally, consolidation among Heineken's customers may affect its ability to obtain pricing and favourable trade terms and negatively impact its operating margin.

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

Heineken relies on the skills of its people to lead its growth agenda and strategic change programmes. Heineken may not be successful in attracting, developing and retaining talented staff with the required capabilities, which may jeopardise its capacity to execute its strategy and achieve the targeted returns. Hiring employees with particular expertise remains challenging, both in emerging markets due to competition between multinationals, and in developed markets where traditional industries face competition from new economy employers.

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

In pursuit of further expansion, Heineken seeks to strike a balance between organic and acquired growth. Heineken undertakes acquisitions only if it identifies suitable businesses to acquire on acceptable terms.

When considering an acquisition, Heineken makes certain estimates as to economic, market and other conditions, including estimates relating to the value or potential value of the business to be acquired and the potential return on investment. Such estimates may prove to be incorrect, rendering its acquisition unsuccessful which could have an adverse effect on its business, financial condition and/or results of operations. In recent years, Heineken has been acquisitive with various acquisitions in emerging markets. In any acquisition, Heineken is faced with different cultures, business principles and political, economic and social environments. This may affect corporate values, image and quality standards. It may also impact the realisation of long-term business plans, including synergy objectives, underlying the value of newly acquired

companies. Such business integration issues could have an adverse effect on Heineken's business, financial condition, quality of financial and non-financial reporting and/or results of operations.

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

Heineken's business relies heavily on its information systems and information technology platforms (collectively, "IT"). Failure of its IT system or a breach in the security infrastructure may lead to business disruption, loss of confidential information, financial and reputational damage. The rise of the so-called "Internet of Things" (namely the interconnection between computing devices embedded in everyday objects via the internet) and the expansion of Cloud uptake, combined with increasing professionalism of online threat actors (such as hackers) puts information security on the map as a major corporate risk, both in terms of business continuity and of data privacy. This is also recognised by global regulations, such as the General Data Protection Regulation ("GDPR"), where mismanagement of security and data breaches becomes financially punitive. Although Heineken takes preventive measures to protect and secure its information systems, its information systems may be vulnerable to different operational and security challenges including telecommunications failures, interruptions, security breaches and other types of interference. Heineken has a strict information security policy to ensure confidentiality, integrity and availability of information and to guarantee IT control. The increased centralisation of its IT systems also allows central enforcement of security measures across its operating companies, but also magnifies the impact of any security incident. Any interruptions, failures or breach in the security infrastructure of its IT systems could have an adverse effect on its ability to compete with competitors and harm its reputation as well as disrupt its business, thereby having an adverse effect on its business, financial condition and/or results of operations.

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

In certain markets, Heineken conducts business activities with other parties in the form of joint ventures and strategic partnerships and with independent distributors. Where Heineken does not have the majority of the shares and voting rights, decisions taken by these entities may not be fully harmonised with Heineken's strategic objectives. Moreover, Heineken may not be able to identify and manage risks to the same extent as in the rest of the Heineken Group. Decisions made and actions taken may not be optimal for Heineken's business, or may not promote its business and strategic objectives, and may therefore result in lower revenue and lower profit margins from such joint ventures, strategic partnerships and independent distributorships which, in turn, could have an adverse effect on Heineken's business, financial condition and/or results of operations.

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

Heineken is exposed to fluctuations in exchange rates.

Heineken operates internationally and its reporting currency is the Euro. As a result of its international operations, fluctuations in exchange rates of foreign currencies relative to the Euro could have an adverse effect on its business, financial condition and/or results of operations. Additionally, exchange rates between the Euro and other currencies may be significantly more volatile than they have been in the past. Heineken is particularly exposed to currency fluctuations in the US Dollar, Mexican Peso, Nigerian Naira, Polish Zloty and British Pound as well as certain Asian currencies (in particular, the Vietnamese Dong). Fluctuations in these currencies relative to the Euro could have an adverse effect on Heineken's business, financial condition and/or results of operations.

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

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

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

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

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

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

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

Heineken's business is regulated by the European Union and other national and local government entities. These regulations govern many parts of its operations, including brewing, bottling, branding, marketing and advertising, transportation, distributor relationships and sales. Other regulations governing taxation, environmental impact and labour relations also affect Heineken's operations. Various legislative authorities consider from time to time increasing taxes (including excise and other duties, tariffs and levies) on, *inter alia*, production or sale of alcoholic beverages (including beer), profits, sales, salaries, royalties, interests and/or dividends. Such tax increases are frequently performed by legislative authorities in times of slow or negative economic growth as a means to raise revenue. Tax increases are also used by legislative authorities as a means to steer consumption of alcoholic beverages. Furthermore, difficult economic or political circumstances may negatively impact Heineken's ability to collect amounts due from governments, including refunds of taxes. Changes in such regulations and duties could have an adverse effect on Heineken's business, financial condition and/or results of operations. Further, there can be no assurance that Heineken will not incur material costs or liabilities in connection with its compliance with current applicable regulatory requirements or that such regulations will not interfere with, restrict or affect its businesses which, in turn, could have an adverse effect on its business, financial condition and/or results of operations.

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

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

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

Heineken has exposure to litigation risk.

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

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme***The Notes may not be a suitable investment for all investors***

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including Notes where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;
- (iv) understands thoroughly the terms of the relevant Notes and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Risks related to the structure of a particular issue of Notes

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

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return

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

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

If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

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

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates

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

Risks related to Notes generally

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

The Terms and Conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders

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

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or the Trust Deed or (ii) determine that any Event of Default or potential Event of Default shall not be treated as such or (iii) agree to the substitution of another company as principal debtor under any Notes in place of the Issuer in the circumstances described in Condition 14.

While the Notes are in global form and held within the clearing systems, investors will have to rely on the procedures and operations of Euroclear and Clearstream, Luxembourg (or any alternative clearing system) in order to receive payments and take certain other actions in respect of the Notes

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg (or an alternative clearing system). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each relevant clearing system and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligation under the Notes by making payments to the common depositary or the common safekeeper, as applicable, for the relevant clearing systems for distribution to the relevant account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes

Foreign Account Tax Compliance Act ("FATCA") Withholding

Whilst the Notes are in global form and held within Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* (the "ICSDs"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs (see "*Taxation - Foreign Account Tax Compliance Act*" below). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care to ensure each is compliant with FATCA or other laws or agreements related to FATCA, and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has made payment to, or to the order of, the common depository or common safekeeper, as applicable, for the ICSDs (as holder of the Notes) and the Issuer has no responsibility for any amount thereafter transmitted through the hands of the ICSDs and custodians or intermediaries. Neither the Issuer nor any other party will make any additional payments in respect of amounts withheld or deducted pursuant to FATCA.

Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "IGA") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make. However, because the final rules for withholding on obligations such as the Notes have yet to be adopted, there can be no assurances that foreign financial institutions will not be required to withhold under future guidance.

The value of the Notes could be adversely affected by a change in English law or administrative practice

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

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if Definitive Notes are subsequently required to be issued

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of the Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a Definitive Note (as defined under "*Forms of the Notes*" below) in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

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

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk (including in relation to "benchmark" indices) and credit risk:

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid, which could result in increased price volatility for the Notes. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. In addition, the market price of any Notes may be affected by a range of factors, including (without limitation) any deterioration or perceived deterioration in the credit standing of the Issuer (including in the event of changes in any ratings assigned to the Issuer or the Notes by a credit rating agency), movements in currency exchange rates and other macro-economic factors. Illiquidity may have a severely adverse effect on the market value of Notes.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

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

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

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes and may be subject to change

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

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

Legal investment considerations may restrict certain investments

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

IMPORTANT INFORMATION RELATING TO PUBLIC OFFERS OF NOTES

Restrictions on Public Offers of Notes in Relevant Member States

Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may, subject as provided below, be offered to financial intermediaries in any Member State (a **"Member State"**) of the European Economic Area which has implemented the Prospectus Directive (each, a **"Relevant Member State"**) in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to herein as a **"Public Offer"**. From the date of application of Regulation (EU) No 1286/2014 (the **"PRIIPs Regulation"**), Notes may only be offered, sold or otherwise made available pursuant to a Public Offer if the "Prohibition of Sales to EEA Retail Investors" selling restriction is specified to be "Not Applicable" in the Final Terms in respect of such Notes and either (i) such Notes do not constitute a "packaged" product for the purposes of the PRIIPs Regulation or (ii) the Issuer has drawn up a key information document in accordance with the requirements of the PRIIPs Regulation.

As at the date of this Base Prospectus, a Public Offer of Notes may only be made in Luxembourg (the **"Public Offer Jurisdiction(s)"**). At any time during the period of 12 months following the date of this Base Prospectus, the Issuer may request that the CSSF, as competent authority in Luxembourg, notifies the competent authority of any other Relevant Member State that this Base Prospectus has been drawn up in accordance with the Prospectus Directive pursuant to the procedures set out in Articles 17 and 18 thereof (each such Member State, a **"Host Member State"**). Upon any such request, the Issuer shall prepare and publish a supplement to this Base Prospectus identifying any Host Member States so notified, and references herein to the Public Offer Jurisdiction(s) shall thereupon include any such Host Member State(s). The Public Offer Jurisdiction(s) in which Notes may be offered in the context of a Public Offer of Notes will be specified in the applicable Final Terms.

Any person making or intending to make a Public Offer of Notes in a Public Offer Jurisdiction on the basis of this Base Prospectus must do so only with the consent of the Issuer – see **"Consent"** below. Save as provided above, neither the Issuer nor any Dealer has authorised, nor does any of them authorise, the making of any Public Offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

Consent

In the context of any Public Offer of Notes for subsequent resale or final placement of the Notes by financial intermediaries in a Public Offer Jurisdiction, the Issuer accepts responsibility in that Public Offer Jurisdiction for the content of this Base Prospectus under Article 6 of the Prospectus Directive in relation to any person (an **"Investor"**) who acquires or purchases any Notes in that Public Offer Jurisdiction made by a Dealer or an Authorised Offeror (as defined below), where that offer is made during the Offer Period (as defined below).

None of the Issuer nor any Dealer makes any representation as to the compliance by an Authorised Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation to any Public Offer of Notes and none of the Issuer and any Dealer has any responsibility or liability for the actions of that Authorised Offeror.

Save as provided below, neither the Issuer nor any Dealer has authorised the making of any Public Offer of Notes by any offeror and the Issuer has not consented to the use of this Base Prospectus by any other person in connection with any Public Offer of Notes. Any offer made without the consent of the Issuer is unauthorised and neither the Issuer nor any Dealer accepts any responsibility or liability for the actions of the persons making any such unauthorised offer.

If, in the context of a Public Offer of Notes, an Investor is offered Notes by a person which is not an Authorised Offeror, the Investor should check with that person whether anyone is responsible for this Base Prospectus for the purposes of Article 6 of the Prospectus Directive in the context of the Public Offer of Notes and, if so, who that person is.

If an Investor is in any doubt about whether it can rely on this Base Prospectus and/or who is responsible for its contents it should take legal advice.

Specific and General Consent

Subject to the conditions set out below under "*Common Conditions to Consent*", the Issuer consents to the use of this Base Prospectus in connection with a Public Offer of Notes for subsequent resale or final placement of the Notes in any Public Offer Jurisdiction by:

(a) Specific Consent:

- (i) the Dealers specified in the relevant Final Terms;
- (ii) any financial intermediaries specified in the applicable Final Terms; and
- (iii) any other financial intermediary appointed after the date of the applicable Final Terms and whose name is published on the Issuer's website (www.theheinekencompany.com) and identified as an Authorised Offeror in respect of the relevant Public Offer; and

(b) General Consent

if (and only if) Part B of the applicable Final Terms specifies "General Consent" as being applicable, any other financial intermediary which satisfies the following conditions:

- (i) it is authorised to make such offers under Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments, including under any applicable implementing measure in each relevant jurisdiction ("**MiFID**"); and
- (ii) it accepts such offer by publishing on its website the following statement (with the information in square brackets duly completed with the relevant information) (the "**Acceptance Statement**"):

*"We, [insert legal name of financial intermediary], refer to the offer of [insert title of relevant Notes] (the "**Notes**") described in the Final Terms dated [insert date] (the "**Final Terms**") published by Heineken N.V. (the "**Issuer**").*

In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in [insert name(s) of relevant Public Offer Jurisdiction(s)] during the Offer Period in accordance with the Authorised Offeror Terms (as specified in the Base Prospectus), we accept the offer by the Issuer. We confirm that we are authorised under MiFID to make, and are using the Base Prospectus in connection with, the Public Offer of Notes accordingly.

Terms used herein and otherwise not defined shall have the same meaning as given to such terms in the Base Prospectus."

The "**Authorised Offeror Terms**" are that the relevant financial intermediary:

(A)

- (1) acts in accordance with all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the "**Rules**"), including the Rules published by the Financial Conduct Authority in the UK (including its guidance for distributors in "*The Responsibilities of Providers and Distributors for the Fair Treatment of Customers*" in the UK) from time to time, including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Notes by an Investor and disclosure to any potential Investor;
- (2) complies with the restrictions set out under "*Subscription and Sale*" in this Base Prospectus which would apply as if it were a Dealer;
- (3) ensures that any fee, commission, benefits of any kind, rebate received or paid by that financial intermediary in relation to the offer or sale of the Notes does not violate the Rules and is fully and clearly disclosed to Investors or potential Investors;

- (4) holds all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules, including authorisation under the Financial Services and Markets Act 2000 as amended (the "**FSMA**") and/or the Financial Services Act 2012;
 - (5) complies with, and takes appropriate steps in relation to, applicable anti-money laundering, anti-bribery, prevention of corruption and "know your client" Rules, and does not permit any application for Notes in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
 - (6) retains investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested and to the extent permitted by the Rules, make such records available to the relevant Dealer and the Issuer or directly to the appropriate authorities with jurisdiction over the Issuer and/or the relevant Dealer in order to enable the Issuer and/or the relevant Dealer to comply with anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules applying to the Issuer and/or the relevant Dealer;
 - (7) does not, directly or indirectly, cause the Issuer or the relevant Dealer to breach any Rule or subject the Issuer or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
 - (8) immediately gives notice to the Issuer and the relevant Dealer if at any time it becomes aware or suspects that it is or may be in violation of any Rules or the terms of this sub-paragraph, and takes all appropriate steps to remedy such violation and comply with such Rules and this sub-paragraph in all respects;
 - (9) does not give any information other than that contained in this Base Prospectus (as may be amended or supplemented by the Issuer from time to time) or make any representation in connection with the offering or sale of, or the solicitation of interest in, the Notes;
 - (10) agrees that any communication in which it attaches or otherwise includes any announcement published by the Issuer via a regulatory information service at the end of the Offer Period will be consistent with the Base Prospectus, and (in any case) must be fair, clear and not misleading and in compliance with the Rules and must state that such Authorised Offeror has provided it independently from the Issuer and must expressly confirm that the Issuer has not accepted any responsibility for the content of any such communication;
 - (11) does not use the legal or publicity names of the relevant Dealer, the Issuer or any other name, brand or logo registered by any entity within their respective groups or any material over which any such entity retains a proprietary interest or in any statements (oral or written), marketing material or documentation in relation to the Notes; and
 - (12) agrees to any other clear and objective conditions as set out in Part B of the applicable Final Terms;
- (B) agrees and undertakes to indemnify each of the Issuer and the relevant Dealer (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel's fees and disbursements associated with any such investigation or defence) which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations, warranties or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or requirements or the making by such financial intermediary of any

unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the Issuer or the relevant Dealer; and

(C) agrees and accepts that:

- (1) the contract between the Issuer and the financial intermediary formed upon acceptance by the financial intermediary of the Issuer's offer to use the Base Prospectus with its consent in connection with the relevant Public Offer of Notes (the "**Authorised Offeror Contract**"), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law;
- (2) subject to (4) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Authorised Offeror Contract (including any dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) (a "**Dispute**") and the Issuer and the financial intermediary submit to the exclusive jurisdiction of the English courts;
- (3) for the purposes of (C)(2) and (4), the Issuer and the financial intermediary waive any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any dispute;
- (4) this paragraph (4) is for the benefit of the Issuer and each relevant Dealer. To the extent allowed by law, the Issuer and each relevant Dealer may, in respect of any Dispute or Disputes, take (a) proceedings in any other court with jurisdiction; and (b) concurrent proceedings in any number of jurisdictions; and
- (5) each relevant Dealer will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit, including the agreements, representations, warranties, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

The financial intermediaries referred to in paragraphs (a)(ii) and (iii) and paragraph (b) above are together referred to herein as the "**Authorised Offerors**".

Any financial intermediary falling within paragraph (b) above who wishes to use this Base Prospectus in connection with a Public Offer of Notes is required, for the duration of the relevant Offer Period specified in the applicable Final Terms, to publish a duly completed Acceptance Statement on its website.

The consent referred to above relates to Offer Periods occurring within 12 months from the date of this Base Prospectus.

Common Conditions to Consent

The conditions to the Issuer's consent to the use of this Base Prospectus in the context of the relevant Public Offer are (in addition to the conditions described in paragraph (b) above if Part B of the applicable Final Terms specifies "General Consent" as being applicable) that such consent:

- (i) is only valid in respect of the relevant Tranche of Notes;
- (ii) is only valid during the Offer Period specified in the applicable Final Terms; and
- (iii) only extends to the use of this Base Prospectus to make Public Offers of Notes of the relevant Tranche of Notes in the Public Offer Jurisdiction(s) as specified in the applicable Final Terms.

The consent referred to above relates only to Offer Periods occurring within 12 months from the date of this Base Prospectus.

Arrangements Between Investors and Authorised Offerors

Neither the Issuer nor, for the avoidance of doubt, any Dealer has any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer.

AN INVESTOR INTENDING TO PURCHASE OR PURCHASING ANY NOTES FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO SUCH AN INVESTOR BY AN AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR (THE "TERMS AND CONDITIONS OF PUBLIC OFFERS OF NOTES"). THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTOR AND, ACCORDINGLY, THIS BASE PROSPECTUS DOES NOT, AND ANY FINAL TERMS WILL NOT, CONTAIN SUCH INFORMATION. THE TERMS AND CONDITIONS OF PUBLIC OFFERS OF NOTES SHALL BE PROVIDED TO SUCH INVESTOR BY THAT AUTHORISED OFFEROR AT THE TIME THE OFFER IS MADE. NONE OF THE ISSUER OR, FOR THE AVOIDANCE OF DOUBT, ANY OF THE DEALERS OR OTHER AUTHORISED OFFEROR HAS ANY RESPONSIBILITY OR LIABILITY FOR SUCH INFORMATION.

OVERVIEW OF THE PROGRAMME

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

Issuer: Heineken N.V.

Arranger: Credit Suisse Securities (Europe) Limited.

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

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

Trustee: BNP Paribas Trust Corporation UK Limited.

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

Paying Agent: BNP Paribas Securities Services, London Branch.

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

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

Initial Programme Amount: Up to €15,000,000,000 (or its equivalent in other currencies) aggregate nominal amount of Notes outstanding at any one time.

Issuance in Series: Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.

Forms of Notes:

Notes will be issued in bearer form.

Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note will be deposited on or around the relevant issue date with (i) if the Global Notes are intended to be issued in new global note ("NGN") form, as stated in the relevant Final Terms, a common safekeeper for Euroclear and Clearstream, Luxembourg or (ii) if the Global Notes are not intended to be issued in NGN form, a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Each Temporary Global Note will be exchangeable for, as specified in the relevant Final Terms, either a Permanent Global Note or Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Currencies:

Notes may be denominated in euro, U.S. dollars, Pounds sterling, Swiss Francs, Singapore dollars or Japanese Yen or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Status of the Notes:

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

Issue Price:

Notes may be issued at any price. The price and nominal amount of the Notes of any Tranche will be determined by the Issuer and the relevant Dealer(s) at the time of issue thereof in accordance with then prevailing market conditions.

Maturities:

Any maturity as may be agreed between the Issuer and the relevant Dealer, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of

investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 as amended (the "**FSMA**") by the Issuer.

Redemption:

Notes may be redeemable at par or at such other Final Redemption Amount as may be specified in the relevant Final Terms.

Optional Redemption:

Notes may be redeemed before their stated maturity at the option of (i) the Issuer (either in whole or in part) at the Optional Redemption Amount (which, if Make-Whole Redemption Option is specified in the applicable Final Terms, will be at the Make-Whole Redemption Amount) if Issuer Call is specified as applicable in the relevant Final Terms, and/or (ii) the Noteholders at the Optional Redemption Amount if Investor Put is specified as applicable in the relevant Final Terms, in each case to the extent (if at all) specified in the relevant Final Terms.

In addition, if Change of Control Put is specified as applicable in the relevant Final Terms, the Notes may be redeemed before their stated maturity at the option of the Noteholders in the circumstances described in Condition 6.4(b).

Tax Redemption:

Except as described in "*Optional Redemption*" above, early redemption will only be permitted for tax reasons as described in Condition 6.2.

Interest:

Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or a combination thereof.

Fixed Rate Notes are Notes where the interest rate payable by the Issuer on the Notes is fixed for the life of the Notes, as a set percentage at the time of issue.

Floating Rate Notes are Notes where the interest rate is calculated by reference to a fluctuating benchmark rate. Under the Programme, that benchmark rate will be determined either on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc) or else by reference to the Euro Interbank Offered Rate ("**EURIBOR**"), the London Interbank Offered Rate ("**LIBOR**"), the Singapore Interbank Offered Rate ("**SIBOR**") or the Singapore Swap Offer Rate ("**SOR-VWAP**"), as adjusted for any applicable margin. The floating interest rate is calculated on or about the start of each new Interest Period and applies for the length of that Interest Period. Therefore, Floating Rate Notes in effect have a succession of fixed interest rates which are recalculated on or about the start of each new Interest Period.

Notes may also be Zero Coupon Notes which are Notes which do not carry any interest but are generally issued at a deep discount to their nominal amount. Zero Coupon Notes are generally repaid at their full amount.

The specific details of each Note issued will be specified in the applicable Final Terms.

Denominations:

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Negative Pledge:

The Notes will have the benefit of a negative pledge as described in Condition 3.

Cross-Default:

The Notes will have the benefit of a cross-default as described in Condition 9.1(c).

Taxation:

All payments in respect of Notes will be made free and clear of withholding taxes of the Netherlands unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 7) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.

Rating:

The rating of certain Series of Notes to be issued under the Programme will be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation.

The list of registered and certified rating agencies published by ESMA will appear on its website (www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.

Governing Law:

English law.

Selling Restrictions:

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, France, the Netherlands, Singapore and Japan, see "*Subscription and Sale*" below.

INFORMATION INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the CSSF shall be incorporated by reference in, and form part of, this Base Prospectus:

- (a) the audited annual consolidated financial statements of the Issuer in respect of the financial year ended 31 December 2015, prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU, shall be deemed to be incorporated by reference in, and to form part of, this Base Prospectus, including the information set out at the following pages of the Issuer's 2015 Annual Report:

	2015
Consolidated Income Statement	page 60
Consolidated Statement of Comprehensive Income.....	page 61
Consolidated Statement of Financial Position	page 62
Consolidated Statement of Cash Flows.....	pages 63-64
Consolidated Statement of Changes in Equity	pages 65-66
Notes to the Consolidated Financial Statements	pages 67-131
Independent Auditor's Report on the audit of the Financial Statements 2015 of Heineken N.V.	pages 142-145

- (b) the section "*Terms and Conditions of the Notes*" from the following base prospectuses relating to the Programme: (i) Base Prospectus dated 8 September 2008 (pages 21-46 inclusive); (ii) Base Prospectus dated 8 September 2009 (pages 24-52 inclusive); (iii) Base Prospectus dated 13 September 2010 (pages 25-53 inclusive); (iv) Base Prospectus dated 7 March 2012 (pages 27-57 inclusive); (v) Base Prospectus dated 7 March 2013 (pages 44-72 inclusive); (vi) Base Prospectus dated 7 March 2014 (pages 45-75 inclusive); (vii) Base Prospectus dated 12 March 2015 (pages 45-75 inclusive); and (viii) Base Prospectus dated 8 March 2016 (pages 44-74).

Any information incorporated by reference pursuant to paragraph (a) above that is not referred to in the cross-reference list is considered additional information and is not required by the relevant schedules of Commission Regulation (EC) No 809/2004.

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

GENERAL DESCRIPTION OF THE PROGRAMME

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

The maximum aggregate nominal amount of Notes outstanding at any one time under the Programme will not exceed €15,000,000,000 (and, for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)).

FORMS OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global Note in bearer form (a "**Temporary Global Note**"), without interest coupons, or a permanent global Note in bearer form (a "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") will:

- (i) if the Global Notes are intended to be issued in new global note ("**NGN**") form, as stated in the relevant Final Terms, be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream, Luxembourg**"); and
- (ii) if the Global Notes are not intended to be issued in NGN form, be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Where the Global Notes issued in respect of any Tranche are in NGN form, the relevant Final Terms will also indicate whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The common safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the applicable Final Terms.

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

Temporary Global Note exchangeable for Permanent Global Note

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

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

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Agent at its specified office; and
- (ii) receipt by the Agent of a certificate or certificates of non-U.S. beneficial ownership.

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

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

- (i) if so specified in the relevant Final Terms, at the option of the Issuer (exercisable at any time) or at the request of the bearer, on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then (a) if both Euroclear and Clearstream, Luxembourg and any other relevant clearing system are closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system chosen by the Issuer and notified to the Trustee is available, or (b) if any of the circumstances described in Condition 9 as an Event of Default occurs and is continuing, or (c) at the option of the Issuer, if the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes not in global form.

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

The exchange at the option of the Issuer/at the request of the bearer option referred to in (i) above should not be expressed to be applicable if the Specified Denomination of the Notes comprises a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount.

Temporary Global Note exchangeable for Definitive Notes

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

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

In relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes, such Notes should not be issued in denominations comprising a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount.

Permanent Global Note exchangeable for Definitive Notes

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

- (i) if so specified in the relevant Final Terms, at the option of the Issuer (exercisable at any time) or at the request of the bearer, on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then (a) if both Euroclear and Clearstream, Luxembourg and any other relevant clearing system are closed for business for a continuous period of 14 days (other than by reason of holidays,

statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system chosen by the Issuer and notified to the Trustee is available, or (b) if any of the circumstances described in Condition 9 as an Event of Default occurs and is continuing, or (c) at the option of the Issuer, if the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes not in global form.

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

Legend concerning United States persons

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

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

NGNs

In respect of Notes represented by a Global Note issued in NGN form, the nominal amount of such Notes shall be the aggregate amount from time to time entered in the records of both Euroclear and Clearstream, Luxembourg (the "**ICSDs**"). The records of the ICSDs shall be conclusive evidence of the nominal amount of such Notes and a statement issued by Euroclear and/or Clearstream, Luxembourg shall be conclusive evidence of the records of such parties at that time.

The Issuer has entered into an agreement with the ICSDs in respect of any Notes issued in NGN form that the Issuer may request be made eligible for settlement with the ICSDs (the "**Issuer-ICSDs Agreement**"). The Issuer-ICSDs Agreement provides that the ICSDs will, in respect of any such Notes, *inter alia*, maintain records of their respective portion of the issue outstanding amount and will, upon the Issuer's request, produce a statement for the Issuer's use showing the total nominal amount of its customer holding of such Notes as of a specified date.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each Definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such Definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and Definitive Note.

This Note is one of a Series (as defined below) of Notes issued by Heineken N.V. (the "**Issuer**") constituted by an amended and restated Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 3 March 2017 made between the Issuer and BNP Paribas Trust Corporation UK Limited (the "**Trustee**", which expression shall include any successor as Trustee).

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

- (a) in relation to any Notes represented by a global Note (a "**Global Note**"), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note; and
- (c) any definitive Notes issued in exchange for a Global Note.

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 7 March 2014 and made between the Issuer, the Trustee, BNP Paribas Securities Services, Luxembourg Branch as issuing and principal paying agent and agent bank (the "**Agent**", which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents).

Interest-bearing definitive Notes have interest coupons ("**Coupons**") and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes do not have Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which complete these Terms and Conditions (the "**Conditions**"). References to the "**applicable Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

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

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

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee being at 10 Harewood Avenue, London NW1 6AA and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing at the registered office of the Issuer and of the Agent and copies may be obtained from those offices save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the "**Prospectus Directive**"), the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to

its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

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

1. **FORM, DENOMINATION AND TITLE**

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the "**Specified Currency**") and in the denomination(s) (the "**Specified Denomination(s)**") specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

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

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

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

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Paying Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, any Paying Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

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

2. **STATUS OF THE NOTES**

The Notes and any relative Coupons constitute (subject to Condition 3) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and any relative Coupons shall, save for such

exceptions as may be provided by applicable legislation (and subject to Condition 3), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

3. **NEGATIVE PLEDGE**

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

- (a) the Issuer will not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt or any guarantee of or indemnity in respect of any Relevant Debt; and
- (b) the Issuer will procure that no Subsidiary of the Issuer will create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt or any guarantee of or indemnity in respect of any Relevant Debt,

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

For the purposes of these Conditions:

"Excluded Subsidiary" means any Subsidiary of the Issuer:

- (i) which has been established solely to conduct the business of and any ancillary activities relating to securitisation or such similar financing of assets held by it; and
- (ii) none of whose liabilities in respect of such financing are the subject of a Security Interest created or permitted to subsist by the Issuer or any other Subsidiary of the Issuer.

"Permitted Security Interest" means:

- (i) any Security Interest over or affecting the whole or part of the present or future business, undertaking, assets or revenues (including any uncalled capital) of any entity which becomes a Subsidiary of the Issuer after the date on which agreement is reached to issue the first Tranche of the Notes, where such Security Interest was created prior to the date on which such an entity becomes a Subsidiary of the Issuer, but only if (A) such Security Interest was not created in contemplation of such entity becoming a Subsidiary of the Issuer and (B) the amount thereby secured has not been increased in contemplation of, or since the date of, such entity becoming a Subsidiary of the Issuer;
- (ii) any Security Interest (the **"Replacement Security Interest"**) created in whole or in part to replace or renew or in substitution for any Security Interest created by a company referred to in (i) of this paragraph (the **"Old Security Interest"**) upon a refinancing or similar transaction where the Replacement Security Interest is created in respect of the same business, undertaking, assets or revenues as the Old Security Interest and where the amount secured by the Replacement Security Interest is equal to or less than the amount secured by the Old Security Interest; and
- (iii) any Security Interest created by an Excluded Subsidiary over its assets to secure any Relevant Debt of that Excluded Subsidiary, provided that the aggregate amount of all such Relevant Debt so secured and outstanding from time to time does not exceed €1,000,000,000 or its equivalent in any other currency (as determined by the Trustee in accordance with the Trust Deed).

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

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

"Subsidiary" means an entity in which a person:

- (i) holds beneficially (directly or indirectly) more than 50 per cent. of the issued share capital (or similar rights of ownership); or
- (ii) holds beneficially (directly or indirectly) the right to control the composition of the majority of its board of directors (or equivalent body) or controls the majority of the voting rights, in each case, whether through the ownership of voting capital or by contract.

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

4. **INTEREST**

4.1 **Interest on Fixed Rate Notes**

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

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

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

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

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

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

"Day Count Fraction" means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1:

- (a) if **"Actual/Actual (ICMA)"** is specified in the applicable Final Terms:
 - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **"Accrual Period"**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination

Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

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

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

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

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

In the Conditions:

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

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

4.2 Interest on Floating Rate Notes

(a) Interest Payment Dates

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

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

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

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

- (A) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last

Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

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

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

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

(b) **Rate of Interest**

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

(i) **ISDA Determination for Floating Rate Notes**

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

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

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

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

- (ii) Screen Rate Determination for Floating Rate Notes where the Reference Rate is not specified as being SIBOR or SOR-VWAP

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

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

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

If the Relevant Screen Page is not available or if, in the case of Condition 4.2(b)(ii)(A) above, no such offered quotation appears or, in the case of Condition 4.2(b)(ii)(B) above, fewer than three such offered quotations appear, in each case as at the Relevant Time, the Agent shall request the principal London office of each of the Reference Banks to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London interbank market (if the Reference Rate is LIBOR) or the Euro-zone interbank market (if the Reference Rate is EURIBOR) or the interbank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Agent it is quoting to leading banks in the London interbank market (if the Reference Rate is LIBOR) or the Euro-zone interbank market (if the Reference Rate is EURIBOR) or the interbank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

- (iii) Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SIBOR or SOR-VWAP

Each Floating Rate Note where the Reference Rate is specified in the applicable Final Terms as being SIBOR (in which case such Note will be, a "**SIBOR Note**") bears interest at a floating rate determined by reference to the Singapore interbank offered rate ("**SIBOR**") and each Floating Rate Note where the Reference Rate is specified in the applicable Final Terms as being SOR-VWAP (in which case such Note will be, a "**Swap Rate Note**") bears interest at a floating rate determined by reference to SOR-VWAP. Such Floating Rate Notes may be adjusted by adding or subtracting the Margin (if any) specified in the applicable Final Terms.

The Rate of Interest payable from time to time in respect of each Floating Rate Note under this Condition 4.2(b)(iii) will be determined by the Agent on the basis of the following provisions:

(A) In the case of Floating Rate Notes which are SIBOR Notes:

- (a) the Agent will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period which appears on the Relevant Screen Page at or about the Relevant Time on such Interest Determination Date and as adjusted by the Margin (if any);
- (b) if on any Interest Determination Date, no such rate appears on the Relevant Screen Page or if the Relevant Screen Page is unavailable for any reason, the Agent will request the principal Singapore office of each of the Reference Banks to provide the Agent with the rate at which deposits in Singapore dollars are offered by it at approximately the Relevant Time on the Interest Determination Date to prime banks in the Singapore interbank market for a period equivalent to the duration of such Interest Period commencing on the first day of such Interest Period in an amount comparable to the aggregate principal amount of the Notes. The Rate of Interest for such Interest Period shall be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of such offered quotations and as adjusted by the Margin (if any), as determined by the Agent;
- (c) if on any Interest Determination Date, two but not all the Reference Banks provide the Agent with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with paragraph (b) of this Condition 4.2(b)(iii)(A) on the basis of the quotations of those Reference Banks providing such quotations; and
- (d) if on any Interest Determination Date, one only or none of the Reference Banks provides the Agent with such quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines to be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the rates quoted by major banks in Singapore, selected by the Agent, at approximately the Relevant Time on the first day of such Interest Period for loans in Singapore dollars to leading banks in Singapore for a period equivalent to the duration of such Interest Period commencing on the first day of such Interest Period in an amount comparable to the aggregate principal amount of the Notes and as adjusted by the Margin (if any).

(B) In the case of Floating Rate Notes which are Swap Rate Notes:

- (a) the Agent will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the synthetic rate for deposits in Singapore dollars ("**SOR-VWAP**") for a period equal to the duration of such Interest Period which appears on the Relevant Screen Page at or about the Relevant Time on such Interest Determination Date and as adjusted by the Margin (if any);

- (b) if on any Interest Determination Date, no such rate appears on the Relevant Screen Page or if the Relevant Screen Page is unavailable for any reason, SOR-VWAP will be any substitute rate announced by ABS Benchmarks Administration Co Pte. Ltd. (or its successor as administrator or sponsor of that rate) (the "**Administrator**") or, if the Administrator does not announce such rate by 9.00 p.m. (Singapore time) on such Interest Determination Date, the Agent will determine SOR-VWAP (which shall be rounded up, if necessary, to the nearest 1/16 per cent.) for such Interest Period in accordance with the following formula:

$$\left\{ \left[\left(\frac{\text{Spot Rate} + \text{Forward Points}}{\text{Spot Rate}} \right) \times \left(1 + \frac{\text{USD Rate} \times \# \text{ days}}{360} \right) \right] - 1 \right\} \times \frac{365}{\# \text{ days}} \times 100$$

where:

- "Spot Rate"** = the average of the bid and offered exchange rates for the sale of Singapore dollars against United States dollars for settlement on a spot basis obtained by the Agent from Reference Banks, as of 4:30 p.m. (Singapore time) on the relevant Interest Determination Date or as close to such time as is reasonably practicable. If at least three quotations are provided, the Spot Rate for such Interest Period will be the arithmetic mean of the quotations, without regard to the quotations with the highest and lowest values. For this purpose, if more than one quotation has the same highest or lowest value, then one such quotation shall be disregarded. If exactly two quotations are provided, the Spot Rate for such Interest Period will be the arithmetic mean of the quotations.
- "Forward Points"** = the mid-market of the FX forward points for the forward sale of Singapore dollars against United States dollars for settlement on the last day of a period equivalent to the relevant Interest Period and commencing on the first day of such Interest Period as determined by the Agent on the basis of mid-market indicative quotations obtained by the Agent from the Reference Banks, as of 4:30 p.m. (Singapore time), on the relevant Interest Determination Date or as close to such time as is reasonably practicable. If at least three quotations are provided, the Forward Points for such Interest Period will be the arithmetic mean of the quotations, without regard to the quotations with the highest and lowest values. For this purpose, if more than one quotation has the same highest or lowest value, then one such quotation shall be disregarded. If exactly two quotations are provided, the Forward Points for such Interest Period will be the arithmetic mean of the quotations.
- "# days"** = the number of calendar days in the Interest Period in respect of which the calculation is being made.
- "USD Rate"** = the rate for deposits in United States dollars for a period of equal duration to the relevant Interest Period which appears on the Reuters Screen

LIBOR01 Page as of the Relevant Time on the relevant Interest Determination Date. If such rate does not appear on the Reuters Screen LIBOR01 Page, the USD Rate for that Interest Period will be determined on the basis of the rates at which deposits in United States dollars are offered by the Reference Banks at approximately the Relevant Time on the relevant Interest Determination Date to prime banks in the London interbank market for a period of equal duration to the relevant Interest Period commencing on the first day of such Interest Period in an amount comparable to the aggregate principal amount of the Notes. The Agent will request the principal London office of each of the Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the USD Rate for that Interest Period will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the USD Rate for that Interest Period will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Agent, at approximately 11:00 a.m. (New York City time) on the first day of such Interest Period for loans in United States dollars to leading European banks for a period of equal duration to the relevant Interest Period commencing on the first day of such Interest Period in an amount comparable to the aggregate principal amount of the Notes. For the purposes of this definition of USD Rate, "Reference Banks" shall mean the principal London office of four major banks in the London interbank market, in each case selected by the Agent.

The Rate of Interest for such Interest Period shall be SOR-VWAP (as determined by the Agent) and as adjusted by the Margin (if any).

(iv) Definitions

For the purposes of these Conditions:

"Interest Determination Date" shall mean the date specified as such in the Final Terms or if none is so specified:

- (i) if the Reference Rate is the London interbank offered rate ("**LIBOR**") (other than Sterling or Euro LIBOR), the second London business day prior to the start of each Interest Period;
- (ii) if the Reference Rate is Sterling LIBOR, the first day of each Interest Period;
- (iii) if the Reference Rate is Euro LIBOR or the Euro-zone interbank offered rate ("**EURIBOR**"), the second day on which the TARGET2 System is open prior to the start of each Interest Period;
- (iv) if the Reference Rate is SIBOR (other than USD SIBOR, which has with effect from 31 December 2013 been replaced by USD LIBOR), two Singapore Banking Days prior to the start of each Interest Period (for these purposes, "**Singapore Banking Day**" means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Singapore);
- (v) if the Reference Rate is SOR-VWAP or USD SIBOR (which has with effect from 31 December 2013 been replaced by USD LIBOR), two Singapore and London Banking

Days prior to the start of each Interest Period (for these purposes, "**Singapore and London Banking Day**" means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Singapore and London); or

- (vi) if the Reference Rate is the Tokyo interbank offered rate ("**TIBOR**"), the second Tokyo business day prior to the start of each Interest Period.

"**Margin**" shall have the meaning specified in the applicable Final Terms.

"**Reference Banks**" shall mean:

- (i) in the case of a determination of LIBOR, the principal London office of four major banks in the London interbank market;
- (ii) in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone interbank market;
- (iii) in the case of a determination of SIBOR or SOR-VWAP, the principal Singapore office of four major banks in the Singapore interbank market;
- (iv) in the case of a determination of TIBOR, the principal Tokyo office of ten major banks in the Tokyo interbank market; and
- (v) in the case of any other Reference Rate, the principal office in the Relevant Financial Centre of four major banks in the interbank market of the Relevant Financial Centre,

in each case selected by the Agent and approved in writing by the Trustee.

"**Reference Rate**" shall mean (i) LIBOR, (ii) EURIBOR, (iii) SIBOR, (iv) SOR-VWAP, or (v) TIBOR, in each case for the relevant currency and for the relevant period, as specified in the applicable Final Terms.

"**Relevant Financial Centre**" shall mean (i) London, in the case of a determination of LIBOR or SOR-VWAP or USD SIBOR, (ii) Brussels, in the case of a determination of EURIBOR, (iii) Singapore, in the case of a determination of SIBOR (other than USD SIBOR), or (iv) Tokyo, in the case of a determination of TIBOR, as specified in the applicable Final Terms.

"**Relevant Screen Page**" shall mean such page, section, caption, column or other part of a particular information service as may be specified in the applicable Final Terms (or any successor or replacement page, section, caption, column or other part of a particular information service).

"**Relevant Time**" shall mean (i) in the case of LIBOR, 11.00 a.m., (ii) in the case of EURIBOR, 11.00 a.m., (iii) in the case of SIBOR, 11.00 a.m., (iv) in the case of SOR-VWAP, 11.00 a.m. or (v) in the case of TIBOR, 11.00 a.m., in each case in the Relevant Financial Centre, or such other time as specified in the applicable Final Terms.

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

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

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

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

The Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

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

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

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

"Day Count Fraction" means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2:

- (i) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

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

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

where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30; and

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

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

where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30.

(e) **Notification of Rate of Interest and Interest Amounts**

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice

in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(f) **Determination or Calculation by Trustee**

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

(g) **Linear Interpolation**

Where Linear Interpolation is specified as being applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which rates are available next longer than the length of the relevant Interest Period, provided, however, that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"Designated Maturity" means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(h) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2 shall (in the absence of manifest error) be binding on the Issuer, the Agent, the other Paying Agents and all Noteholders and Couponholders and (subject as aforesaid) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 **Accrual of interest**

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

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13.

5. PAYMENTS

5.1 Method of payment

Subject as provided below:

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

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations thereunder, any official interpretations thereof or an intergovernmental agreement, including any laws implementing such an agreement, between the United States and another jurisdiction facilitating the implementation thereof. The Issuer will not be obliged to make any additional payments in respect of any such withholding or deduction.

No commissions or expenses shall be charged to the Noteholders in respect of such payments.

5.2 Presentation of definitive Notes and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

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

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

5.3 **Payments in respect of Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note, where applicable, against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

5.4 **General provisions applicable to payments**

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

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

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

5.5 **Payment Day**

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 8) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) in the case of Notes in definitive form only, the relevant place of presentation;
 - (ii) each Additional Financial Centre specified in the applicable Final Terms; and
- (b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and

Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

5.6 Interpretation of principal and interest

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

- (a) any additional amounts which may be payable with respect to principal under Condition 7 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.5); and
- (f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

6. REDEMPTION AND PURCHASE

6.1 Redemption at maturity

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

6.2 Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of the Netherlands or any political subdivision or any authority therein or thereof having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

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

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by any member of the Executive Board of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the

obligation referred to in (a) cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the condition precedent set out in (b) above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

6.3 **Redemption at the option of the Issuer (Issuer Call)**

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

- (a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13; and
- (b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Trustee and to the Agent;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. The Optional Redemption Amount will be either the amount per Calculation Amount specified in the applicable Final Terms or, if Make-Whole Redemption Option is specified as being applicable in the applicable Final Terms, the Make-Whole Redemption Amount.

In this Condition:

"Benchmark Rate" means the benchmark rate calculated on the Calculation Date and determined by the Quotation Agent based on the rate per annum equal to the annual yield to maturity or interpolated yield to maturity of the Benchmark Security, assuming a price for the Benchmark Security (expressed as a percentage of its nominal amount) equal to the Benchmark Security Price for the relevant Optional Redemption Date;

"Benchmark Security" means the benchmark security/securities specified in the applicable Final Terms;

"Benchmark Security Price" means the arithmetic average, as determined by the Quotation Agent, of the bid and offered prices for the Benchmark Security (expressed as a percentage of its nominal amount) at such time on the Calculation Date as shall be specified in the Final Terms;

"Calculation Date" means the third Business Day (as defined in Condition 4.2(a)(i)) prior to the Optional Redemption Date;

"Make-Whole Margin" means the rate per annum (expressed as a percentage) specified in the applicable Final Terms;

"Make-Whole Redemption Amount" means the sum of:

- (a) the greater of (i) the Final Redemption Amount of the Redeemed Notes (as defined below) and (y) the sum of the present values of the remaining scheduled payments of principal and interest on the Redeemed Notes (excluding any interest accruing on the Redeemed Notes to but excluding the Optional Redemption Date) discounted to the Optional Redemption Date on a semi-annual or annual basis (as specified in the applicable Final Terms) at a rate equal to the Make-Whole Redemption Rate; and
- (b) any interest accrued but not paid on the Redeemed Notes to but excluding the Optional Redemption Date,

as determined by the Quotation Agent;

"Make-Whole Redemption Rate" means the sum of the Benchmark Rate and the Make-Whole Margin; and

"Quotation Agent" means any Dealer or any other international credit institution or financial services institution appointed by the Issuer for the purpose of determining the Make-Whole Redemption Amount, in each case as such Quotation Agent is identified in the applicable Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

6.4 **Redemption at the option of the Noteholders (Investor Put)**

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

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Put Notice**") and in which the holder must specify a bank account to which payment is to be made under this Condition 6.4(a) accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 6.4(a) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 9, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.4(a).

(b) **Change of Control Put**

If Change of Control Put is specified as being applicable in the applicable Final Terms, this Condition 6.4(b) shall apply.

- (i) Subject to Condition 6.4(b)(vi) below, a "**Put Event**" will be deemed to occur if:
- (A) any Person or group of Persons acting in concert gains control of the Issuer ("**Change of Control**"); and
 - (B) on the date (the "**Relevant Announcement Date**") that is the earlier of (i) the date of the first public announcement of the relevant Change of Control; and (ii) the date of the earliest Relevant Potential Change of Control Announcement (if any), the Notes carry from any Rating Agency:
 - (1) an investment grade credit rating (*Baa3/BBB–, or equivalent, or better*), and such rating from any Rating Agency is within the Change of Control Period either downgraded to a non-investment grade credit rating (*Ba1/BB+, or equivalent, or worse*) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated, in either case, to an investment grade credit rating by such Rating Agency; or
 - (2) a non-investment grade credit rating (*Ba1/BB+, or equivalent, or worse*), and such rating from any Rating Agency is within the Change of Control Period downgraded by one or more notches (for illustration, *Ba1/BB+ to Ba2/BB being one notch*) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated, in either case, to its earlier credit rating or better by such Rating Agency, or
 - (3) no credit rating, and no Rating Agency assigns within the Change of Control Period an investment grade credit rating to the Notes,provided that if on the Relevant Announcement Date the Notes carry a credit rating from more than one Rating Agency, at least one of which is investment grade, then sub-paragraph (1) will apply to the exclusion of sub-paragraph (2), such that any change in a non-investment grade credit rating from another Rating Agency shall be disregarded for the purposes of Condition 6.4(b); and
 - (C) in making the relevant decision referred to in (B)(1) or (2) above (if applicable), the relevant Rating Agency announces publicly or confirms in writing to the Issuer and the Trustee that such decision resulted, in whole or in part, from the occurrence of the Change of Control (whether or not the Change of Control shall have occurred at the time such decision is made) or the Relevant Potential Change of Control Announcement.
- (ii) If a Put Event occurs (unless the Issuer has given notice under Condition 6.2), each Noteholder shall have the option to require the Issuer to redeem or, at the Issuer's option, purchase (or propose the purchase of) that Note on the Put Date (as defined below) at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the date of redemption or purchase. Such option (the "**Put Option**") shall operate as set out in this Condition 6.4(b).
- (iii) Promptly upon the Issuer becoming aware that a Put Event has occurred the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall (subject in each case to being indemnified and/or provided with security to its satisfaction), give notice (a "**Put Event Notice**") to the Noteholders in accordance with Condition 13 specifying the nature of the Put Event and the procedure for exercising the Put Option.

- (iv) To exercise the Put Option, the holder of this Note must, if it is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the "**Put Period**") of not less than 30 and not more than 60 days after a Put Event Notice is given, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Change of Control Put Notice**") and in which the holder must specify a bank account to which payment is to be made under this Condition 6.4(b) accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Change of Control Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the Put Option, the holder of this Note must, within the Put Period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

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

Any Change of Control Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 6.4(b) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 9, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.4(b). Receipts issued pursuant to this Condition 6.4(b) shall be treated as if they were Notes. The Issuer shall redeem or purchase (or procure the purchase of) the relevant Notes on the Put Date unless previously redeemed and cancelled or purchased.

If 80 per cent. or more in nominal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 6.4(b), the Issuer may, on not less than 30 and not more than 60 days' notice to the Noteholders given within 30 days after the Put Date, redeem or purchase (or procure the purchase of), at its option, the remaining Notes as a whole at their principal amount together with interest accrued to but excluding the date of redemption or purchase.

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

- (v) The Trustee is under no obligation to ascertain whether a Put Event has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Put Event has occurred.
- (vi) A Change of Control shall not apply to the acquisition of control by family members or successors by inheritance of the current ultimate owner of the Issuer or by companies owned by such family members or successors by inheritance or by trusts of which they are beneficiaries and no Put Event shall be deemed to have occurred in such circumstances.

- (vii) For the purpose of this Condition 6.4(b):

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

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

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

- (i) beneficial ownership (directly or indirectly) of more than 50 per cent. of the issued share capital (or voting power) of the Issuer; or
- (ii) beneficial ownership (directly or indirectly) of the right to control the composition of the majority of the board of directors of the Issuer or the majority of its voting rights, in each case, whether through the ownership of voting capital or by contract;

"Optional Redemption Amount" shall mean the amount specified as such in the applicable Final Terms;

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

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

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

6.5 Early Redemption Amounts

For the purpose of Condition 6.2 above and Condition 9, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note other than a Zero Coupon Note, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (b) in the case of a Zero Coupon Note, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

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

where:

"RP" means the Reference Price;

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

"y" is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or

(as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

6.6 Purchases

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

6.7 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 6.6 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

6.8 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1, 6.2, 6.3 or 6.4 above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.5(b) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 13.

7. TAXATION

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

- (a) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with the Netherlands other than the mere holding of such Note or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5.5); or

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

As used herein, "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

8. **PRESCRIPTION**

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5.2 or any Talon which would be void pursuant to Condition 5.2.

9. **EVENTS OF DEFAULT AND ENFORCEMENT**

9.1 **Events of Default**

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

(a) *Non-Payment*

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

(b) *Breach of Other Obligations*

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

(c) *Cross-Default*

if (i) any other present or future indebtedness of the Issuer or any of its Material Subsidiaries for or in respect of moneys borrowed becomes due and payable prior to its stated maturity by reason of default, event of default or the like (howsoever described) or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred and remains unpaid or undischarged equals or exceeds (x) €100,000,000 or, if greater, (y) 0.5 per cent. of Total Group Assets, or their equivalent in any other currency (as determined by the Trustee in accordance with the Trust Deed); or

(d) *Enforcement Proceedings*

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

(e) *Security Enforced*

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

(f) *Insolvency*

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

(g) *Winding-up*

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

(h) *Analogous Events*

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

For the purposes of the Conditions:

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

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

For this purpose:

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

activities of that Subsidiary (calculated on a consolidated basis if that Subsidiary itself has Subsidiaries) will be determined from its latest financial statements;

- (iii) the net turnover on ordinary activities of the Group will be determined from its latest audited financial statements; and
- (iv) if a Material Subsidiary disposes of all or (in the opinion of the Trustee) substantially all of its assets to another Subsidiary of the Issuer, it will immediately cease to be a Material Subsidiary and the other Subsidiary (if it is not already) will immediately become a Material Subsidiary and the subsequent financial statements of those Subsidiaries and the Group will be used to determine whether those Subsidiaries are Material Subsidiaries or not.

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

"substantial part", in Conditions 9.1(d) and (e) above, means 20 per cent. or more of the whole, as reasonably determined by the Trustee. In the case of assets of the Issuer or a Material Subsidiary, this shall be determined by reference to the total assets of the Issuer or the relevant Material Subsidiary, as the case may be, on a consolidated basis. In the case of revenues of the Issuer or a Material Subsidiary, this shall be determined by reference to net turnover on ordinary activities of the Issuer or the relevant Material Subsidiary, as the case may be, on a consolidated basis. In the case of both assets and revenues of the Issuer or a Material Subsidiary, the determination as to whether something is a "substantial part" shall be made by reference to the latest audited financial statements of the Issuer (for the Issuer) or the latest financial statements (audited, if available, and on a consolidated basis if that Subsidiary itself has Subsidiaries) of the Material Subsidiary (for a Material Subsidiary).

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

9.2 Enforcement

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

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

10. REPLACEMENT OF NOTES, COUPONS AND TALONS

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

11. PAYING AGENTS

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

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

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

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.4. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.

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

12. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

13. NOTICES

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

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

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

14. **MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

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

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

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed (other than in respect of Reserved Matters (as defined in the Trust Deed)), or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error. Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 7 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

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

The Trustee may, without the consent of the Noteholders or Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed of another company, being a

Subsidiary of the Issuer or a Holding Company (as defined in the Trust Deed) of the Issuer, subject to (a) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (b) certain other conditions set out in the Trust Deed being complied with.

No Noteholder or Couponholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder or Couponholder, as the case may be, except to the extent provided for in Condition 7 (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

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

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

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

16. FURTHER ISSUES

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

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 Governing law

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

18.2 Submission to jurisdiction

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

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

18.3 **Appointment of process agent**

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

USE OF PROCEEDS

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

FORMS OF FINAL TERMS

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

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS: The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of the Insurance Mediation Directive (Directive 2002/92/EC (as amended)), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]¹

[Date]

HEINEKEN N.V.

(incorporated with limited liability in the Netherlands)

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €15,000,000,000
Euro Medium Term Note Programme**

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 3 March 2017 [as supplemented by the supplement[s] to it dated [date] [and [date]]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented]. Full information on Heineken N.V. (the "**Issuer**") and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. A summary of the Notes (which comprises the summary in the Base Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Base Prospectus [and the supplement[s] dated [date] [and [date]]] [has] [have] been published on the website of the Luxembourg Stock Exchange (www.bourse.lu) and copies may be obtained, during normal business hours, from [address].]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [8 September 2008] [8 September 2009] [13 September 2010] [7 March 2012] [7 March 2013] [7 March 2014] [12 March 2015] [8 March 2016] which are incorporated by reference in the Base Prospectus dated 3 March 2017 (the "**Base Prospectus**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus [as supplemented by the supplement[s] to it dated [date] [and [date]]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, including the Conditions incorporated by reference in the Base Prospectus. Full information on Heineken N.V. (the "**Issuer**") and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. A summary of the Notes (which comprises the summary in the Base Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Base Prospectus [and the supplement[s] dated [date] [and [date]]] [has] [have] been published on the website of the Luxembourg Stock Exchange (www.bourse.lu) and copies may be obtained, during normal business hours, from [address].]

¹ Delete legend if the offer of the Notes is concluded prior to 1 January 2018, or on and after that date the Notes do not constitute "packaged" products, in which case, insert "Not Applicable" in paragraph 8(viii) of Part B below. Include legend if the offer of the Notes will be concluded on or after 1 January 2018, the Notes may constitute "packaged" products and the Issuer intends to prohibit the Notes being offered, sold or otherwise made available to EEA retail investors. In this case, insert "Applicable" in paragraph 8(viii) of Part B below.

1. (a) Series Number: []
 (b) Tranche Number: []
 (c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below, which is expected to occur on or about *[date]*] [Not Applicable]
2. Specified Currency or Currencies: []
3. Aggregate Nominal Amount:
 (a) Series: []
 (b) Tranche: []
4. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]*]
5. (a) Specified Denomination(s): []
 (b) Calculation Amount: []
6. (a) Issue Date: []
 (b) Interest Commencement Date: [*specify*/Issue Date/Not Applicable]
7. Maturity Date: [*Fixed rate – specify date*/Floating rate – Interest Payment Date falling in or nearest to *[specify date]*]
8. Interest Basis: [In respect of the period from (and including) [] to (but excluding) []:]
 [[] per cent. Fixed Rate]
 [[*Reference Rate*] +/- [] per cent. Floating Rate]
 [Zero Coupon]
 (see paragraph [13]/[14]/[15] below)
 [In respect of the period from (and including) [] to (but excluding) []:]
 [[] per cent. Fixed Rate]
 [[*Reference Rate*] +/- [] per cent. Floating Rate]
 [Zero Coupon]
 (see paragraph [13]/[14]/[15] below)
9. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [] per cent. of their nominal amount
10. Change of Interest Basis or Redemption/Payment Basis: [Not Applicable]/[See paragraph 8 above]

11. Put/Call Options: [Investor Put]
[Change of Control Put]
[Issuer Call]
[(see paragraph [16]/[17]/[18] below)]
[Not Applicable]

12. Date [Board] approval for issuance of Notes obtained: []/[Not Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. Fixed Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Rate(s) of Interest: [] per cent. per annum payable in arrear on each Interest Payment Date

(b) Interest Payment Date(s): [] [and []] in each year, commencing on [], up to and including the Maturity Date

[There will be a [long/short] [first/last] coupon in respect of the period from and including [] to but excluding [].]

(c) Fixed Coupon Amount(s): [] per Calculation Amount
(Applicable to Notes in definitive form)

(d) Broken Amount(s): [[Long/short] [first/last] coupon: [] per Calculation Amount, payable on the Interest Payment Date falling in/on []/[Not Applicable]
(Applicable to Notes in definitive form)

(e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]

(f) Determination Date(s): [[] in each year]/[Not Applicable]

14. Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Specified Period(s)/Specified Interest Payment Dates: [[], [], [] and [] in each year, commencing on the Interest Payment Date falling in [], up to and including the Maturity Date, in each case subject to adjustment in accordance with the Business Day Convention specified below/[]]

(b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]

(c) Additional Business Centre(s): []/[Not Applicable]

(d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]

(e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): []/[Not Applicable]

(f) Screen Rate Determination: [Applicable/Not Applicable]

- Reference Rate, Relevant Time and Relevant Financial Centre: Reference Rate: [] month [currency]
[LIBOR/EURIBOR/SIBOR/SOR-VWAP/TIBOR/[]]

Relevant Time: [[]] in the Relevant Financial Centre

Relevant Financial Centre: [London/
Brussels/Singapore/Tokyo/[]]
- Interest Determination Date(s): []
- Relevant Screen Page: [] [for SIBOR Notes – Reuters Screen ABSIRFIX01 Page under the heading "SGD SIBOR"]
[for Swap Rate Notes - Reuters Screen ABSFIX01 Page under the heading "SGD SOR rates"]
- (g) ISDA Determination: [Applicable/Not Applicable]
 - Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (h) Linear Interpolation: [Not Applicable]/[Applicable – the Rate of Interest for the [long]/[short] [first/last] Interest Period shall be calculated using Linear Interpolation]
- (i) Margin(s): [+/-] [] per cent. per annum
- (j) Minimum Rate of Interest: [[] per cent. per annum]/[Not Applicable]
- (k) Maximum Rate of Interest: [[] per cent. per annum]/[Not Applicable]
- (l) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360] [360/360] [Bond Basis]
[30E/360] [Eurobond Basis]
[30E/360 (ISDA)]

15. Zero Coupon Note Provisions

[Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Accrual Yield: [] per cent. per annum
- (b) Reference Price: []
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]
[Actual/360]
[Actual/365]

PROVISIONS RELATING TO REDEMPTION

- 16. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Optional Redemption Date(s): []/[Any date from and including [] to but excluding []]
- (b) Optional Redemption Amount: [[] per Calculation Amount]/[Make-Whole Redemption Amount]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [[] per Calculation Amount]/[Not Applicable]
- (ii) Maximum Redemption Amount: [[] per Calculation Amount]/[Not Applicable]
- (d) Notice period (if other than as set out in the Conditions): []/[Not Applicable]
- (e) Make-Whole Redemption Option: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Quotation Agent: []
- (ii) Discounting basis for the purposes of calculating the sum of the present values of the remaining scheduled payments of principal and interest on Redeemed Notes in the determination of the Make-Whole Redemption Amount: [Annual]/[Semi-annual]
- (iii) Benchmark Security/Securities: []
(Specify details of benchmark security/securities, with appropriate securities identification number)
- (iv) Make-Whole Margin: [] per cent. per annum
- (v) Timing for calculation of Benchmark Security Price: [] [a.m.] [p.m.] on []
17. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount: [] per Calculation Amount
- (c) Notice period (if other than as set out in the Conditions): []/[Not Applicable]
18. Change of Control Put: [Applicable/Not Applicable]
(If not applicable, delete the subparagraph below)
- Optional Redemption Amount: [] per Calculation Amount
19. Final Redemption Amount: [] per Calculation Amount

20. Early Redemption Amount payable on [] per Calculation Amount redemption for taxation reasons or on event of default:

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Form of the Notes:

(a) Form:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [at the option of the Issuer exercisable at any time or at the request of the bearer on the expiry of [] days' notice]/[in the limited circumstances described in the Permanent Global Note]]

[Temporary Global Note exchangeable for Definitive Notes]

[Permanent Global Note exchangeable for Definitive Notes [at the option of the Issuer exercisable at any time or at the request of the bearer on the expiry of [] days' notice]/[in the limited circumstances described in the Permanent Global Note]]

[Definitive Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or another institution for the purpose of their immobilisation in accordance with article 4 of the Belgian law of 14 December 2005 on the abolition of securities in bearer form.] (*Consider including this wording if the Notes are being offered in Belgium*)

(b) New Global Note:

[Yes]/[No]

22. Additional Financial Centre(s):

[]/[Not Applicable]

23. Talons for future Coupons to be attached to Definitive Notes:

[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

Signed on behalf of Heineken N.V.:

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING:

Listing and admission to trading:

[Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange with effect from [].]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange with effect from [].]

[Not Applicable]

2. RATINGS:

Ratings:

[Not Applicable] / [The Notes to be issued have been rated [] by []]

[[] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). As such, [] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[[] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[[] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). The ratings have been endorsed by [] in accordance with the CRA Regulation. [] is established in the European Union and registered under the CRA Regulation. As such, [] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.] [The European Securities Markets Authority has indicated that ratings issued in [Japan/ Australia/ the USA/ Canada/ Hong Kong/ Singapore/ Argentina/ Mexico] which have been endorsed by [] may be used in the EU by the relevant market participants.]

[[] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"), but it [is]/[has applied to be] certified in accordance with the CRA Regulation [][EITHER:] and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation] [OR:]

although notification of the corresponding certification decision has not yet been provided by the European Securities and Markets Authority and [] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

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

[[] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). However, the application for registration under the CRA Regulation of [], which is established in the European Union, disclosed the intention to endorse credit ratings of [] [, although notification of the corresponding registration decision has not yet been provided by the European Securities and Markets Authority and [] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].] The European Securities Markets Authority has indicated that ratings issued in [Japan/ Australia/ the USA/ Canada/ Hong Kong/ Singapore/ Argentina/ Mexico] which have been endorsed by [] may be used in the EU by the relevant market participants.]

[Include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider]

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

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]/[]/[Not Applicable]

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

- (i) Reasons for the offer: []
- (ii) Estimated net proceeds: []
- (iii) Estimated total expenses: []

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

Indication of yield: []/[Not Applicable]

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

[Details of historic [LIBOR/EURIBOR/SIBOR/SOR-VWAP/TIBOR] rates can be obtained from [Reuters].]/[Not Applicable]

7. **OPERATIONAL INFORMATION:**

- (i) ISIN: []
- (ii) Common Code: []
- (iii) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, *société anonyme* (together with the address of each such clearing system) and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (iv) Names and addresses of additional Paying Agent(s) (if any): []/[Not Applicable]
- (v) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]
- [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

8. **DISTRIBUTION:**

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names and addresses of Managers and underwriting commitments: []/[Not Applicable]
- (iii) Date of Subscription Agreement: []/[Not Applicable]
- (iv) Stabilising Manager(s) (if any): []/[Not Applicable]
- (v) If non-syndicated, name and address of relevant Dealer: []/[Not Applicable]

- (vi) Total commission and concession: [[] per cent. of the Aggregate Nominal Amount]/[Not Applicable]
- (vii) U.S. selling restrictions: [TEFRA D Rules/TEFRA C Rules/TEFRA not applicable]
- (viii) Prohibition of Sales to EEA Retail Investors: [Applicable] [Not Applicable]
(If the offer of the Notes is concluded prior to 1 January 2018, or on and after that date the Notes being offered do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Notes will be concluded on or after 1 January 2018 and the Notes may constitute "packaged" products, "Applicable" should be specified unless the Issuer has drawn up a key information document in accordance with the PRIIPs Regulation)
- (ix) Public Offer of Notes: [Not Applicable] [An offer of the Notes may be made by the Managers [, *[insert names of financial intermediaries receiving consent (specific consent)]* (the "**Initial Authorised Offerors**") [and any additional financial intermediaries who have or obtain the Issuer's consent to use the Base Prospectus in connection with the Public Offer of Notes and who are identified on the Issuer's website at www.theheinekencompany.com as an Authorised Offeror] (together, being persons to whom the issuer has given consent, the "**Authorised Offerors**") other than pursuant to Article 3(2) of the Prospectus Directive in *[specify relevant Member State(s) where the issuer intends to make Public Offers of Notes, which must be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)]* (the "**Public Offer Jurisdiction(s)**") during the period from *[specify date]* until *[specify date or such other means to determine the end of the Offer Period, such as "the Issue Date" or "the date which falls [] Business Days thereafter"]* (the "**Offer Period**"). See further paragraph 9 below.
- General Consent: [Not Applicable]/[Applicable]
- Other clear and objective conditions to consent: [Not Applicable] *[Add here any other conditions to which the consent given is subject]*

9. TERMS AND CONDITIONS OF THE OFFER:

- Offer Price: [Issue Price/Not Applicable/specify]
- Conditions to which the offer is subject: [Not Applicable/give details]
- Offer Period: See paragraph 8(ix) above.
- Description of the application process: [Not Applicable/give details]
- Details of the minimum and/or maximum amount of application: [Not Applicable/give details]

Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable/*give details*]

Details of the method and time limits for paying up and delivering the Notes: [Not Applicable/*give details*]

Manner in and date on which results of the offer are to be made public: [Not Applicable/*give details*]

Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable/*give details*]

Whether tranche(s) have been reserved for certain countries: [Not Applicable/*give details*]

Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable/*give details*]

Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable/*give details*]

Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [None/*give details*/The Authorised Offerors identified in paragraph 8(ix) above]

10. **THIRD PARTY INFORMATION:**

[[] has been extracted from []. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced information inaccurate or misleading.]/[Not Applicable]

ANNEX TO THE FINAL TERMS – SUMMARY OF THE ISSUE

[Base Prospectus summary to be inserted and the options given as placeholders in the summary to be completed in respect of the Notes being issued.]

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

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS: The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II"); or (ii) a customer within the meaning of the Insurance Mediation Directive (Directive 2002/92/EC (as amended)), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]²

[Date]

HEINEKEN N.V.

(incorporated with limited liability in the Netherlands)

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €15,000,000,000
Euro Medium Term Note Programme**

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 3 March 2017 [as supplemented by the supplement[s] to it dated [date] [and [date]]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented]. Full information on Heineken N.V. (the "**Issuer**") and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement[s] dated [date] [and [date]]] [has] [have] been published on the website of the Luxembourg Stock Exchange (www.bourse.lu) and copies may be obtained, during normal business hours, from [address].]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [8 September 2008] [8 September 2009] [13 September 2010] [7 March 2012] [7 March 2013] [7 March 2014] [12 March 2015] [8 March 2016] which are incorporated by reference in the Base Prospectus dated 3 March 2017 (the "**Base Prospectus**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus [as supplemented by the supplement[s] to it dated [date] [and [date]]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, including the Conditions incorporated by reference in the Base Prospectus. Full information on Heineken N.V. (the "**Issuer**") and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement[s] dated [date] [and [date]]] [has] [have] been published on the website of the Luxembourg Stock Exchange (www.bourse.lu) and copies may be obtained, during normal business hours, from [address].]

1. (a) Series Number: []
- (b) Tranche Number: []

² Delete legend if the offer of the Notes is concluded prior to 1 January 2018, or on and after that date the Notes do not constitute "packaged" products, in which case, insert "Not Applicable" in paragraph 6(vii) of Part B below. Include legend if the offer of the Notes will be concluded on or after 1 January 2018, the Notes may constitute "packaged" products and the Issuer intends to prohibit the Notes being offered, sold or otherwise made available to EEA retail investors. In this case, insert "Applicable" in paragraph 6(vii) of Part B below.

- (c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with *[identify earlier Tranches]* on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below, which is expected to occur on or about *[date]*] [Not Applicable]
2. Specified Currency or Currencies: []
3. Aggregate Nominal Amount:
- (a) Series: []
- (b) Tranche: []
4. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]*]
5. (a) Specified Denomination(s): [] [[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].]
- (b) Calculation Amount: []
6. (a) Issue Date: []
- (b) Interest Commencement Date: *[specify/Issue Date/Not Applicable]*
7. Maturity Date: *[Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify date]]*
8. Interest Basis: [In respect of the period from (and including) [] to (but excluding) []:]
- [[] per cent. Fixed Rate]
 [[*Reference Rate*] +/- [] per cent. Floating Rate]
 [Zero Coupon]
- (see paragraph [13]/[14]/[15] below)
- [In respect of the period from (and including) [] to (but excluding) []:]
- [[] per cent. Fixed Rate]
 [[*Reference Rate*] +/- [] per cent. Floating Rate]
 [Zero Coupon]
- (see paragraph [13]/[14]/[15] below)
9. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [] per cent. of their nominal amount
10. Change of Interest Basis or Redemption/Payment Basis: [Not Applicable]/[See paragraph 8 above]
11. Put/Call Options: [Investor Put]
 [Change of Control Put]
 [Issuer Call]
 [(see paragraph [16]/[17]/[18] below)]

[Not Applicable]

12. Date [Board] approval for issuance of Notes obtained: []/[Not Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. Fixed Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate(s) of Interest: [] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [] [and []] in each year, commencing on [], up to and including the Maturity Date
- [There will be a [long/short] [first/last] coupon in respect of the period from and including [] to but excluding [].]
- (c) Fixed Coupon Amount(s): [] per Calculation Amount
(Applicable to Notes in definitive form)
- (d) Broken Amount(s): [[Long/short] [first/last] coupon: [] per Calculation Amount, payable on the Interest Payment Date falling in/on] []/[Not Applicable]
(Applicable to Notes in definitive form)
- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (f) Determination Date(s): [[] in each year]/[Not Applicable]
14. Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Specified Period(s)/Specified Interest Payment Dates: [[], [], [] and [] in each year, commencing on the Interest Payment Date falling in [], up to and including the Maturity Date, in each case subject to adjustment in accordance with the Business Day Convention specified below/[]]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (c) Additional Business Centre(s): []/[Not Applicable]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): []/[Not Applicable]
- (f) Screen Rate Determination: [Applicable/Not Applicable]

- Reference Rate, Relevant Time and Relevant Financial Centre: Reference Rate: [] month [currency]
[LIBOR/EURIBOR/SIBOR/SOR-VWAP/TIBOR/[]]
Relevant Time: [[] in the Relevant Financial Centre
Relevant Financial Centre: [London/
Brussels/Singapore/Tokyo/[]]
- Interest Determination Date(s): []
- Relevant Screen Page: [] [for SIBOR Notes – Reuters Screen ABSIRFIX01 Page under the heading "SGD SIBOR"]
[for Swap Rate Notes - Reuters Screen ABSFIX01 Page under the heading "SGD SOR rates"]
- (g) ISDA Determination: [Applicable/Not Applicable]
 - Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (h) Linear Interpolation: [Not Applicable]/[Applicable – the Rate of Interest for the [long]/[short] [first/last] Interest Period shall be calculated using Linear Interpolation]
- (i) Margin(s): [+/-] [] per cent. per annum
- (j) Minimum Rate of Interest: [[] per cent. per annum]/[Not Applicable]
- (k) Maximum Rate of Interest: [[] per cent. per annum]/[Not Applicable]
- (l) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360] [360/360] [Bond Basis]
[30E/360] [Eurobond Basis]
[30E/360 (ISDA)]

15. Zero Coupon Note Provisions

[Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Accrual Yield: [] per cent. per annum
- (b) Reference Price: []
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]
[Actual/360]
[Actual/365]

PROVISIONS RELATING TO REDEMPTION

- 16. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Optional Redemption Date(s): []/[Any date from and including [] to but excluding []]
- (b) Optional Redemption Amount: [[] per Calculation Amount]/[Make-Whole Redemption Amount]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [[] per Calculation Amount]/[Not Applicable]
- (ii) Maximum Redemption Amount: [[] per Calculation Amount]/[Not Applicable]
- (d) Notice period (if other than as set out in the Conditions): []/[Not Applicable]
- (e) Make-Whole Redemption Option: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Quotation Agent: []
- (ii) Discounting basis for the purposes of calculating the sum of the present values of the remaining scheduled payments of principal and interest on Redeemed Notes in the determination of the Make-Whole Redemption Amount: [Annual]/[Semi-annual]
- (iii) Benchmark Security/Securities: []
(Specify details of benchmark security/securities, with appropriate securities identification number)
- (iv) Make-Whole Margin: [] per cent. per annum
- (v) Timing for calculation of Benchmark Security Price: [] [a.m.] [p.m.] on []
17. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount: [] per Calculation Amount
- (c) Notice period (if other than as set out in the Conditions): []/[Not Applicable]
18. Change of Control Put: [Applicable/Not Applicable]
(If not applicable, delete the subparagraph below)
- Optional Redemption Amount: [] per Calculation Amount
19. Final Redemption Amount: [] per Calculation Amount

20. Early Redemption Amount payable on [] per Calculation Amount redemption for taxation reasons or on event of default:

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Form of the Notes:

(a) Form:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [at the option of the Issuer exercisable at any time or at the request of the bearer on the expiry of [] days' notice]/[in the limited circumstances described in the Permanent Global Note]]

[Temporary Global Note exchangeable for Definitive Notes]

[Permanent Global Note exchangeable for Definitive Notes [at the option of the Issuer exercisable at any time or at the request of the bearer on the expiry of [] days' notice]/[in the limited circumstances described in the Permanent Global Note]]

[Definitive Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or another institution for the purpose of their immobilisation in accordance with article 4 of the Belgian law of 14 December 2005 on the abolition of securities in bearer form.] (*Consider including this wording if the Notes are being offered in Belgium*)

(b) New Global Note:

[Yes]/[No]

22. Additional Financial Centre(s):

[]/[Not Applicable]

23. Talons for future Coupons to be attached to Definitive Notes:

[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

Signed on behalf of Heineken N.V.:

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING:

(i) Listing and admission to trading:

[Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange with effect from [].]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange with effect from [].]

[Not Applicable]

(ii) Estimate of total expenses related to admission to trading: []

2. RATINGS:

Ratings:

[Not Applicable] / [The Notes to be issued have been rated [] by []]

[[] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). As such, [] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[[] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[[] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). The ratings have been endorsed by [] in accordance with the CRA Regulation. [] is established in the European Union and registered under the CRA Regulation. As such, [] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.] [The European Securities Markets Authority has indicated that ratings issued in [Japan/ Australia/ the USA/ Canada/ Hong Kong/ Singapore/ Argentina/ Mexico] which have been endorsed by [] may be used in the EU by the relevant market participants.]

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

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

[[] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). However, the application for registration under the CRA Regulation of [], which is established in the European Union, disclosed the intention to endorse credit ratings of [] [, although notification of the corresponding registration decision has not yet been provided by the European Securities and Markets Authority and [] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].] The European Securities Markets Authority has indicated that ratings issued in [Japan/ Australia/ the USA/ Canada/ Hong Kong/ Singapore/ Argentina/ Mexico] which have been endorsed by [] may be used in the EU by the relevant market participants.]

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

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]/[]/[Not Applicable]

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

Indication of yield: []/[Not Applicable]

5. OPERATIONAL INFORMATION:

- (i) ISIN: []
- (ii) Common Code: []
- (iii) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, *société anonyme* (together with the address of each such clearing system) and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
- (iv) Names and addresses of additional Paying Agent(s) (if any): []/[Not Applicable]
- (v) Intended to be held in a manner which would allow Eurosystem eligibility:

[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

6. DISTRIBUTION:

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: []/[Not Applicable]
- (iii) Date of Subscription Agreement: []/[Not Applicable]
- (iv) Stabilising Manager(s) (if any): []/[Not Applicable]
- (v) If non-syndicated name and address of relevant Dealer: []/[Not Applicable]
- (vi) U.S. selling restrictions: [TEFRA D Rules/TEFRA C Rules/TEFRA not applicable]

- (vii) Prohibition of Sales to EEA Retail Investors: [Applicable] [Not Applicable]

(If the offer of the Notes is concluded prior to 1 January 2018, or on and after that date the Notes being offered do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Notes will be concluded on or after 1 January 2018 and the Notes may constitute "packaged" products, "Applicable" should be specified unless the Issuer has drawn up a key information document in accordance with the PRIIPs Regulation)

7. THIRD PARTY INFORMATION:

[[] has been extracted from []. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced information inaccurate or misleading.]/[Not Applicable]

HEINEKEN N.V.

Group business description

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

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

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

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

Mission, Strategy and Goals

Heineken is a proud, independent global brewer committed to surprising and exciting consumers with its brands and products. The brand that bears the founder's family name – Heineken® – is available in almost every country and is a world leader in the international premium segment. The Issuer's aim is to be a leading brewer in each of the markets in which it operates and to have the world's most valuable brand portfolio.

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

Heineken aims for sustainable growth and to be a leading brewer in each of the markets in which it operates and to have the world's most prominent brand portfolio. The Heineken® brand plays an important part in this. Heineken also establishes broad leadership by innovation and by acquiring strong brands, which are combined into a new, larger portfolio. This results in economies of scale for both local beers and the Heineken® brand. Through its strong premium focused portfolio of brands, Heineken believes it has a strong track record in developing and expanding the premium segment in markets where this segment is still under-developed. Heineken aims at achieving strong number one or number two positions in the markets where it operates. Heineken is committed to the responsible marketing and consumption of its more than 250 international, regional, local and specialty beers and ciders.

Heineken has long-term credit ratings of Baa1 and BBB+ from Moody's Investors Service Ltd ("**Moody's**") and Standard & Poor's Credit Market Services France SAS ("**Standard & Poor's**"), respectively, as at the date of this Base Prospectus.³

Heineken remains focused on cash flow generation and disciplined working capital management, with a commitment to a long-term target net debt/EBITDA (beia) ratio of below 2.5.

The net debt/EBITDA (beia) ratio was 2.3 on 31 December 2016 (2015: 2.4) in line with the long-term target net debt/EBITDA (beia) ratio of below 2.5.

³ See "*Glossary*" below for a description of the meaning of the ratings.

Heineken's goal is to grow its business in a sustainable and consistent manner, while constantly improving profitability. Heineken abides by a number of governing business principles, and has a number of core values. These values are:

- Passion for Quality
- Enjoyment of Life
- Brands that People Love
- Respect for People and Planet
- Code of Business Conduct
- 'Enjoy Responsibly'

Business Overview

The Issuer is among the largest brewers in the world with total consolidated beer volume of 200.1 million hectolitres in 2016. Heineken operates in over 70 countries through more than 165 breweries, malteries, cider plants and other production facilities and also through other brewers under licence. The Issuer also has a strong export business, which is carried out mainly from the Netherlands, Mexico and Singapore. The production and sale of beer represents the Issuer's main source of income and cash flow. The Issuer is also engaged in complementary businesses to its beer business, such as beverage distribution and the production of cider, soft drinks and other alcohol products. Heineken enjoys strong market positions and an efficient cost structure in many countries by combining the production, marketing and sale of the Issuer's international brands and products with that of a range of prominent local beer brands.

The Issuer is a leading developer and marketer of premium beer and cider brands. Led by the Heineken® brand, the Group has a powerful portfolio of more than 250 international, regional, local and specialty beers and ciders. The international brands (Heineken®, Amstel, Desperados, Affligem, Sol, Lagunitas, Tecate, Tiger, Red Stripe, Krušovice and Strongbow Apple Ciders) are supplemented and supported by national and regional brands, and a range of specialty beers, light beers (low-calorie beers) and alcohol-free beers. Market leading positions have been built by developing a cohesive portfolio of strong brands, which offer high added value for the Issuer's customers and consumers.

Throughout all of the Issuer's international markets, the quality and image of the Heineken® brand enables it to be positioned as a premium product. The Issuer always looks to position its products at the higher added value end of the marketplace and it has limited presence in the range of low-priced products. Heineken is committed to innovation, long-term brand investment, disciplined sales execution and focused cost management. Through "Brewing a Better World", sustainability is embedded in the business and delivers value for all stakeholders.

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

Heineken has a well-balanced geographic footprint with leadership positions in both developed and developing markets. The Issuer employs approximately 73,000 people across the world. Heineken N.V. and Heineken Holding N.V. shares trade on Euronext in Amsterdam. Heineken has two sponsored level 1 American Depositary Receipt (ADR) programmes: Heineken N.V. (OTCQX: HEINY) and Heineken Holding N.V. (OTCQX: HKHHY).

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

Focus for 2017 and beyond

The goal of Heineken is to grow the business in a sustainable and consistent manner, while constantly improving profitability.

Heineken is focused on six strategic priorities. These priorities reflect the transformation of Heineken's business over the past few years and help the company to achieve sustainable growth in all markets and to create value out of its heritage, global scale, people and brands, in particular the Heineken® brand.

– *Win in premium led by Heineken®*

Heineken®, the leader in the premium segment, is complemented by a portfolio of other premium brands, to ensure Heineken wins in premium.

– *Shape the cider category*

Heineken is the global leader in cider. With its established footprint, Heineken is focusing on growing the cider category and creating a broader global cider portfolio.

– *Lead by cool marketing and innovation*

Heineken is committed to being part of the conversation with consumers and continues to innovate, a core part of the company's culture and strategy.

– *Be commercially assertive*

Heineken is driving excellence in outlet execution and ensuring availability, visibility, and quality of its brands to win at point of sale.

– *Drive end to end productivity*

Heineken is leveraging the global scale of its operations to deliver increased efficiencies across the business.

– *Brew a better world*

Heineken's approach to sustainability is embedded in the company strategy and focuses on creating sustainable value for the business and its stakeholders.

Regional Business Overview

Heineken divides its global operations into four geographic segments: Africa, Middle East & Eastern Europe; Americas; Asia Pacific and Europe. In 2016, Europe accounted for 39.3 per cent. of the Issuer's consolidated beer volume. The Issuer has a good spread in source of profit generation and cash flow. In 2016, markets in Africa, Middle East & Eastern Europe, Asia Pacific and Americas regions contributed 54.3 per cent. of consolidated revenue and 65.6 per cent. of consolidated operating profit (beia). The largest operational company is in Mexico, contributing slightly over 10 per cent. of consolidated revenue. The main profit generating markets of the Heineken Group are (in alphabetical order): Austria, Brazil, France, Italy, Mexico, Nigeria, Spain, the Netherlands, the United States and Vietnam.

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

Geographical segments

(Full year figures)

	2016	2015
Consolidated revenue		
(In millions of EUR)		
Africa, Middle East & Eastern Europe	3,203	3,263
Americas	5,203	5,159
Asia Pacific	2,894	2,483
Europe	10,112	10,227
Head Office / Eliminations	-620	-621
	20,792	20,511
Operating profit (beia)*		
(In millions of EUR)		
Africa, Middle East & Eastern Europe	376	579
Americas	1,021	904
Asia Pacific	927	702
Europe	1,261	1,196
Head Office / Eliminations	-45	0
	3,540	3,381
Consolidated beer volume (mhl)*		
Africa, Middle East & Eastern Europe	38.4	35.9
Americas	58.7	56.0
Asia Pacific	24.4	19.8
Europe	78.6	76.6
	200.1	188.3

* Unaudited.

Africa, Middle East & Eastern Europe

In 2016, beer volume decreased 1.3 per cent. organically, driven by Russia, the Democratic Republic of Congo ("**DRC**") and Egypt, which more than offset volume growth in Nigeria, Ethiopia and in exports.

Revenue grew 3.5 per cent. organically during 2016, driven by positive revenue per hectolitre growth of 5.1 per cent., partly offset by a total volume decline of 1.6 per cent. Adverse currency developments in the region negatively impacted revenue by 13.3 per cent. in 2016, mainly driven by the devaluation of the Nigerian Naira. Consolidation impact increased revenue by 8 per cent. in 2016 and mainly related to South Africa.

Operating profit (beia) declined by 21.2 per cent. organically mostly linked to Nigeria, Russia and the DRC in 2016. Currency devaluation, rising inflation as well as lower oil and commodity prices continued to weigh on regional results during 2016.

In Nigeria, further deterioration in the already weak macro-economic environment continued to impact consumer sentiment resulting in mainstream and economy brand outperformance in 2016. Volume increased mid-single digit, with flat volume in the second half of 2016. Although the Naira devaluation on 20 June 2016 initially provided improved liquidity, further Naira weakness combined with poor liquidity continues to challenge the business. The devaluation particularly impacted margins in the second half of 2016.

In Russia, volume declined double digit in 2016, with the beer market still tough given continued inflation and low consumer confidence. Heineken continued to premiumise its portfolio in 2016 and focus on value which resulted in improved revenue per hectolitre, but high promotional competitive pressure negatively impacted results.

In the DRC, Heineken gained significant market share during 2016 however volume declined mid-single digit due to difficult market conditions impacting the underlying consumer environment and beer market. A further €53 million asset impairment charge was taken in the second half of 2016 as an exceptional item, mainly to

align long term cash flow forecasts with the latest external market data. This took the full year 2016 impairment to €286 million.

In Egypt, volume declined double digit in 2016 due to weaker tourism, VAT implementation, and the currency devaluation in the fourth quarter of the year.

In Ethiopia, strong Walia brand performance contributed to volume growth in 2016. Heineken also started local production of Heineken® at the end of 2016 following the capacity expansion in Kilinto.

Americas

In 2016, beer volume grew 3.7 per cent. organically, driven by strong growth in Mexico, which more than offset weaker volume in Brazil and the US.

Revenue grew 6.9 per cent. organically in 2016, driven by total volume growth of 3.4 per cent. and higher revenue per hectolitre of 3.3 per cent. Revenue management initiatives and positive brand mix both contributed to top line growth in the same year. Adverse currency movements impacted revenue by 8 per cent. in 2016. Consolidation added 2 per cent. to revenues mainly due to Jamaica during the same year.

Operating profit (beia) grew 23.5 per cent. organically in 2016 with Mexico and US the main drivers. Operating profit in the US benefited from material favourable transactional currency impact during 2016. In Mexico, the transactional currency impact was negative, but was more than offset by mix, pricing and continued efficiencies in 2016.

In Mexico, beer volume grew high single digit in 2016, supported by a favourable economic environment, effective marketing programmes and sales execution. Heineken®, Tecate and Dos Equis all experienced double digit growth during the same year.

In Brazil, although volume was down mid-single digit in 2016, the premium brand portfolio continued to outperform. Heineken® grew double digit, reaching more than 2 million hectolitres in 2016, and Sol Premium performed very well. Amstel, introduced in the mainstream segment at the end of 2015, grew strongly in 2016.

In the US, both volume and depletions were slightly down in 2016. Heineken® brand volume and depletions declined marginally during the same year. Tecate grew volume mid-single digit, with Tecate Light growth double digit in 2016. Dos Equis grew low single digit and Strongbow gained share in a softer cider category in the same year.

Asia Pacific

In 2016, beer volume grew 17.9 per cent. organically, with double digit volume growth in Vietnam, Cambodia and Indonesia.

Revenue grew 13.1 per cent. organically in 2016, with total volume up 17.5 per cent. and revenue per hectolitre down 3.7 per cent., as a result of negative country mix. Underlying price mix for the region was virtually flat in the same year.

Operating profit (beia) increased 26.5 per cent. organically in 2016 driven by strong growth in Vietnam, Cambodia and Indonesia.

In Vietnam, beer volume grew double digit in 2016 reflecting strong growth of Tiger in the affordable premium segment. Portfolio strategy, effective marketing and sales execution resulted in continued market share gain in 2016. The brewery acquired in July in the South of Vietnam (Vũng Tàu) provided increased capacity in 2016.

In China, volume was up low single digit in 2016 led by strong Heineken® performance. Volume development was slightly down in the second half of 2016.

In Indonesia, volume continued to increase in 2016 led by strong growth of the low and non-alcoholic portfolio, and successful innovations.

In Cambodia, volume grew double digit in 2016 benefiting from successful portfolio strategy roll out as well as the capacity extension earlier this year. This strong performance resulted in further market share gains in the same year.

Europe

In 2016, beer volume increased by 0.7 per cent. driven by strong growth in the premium portfolio, led by Heineken®. France, Serbia, Spain, Italy and Poland contributed positively and more than offset the decline in Romania. Beer volume in the fourth quarter of 2016 declined 2.5 per cent., largely due to a deliberate reduction in promotions and private label volume in some markets as well as a strong comparative in December 2015.

Revenue increased by 1.9 per cent. organically in 2016, with revenue per hectolitre up 1.4 per cent. Deflationary pressure and off trade pricing pressure continued to impact the region during 2016.

Operating profit (beia) was up 7.1 per cent. organically in 2016 due to successful revenue management, continued focus on premiumisation and innovation, as well as disciplined cost management.

In the UK, beer volume declined slightly in 2016, although premium beer and cider volume increased strongly, led by Heineken®. Cider innovations were successful and value enhancing. The pubs business continued to perform well in the same year. In the second half of 2016 there was an adjustment in the way the UK accounts for products bought for resale that were previously partly netted in Revenue and Raw materials. This has no impact on operating profit in 2016.

In France, volume grew mid-single digit in 2016, with growth led by premium brands including Heineken®, Desperados and Affligem. The pricing environment continues to remain challenging.

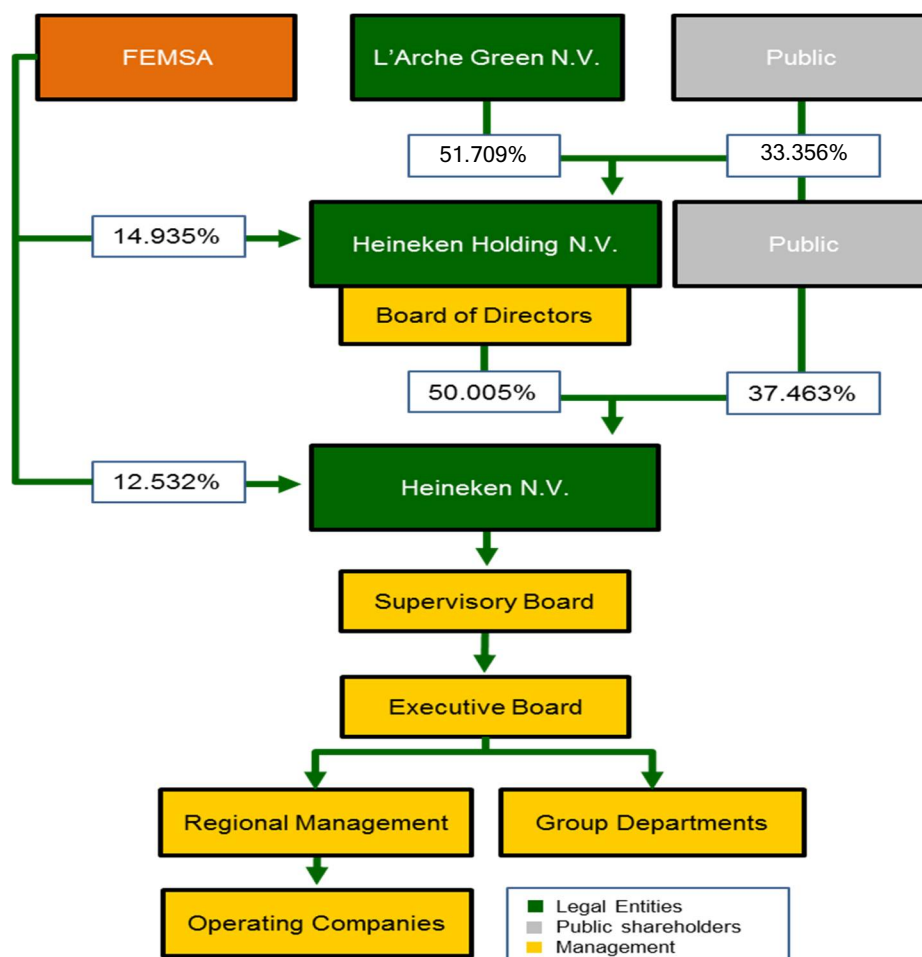
In Spain, beer volume was up low single digit in 2016, with double digit premium segment growth supported by continued improvement in the underlying economic environment and good on trade performance.

In the Netherlands, volume grew low single digit in 2016, led by Heineken® and supported by strong performance of Brand and Affligem in the premium segment.

In Poland, beer volume increased low single digit in 2016. The underlying market continued to be adversely impacted by channel mix and competitive pricing strategy.

Organisational Structure

The organisational and ownership structure of Heineken Holding N.V. and the Issuer as at 31 December 2016 is outlined in the following chart.⁴



Together, the shares held by Fomento Económico Mexicano, S.A.B. de C.V. ("**FEMSA**") in Heineken Holding N.V. and in Heineken N.V. represent a 20 per cent. economic interest in the Heineken Group.

Heineken N.V. is the parent company of the Heineken Group. The following companies are the most significant fully consolidated subsidiaries of Heineken as reported in the 2016 Annual Report according to the IFRS 12 Disclosure Requirements:

<i>Company</i>	<i>Country of incorporation</i>	<i>Percentage interest</i>
Heineken International B.V.	The Netherlands	100.0
Heineken Brouwerijen B.V.	The Netherlands	100.0
Heineken Nederland B.V.	The Netherlands	100.0
Brau Union Österreich AG	Austria	100.0
Cervejarias Kaiser Brasil S.A.	Brazil	100.0
Heineken France S.A.S.	France	100.0
Heineken Italia S.p.A.	Italy	100.0
Cuauhtémoc Moctezuma Holding, S.A. de C.V.	Mexico	100.0
Nigerian Breweries Plc.	Nigeria	55.4
Grupa Żywiec S.A.	Poland	65.2
LLC Heineken Breweries	Russia	100.0

⁴ 33.356% of Heineken Holding N.V., which is owned by the "Public" in the organisational and ownership structure chart above, includes the 0.03% stake held directly by Mrs. C.L. de Carvalho-Heineken. The figure of 37.463% includes shares held in treasury.

<i>Company</i>	<i>Country of incorporation</i>	<i>Percentage interest</i>
Heineken España S.A.	Spain	99.8
Heineken UK Ltd.	United Kingdom	100.0
Heineken USA Inc.	United States	100.0
Heineken Vietnam Brewery Limited Company	Vietnam	60.0

Developments in 2016

Acquisitions and disposals

On 27 May 2016, Heineken signed a joint venture agreement with Asia Brewery Incorporated ("**Asia Brewery, Inc.**"). Asia Brewery, Inc. is a large beverage producer in the Philippines and is owned by LT Group, Inc., a listed company with a diversified portfolio of consumer-focused businesses. Under this agreement, a new joint venture company, AB HEINEKEN Philippines Inc., was formed. The transaction closed on 15 November 2016.

On 15 December 2016, Heineken announced that, following Vine Acquisitions Limited's announcement of a recommended cash offer for the entire issued and to be issued share capital of Punch Taverns plc ("**Punch**") (the "**Acquisition**"), Heineken (through Heineken UK) had agreed a back-to-back deal with Vine Acquisitions Limited to acquire Punch Securitisation A, comprising approximately 1,900 pubs across the UK. Subject to regulatory approvals and completion, Heineken UK intends to fully integrate these pubs into its Star Pubs & Bars business. The Acquisition is to be effected by means of a scheme of arrangement under Part 26 of the Companies Act 2006 (the "**Scheme**"). On 10 February 2017, Punch shareholders voted in favour of the Scheme at a meeting of the High Court of Justice in England and Wales (the "**Court**") and voted to pass the special resolution to implement the Scheme proposed at a general meeting. The Acquisition remains subject to the satisfaction or (where capable of being waived) waiver of the other conditions set out in the Scheme document published on 17 January 2017, including the Court sanctioning the Scheme at a hearing. Subject to being approved by the relevant regulatory authorities, the Acquisition is expected to become effective by the end of the first half of 2017.

Financing activity in 2016

During 2016, the following notes were issued under Heineken's Euro Medium Term Note Programme:

- €800 million 10-year Notes with a coupon of 1.0 per cent. (May)
- €500 million 10-year and two months Notes with a coupon of 1.375 per cent. (November)

Developments in 2017

On 13 February 2017, Heineken announced that it had reached an agreement with Kirin Holdings Company Limited to acquire Brasil Kirin Holding S.A. for a consideration of €664 million (enterprise value of €1,025 million for Heineken). Through the acquisition Heineken acquires Kirin's Brazilian activities. The transaction is expected to close in the first half of 2017.

Information and Communication Technology ("IT")

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

Material Contracts

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

Share Capital and Shareholders

The authorised share capital of the Issuer amounts to €2,500,000,000, divided into 1,562,500,000 ordinary shares with a nominal value of €1.60 each. In 2016, the average daily trading volume of Heineken shares was 703,232 shares. The issued share capital of the Issuer is divided into 576,002,613 ordinary shares with a nominal value of €1.60 each. All issued shares are fully paid up. The ordinary shares in the Issuer are listed on Euronext in Amsterdam. In December 2012, the Issuer established a sponsored 'Level 1' American Depositary Receipt (ADR) programme⁵ in order to facilitate the trading of Heineken stock in the US.

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

- Mrs. C.L. de Carvalho-Heineken (indirectly 50.005 per cent.; the direct 50.005 per cent. shareholder is Heineken Holding N.V.); and
- Voting Trust (FEMSA) (indirectly 10.14 per cent.; the direct 10.14 per cent. shareholder is CB Equity LLP); as at 31 December 2016, CB Equity LLP holds 12.532 per cent.

Heineken Holding N.V.

The ordinary shares of Heineken Holding N.V. are listed on Euronext in Amsterdam and a sponsored 'Level 1' ADR programme was established in the US in December 2012. In 2016, the average daily trading volume of Heineken Holding N.V. shares was 110,015 shares. The issued share capital of Heineken Holding N.V. consists of 288,030,168 ordinary shares with a nominal value of €1.60 each and 250 priority shares of €2.00 nominal value. Heineken Holding N.V. engages in no activities other than those relating to the ownership of the Issuer. Heineken Holding N.V. does not carry out any operational activities, unlike the Issuer and other companies in the Heineken Group.

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

The net asset values of the shares in the Issuer and the ordinary shares in Heineken Holding N.V. as well as the dividend policies of both companies are identical. Pursuant to the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and the Decree on Disclosure of Major Holdings and Capital Interests in Securities-Issuing Institutions (*Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen*), the AFM has been notified about the following substantial shareholdings regarding Heineken Holding N.V.:

- Mrs. C.L. de Carvalho-Heineken (52.01 per cent., including a 50.005 per cent. shareholding by L'Arche Holding S.A., the parent company of L'Arche Green N.V.) has disclosed an interest of 51.709 per cent. in Heineken Holding N.V.;⁶
- Voting Trust (FEMSA), through its affiliate CB Equity LLP has disclosed an interest of 14.94 per cent. in Heineken Holding N.V.;
- Gardner Russo & Gardner LLC (a capital and voting interest of 3.78 per cent., held directly); and
- Harris Associates L.P. (a capital and voting interest of 3.05 per cent., held indirectly).

Management Structure

Heineken is managed by an Executive Board which reports directly to the Supervisory Board. The Executive Board manages the Issuer by setting direction and goals. It is the primary decision-making body within the Issuer. It is responsible for resource allocation and ultimately responsible for policy in areas like brands,

⁵ On 27 January 2014, ADRs started to trade on OTCQX International Premier, a segment of the OTCQX marketplace reserved for non-U.S. companies that are listed on a qualified international exchange and provide their home country disclosure to US investors.

⁶ The Heineken family holds 88.67 per cent. of L'Arche Green N.V. The remaining 11.33 per cent. of L'Arche Green N.V. is held by the Hoyer family.

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

The two members of the Executive Board, the four Regional Presidents and four Chief Officers together form the Executive Team. The Executive Team is the highest consultative body within the Issuer. It supports the development of policies and ensures the alignment and continuous implementation of key priorities and strategies across the organisation. The members of the Executive Team are accountable for the global agendas for their particular function and are business partners for Heineken's operating companies.

Executive Board

The current members of the Executive Board of Heineken are:

<i>Name (Year of Birth)</i>	<i>Function/responsibilities</i>	<i>Directorships in Dutch stock listed companies and other significant positions external to the Heineken Group⁽¹⁾</i>
J.F.M.L. van Boxmeer (1961)	Chairman/CEO Appointed as member in 2001; Chairman as of 2005, last reappointed in 2013	Other: – Mondeléz International, USA – Henkel AG & Co., Germany – The Dutch Opera (Chairman)
Laurence Debroux (1970)	Member/CFO Appointed in 2015	Supervisory directorships: – Natixis S.A.

Supervisory Board

The current members of the Supervisory Board of Heineken are:

<i>Name (Year of Birth)</i>	<i>Function/responsibilities</i>	<i>Directorships in Dutch stock listed companies and other significant positions external to the Heineken Group⁽¹⁾</i>
Hans (G.J.) Wijers (1951)	Appointed in 2012, Chairman as of 2013; reappointed in 2016 Chairman of the Preparatory Committee and the Selection & Appointment Committee; Member of the Remuneration Committee	– Royal Dutch Shell Plc (Deputy Chairman and Senior Independent Director) – Natuurmonumenten (Chairman) – HAL Holdings N.V. – Concertgebouw N.V. (Chairman)
Jose Antonio (J.A.) Fernández Carbajal (1954)	Vice-Chairman Appointed in 2010; reappointed in 2014 Chairman of the Americas Committee; Member of the Preparatory Committee and the Selection & Appointment	Executive Chairman of FEMSA Supervisory directorships: – Heineken Holding N.V. Other: – Coca-Cola Femsa S.A.B. de C.V. (Chairman)

<i>Name (Year of Birth)</i>	<i>Function/responsibilities</i>	<i>Directorships in Dutch stock listed companies and other significant positions external to the Heineken Group⁽¹⁾</i>
	Committee	<ul style="list-style-type: none"> – Grupo Televisa S.A.B. (Board Member) – Industrias Peñoles S.A.B. de CV (Board Member) – Tecnológico de Monterrey (Chairman)
Maarten (M.) Das (1948)	<p>Appointed in 1994, last reappointed in 2013</p> <p>Delegated Member⁽²⁾</p> <p>Chairman of the Remuneration Committee; Member of the Preparatory Committee and the Selection & Appointment Committee</p>	<p>Supervisory directorships:</p> <ul style="list-style-type: none"> – Heineken Holding N.V. (Chairman) – Greenchoice B.V. (Chairman) <p>Other positions:</p> <ul style="list-style-type: none"> – Greenfee B.V. (Chairman) – L'Arche Green N.V. (Chairman) – Stichting Administratiekantoor Piores – LAC B.V.
Michel (M.R.) de Carvalho (1944)	<p>Appointed in 1996, last reappointed in 2015</p> <p>Member of the Preparatory Committee, the Selection & Appointment Committee, the Remuneration Committee and the Americas Committee</p>	<p>Other positions:</p> <ul style="list-style-type: none"> – Heineken Holding N.V. (Executive Director) – L'Arche Green N.V. – Citi Inc. (Vice-Chairman of Investment Banking) – Citi Private Bank Europe, Middle East and Africa (Chairman)
Annemiek (A.M.) Fentener van Vlissingen (1961)	<p>Appointed in 2006; last reappointed in 2014</p> <p>Member of the Selection & Appointment Committee and the Audit Committee</p>	<p>Supervisory directorships:</p> <ul style="list-style-type: none"> – SHV Holdings N.V. (Chairman) – University Medical Centre Utrecht – EXOR Holding N.V. <p>Other:</p> <ul style="list-style-type: none"> – Lhoist, Belgium
Christophe Navarre (1958) (V.C.O.B.J.)	<p>Appointed in 2009, reappointed in 2013</p> <p>Member of the Americas Committee</p>	<p>Chairman and CEO of Moët Hennessy, LVMH Wines & Spirits Brands</p>

<i>Name (Year of Birth)</i>	<i>Function/responsibilities</i>	<i>Directorships in Dutch stock listed companies and other significant positions external to the Heineken Group⁽¹⁾</i>
Javier (J.G.) Astaburuaga Sanjinés (1959)	Appointed in 2010; reappointed in 2014 Member of the Audit Committee	Senior Vice President Corporate Development Fomento Económico Mexicano S.A.B. de C.V. (FEMSA) Other: – Coca-Cola Femsa S.A.B. de C.V. – Fundación Femsa
Hendrik (H.) Scheffers (1948)	Appointed in 2013 Chairman of the Audit Committee	Supervisory directorships: – Aalberts Industries N.V. (Chairman) – Royal BAM Group N.V. (Vice-Chairman)
Jean Marc (R.J.M.S.) Huët (1969)	Appointed in 2014 Member of the Audit Committee and the Remuneration Committee	Supervisory directorships: – SHV Holdings N.V. Other: – Delta Topco Limited – Canada Goose Incorporated
Pamela (P.) Mars-Wright (1960)	Appointed in 2016 Member of the Americas Committee	Supervisory directorships: – SHV Holdings N.V. Other: – Mars Inc. (Board Member)
Yonca (Y.) Brunini (1969)	Appointed in 2016 Member of the Remuneration Committee	VP Marketing EMEA at Google Inc.

Notes:

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

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

Under the existing rotation schedule the current term of Mr. Jean-François van Boxmeer as member of the Executive Board will expire at the end of the Annual General Meeting on 20 April 2017 (the "2017 AGM"). The Supervisory Board will submit a non-binding nomination for his re-appointment for a further period of four years at the 2017 AGM, and subject to this has re-appointed Mr. van Boxmeer as Chairman of the Executive Board and CEO.

Maarten Das, Christophe Navarre and Henk Scheffers will resign by rotation from the Supervisory Board at the 2017 AGM. Mr. Das and Mr. Navarre are eligible for re-appointment for a period of four years and a non-binding nomination for their re-appointment will be submitted to the 2017 AGM. Mr. Scheffers has informed the Supervisory Board that he will not seek a further term as member of the Supervisory Board.

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

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

Corporate Governance

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

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

II The Executive Board

II.2 Remuneration

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

Heineken will not apply this best practice provision in respect of Mr. Jean-Francois van Boxmeer. In view of his long term in service (over 25 years) the limitation of the severance payment to a maximum of one year will only apply in case of dismissal for cause.

III Supervisory Board

III.2 Independence

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

Given the structure of the Heineken Group, the Issuer is of the opinion that, in the context of preserving the continuity of the Heineken Group and ensuring a focus on long term value creation, it is in its best interest and that of its stakeholders that the Supervisory Board includes a fair and adequate representation of persons who are related by blood or marriage to the late Mr. A.H. Heineken (former chairman of the Executive Board), or who are members of the Board of Directors of Heineken Holding N.V., even if those persons would not, formally speaking, be considered 'independent' within the meaning of best practice provision III.2.1.

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

The report of the Supervisory Board will state that four members of the Supervisory Board do not meet the criteria of III.2.2 and that the Supervisory Board has ascertained that these four members in fact act critically and independently.

III.3 Expertise and composition

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

In line with the belief that the focus on long term value creation is best ensured by a fair and adequate representation of persons who are related by blood or marriage to the late Mr. A.H. Heineken (former chairman of the Executive Board), or who are members of the Board of Directors of Heineken Holding N.V., the Issuer does not apply best practice provision III.3.5 to Messrs. De

Carvalho, Das and Fernández Carbajal. For all other members Heineken applies the best practice provision.

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

III.5.1 The Supervisory Board shall draw up terms of reference for each committee. The terms of reference shall indicate the role and responsibility of the committee concerned, its composition and the manner in which it discharges its duties. The terms of reference may provide that a maximum of one member of each committee may not be independent within the meaning of best practice provision III.2.2. The terms of reference and the composition of the committees shall be posted on the company's website.

The regulations of the Audit Committee, the Remuneration Committee and the Selection & Appointment Committee permit that more than one committee member is not independent within the meaning of best practice provision III.2.2.

III.6 Conflicts of interest

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

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

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

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

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

III.4.1 (g) (contacts with Central Works Council): the Central Works Council operates at the level of Heineken Nederlands Beheer B.V., a subsidiary of Heineken N.V. with its own supervisory board.

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

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

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

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

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

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

For further information, please refer to the Corporate Governance Statement in the 2016 Annual Report. The 2008 Code can be downloaded at www.commissiecorporategovernance.nl.

On 8 December 2016, the revised Dutch Corporate Governance Code 2016 (the "**2016 Code**") was published by the Dutch Corporate Governance Code Monitoring Committee. The 2016 Code must be enshrined in Dutch law by the Dutch government, which is expected to occur in 2017. Dutch listed

companies are required to report on compliance with the 2016 Code, if enacted, in relation to the 2017 financial year for the first time in 2018. Where the principles or best practice provisions of the 2016 Code require changes to, among other things, rules, regulations, procedures or other written records, a company will be deemed to be compliant with the 2016 Code if such changes have been implemented by 31 December 2017. Heineken will evaluate compliance with the 2016 Code during the 2017 financial year and will report on such compliance in the 2017 Annual Report to be published in 2018.

Committees of the Supervisory Board

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

The function of these committees is to prepare the Supervisory Board to make decisions. The Supervisory Board has drawn up regulations for each committee, which indicate the role and responsibility of the committee concerned, its composition and the manner in which it discharges its duties. These regulations are available on www.theheinekencompany.com.

Preparatory Committee

The Preparatory Committee is responsible for preparing the Supervisory Board to make decisions on matters not handled by any of the other committees, such as in relation to acquisitions and investments.

Audit Committee

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

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

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

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

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

Remuneration Committee

The Remuneration Committee may not be chaired by the Chairman of the Supervisory Board or by a former member of the Executive Board or by a Supervisory Board member who is a member of the management board of another listed company. However, given the structure of the Heineken Group and the character of the Board of Directors of Heineken Holding N.V., the regulations of the Remuneration Committee permit that the Remuneration Committee is chaired by a Supervisory Board member who is a member of the Board of Directors of Heineken Holding N.V. The current Chairman of the Remuneration Committee, Mr. Maarten Das, is a Non-Executive Director (and Chairman) of Heineken Holding N.V. No more than one member of the Remuneration Committee may be a member of the management board of another Dutch listed company.

No more than one member of the Remuneration Committee may be a member of the management board of another Dutch listed company. The Remuneration Committee, *inter alia*, makes the proposal to the Supervisory Board for the remuneration policy to be pursued, and makes a proposal for the remuneration of the individual members of the Executive Board for adoption by the Supervisory Board.

Selection & Appointment Committee

The Selection & Appointment Committee, inter alia, (i) draws up selection criteria and appointment procedures for Supervisory Board members and Executive Board members, (ii) periodically assesses the size and composition of the Supervisory Board and the Executive Board, and makes a proposal for a composition profile of the Supervisory Board, (iii) periodically assesses the functioning of individual Supervisory Board members and Executive Board members and reports on this to the Supervisory Board, (iv) makes proposals for appointments and reappointments, (v) supervises the policy of the Executive Board on the selection criteria and appointment procedures for senior management, and (vi) decides on a request from Executive Board members to accept a board membership of a Large Dutch Entity (as defined above) or foreign equivalent.

Americas Committee

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

Management reporting lines

Management responsibility within the Heineken Group is centralised at Heineken's Executive Board level. The two members of the Executive Board, the four Regional Presidents and four Chief Officers together form the Executive Team. The Executive Team is responsible for the implementation of key priorities and strategies across the organisation.

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

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

SELECTED FINANCIAL INFORMATION

The table below shows Heineken's full year key figures for the financial years ending 31 December 2016 and 31 December 2015.

Key Financial Figures	2016	2015
<i>(In millions of EUR)</i>		
Income Statement Data		
Revenue.....	20,792	20,511
Operating profit (beia).....	3,540	3,381
Operating profit (beia) margin.....	17.0%	16.5%
Net interest expense ⁽¹⁾	359	352
Net profit (beia).....	2,098	2,048
Net profit (attributable to equity holders of the Issuer).....	1,540	1,892
Balance Sheet Data		
Cash and cash equivalents ⁽²⁾	3,035	3,232
Total assets ⁽²⁾	39,321	40,122
Net interest bearing debt.....	11,293	11,510
Equity attributable to equity holders of the Issuer.....	13,238	13,535

Notes:

(1) Net interest expense: interest income less interest expense.

(2) Comparative figures have been revised to reflect the change in accounting policy on netting cash and overdraft balances in cash pooling arrangements with legally enforceable rights to offset. Heineken previously presented the cash and overdraft balances within cash pooling arrangements on a net basis in the statement of financial position, based on the legally enforceable right to offset and the intention to settle on a net basis. In March 2016, the IFRS Interpretations Committee ("IFRIC") decided on when and whether entities are able to offset balances in accordance with IAS 32. Heineken has revised its accounting policy accordingly, by applying the stricter IFRIC interpretation on the intention to settle on a net basis. This change in accounting policy has been accounted for retrospectively and, as a result of this, the amount of 'Cash and cash equivalents' and 'Bank overdrafts and commercial papers' increased by €2,408 million as per 31 December 2015. Legal offset rights for the cash pooling arrangements continue to be in place. The amount subject to legal offset rights, but not netted in the statement of financial position is €1,489 million per 31 December 2016. If netted, 'Cash and cash equivalents' would amount to €1,546 million and 'Bank overdrafts and commercial papers' to €180 million. The Net interest-bearing debt position remains unchanged.

TAXATION

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

NETHERLANDS TAXATION

General

This Netherlands Taxation section is intended as general information only and it does not present any comprehensive or complete description of all aspects of Dutch tax law which could be of relevance to a Noteholder. For Dutch tax purposes, a Noteholder may include an individual who or an entity that does not have the legal title of the Notes, but to whom nevertheless the Notes are attributed, based either on such individual or entity owning a beneficial interest in the Notes or based on specific statutory provisions. These include statutory provisions pursuant to which Notes are attributed to an individual who is, or who has directly or indirectly inherited from a person who was, the settlor, grantor or similar originator of a trust, foundation or similar entity that holds the Notes.

This paragraph is based on Dutch tax law as applied and interpreted by Dutch tax courts and as published and in effect on the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

For the purpose of this paragraph, "**Dutch Taxes**" shall mean taxes of whatever nature levied by or on behalf of the Netherlands or any of its subdivisions or taxing authorities. The Netherlands means the part of the Kingdom of the Netherlands located in Europe.

The statements below are based on the assumption that the Final Terms of any Series of Notes will not materially deviate from the Terms and Conditions as described in this Base Prospectus, in particular with regard to the status and ranking of the Notes.

Withholding Tax

Any payments made under the Notes will not be subject to withholding or deduction for, or on account of, any Dutch Taxes.

Taxes on income and capital gains

This section does not describe the possible Dutch tax considerations or consequences that may be relevant to a Noteholder:

- (i) who has a (fictitious) substantial interest (*aanmerkelijk belang*) in the Issuer within the meaning of chapter 4 of the Dutch Income Tax Act 2001 (*Wet op de inkomstenbelasting 2001*);
- (ii) who is an individual and for who the income or capital gains derived from the Notes are attributable to employment activities, the income from which is taxable in the Netherlands;
- (iii) that is an entity which is, pursuant to the Dutch Corporate income tax act 1969 (*Wet op de vennootschapsbelasting 1969*, "**CITA**"), not subject to Dutch corporate income tax or are in full or in part exempt from Dutch corporate income tax (such as pension funds);
- (iv) that is an investment institution (*beleggingsinstelling*) as described in article 6a or 28 CITA; or
- (v) that is an entity resident in Aruba, Curaçao or Sint Maarten which carries on an enterprise on Bonaire, Sint Eustatius or Saba through a permanent establishment (*vaste inrichting*) or permanent

representative (*vaste vertegenwoordiger*) on Bonaire, Sint Eustatius or Saba to which permanent establishment, or permanent representative, the Notes are attributable.

(a) **Residents in the Netherlands**

The description of certain Dutch tax consequences in this paragraph is only intended for the following Noteholders:

- (i) Individuals who are resident or deemed to be resident in the Netherlands for Dutch income tax purposes ("**Dutch Individuals**"); and
- (ii) entities that are subject to the CITA and are resident or deemed to be resident in The Netherlands for Dutch corporate income tax purposes, ("**Dutch Corporate Entities**").

Dutch Individuals engaged or deemed to be engaged in an enterprise or in miscellaneous activities

Dutch Individuals are generally subject to income tax at statutory progressive rates with a maximum of 52 per cent. (2017). with respect to any benefits derived or deemed to be derived from the Notes (including any capital gains realised on the disposal thereof) that are either attributable to an enterprise from which a Dutch Individual derives profits, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise (other than as an entrepreneur or a shareholder), or attributable to miscellaneous activities (*resultaat uit overige werkzaamheden*), including, without limitation, activities which are beyond the scope of active portfolio investment activities.

Dutch Individuals not engaged or deemed to be engaged in an enterprise or in miscellaneous activities

Generally, a Dutch Individual who holds Notes (i) that are not attributable to an enterprise from which he derives profits as an entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise other than as an entrepreneur or a shareholder, and (ii) from which he derives benefits which are not taxable as benefits from miscellaneous activities, will be subject annually to an income tax imposed on a fictitious yield on such Notes. The Notes held by such Dutch Individual will be taxed under the regime for savings and investments (*inkomen uit sparen en beleggen*). Irrespective of the actual income or capital gains realised, the annual taxable benefit of all the assets and liabilities of a Dutch Individual that are taxed under this regime, including the Notes, is set at a deemed return. The deemed return is between 2.87 per cent. and 5.39 per cent. (2017) (the applicable deemed return depends on the amount of such Dutch individual's net investments assets for the year) of the fair market value of the assets reduced by the liabilities and by certain allowances and measured, in general, at the beginning of every calendar year. The tax rate under the regime for savings and investments is a flat rate of 30 per cent. (2017).

Dutch Corporate Entities

Dutch Corporate Entities are generally subject to corporate income tax at the statutory rate of 25 per cent. (2017) with respect to any benefits derived or deemed to be derived (including any capital gains realised on the disposal thereof) of the Notes. A reduced rate of 20 per cent. applies to the first EUR200,000 of taxable profits.

(b) **Non-residents in the Netherlands**

A Noteholder who is not a Dutch Individual and that is not a Dutch Corporate Entity will not be subject to any Dutch Taxes on income or capital gains in respect of the ownership and disposal of the Notes, except if:

- (i) the Noteholder, whether an individual or not, derives profits from an enterprise, whether as an entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise other than as an entrepreneur or a shareholder, which enterprise is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands, to which the Notes are attributable;

- (ii) the Noteholder is an individual and derives benefits from miscellaneous activities carried out in the Netherlands in respect of the Notes, including (without limitation) activities which are beyond the scope of active portfolio investment activities;
- (iii) the Noteholder is not an individual and is, other than by way of securities, entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise which enterprise is effectively managed in the Netherlands and to which enterprise the Notes are attributable; or
- (iv) the Noteholder is an individual and is, other than by way of securities, entitled to a share in the profits of an enterprise, that is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

Gift and Inheritance Tax

No Dutch gift tax or inheritance tax is due in respect of any gift of the Notes by, or inheritance of the Notes on the death of, a Noteholder, except if:

- (a) at the time of the gift or death of the Noteholder, the Noteholder is resident, or is deemed to be resident, in the Netherlands;
- (b) the Noteholder passes away within 180 days after the date of the gift of the Notes and is not, or not deemed to be, at the time of the gift, but is, or deemed to be, at the time of his death, resident in the Netherlands;
- (c) the gift of the Notes is made under a condition precedent and the Noteholder is resident, or is deemed to be resident, in the Netherlands at the time the condition is fulfilled.

For purposes of Dutch gift or inheritance tax, an individual who is of Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Dutch gift tax, any individual, irrespective of his nationality, will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the 12 months preceding the date of the gift.

Other Taxes and Duties

No other Dutch Taxes, including turnover tax (value added tax) and taxes of a documentary nature, such as capital tax, stamp or registration tax or duty, are payable by or on behalf of a Noteholder by reason only of the issue, acquisition or transfer of the Notes.

LUXEMBOURG TAXATION

The following overview is of a general nature and is included here solely for information purposes. It is based on the laws in force in Luxembourg as at the date of this Base Prospectus, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

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

Withholding Tax

(i) Non-resident holders of Notes

Under Luxembourg general tax laws currently in force, there is no Luxembourg withholding tax on payments of principal, premium or interest (including accrued but unpaid interest) made to non-resident holders of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

(ii) *Resident holders of Notes*

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

Under the Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg (within the meaning of the Law) to or for the benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20 per cent.

Luxembourg resident individuals can opt to self-declare and pay a 20 per cent. levy on interest payments made or ascribed by paying agents located in a Member State of the European Union other than Luxembourg or a Member State of the European Economic Area.

Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law would be subject to withholding tax of 20 per cent.

FOREIGN ACCOUNT TAX COMPLIANCE ACT

Sections 1471 through 1474 of the U.S. Internal Revenue Code (the "**Code**"), an agreement entered into with the U.S. Internal Revenue Service ("**IRS**") pursuant to Section 1471(b)(1) of the Code, or an intergovernmental agreement in furtherance of such Sections of the Code, including any laws, regulations or guidance implementing such an intergovernmental agreement ("**FATCA**") impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "**foreign financial institution**", or "**FFI**" (as defined by FATCA)) that, unless exempt or deemed to be in compliance with FATCA, does not become a "**Participating FFI**" by entering into an agreement with the IRS to provide the IRS with certain information in respect of its account holders and investors and (ii) any investor (unless otherwise exempt from FATCA) that does not provide tax certifications and information regarding itself, and in some cases, about its owners or, where applicable, a waiver of any laws prohibiting the disclosure of such information to a taxing authority (a "**Recalcitrant Holder**").

Withholding applies currently to payments of United States source income and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2019. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal income tax purposes that are not outstanding on the "grandfathering date", which is the date that is 6 months after the publication of final U.S. Treasury regulations defining the term "foreign passthru payments", or which are significantly modified after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal income tax purposes, whenever issued. Even if a series of Notes is grandfathered under FATCA, additional Notes of the same series that are issued after the grandfathering date are not expected to be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have negotiated intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). An FFI in an IGA signatory country could be treated as a Reporting FI not subject to withholding under FATCA on any payments it receives, provided that the FFI complies with certain reporting and withholding obligations delineated in the applicable IGA. A Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the Netherlands entered into a "Model 1" IGA on 18 December 2013. The Netherlands has implemented the IGA between the Netherlands and the United States into Dutch legislation with effect from 1 January 2015.

The Issuer and financial institutions through which payments on the Notes are made may be required to withhold under FATCA if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder. If an amount in respect of FATCA withholding were to be deducted or withheld from interest, principal or other payments made in respect of the Notes, neither the Issuer nor any

paying agent nor any other person would, pursuant to the Terms and Conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected. In addition, the Issuer or a financial institution through which payments on the Notes are made may be required to force the transfer of Notes (or interests therein) held by such an FFI or a Recalcitrant Holder.

Whilst the Notes are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the Common Depositary or Common Safekeeper, given that each of the entities in the payment chain between the Issuer and ending with the participants in the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may be converted into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA withholding. However, definitive Notes will only be printed in remote circumstances.

FATCA is particularly complex and the above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult with their own advisors about how FATCA may affect an investment in the Notes.

THE PROPOSED FINANCIAL TRANSACTIONS TAX

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transactions tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of the Dealers. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, the Dealers are set out in a Dealer Agreement dated 3 March 2017 (such Dealer Agreement as modified and/or supplemented and/or restated from time to time, the "**Dealer Agreement**") and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination or appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America: *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the Code and U.S. Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the completion of the distribution of the Notes comprising the relevant Tranche, as determined and certified to the Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

From 1 January 2018, unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**") ; or
 - (ii) a customer within the meaning of the Insurance Mediation Directive (Directive 2002/92/EC (as amended)), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II ; or

- (iii) if the Notes have a denomination of less than €100,000 (or its equivalent in another currency), not a qualified investor as defined in Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the "**Prospectus Directive**"); and
- (b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Prior to 1 January 2018, and from that date if the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable" in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a "**Relevant Member State**"), each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Final Terms contemplating such Public Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable, and the Issuer has consented in writing to its use for the purposes of that Public Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that:

- (a) **No deposit-taking:** in relation to any Notes having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

- (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
- (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

France

This Base Prospectus has not been approved by the *Autorité des marchés financiers* (the "**AMF**").

Each of the Dealers and the Issuer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has only made and will only make an offer of Notes to the public in France or an admission of Notes to trading on a regulated market in France in the period beginning (i) when a prospectus in relation to those Notes has been approved by the AMF, on the date of such publication, or (ii) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented Directive 2003/71/EC (as amended), on or after the date of notification of such approval to the AMF, and ending at the latest on the date which is 12 months after the date of approval of the base prospectus, all in accordance with Articles L.412-1 and L.621-8 to L.621-8-3 of the French *Code monétaire et financier* and the *Règlement général* of the AMF and when formalities required by French laws and regulations have been carried out; or
- (b) it has only made and will only make an offer of Notes to the public in France or an admission of Notes to trading on a regulated market in France in circumstances which do not require the publication by the offeror of a prospectus pursuant to the French *Code monétaire et financier* and the *Règlement général* of the AMF; and
- (c) otherwise, it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (i) providers of the investment service of portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (ii) qualified investors (*investisseurs qualifiés*) acting for their own account, other than individuals, all as defined in Articles L.411-2 and D.411-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*. The direct or indirect resale of Notes to the public in France may be made only as provided by and in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French *Code monétaire et financier*.

Selling Restrictions Addressing Additional Laws of the Netherlands

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that it has not made and will not make an offer of Notes to the public in the Netherlands in reliance on Article 3(2) of the Prospectus Directive (as defined above under "*Public Offer Selling Restriction Under the Prospectus Directive*") unless (i) such offer is made exclusively to legal entities which are qualified investors as defined in the Prospectus Directive, or (ii) standard exemption wording is disclosed as required by Section 5:20(5) of the Dutch Financial Supervision

Act (*Wet op het financieel toezicht*), provided that no such offer of Notes shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Zero Coupon Notes (as defined below) in definitive form of the Issuer may only be transferred and accepted, directly or indirectly, within, from or into the Netherlands through the mediation of either the Issuer or a member firm of Euronext in Amsterdam in full compliance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations. No such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form, or (b) in respect of the initial issue of Zero Coupon Notes in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of such Zero Coupon Notes within, from or into the Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series are issued outside the Netherlands and are not distributed into the Netherlands in the course of initial distribution or immediately thereafter. In the event that the Dutch Savings Certificates Act applies, certain identification requirements in relation to the issue and transfer of, and payments on, Zero Coupon Notes have to be complied with. As used herein, "**Zero Coupon Notes**" are Notes that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

Singapore

This Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore, and the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "**Securities and Futures Act**"). Accordingly, the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Base Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person under Section 275(1) of the Securities and Futures Act or to any person pursuant to Section 275(1A) of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor;
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Notes pursuant to an offer under Section 275 of the Securities and Futures Act except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act; or
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law; or
- (iv) pursuant to Section 276(7) of the Securities and Futures Act or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations; or

- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that it has complied and will comply, to the best of its knowledge and belief, in all material respects, with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the preceding paragraph.

GENERAL INFORMATION

1. Listing and Admission to Trading

Application has been made for Notes issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange.

However, Notes may be issued which will not be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system, or which will be admitted to listing, trading and/or quotation on such listing authority, stock exchange and/or quotation system as the Issuer and the relevant Dealer(s) may agree.

2. Authorisation

The establishment of the Programme was authorised by resolutions of the Executive Board of the Issuer passed on 25 August 2008 and resolutions of the Supervisory Board of the Issuer passed on 4 September 2008. The increase of the size of the Programme to €15,000,000,000 was authorised by resolutions of the Executive Board of the Issuer passed on 12 February 2016. The update of the Programme on the date hereof was authorised by resolutions of the Executive Board of the Issuer passed on 15 February 2017. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

3. Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had, during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer or the Heineken Group.

4. Significant/Material Adverse Change

Since 31 December 2016, there has been no material adverse change in the prospects of the Issuer and no significant change in the financial or trading position of the Heineken Group.

5. Auditors

The consolidated financial statements of the Issuer for the financial years ended 31 December 2016 and 31 December 2015 have been audited without qualification by Deloitte Accountants B.V., Gustav Mahlerlaan 2970, 1081 LA Amsterdam, the Netherlands, independent accountants. Each audit partner of Deloitte Accountants B.V. is a member of the Royal Dutch Institute of Chartered Accountants (*Koninklijke Nederlandse Beroepsorganisatie van Accountants*).

6. Documents on Display

Copies of the following documents (together with English translations thereof) may be inspected during normal business hours at the specified offices of the Paying Agents for the time being in Luxembourg and London for 12 months from the date of this Base Prospectus:

- (a) the constitutional documents of the Issuer;
- (b) the audited annual consolidated financial statements of the Issuer for the financial years ended 31 December 2016 and 31 December 2015;
- (c) the Agency Agreement;
- (d) the Trust Deed (which contains the forms of the Notes in global and definitive form);
- (e) the Programme Manual;

- (f) the Issuer-ICSDs Agreement; and
- (g) this Base Prospectus, any supplement to this Base Prospectus, each document incorporated by reference in this Base Prospectus from time to time and each Final Terms (save that Final Terms relating to Notes which are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospective Directive will only be available for inspection by a holder of such Notes and such holder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of Notes and identity).

In addition, copies of this Base Prospectus, any supplement to this Base Prospectus, each document incorporated by reference in this Base Prospectus from time to time and each Final Terms relating to Notes which are admitted to trading on the Luxembourg Stock Exchange's regulated market will also be available on the website of the Luxembourg Stock Exchange (www.bourse.lu).

7. Pricing

The price and nominal amount of the Notes of any Tranche to be issued will be determined by the Issuer and the relevant Dealer(s) at the time of issue thereof in accordance with the prevailing market conditions.

8. Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the relevant Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

9. Passporting

The Issuer may, on or after the date of this Base Prospectus, make applications for one or more certificates of approval under Article 18 of the Prospectus Directive as implemented in Luxembourg to be issued by the CSSF to the competent authority in any host Member State.

10. Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business.

11. ISDA Definitions

In the case of Floating Rate Notes for which ISDA Determination is specified in the applicable Final Terms, investors should consult the Issuer if they require an explanation of the relevant ISDA Definitions.

12. Yield

The yield for any particular Series of Notes will be specified in the applicable Final Terms and will be calculated on the basis of the compound annual rate of return if the relevant Notes were to be purchased at the Issue Price on the Issue Date and held to maturity. Set out below is an example formula for the purposes of calculating the yield of Fixed Rate Notes. The Final Terms in respect of any Floating Rate Notes will not include any indication of yield.

$$Issue\ Price = \frac{Coupon}{m} * \frac{1 - \left[\frac{1}{\left(1 + \frac{Yield}{m}\right)^{n*m}} \right]}{\frac{Yield}{m}} + \left[Final\ Redemption\ Amount * \left[\frac{1}{\left(1 + \frac{Yield}{m}\right)^{n*m}} \right] \right]$$

Where:

"Coupon" means the annual coupon as specified in the applicable Final Terms;

"Yield" means the annual yield to maturity;

"m" means the number of interest payments in a year; and

"n" means the number of years to maturity.

Set out below is a worked example illustrating how the yield on a Series of Fixed Rate Notes could be calculated on the basis of the above formula. It is provided for purposes of illustration only and should not be taken as an indication of prediction of the yield for any Series of Notes; it is intended merely to illustrate the way which the above formula could be applied.

Where:

"m" = 2

"n" = 6

"Coupon" = 3.875%

Issue Price = 99.392%

Final Redemption Amount = 100%

$$99.392 = \frac{3.875}{2} * \frac{1 - \left[\frac{1}{\left(1 + \frac{Yield}{2}\right)^{6*2}} \right]}{\frac{Yield}{2}} + \left[100 * \left[\frac{1}{\left(1 + \frac{Yield}{2}\right)^{6*2}} \right] \right]$$

Yield = 3.99% (calculated by iteration)

The yield specified in the applicable Final Terms in respect of a Series of Notes will not be an indication of future yield.

GLOSSARY

In this Base Prospectus, Heineken uses the following financial measures in the analysis of its business and financial position, which Heineken considers to constitute Alternative Performance Measures for the purposes of the ESMA Guidelines on Alternative Performance Measures. Such financial measures are not calculated in accordance with IFRS. Accordingly, they should not be considered as alternatives to 'results from operating activities' or 'profits' as indicators of Heineken's performance. However, Heineken believes that such financial measures are commonly used by investors and as such useful for disclosure. The presentation of 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.

Beia	Before exceptional items and amortisation of acquisition-related intangible assets.
EBIT	Earnings before interest, taxes and net finance expenses. EBIT includes Heineken's share in net profit of joint ventures and associates.
EBITDA	Earnings before interest, taxes, net finance expenses, depreciation and amortisation. EBITDA includes Heineken's share in net profit of joint ventures and associates.
Free operating cash flow (FOCF)	This represents the total of cash flow from operating activities, and cash flow from operational investing activities.
Net debt	Non-current and current interest bearing loans and borrowings, bank overdrafts and commercial papers and market value of cross-currency interest rate swaps less investments held for trading and cash.
Net debt/EBITDA (beia) ratio	The ratio is based on a twelve month rolling calculation for EBITDA (beia). The ratio includes acquisitions and excludes disposals on a 12 month pro-forma basis.
Net profit (beia)	Profit after deduction of non-controlling interests before exceptional items and amortisation of acquisition-related intangible assets.
Operating profit (beia)	Operating profit before exceptional items and amortisation of acquisition-related intangible assets.
Operating profit (beia) margin	Operating profit (beia) divided by revenue.
Organic growth	Growth excluding the effect of foreign currency translational effects, consolidation changes, exceptional items and amortisation of acquisition-related intangible assets.
Organic revenue	Growth in revenue, excluding the effect of foreign currency translational effects, consolidation changes, exceptional items and amortisation of acquisition-related intangible assets.
Top-line growth	Growth in net revenue.

Definitions of other terms and phrases used in this Base Prospectus

Acquisition-related intangible assets	Acquisition-related intangible assets are assets that Heineken only recognises as part of a purchase price allocation following an acquisition. This includes, among others, brands, customer-related and certain contract-based intangibles.
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Baa1	Obligations rated Baa by Moody's are judged to be medium-grade and subject to moderate credit risk and as such possess certain speculative characteristics. The modifier "1" indicates that the obligation ranks in the higher end of its generic rating category.
BBB+	An obligor rated BBB by Standard & Poor's has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments. The modifier "+" shows an obligor's relative standing within its rating category.
Exceptional items	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.
Net profit	Profit after deduction of non-controlling interests (profit attributable to equity holders of the Issuer).
Operating profit	Results from operating activities.
Organic volume growth	Growth in volume, excluding the effect of consolidation changes.
Profit	Total profit of the Group before deduction of non-controlling interests.
®	All brand names mentioned herein, including those brand names not marked by an ®, represent registered trademarks and are legally protected.
Region	A region is defined as Heineken's managerial classification of countries into geographical units.
Revenue	<p><i>Consolidated revenue</i></p> <p>Net realised sales proceeds.</p> <p><i>Revenue/hl</i></p> <p>Revenue per hectolitre.</p>
Volume	<p><i>Consolidated beer volume</i></p> <p>100 per cent. of beer volume produced and sold by consolidated companies.</p> <p><i>Group beer volume</i></p> <p>Consolidated beer volume plus attributable share of beer volume from joint ventures and associates.</p> <p><i>Heineken® volume</i></p> <p>100 per cent. of beer volume sold of the Heineken® brand by consolidated companies, joint ventures and associates and produced and sold under licence by third parties.</p> <p><i>Heineken® volume in premium segment</i></p> <p>Heineken® volume excluding Heineken® volume in the Netherlands.</p> <p><i>Total volume</i></p> <p>100 per cent. of volume produced and sold by consolidated</p>

companies (including beer, cider, soft drinks and other beverages), volume of third party products and volume of Heineken's brands produced and sold under licence by third parties.

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FINANCIAL STATEMENTS

Consolidated financial statements of Heineken N.V. for the year ended 31 December 2016

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The consolidated financial statements of Heineken N.V. have been derived from the statutory financial statements of Heineken N.V. for the year ended 31 December 2016 dated 14 February 2017 as included in the 2016 Annual Report. The 2016 financial statements have not yet been adopted by the General Meeting of shareholders of Heineken N.V. The adoption of the 2016 financial statements is scheduled on the agenda of the next Annual General Meeting of Shareholders on 20 April 2017.

Deloitte Accountants B.V. has issued an Independent Auditor's Report on the statutory financial statements of Heineken N.V. for the year ended 31 December 2016 on 14 February 2017, including an unqualified opinion with respect to the consolidated financial statements. This Auditor's Report is included on F-77 to F-80. For the purposes of this Base Prospectus, the parts of the Independent Auditor's Report relating to the consolidated financial statements only, as included on F-1 to F-65, are applicable.

Consolidated Income Statement

For the year ended 31 December

In millions of EUR

	Note	2016	2015
Revenue	5	20,792	20,511
Other income	8	46	411
Raw materials, consumables and services	9	(13,003)	(12,931)
Personnel expenses	10	(3,263)	(3,322)
Amortisation, depreciation and impairments	11	(1,817)	(1,594)
Total expenses		(18,083)	(17,847)
Results from operating activities		2,755	3,075
Interest income	12	60	60
Interest expenses	12	(419)	(412)
Other net finance income/(expenses)	12	(134)	(57)
Net finance expenses		(493)	(409)
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	16	150	172
Profit before income tax		2,412	2,838
Income tax expense	13	(673)	(697)
Profit		1,739	2,141
Attributable to:			
Equity holders of the Company (net profit)		1,540	1,892
Non-controlling interests		199	249
Profit		1,739	2,141
Weighted average number of shares – basic	23	569,737,210	572,292,454
Weighted average number of shares – diluted	23	570,370,392	572,944,188
Basic earnings per share (EUR)	23	2.70	3.31
Diluted earnings per share (EUR)	23	2.70	3.30

Consolidated Statement of Comprehensive Income

For the year ended 31 December

In millions of EUR

	Note	2016	2015
Profit		1,739	2,141
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gains and losses	24	(252)	95
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences	24	(908)	(43)
Recycling of currency translation differences to profit or loss	24	–	129
Effective portion of net investment hedges	24	44	15
Effective portion of changes in fair value of cash flow hedges	24	6	23
Effective portion of cash flow hedges transferred to profit or loss	24	41	24
Net change in fair value available-for-sale investments	24	140	43
Recycling of fair value of available-for-sale investments to profit or loss	24	–	(16)
Share of other comprehensive income of associates/joint ventures	24	–	7
Other comprehensive income, net of tax	24	(929)	277
Total comprehensive income		810	2,418
Attributable to:			
Equity holders of the Company		660	2,150
Non-controlling interests		150	268
Total comprehensive income		810	2,418

Consolidated Statement of Financial Position

As at 31 December

In millions of EUR	Note	2016	2015*
Assets			
Property, plant and equipment	14	9,232	9,552
Intangible assets	15	17,424	18,183
Investments in associates and joint ventures	16	2,166	1,985
Other investments and receivables	17	1,077	856
Advances to customers		274	266
Deferred tax assets	18	1,011	958
Total non-current assets		31,184	31,800
Inventories	19	1,618	1,702
Other investments	17	–	16
Trade and other receivables	20	3,052	2,873
Prepayments		328	343
Income tax receivables		47	33
Cash and cash equivalents	21	3,035	3,232
Assets classified as held for sale	7	57	123
Total current assets		8,137	8,322
Total assets		39,321	40,122
Equity			
Share capital	22	922	922
Share premium	22	2,701	2,701
Reserves		(1,173)	(655)
Retained earnings		10,788	10,567
Equity attributable to equity holders of the Company		13,238	13,535
Non-controlling interests	22	1,335	1,535
Total equity		14,573	15,070
Liabilities			
Loans and borrowings	25	10,954	10,658
Tax liabilities		3	3
Employee benefits	26	1,420	1,289
Provisions	28	302	320
Deferred tax liabilities	18	1,672	1,858
Total non-current liabilities		14,351	14,128
Bank overdrafts and commercial papers	21	1,669	2,950
Loans and borrowings	25	1,981	1,397
Trade and other payables	29	6,224	6,013
Tax liabilities		352	379
Provisions	28	154	154
Liabilities classified as held for sale	7	17	31
Total current liabilities		10,397	10,924
Total liabilities		24,748	25,052
Total equity and liabilities		39,321	40,122

* Revised to reflect the change in accounting policy on netting cash and overdraft balances in cash pooling arrangements with legally enforceable rights to offset. Refer to note 2(e) changes in accounting policies and note 21 Cash and cash equivalents for further details.

Consolidated Statement of Cash Flows

For the year ended 31 December

In millions of EUR

	Note	2016	2015
Operating activities			
Profit		1,739	2,141
Adjustments for:			
Amortisation, depreciation and impairments	11	1,817	1,594
Net interest expenses	12	359	352
Gain on sale of property, plant and equipment, intangible assets and subsidiaries, joint ventures and associates	8	(46)	(411)
Investment income and share of profit and impairments of associates and joint ventures and dividend income on available-for-sale and held-for-trading investments		(161)	(182)
Income tax expenses	13	673	697
Other non-cash items		332	89
Cash flow from operations before changes in working capital and provisions		4,713	4,280
Change in inventories		(20)	27
Change in trade and other receivables		(228)	(59)
Change in trade and other payables		328	403
Total change in working capital		80	371
Change in provisions and employee benefits		(73)	(165)
Cash flow from operations		4,720	4,486
Interest paid		(441)	(446)
Interest received		70	87
Dividends received		118	159
Income taxes paid		(749)	(797)
Cash flow related to interest, dividend and income tax		(1,002)	(997)
Cash flow from operating activities		3,718	3,489
Investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		116	83
Purchase of property, plant and equipment		(1,757)	(1,638)
Purchase of intangible assets		(109)	(92)
Loans issued to customers and other investments		(219)	(195)
Repayment on loans to customers		24	45
Cash flow (used in)/from operational investing activities		(1,945)	(1,797)
Free operating cash flow		1,773	1,692
Acquisition of subsidiaries, net of cash acquired		(9)	(757)
Acquisition of/additions to associates, joint ventures and other investments		(68)	(543)
Disposal of subsidiaries, net of cash disposed of	6/7	15	979
Disposal of associates, joint ventures and other investments		–	54
Cash flow (used in)/from acquisitions and disposals		(62)	(267)
Cash flow (used in)/from investing activities		(2,007)	(2,064)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December

In millions of EUR	Note	2016	2015
Financing activities			
Proceeds from loans and borrowings		1,670	1,888
Repayment of loans and borrowings		(1,001)	(1,753)
Dividends paid		(1,031)	(909)
Purchase own shares and shares issued		(31)	(377)
Acquisition of non-controlling interests	6	(294)	(21)
Other		15	(1)
Cash flow (used in)/from financing activities		(672)	(1,173)
Net cash flow		1,039	252
Cash and cash equivalents as at 1 January		282	73
Effect of movements in exchange rates		45	(43)
Cash and cash equivalents as at 31 December	21	1,366	282

Consolidated Statement of Changes in Equity

In millions of EUR	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	Retained earnings	Equity attributable to equity holders of the Company	Non-controlling interests	Total equity
Balance as at 1 January 2015		922	2,701	(1,097)	(99)	96	743	(70)	9,213	12,409	1,043	13,452
Profit		–	–	–	–	–	186	–	1,706	1,892	249	2,141
Other comprehensive income	24	–	–	80	52	26	–	–	100	258	19	277
Total comprehensive income		–	–	80	52	26	186	–	1,806	2,150	268	2,418
Transfer to retained earnings		–	–	–	–	–	(210)	–	210	–	–	–
Dividends to shareholders		–	–	–	–	–	–	–	(676)	(676)	(248)	(924)
Purchase/reissuance own/non-controlling shares	22	–	–	–	–	–	–	(384)	–	(384)	10	(374)
Own shares delivered		–	–	–	–	–	–	22	(22)	–	–	–
Share-based payments		–	–	–	–	–	–	–	32	32	–	32
Acquisition of non-controlling interests without a change in control	6	–	–	–	–	–	–	–	4	4	(2)	2
Changes in consolidation		–	–	–	–	–	–	–	–	–	464	464
Balance as at 31 December 2015		922	2,701	(1,017)	(47)	122	719	(432)	10,567	13,535	1,535	15,070

Consolidated Statement of Changes in Equity (continued)

In millions of EUR	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	Retained earnings	Equity attributable to equity holders of the Company	Non-controlling interests	Total equity
Balance as at 1 January 2016		922	2,701	(1,017)	(47)	122	719	(432)	10,567	13,535	1,535	15,070
Profit		–	–	–	–	–	153	–	1,387	1,540	199	1,739
Other comprehensive income	24	–	–	(812)	46	140	–	–	(254)	(880)	(49)	(929)
Total comprehensive income		–	–	(812)	46	140	153	–	1,133	660	150	810
Transfer to/(from) retained earnings		–	–	–	–	–	(34)	–	34	–	–	–
Dividends to shareholders		–	–	–	–	–	–	–	(786)	(786)	(261)	(1,047)
Purchase/reissuance own/non-controlling shares	22	–	–	–	–	–	–	(39)	–	(39)	8	(31)
Own shares delivered		–	–	–	–	–	–	28	(28)	–	–	–
Share-based payments		–	–	–	–	–	–	–	13	13	–	13
Acquisition of non-controlling interests without a change in control	6	–	–	–	–	–	–	–	(145)	(145)	(144)	(289)
Changes in consolidation		–	–	–	–	–	–	–	–	–	47	47
Balance as at 31 December 2016		922	2,701	(1,829)	(1)	262	838	(443)	10,788	13,238	1,335	14,573

Notes to the Consolidated Financial Statements

1. Reporting entity

Heineken N.V. (the 'Company') is a company domiciled in the Netherlands. The address of the Company's registered office is Tweede Weteringplantsoen 21, Amsterdam. The consolidated financial statements of the Company as at and for the year ended 31 December 2016 comprise the Company, its subsidiaries (together referred to as 'HEINEKEN' and individually as 'HEINEKEN' entities) and HEINEKEN's interest in jointly controlled entities and associates. The Company is registered in the Trade Register of Amsterdam No. 33011433. HEINEKEN is primarily involved in the brewing and selling of beer.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the 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 2016 have been adopted by the EU. Consequently, the accounting policies applied by the Company also comply fully with IFRS as issued by the IASB.

The consolidated financial statements have been prepared by the Executive Board of the Company and authorised for issue on 14 February 2017 and will be submitted for adoption to the Annual General Meeting of Shareholders on 20 April 2017.

(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 notes 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 IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the 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 26 Employee benefits

Note 28 Provisions

Note 29 Trade and other payables

Note 30 Financial risk management and financial instruments

Note 32 Contingencies.

Notes to the Consolidated Financial Statements (continued)

(e) Changes in accounting policies

(i) Netting cash pooling arrangements with legally enforceable rights to offset

HEINEKEN previously presented the cash and overdraft balances within cash pooling arrangements on a net basis in the statement of financial position, based on the legally enforceable right to offset and the intention to settle on a net basis. In March 2016 the IFRS Interpretations Committee (IFRIC) decided on when and whether entities are able to offset balances in accordance with IAS 32. HEINEKEN has revised its accounting policy accordingly, by applying the stricter IFRIC interpretation on the intention to settle on a net basis.

This change in accounting policy has been accounted for retrospectively and as a result of this, the amount of 'Cash and cash equivalents' and 'Bank overdrafts and commercial papers' increased by EUR 2,408 million as per 31 December 2015. Legal offset rights for the cash pooling arrangements continue to be in place. The amount subject to legal offset rights, but not netted in the statement of financial position is EUR 1,489 million per 31 December 2016. If netted, 'Cash and cash equivalents' would amount to EUR 1,546 million and 'Bank overdrafts and commercial papers' to EUR 180 million. Refer to note 21 for further details. The Net interest-bearing debt position remains unchanged.

(ii) Other changes

HEINEKEN has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2016:

- Disclosure Initiative (amendments to IAS 1)
- Regulatory Deferral Accounts (IFRS 14)
- Accounting for Acquisitions of Interests in Joint Operations (amendments to IFRS 11)
- Bearer Plants (amendments to IAS 16 and IAS 41)
- Classification of Acceptable Methods of Depreciation and Amortisation (amendments to IAS 16 and IAS 38)
- Applying the consolidation exemption (amendments to IFRS 10, IFRS 12 and IAS 28)
- Equity method in separate financial statements (amendments to IAS 27)
- Annual Improvements to IFRS's 2012-2014 Cycle.

These changes had no significant impact on the disclosures or amounts recognised in HEINEKEN's consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

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 HEINEKEN. HEINEKEN controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

HEINEKEN 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 HEINEKEN 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. HEINEKEN controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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) 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 resulting gain or loss is recognised in profit or loss. If HEINEKEN retains any interest in the previous subsidiary, 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.

Notes to the Consolidated Financial Statements (continued)

(v) Interests in equity-accounted investees

HEINEKEN's investments in associates and joint ventures are accounted for using the equity method of accounting. Investments in associates are those entities in which HEINEKEN has significant influence, but no control or joint control, over the financial and operating policies. Joint ventures are the arrangements in which HEINEKEN has joint control, whereby HEINEKEN has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures 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 or joint venture, 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.

(vi) 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 at cost are translated into the functional currency 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.

Notes to the Consolidated Financial Statements (continued)

3. Significant accounting policies (continued)

(b) Foreign currency (continued)

(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 to 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. 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 not a wholly owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When HEINEKEN disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When HEINEKEN disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

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

In EUR	Year-end 2016	Year-end 2015	Average 2016	Average 2015
Brazilian real (BRL)	0.2915	0.2319	0.2592	0.2705
Great Britain pound (GBP)	1.1680	1.3625	1.2209	1.3772
Mexican peso (MXN)	0.0463	0.0530	0.0484	0.0568
Nigerian naira (NGN)	0.0030	0.0046	0.0036	0.0047
Polish zloty (PLN)	0.2260	0.2357	0.2292	0.2390
Russian ruble (RUB)	0.0156	0.0124	0.0135	0.0147
Singapore dollar (SGD)	0.6564	0.6486	0.6547	0.6556
United States dollar (USD)	0.9487	0.9185	0.9036	0.9011
Vietnamese dollar in 1,000 (VND)	0.0417	0.0409	0.0404	0.0411

(iii) Hedge of net investments in foreign operations

Foreign currency differences arising on the translation 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.

Notes to the Consolidated Financial Statements (continued)

(c) Non-derivative financial instruments

(i) General

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

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

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, financial assets and liabilities are presented in the statement of financial position as a net amount. The right of set-off is available today and not contingent on a future event and it is also legally enforceable for all counterparties in a normal course of business, as well as in the event of default, insolvency or bankruptcy.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts and commercial papers 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 3(r).

(ii) Held-to-maturity investments

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

(iii) Available-for-sale investments

HEINEKEN's investments in equity securities and certain debt securities are classified as available-for-sale. Subsequent to initial recognition, they are measured at fair value and changes therein – other than impairment losses (see note 3i(i)) and foreign currency differences on available-for-sale monetary items (see note 3b(ii)) – 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 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) Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Notes to the Consolidated Financial Statements (continued)

3. Significant accounting policies (continued)

(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 applies hedge accounting in order to minimise the effects of foreign currency, interest rate or commodity price fluctuations in profit or loss.

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

Derivative financial instruments are recognised initially at fair value, with attributable transaction costs recognised in profit or loss as incurred. Derivatives for which hedge accounting is not applied are accounted for as instruments at fair value through profit or loss. When derivatives qualify for hedge accounting, subsequent measurement is at fair value, and changes therein accounted for as described in 3b(iii), 3d(ii) or 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, hedge accounting is discontinued. 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. 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 is also 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 in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

(iii) Dividends

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

Notes to the Consolidated Financial Statements (continued)

(f) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment (P, P & E) are measured at cost less government grants received (refer to (q)), accumulated depreciation (refer to (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 (such as 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 (refer to 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 or purchased software that is integral to the functionality of the related equipment are capitalised and amortised 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 reasonably 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 and 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.

Notes to the Consolidated Financial Statements (continued)

3. Significant accounting policies (continued)

(g) Intangible assets

(i) Goodwill

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

Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill arising on the acquisition of associates and joint ventures is included in the carrying amount of the associates and joint ventures.

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

(ii) Brands

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

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

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

Development activities involve a plan or design for the production of new or substantially improved products, software and processes.

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

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

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

(v) Subsequent expenditure

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

Notes to the Consolidated Financial Statements (continued)

(vi) Amortisation

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

– Strategic brands	40 – 50 years
– Other brands	15 – 25 years
– Customer-related and contract-based intangibles	5 – 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 taking 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.

Notes to the Consolidated Financial Statements (continued)

3. Significant accounting policies (continued)

(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 indicates 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 to accounting policy (h)) and deferred tax assets (refer to accounting policy (s)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, 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.

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

The recoverable amount of an asset or CGU is the higher of an asset's fair value less costs of disposal 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, goodwill acquired in a business combination is allocated to each of the acquirer's CGUs, or groups of CGUs 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 in profit or loss if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses recognised in respect of a 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.

Notes to the Consolidated Financial Statements (continued)

(j) Assets or disposal groups classified as held for sale

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 costs of disposal. 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.

(k) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan (pension plan) under which HEINEKEN pays fixed contributions into a separate entity. HEINEKEN 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. The fair value of any defined benefit plan assets is deducted. The discount rate is the yield at balance sheet date on high-quality credit-rated bonds that have maturity dates approximating to 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 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 HEINEKEN. An economic benefit is available to HEINEKEN if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are changed, the expense or benefit 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 and other net finance income and 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 to the terms of HEINEKEN's obligations. The obligation is calculated using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by HEINEKEN 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.

Notes to the Consolidated Financial Statements (continued)

3. Significant accounting policies (continued)

(k) Employee benefits (continued)

(v) Share-based payment plan (LTV)

As from 1 January 2005, HEINEKEN established a share plan for the Executive Board and, as from 1 January 2006, HEINEKEN also established a share plan for senior management (refer to note 27).

The grant date fair value, adjusted for expected dividends, 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, during which vesting conditions are applicable subject to continued services. The total amount to be expensed is determined taking into consideration the expected forfeitures.

At each balance sheet date, HEINEKEN revises its estimates of the number of share rights that are expected to vest, for the 100% internal performance conditions of the running share plans for the senior management members and the Executive Board. It recognises the impact of the revision of original estimates (only applicable for non-market 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. 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 share-based payment.

(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 HEINEKEN 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 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 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 and taking into consideration any reasonably obtainable sub-leases for onerous lease contracts. 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 HEINEKEN 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.

Notes to the Consolidated Financial Statements (continued)

(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, 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 includes 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 risks and rewards have 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, impairment losses recognised on investments and interest on the net defined benefit obligation. 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.

Notes to the Consolidated Financial Statements (continued)

3. Significant accounting policies (continued)

(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.

(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
- 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.

Deferred tax is provided for on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by HEINEKEN and it is probable that the temporary difference will not reverse in the foreseeable future.

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) Uncertain tax positions

In determining the amount of current and deferred income tax, HEINEKEN takes into account the impact of uncertain income tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes HEINEKEN to change its judgement 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 HEINEKEN's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(u) Earnings per share

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

Notes to the Consolidated Financial Statements (continued)

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

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

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

Segment capital expenditure is the total cost incurred during the period to acquire P, P & E, and intangible assets other than goodwill.

(x) Recently issued IFRS

New relevant standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016, which HEINEKEN has not applied in preparing these consolidated financial statements.

IFRS 9, published in July 2014, replaces existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. HEINEKEN will implement IFRS 9 per 1 January 2018. Based on preliminary assessments HEINEKEN is expecting IFRS 9 will have limited impact on its consolidated financial statements.

IFRS 15 'Revenue from Contracts with Customers', published in May 2014, establishes a framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance and will be implemented by HEINEKEN per 1 January 2018. HEINEKEN has started workshops with key operating companies (OpCos) to identify the areas where IFRS 15 changes the current accounting policies. HEINEKEN also provided training to all OpCos and made a high level impact assessment. Based on these preliminary assessments HEINEKEN concluded that IFRS 15 impacts the presentation in profit or loss of 'payments to customers for services received', such as payments to customers for marketing support. Most of these marketing support payments are currently classified as marketing expenses, but could be considered a reduction of revenue under IFRS 15 if the fair value of the service received cannot be reasonably estimated. The impact of the standard will be further investigated in 2017.

IFRS 16 'Leases', published in January 2016, establishes a revised framework for determining whether a lease is recognised on the (Consolidated) Statement of Financial Position. It replaces existing guidance on leases, including IAS 17. HEINEKEN expects to implement IFRS 16 per 1 January 2019. In 2016, HEINEKEN has completed an internal questionnaire and has started to collect rental and lease contracts from the OpCos. HEINEKEN is currently in the process of determining to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect HEINEKEN's profit and classification of cash flows. Operating leases that will be recorded on HEINEKEN's balance sheet as a result of IFRS 16 will mainly be for offices, warehouses, pubs, stores, cars and (forklift) trucks. HEINEKEN will further analyse the lease contracts in 2017 to prepare an initial impact assessment.

The following new or amended standards are not expected to have a significant impact of HEINEKEN consolidated financial statements:

- Disclosure Initiative (amendments to IAS 7)
- Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)
- Classification and measurement of Share-based Payments (amendments to IFRS 2).

Notes to the Consolidated Financial Statements (continued)

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 the following methods. When applicable, further information about the assumptions made in determining fair values or for the purpose of impairment testing is disclosed in the notes specific to that asset or liability.

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 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 from 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, 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 observable interest yield curves, basis spread and foreign exchange rates.

Fair values include the instrument's credit risk and adjustments to take account of the credit risk of the HEINEKEN 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 HEINEKEN entity and counterparty when appropriate.

Notes to the Consolidated Financial Statements (continued)

5. Operating segments

HEINEKEN distinguishes the following five reportable segments:

- Africa, Middle East & Eastern Europe*
- Americas
- Asia Pacific
- Europe
- Head Office and Other/eliminations.

* Within the Africa, Middle East & Eastern Europe segment, Eastern Europe consists of Belarus and Russia.

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

Information regarding the results of each reportable segment is included in the table on the next page. Performance is measured based on EBIT (beia), as included in the internal management reports that are reviewed by the Executive Board. EBIT (beia) is defined as earnings before interest and taxes and net finance expenses, before exceptional items and amortisation of acquisition-related intangibles. 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. 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 diverse across HEINEKEN. In addition, these various distribution models are not centrally managed or monitored. Consequently, the Executive Board is not allocating resources and assessing the performance based on business type information and therefore no segment information is provided on business type.

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

Notes to the Consolidated Financial Statements (continued)

5. Operating segments (continued)

Information about reportable segments

In millions of EUR	Note	Europe		Americas	
		2016	2015	2016	2015
Revenue					
Third party revenue ¹		9,422	9,510	5,200	5,154
Interregional revenue		690	717	3	5
Total revenue		10,112	10,227	5,203	5,159
Other income	8	39	34	12	6
Results from operating activities					
		1,208	1,039	883	807
Net finance expenses	12				
Share of profit of associates and joint ventures and impairments thereof	16	13	16	69	74
Income tax expense	13				
Profit					
Attributable to:					
Equity holders of the Company (net profit)					
Non-controlling interests					
EBIT reconciliation					
EBIT ²		1,221	1,055	952	881
Eia ²		54	159	149	97
EBIT (beia)²		1,275	1,214	1,101	978
Current segment assets ³		2,898	3,392	2,003	1,814
Non-current segment assets		10,047	10,605	5,854	5,877
Investments in associates and joint ventures		162	190	1,203	1,098
Total segment assets		13,107	14,187	9,060	8,789
Unallocated assets					
Total assets					
Segment liabilities ³		4,804	5,193	1,383	1,354
Unallocated liabilities					
Total equity					
Total equity and liabilities					
Purchase of P, P & E	14	533	548	502	369
Acquisition of goodwill	15	6	51	4	132
Purchases of intangible assets	15	40	22	22	14
Depreciation of P, P & E	14	(487)	(517)	(230)	(226)
(Impairment) and reversal of impairment of P, P & E	14	11	(23)	10	–
Amortisation intangible assets	15	(60)	(69)	(97)	(96)
(Impairment) and reversal of impairment of intangible assets	15	–	(4)	–	–

¹ Includes other revenue of EUR 343 million in 2016 and EUR 386 million in 2015.

² For definition, see 'Glossary'. Note that these are non-GAAP measures.

³ Comparatives for current segment assets and segment liabilities are revised to reflect the change in accounting policy on netting cash and overdraft balances in cash pooling arrangements with legally enforceable rights to offset.

Notes to the Consolidated Financial Statements (continued)

Africa, Middle East & Eastern Europe		Asia Pacific		Head Office & Other/eliminations		Consolidated	
2016	2015	2016	2015	2016	2015	2016	2015
3,200	3,260	2,891	2,480	79	107	20,792	20,511
3	3	3	3	(699)	(728)	–	–
3,203	3,263	2,894	2,483	(620)	(621)	20,792	20,511
1	51	1	(62)	(7)	382	46	411
38	487	710	417	(84)	325	2,755	3,075
						(493)	(409)
49	52	19	30	–	–	150	172
						(673)	(697)
						1,739	2,141
						1,540	1,892
						199	249
						1,739	2,141
87	539	729	447	(84)	325	2,905	3,247
337	92	217	288	38	(325)	795	311
424	631	946	735	(46)	–	3,700	3,558
1,303	1,423	1,150	1,042	826	635	8,180	8,306
2,620	3,186	8,668	8,107	775	1,080	27,964	28,855
221	217	552	417	27	63	2,165	1,985
4,144	4,826	10,370	9,566	1,628	1,778	38,309	39,146
						1,012	976
						39,321	40,122
1,154	1,305	864	748	2,110	2,654	10,315	11,254
						14,433	13,798
						14,573	15,070
						39,321	40,122
436	432	281	284	5	7	1,757	1,640
4	44	11	392	–	–	25	619
9	4	5	2	33	51	109	93
(299)	(286)	(131)	(110)	(16)	(12)	(1,163)	(1,151)
(276)	(33)	(19)	(15)	–	–	(274)	(71)
(9)	(16)	(181)	(169)	(21)	(18)	(368)	(368)
(1)	–	(11)	–	–	–	(12)	(4)

Notes to the Consolidated Financial Statements (continued)

5. Operating segments (continued)

Reconciliation of segment profit or loss

In the internal management reports, HEINEKEN measures its performance primarily based on EBIT and EBIT beia (before exceptional items and amortisation of acquisition-related intangible assets). Both are non-GAAP measures not calculated in accordance with IFRS. Beia adjustments are also applied on profit metrics. The presentation of 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.

The table below presents the reconciliation of EBIT (beia), to profit before tax.

In millions of EUR	2016	2015
EBIT (beia)	3,700	3,558
Exceptional items and amortisation of acquisition-related intangible assets included in EBIT	(795)	(311)
EBIT	2,905	3,247
Net finance expenses	(493)	(409)
Profit before income tax	2,412	2,838

Exceptional items and amortisation of acquisition-related intangibles (Eia) in net profit

The table below provides an overview of the exceptional items and amortisation of acquisition-related intangibles in HEINEKEN's net profit:

In millions of EUR	2016	2015
Profit attributable to equity holders of the Company (net profit)	1,540	1,892
Amortisation of acquisition-related intangible assets included in EBIT	315	321
Exceptional items included in EBIT	480	(10)
Exceptional items included in net finance expenses/(income)	25	(18)
Exceptional items included in income tax expense	(196)	(124)
Exceptional items included in non-controlling interest	(66)	(13)
Net profit (beia)	2,098	2,048

The 2016 exceptional items and amortisation of acquisition-related intangibles on net profit amounts to EUR 558 million (2015: EUR 156 million). This amount consists of:

- EUR 315 million (2015: EUR 321 million) of amortisation of acquisition-related intangibles recorded in EBIT. EUR 10 million (2015: EUR 5 million) of this amount is included in share of net profit of associates and joint ventures.
- EUR 480 million (2015: EUR 10 million income) of exceptional items recorded in EBIT. This includes restructuring expenses of EUR 80 million (2015: EUR 106 million), impairments of EUR 328 million (2015: EUR 78 million) of which EUR 286 million relates to The Democratic Republic of Congo (DRC). Other exceptional expenses in EBIT amounted to EUR 72 million (2015: EUR 194 million income which included EUR 379 million disposal gain for EMPAQUE). This includes asset write downs and the recording of provisions for an amount of EUR 62 million (2015: EUR 79 million).
- EUR 25 million (2015: EUR 18 million income) of exceptional items in net finance expenses, mainly related to the currency impact on dividend receivables from Nigeria.
- EUR 196 million (2015: EUR 124 million) in income tax expense includes the tax impact on amortisation of acquisition-related intangible assets of EUR 73 million (2015: EUR 75 million), the tax impact on exceptional items of EUR 36 million (2015: EUR 58 million) and an exceptional income tax benefit of EUR 87 million (2015: EUR 9 million expense), mainly relating to previously unrecognised deferred tax assets in 2016.
- Total amount of Eia allocated to non-controlling interest amounts to EUR 66 million (2015: EUR 13 million).

Notes to the Consolidated Financial Statements (continued)

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

Acquisition of subsidiaries

During 2016, HEINEKEN completed several immaterial acquisitions, amongst others in the Philippines.

Accounting for prior year acquisitions

The accounting for the acquisitions of Heineken South Africa (Pty) Limited (formerly known as DHN Drinks (Pty) Limited) and Sedibeng Brewery (Pty) Limited (South Africa), Desnoes & Geddes (Jamaica), GAPL Pte Ltd. (Malaysia) and Pivovarna Lasko (Slovenia) has been finalised in the fourth quarter of 2016 without any significant adjustments.

Acquisitions of non-controlling interests

During 2016 HEINEKEN acquired 22.5% of the floating shares in Desnoes & Geddes ('D&G'). HEINEKEN owned a 95.8% stake in D&G as at 31 December 2016. Furthermore, during 2016 HEINEKEN acquired the remaining 46.6% floating shares in Pivovarna Lasko Union, d.o.o. (formerly known as Pivovarna Laško d.d.). The consideration paid for the acquisition of non-controlling interests in 2016 and the related equity impact (result of buy out) are disclosed in the table below:

In millions of EUR	Consideration paid	Value of non-controlling interest	Result buy-out
Desnoes & Geddes (Jamaica)	150	85	65
Pivovarna Lasko (Slovenia)	104	54	50
Other	40	5	35
Total	294	144	150

Disposal of Distribev

On 1 February 2016, HEINEKEN completed the sale of 80% in Distribev Sp. z o.o., Grupa Żywiec S.A.'s local sales and distribution company serving the traditional trade and horeca market, to the Orbico Group. A EUR 8 million pre-tax gain was recorded in other income.

7. Assets or disposal groups classified as held for sale

The assets and liabilities below are classified as held for sale following the commitment of HEINEKEN to a plan to sell these assets and liabilities. Efforts to sell the assets and liabilities classified as held for sale have commenced and are expected to be completed during 2017.

Assets and liabilities classified as held for sale

In millions of EUR	2016	2015
Current assets	13	53
Property, plant and equipment	38	67
Intangible assets	6	–
Other non-current assets	–	3
Assets classified as held for sale	57	123
Current liabilities	(11)	(31)
Non-current liabilities	(6)	–
Liabilities classified as held for sale	(17)	(31)

In 2015, the assets and liabilities held for sale mainly related to Distribev Sp. z o.o. (Grupa Żywiec S.A.'s sales and distribution company serving the traditional trade and horeca market) in Poland. Closing of the transaction occurred on 1 February 2016.

Notes to the Consolidated Financial Statements (continued)

8. Other income

In millions of EUR	Note	2016	2015
Gain on sale of property, plant and equipment		38	37
Gain on sale of subsidiaries, joint ventures and associates	6	8	374
		46	411

In 2015 HEINEKEN recorded a post-tax disposal gain on the divestment of EMPAQUE.

9. Raw materials, consumables and services

In millions of EUR	2016	2015
Raw materials	1,646	1,616
Non-returnable packaging	3,187	3,049
Goods for resale	1,523	1,775
Inventory movements	(54)	(141)
Marketing and selling expenses	2,836	2,755
Transport expenses	1,100	1,139
Energy and water	476	517
Repair and maintenance	475	485
Other expenses	1,814	1,736
	13,003	12,931

Other expenses mainly include rentals of EUR 302 million (2015: EUR 301 million), consultant expenses of EUR 140 million (2015: EUR 142 million), telecom and office automation of EUR 220 million (2015: EUR 206 million), distribution expenses of EUR 141 million (2015: EUR 135 million), travel expenses of EUR 148 million (2015: EUR 151 million) and other taxes of EUR 96 million (2015: EUR 144 million).

10. Personnel expenses

In millions of EUR	Note	2016	2015
Wages and salaries		2,158	2,178
Compulsory social security contributions		333	346
Contributions to defined contribution plans		48	47
Expenses/(income) related to defined benefit plans	26	88	78
Expenses related to other long-term employee benefits		1	3
Equity-settled share-based payment plan	27	42	33
Other personnel expenses		593	637
		3,263	3,322

In other personnel expenses, restructuring costs are included for an amount of EUR 38 million (2015: EUR 90 million). Restructuring is disclosed in the provisions (refer to note 28).

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

	2016	2015*
The Netherlands	3,907	3,936
Other Europe	24,012	25,161
Americas	20,917	20,985
Africa, Middle East and Eastern Europe	15,193	15,102
Asia Pacific	9,496	8,728
	73,525	73,912

* Revised.

Notes to the Consolidated Financial Statements (continued)

11. Amortisation, depreciation and impairments

In millions of EUR	Note	2016	2015
Property, plant and equipment	14	1,437	1,222
Intangible assets	15	380	372
		1,817	1,594

12. Net finance income and expense

Recognised in profit or loss

In millions of EUR	2016	2015
Interest income	60	60
Interest expenses	(419)	(412)
Dividend income from available-for-sale investments	12	10
Gain/(loss) on disposal of available-for-sale investments	–	18
Net change in fair value of derivatives	19	143
Net foreign exchange gain/(loss)*	(114)	(179)
Unwinding discount on provisions	(1)	(3)
Interest on the net defined benefit obligation	(40)	(44)
Other	(10)	(2)
Other net finance income/(expenses)	(134)	(57)
Net finance income/(expenses)	(493)	(409)

* Transactional foreign exchange effects of working capital.

Notes to the Consolidated Financial Statements (continued)

13. Income tax expense

Recognised in profit or loss

In millions of EUR

	2016	2015
Current tax expense		
Current year	807	799
Under/(over) provided in prior years	(11)	(3)
	796	796
Deferred tax expense		
Origination and reversal of temporary differences, tax losses and tax credits	(45)	(83)
Derecognition/(recognition) of deferred tax assets	(90)	(3)
Effect of changes in tax rates	2	20
Under/(over) provided in prior years	10	(33)
	(123)	(99)
Total income tax expense in profit or loss	673	697

Reconciliation of the effective tax rate

In millions of EUR

	2016	2015
Profit before income tax	2,412	2,838
Share of net profit of associates and joint ventures and impairments thereof	(150)	(172)
Profit before income tax excluding share of profit of associates and joint ventures (including impairments thereof)	2,262	2,666

	%	2016	%	2015
Income tax using the Company's domestic tax rate	25.0	565	25.0	667
Effect of tax rates in foreign jurisdictions	(0.4)	(9)	2.1	57
Effect of non-deductible expenses	2.9	67	2.6	69
Effect of tax incentives and exempt income	(2.8)	(64)	(7.6)	(205)
Derecognition/(recognition)	(4.0)	(90)	(0.1)	(2)
Effect of unrecognised current year losses	6.8	154	2.1	56
Effect of changes in tax rates	0.1	2	0.8	20
Withholding taxes	3.1	70	1.9	50
Under/(over) provided in prior years	–	(1)	(1.4)	(36)
Other reconciling items	(1.0)	(21)	0.8	21
	29.7	673	26.2	697

* Revised for comparative purposes

The effective tax rate 2016 includes the impact of impairments for which no tax benefit could be recognised. Partly offset by the recognition of previously unrecognised deferred tax assets. The effective tax rate 2015 included the gain on sale of EMPAQUE, which was tax exempt.

For the income tax impact on items recognised directly in equity and in other comprehensive income, please refer to note 24.

Notes to the Consolidated Financial Statements (continued)

14. Property, plant and equipment

In millions of EUR	Note	Land and buildings	Plant and equipment	Other fixed assets	Under construction	Total
Cost						
Balance as at 1 January 2015		4,989	7,305	5,051	793	18,138
Changes in consolidation		256	280	132	22	690
Purchases		84	99	428	1,029	1,640
Transfer of completed projects under construction		240	607	206	(1,053)	–
Transfer (to)/from assets classified as held for sale		(50)	(1)	(8)	–	(59)
Disposals		(54)	(126)	(354)	(3)	(537)
Effect of movements in exchange rates		15	(54)	(47)	–	(86)
Balance as at 31 December 2015		5,480	8,110	5,408	788	19,786
Balance as at 1 January 2016		5,480	8,110	5,408	788	19,786
Changes in consolidation		13	–	5	–	18
Purchases		113	163	338	1,143	1,757
Transfer of completed projects under construction		212	696	323	(1,231)	–
Transfer (to)/from assets classified as held for sale		(19)	(24)	(8)	(1)	(52)
Disposals		(58)	(131)	(620)	(4)	(813)
Effect of movements in exchange rates		(306)	(420)	(403)	(29)	(1,158)
Balance as at 31 December 2016		5,435	8,394	5,043	666	19,538
Depreciation and impairment losses						
Balance as at 1 January 2015		(1,906)	(4,099)	(3,415)	–	(9,420)
Changes in consolidation		(35)	(51)	(61)	–	(147)
Depreciation charge for the year	11	(157)	(424)	(570)	–	(1,151)
Impairment losses	11	(18)	(36)	(17)	–	(71)
Transfer to/(from) assets classified as held for sale		14	–	5	–	19
Disposals		29	136	332	–	497
Effect of movements in exchange rates		(15)	22	32	–	39
Balance as at 31 December 2015		(2,088)	(4,452)	(3,694)	–	(10,234)
Balance as at 1 January 2016		(2,088)	(4,452)	(3,694)	–	(10,234)
Changes in consolidation		1	–	(2)	–	(1)
Depreciation charge for the year	11	(158)	(441)	(564)	–	(1,163)
Impairment losses	11	(50)	(229)	(16)	–	(295)
Reversal impairment losses	11	7	4	10	–	21
Transfer to/(from) assets classified as held for sale		11	23	7	–	41
Disposals		37	128	585	–	750
Effect of movements in exchange rates		70	234	271	–	575
Balance as at 31 December 2016		(2,170)	(4,733)	(3,403)	–	(10,306)
Carrying amount						
As at 1 January 2015		3,083	3,206	1,636	793	8,718
As at 31 December 2015		3,392	3,658	1,714	788	9,552
As at 1 January 2016		3,392	3,658	1,714	788	9,552
As at 31 December 2016		3,265	3,661	1,640	666	9,232

Notes to the Consolidated Financial Statements (continued)

14. Property, plant and equipment (continued)

Impairment losses

In 2016, a total impairment loss of EUR 295 million (2015: EUR 71 million) was charged to profit or loss. These impairment losses mainly relate to The Democratic Republic of Congo (DRC). A slowdown of the expected future economic growth in DRC due to lower commodity prices, power constraints and lower investments and consumption resulting from political uncertainties, resulted in an impairment of assets in the cash generating unit (CGU). The impairment primarily relates to property, plant and equipment and has been recorded on the line 'Amortisation, depreciation and impairments' in the Income Statement. The CGU DRC is part of the Africa and Middle East and Eastern Europe segment. The determination of the recoverable amount of these assets is based on a fair value less costs of disposal (FVLCD) valuation. The FVLCD is based on a discounted ten-year cash flow forecast (level 3). The key assumptions used to determine the cash flows are based on market expectations and management's best estimates. See the table below for the key assumptions:

In %	2017-2026	After that
Sales volume growth (CAGR)	3.4	0.0
Cost inflation	4.0	4.0
Discount rate – post tax	16.0	16.0

Property, plant and equipment under construction

P, P & E under construction mainly relates to extension of brewing capacity in various countries.

Notes to the Consolidated Financial Statements (continued)

15. Intangible assets

In millions of EUR	Note	Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total
Cost							
Balance as at 1 January 2015		10,803	4,072	2,174	773	514	18,336
Changes in consolidation and other transfers		611	475	333	296	18	1,733
Purchased/internally developed		–	–	–	–	93	93
Disposals		–	–	–	–	(18)	(18)
Effect of movements in exchange rates		317	30	20	32	(2)	397
Balance as at 31 December 2015		11,731	4,577	2,527	1,101	605	20,541
Balance as at 1 January 2016		11,731	4,577	2,527	1,101	605	20,541
Changes in consolidation and other transfers		25	1	15	19	–	60
Purchased/internally developed		–	1	2	12	94	109
Disposals		–	–	(2)	–	(4)	(6)
Effect of movements in exchange rates		(320)	(188)	(99)	(10)	(19)	(636)
Balance as at 31 December 2016		11,436	4,391	2,443	1,122	676	20,068
Amortisation and impairment losses							
Balance as at 1 January 2015		(407)	(462)	(650)	(143)	(333)	(1,995)
Changes in consolidation		–	–	–	(1)	(1)	(2)
Amortisation charge for the year	11	–	(108)	(165)	(44)	(51)	(368)
Impairment losses	11	–	(3)	–	–	(1)	(4)
Disposals		–	–	–	–	15	15
Effect of movements in exchange rates		–	2	7	(14)	1	(4)
Balance as at 31 December 2015		(407)	(571)	(808)	(202)	(370)	(2,358)
Balance as at 1 January 2016		(407)	(571)	(808)	(202)	(370)	(2,358)
Changes in consolidation		–	–	–	–	–	–
Amortisation charge for the year	11	–	(110)	(147)	(53)	(58)	(368)
Impairment losses	11	–	(1)	(11)	–	–	(12)
Disposals		–	–	–	–	3	3
Effect of movements in exchange rates		–	26	58	(9)	16	91
Balance as at 31 December 2016		(407)	(656)	(908)	(264)	(409)	(2,644)
Carrying amount							
As at 1 January 2015		10,396	3,610	1,524	630	181	16,341
As at 31 December 2015		11,324	4,006	1,719	899	235	18,183
As at 1 January 2016		11,324	4,006	1,719	899	235	18,183
As at 31 December 2016		11,029	3,735	1,535	858	267	17,424

Notes to the Consolidated Financial Statements (continued)

15. Intangible assets (continued)

Brands, customer-related and contract-based intangibles

The main brands capitalised are the brands acquired in various acquisitions such as Fosters, Strongbow, Dos Equis, Tiger and Bintang. The main customer-related and contract-based intangibles relate to customer relationships with retailers in Mexico and Asia Pacific (constituted 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 Europe, the Americas (excluding Brazil) and Asia Pacific is allocated and monitored on a regional basis. For Brazil and subsidiaries within Africa, Middle East and Eastern Europe and Head Office, goodwill is allocated and monitored on an individual country basis. The carrying amounts of goodwill allocated to each (group of) CGU(s) are as follows:

In millions of EUR	2016	2015
Europe	4,788	5,060
The Americas (excluding Brazil)	2,115	2,124
Brazil	78	62
Africa, Middle East and Eastern Europe (aggregated)	414	508
Asia Pacific	3,154	3,090
Head Office	480	480
	11,029	11,324

Throughout the year, goodwill decreased mainly due to net foreign currency differences.

The recoverable amounts of the (group of) 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 (except for Europe, where a further two-year period was applied) were extrapolated using expected annual per country volume growth rates, which are based on external sources. Management believes that this period is justified due to the long-term development of the local 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 (Europe five-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 2020-2026	Expected volume growth rates 2020-2026
Europe	9.3	1.8	0.5
The Americas (excluding Brazil)	13.6	3.2	3.4
Brazil	16.9	4.9	3.4
Africa, Middle East and Eastern Europe	15.4-24.4	2.7-12.2	0.7-8.7
Asia Pacific	14.5	4.6	3.2
Head Office	9.4	1.8	0.5

The outcome of these impairment tests in 2016 did not result in an impairment loss (2015: nil) being charged to profit or loss.

Sensitivity to changes in assumptions

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

Notes to the Consolidated Financial Statements (continued)

16. Investments in associates and joint ventures

HEINEKEN has interests in a number of individually insignificant joint ventures and associates.

Summarised financial information for equity accounted joint ventures and associates

The following table includes, in aggregate, the carrying amount and HEINEKEN's share of profit and OCI of joint ventures and associates:

In millions of EUR	Joint ventures		Associates	
	2016	2015	2016	2015
Carrying amount of interests	2,022	1,852	144	133
Share of:				
Profit or loss from continuing operations	124	151	26	21
Other comprehensive income	–	7	–	–
	124	158	26	21

17. Other investments and receivables

In millions of EUR	Note	2016	2015
Non-current other investments and receivables			
Available-for-sale investments	30	427	287
Non-current derivatives	30	254	210
Loans to customers	30	58	69
Loans to joint ventures and associates	30	18	22
Long-term prepayments		145	115
Held-to-maturity investments	30	1	1
Other receivables	30	174	152
		1,077	856
Current other investments			
Investments held for trading	30	–	16
		–	16

Effective interest rates on loans to customers range from 0 – 16.0%.

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. A part of the aforementioned receivable qualifies for indemnification towards FEMSA.

HEINEKEN has interests in several entities where it has less than significant influence. These are classified as available-for-sale investments and valued based on their share price when publicly listed. For investments that are not listed fair values are established using multiples. Debt securities (which are interest-bearing) with a carrying amount of EUR 15 million (2015: EUR 15 million) are included in available-for-sale investments.

Sensitivity analysis – equity price risk

As at 31 December 2016, an amount of EUR 342 million (2015: EUR 98 million) of available-for-sale investments and investments held for trading is listed on stock exchanges. An increase or decrease of 1% in the share price at the reporting date would not result in a material impact on HEINEKEN's financial position.

Notes to the Consolidated Financial Statements (continued)

18. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

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

In millions of EUR	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Property, plant and equipment	71	54	(547)	(607)	(476)	(553)
Intangible assets	56	78	(1,402)	(1,507)	(1,346)	(1,429)
Investments	126	129	(5)	(5)	121	124
Inventories	27	28	(1)	(2)	26	26
Loans and borrowings	2	11	(32)	(23)	(30)	(12)
Employee benefits	346	334	(6)	(3)	340	331
Provisions	125	93	(45)	(42)	80	51
Other items	413	332	(180)	(134)	233	198
Tax losses carry forward	391	364	–	–	391	364
Tax assets/(liabilities)	1,557	1,423	(2,218)	(2,323)	(661)	(900)
Set-off of tax	(546)	(465)	546	465	–	–
Net tax assets/(liabilities)	1,011	958	(1,672)	(1,858)	(661)	(900)

Of the total net deferred tax assets of EUR 1,011 million as at 31 December 2016 (2015: EUR 958 million), EUR 405 million (2015: EUR 363 million) is recognised in respect of subsidiaries 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.

No deferred tax liability has been recognised in respect of undistributed earnings of subsidiaries, joint ventures and associates, net impact EUR 58 million (2015: EUR 50 million). This is because HEINEKEN is able to control the timing of the reversal of the temporary differences, and it is probable that such differences will not reverse in the foreseeable future.

Tax losses carry forward

HEINEKEN has tax losses carry forward for an amount of EUR 2,370 million as at 31 December 2016 (2015: EUR 2,363 million), which expire in the following years:

In millions of EUR	2016	2015
2016	–	24
2017	20	26
2018	36	57
2019	19	16
2020	9	11
2021	61	–
After 2021 respectively 2020 but not unlimited	338	513
Unlimited	1,887	1,716
	2,370	2,363
Recognised as deferred tax assets (gross)	(1,733)	(1,564)
Unrecognised	637	799

The unrecognised losses relate to entities for which it is not probable that taxable profit will be available to offset these losses.

Notes to the Consolidated Financial Statements (continued)

Movement in deferred tax balances during the year

In millions of EUR	Balance 1 January 2016	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	Balance 31 December 2016
Property, plant and equipment	(553)	1	52	22	–	2	(476)
Intangible assets	(1,429)	(10)	50	40	–	3	(1,346)
Investments	124	–	(13)	17	–	(7)	121
Inventories	26	–	(1)	1	–	–	26
Loans and borrowings	(12)	–	(4)	(1)	(13)	–	(30)
Employee benefits	331	–	(28)	(13)	49	1	340
Provisions	51	–	(4)	34	–	(1)	80
Other items	198	(3)	24	20	(10)	4	233
Tax losses carry forward	364	4	13	3	–	7	391
Net tax assets/(liabilities)	(900)	(8)	89	123	26	9	(661)

In millions of EUR	Balance 1 January 2015	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	Balance 31 December 2015
Property, plant and equipment	(527)	(54)	23	6	–	(1)	(553)
Intangible assets	(1,257)	(261)	(3)	91	–	1	(1,429)
Investments	123	7	(7)	2	1	(2)	124
Inventories	19	(4)	–	10	–	1	26
Loans and borrowings	(9)	–	(13)	1	6	3	(12)
Employee benefits	365	–	4	(7)	(33)	2	331
Provisions	92	2	1	(25)	–	(19)	51
Other items	175	(12)	93	10	1	(69)	198
Tax losses carry forward	177	125	(14)	11	–	65	364
Net tax assets/(liabilities)	(842)	(197)	84	99	(25)	(19)	(900)

19. Inventories

In millions of EUR	2016	2015
Raw materials	247	247
Work in progress	225	223
Finished products	479	479
Goods for resale	168	197
Non-returnable packaging	187	195
Other inventories and spare parts	312	361
	1,618	1,702

During 2016 inventories were written down by EUR 19 million to net realisable value (2015: EUR 23 million).

Notes to the Consolidated Financial Statements (continued)

20. Trade and other receivables

In millions of EUR	Note	2016	2015
Trade receivables		2,283	2,169
Other receivables		701	625
Trade receivables due from associates and joint ventures		20	27
Derivatives		48	52
	30	3,052	2,873

A net impairment loss of EUR 57 million (2015: EUR 61 million) in respect of trade and other receivables was included in expenses for raw materials, consumables and services.

21. Cash and cash equivalents

In millions of EUR	Note	2016	2015*
Cash and cash equivalents	30	3,035	3,232
Bank overdrafts and commercial papers	25	(1,669)	(2,950)
Cash and cash equivalents in the statement of cash flows		1,366	282

* Revised to reflect the change in accounting policy on netting cash and overdraft balances in cash pooling arrangements with legally enforceable rights to offset.

HEINEKEN has cash pooling arrangements with legally enforceable rights to offset cash and overdraft balances. Where there is an intention to settle on a net basis, cash and overdraft balances relating to the cash pooling arrangements are reported on a net basis in the statement of financial position.

The following table presents the recognised 'Cash and cash equivalents' and 'Bank overdrafts and commercial papers' and the impact of netting on the gross amounts. The column 'Net amount' shows the impact on HEINEKEN's balance sheet if all amounts subject to legal offset rights had been netted.

In millions of EUR	Gross amounts	Gross amounts offset in the statement of financial position	Net amounts presented in the statement of financial position	Amounts subject to legal offset rights	Net amount
Balance as at 31 December 2016					
Assets					
Cash and cash equivalents	3,097	(62)	3,035	(1,489)	1,546
Liabilities					
Bank overdrafts and commercial papers	(1,731)	62	(1,669)	1,489	(180)
Balance as at 31 December 2015					
Assets					
Cash and cash equivalents	3,677	(445)	3,232	(2,408)	824
Liabilities					
Bank overdrafts and commercial papers	(3,395)	445	(2,950)	2,408	(542)

22. Capital and reserves

Share capital

As at 31 December 2016, the issued share capital comprised 576,002,613 ordinary shares (2015: 576,002,613). The ordinary shares have a par value of EUR 1.60. All issued shares are fully paid. The share capital as at 31 December 2016 amounted to EUR 922 million (2015: EUR 922 million).

The Company's authorised capital amounts to EUR 2,500 million, consisting of 1,562,500,000 shares.

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

Notes to the Consolidated Financial Statements (continued)

Share premium

As at 31 December 2016, the share premium amounted to EUR 2,701 million (2015: EUR 2,701 million).

Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations of HEINEKEN (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 means that retained earnings of subsidiaries cannot be freely distributed, a legal reserve is recognised for the restricted part. Furthermore, part of the reserve comprises a legal reserve for capitalised development costs.

Reserve for own shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by HEINEKEN. As at 31 December 2016, HEINEKEN held 6,321,833 of the Company's shares (2015: 6,318,958).

LTV

During the period from 1 January to 31 December 2016, HEINEKEN acquired 505,000 shares for an amount of EUR 39 million for delivery against LTV and other share-based payment plans.

Dividends

The following dividends were declared and paid by HEINEKEN:

In millions of EUR	2016	2015
Final dividend previous year EUR 0.86, respectively EUR 0.74 per qualifying ordinary share	490	425
Interim dividend current year EUR 0.52, respectively EUR 0.44 per qualifying ordinary share	296	251
Total dividend declared and paid	786	676

For 2016, a payment of a total cash dividend of EUR 1.34 per share (2015: EUR 1.30) will be proposed at the AGM. If approved, a final dividend of EUR 0.82 per share will be paid on 3 May 2017, as an interim dividend of EUR 0.52 per share was paid on 11 August 2016. The payment will be subject to 15% Dutch withholding tax.

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

In millions of EUR	2016	2015
Dividend per qualifying ordinary share EUR 1.34 (2015: EUR 1.30)	763	741
Addition to retained earnings	777	1,151
Net profit	1,540	1,892

Non-controlling interests

The non-controlling interests (NCI) relate to minority stakes held by third parties in HEINEKEN consolidated subsidiaries. The total non-controlling interest as at 31 December 2016 amounted to EUR 1,335 million (2015: EUR 1,535 million).

Notes to the Consolidated Financial Statements (continued)

23. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the period ended 31 December 2016 is based on the profit attributable to ordinary shareholders of the Company (net profit) of EUR 1,540 million (2015: EUR 1,892 million) and a weighted average number of ordinary shares – basic outstanding during the year ended 31 December 2016 of 569,737,210 (2015: 572,292,454). Basic earnings per share for the year amounted to EUR 2.70 (2015: EUR 3.31).

Diluted earnings per share

The calculation of diluted earnings per share for the period ended 31 December 2016 is based on the profit attributable to ordinary shareholders of the Company (net profit) of EUR 1,540 million (2015: EUR 1,892 million) and a weighted average number of ordinary shares – basic outstanding after adjustment for the dilutive effect of share based payment plan obligations of 570,370,392 (2015: 572,944,188). Diluted earnings per share for the year amounted to EUR 2.70 (2015: EUR 3.30).

Weighted average number of shares – basic and diluted

	2016	2015
Total number of shares issued	576,002,613	576,002,613
Effect of own shares held	(6,265,403)	(3,710,159)
Weighted average number of basic shares for the year	569,737,210	572,292,454
Dilutive effect of share based payment plan obligations	633,182	651,734
Weighted average number of diluted shares for the year	570,370,392	572,944,188

24. Income tax on other comprehensive income

In millions of EUR	2016			2015		
	Amount before tax	Tax	Amount net of tax	Amount before tax	Tax	Amount net of tax
Other comprehensive income						
Actuarial gains and losses	(301)	49	(252)	128	(33)	95
Currency translation differences	(935)	27	(908)	(120)	77	(43)
Recycling of currency translation differences to profit or loss	–	–	–	129	–	129
Effective portion of net investment hedges	44	–	44	15	–	15
Effective portion of changes in fair value of cash flow hedges	18	(12)	6	(3)	26	23
Effective portion of cash flow hedges transferred to profit or loss	53	(12)	41	36	(12)	24
Net change in fair value available-for-sale investments	140	–	140	46	(3)	43
Recycling of fair value of available-for-sale investments to profit or loss	–	–	–	(16)	–	(16)
Share of other comprehensive income of associates/joint ventures	–	–	–	7	–	7
	(981)	52	(929)	222	55	277

Notes to the Consolidated Financial Statements (continued)

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, refer to note 30.

Non-current liabilities

In millions of EUR	Note	2016	2015
Unsecured bond issues		9,432	9,269
Unsecured bank loans		239	126
Secured bank loans		84	38
Other non-current interest-bearing liabilities		1,165	1,193
Non-current interest-bearing liabilities		10,920	10,626
Non-current non-interest-bearing liabilities		24	—
Non-current derivatives		10	32
Non-current liabilities		10,954	10,658

Current interest-bearing liabilities

In millions of EUR	Note	2016	2015*
Current portion of unsecured bonds issued		1,251	400
Current portion of unsecured bank loans		4	354
Current portion of secured bank loans		10	8
Current portion of other non-current interest-bearing liabilities		94	40
Total current portion of non-current interest-bearing liabilities		1,359	802
Deposits from third parties (mainly employee loans)		622	595
		1,981	1,397
Bank overdrafts and commercial papers	21	1,669	2,950
Current interest-bearing liabilities		3,650	4,347

* Revised to reflect the change in accounting policy on netting cash and overdraft balances in cash pooling arrangements with legally enforceable rights to offset.

For further details regarding the interest-bearing liabilities refer to terms and debt repayment schedule included in this note.

Net interest-bearing debt position

In millions of EUR	Note	2016	2015*
Non-current interest-bearing liabilities		10,920	10,626
Current portion of non-current interest-bearing liabilities		1,359	802
Deposits from third parties (mainly employee deposits)		622	595
		12,901	12,023
Bank overdrafts and commercial papers	21	1,669	2,950
Market value of cross-currency interest rate swaps	30	(242)	(215)
		14,328	14,758
Cash, cash equivalents and current other investments	17/21	(3,035)	(3,248)
Net interest-bearing debt position		11,293	11,510

* Revised to reflect the change in accounting policy on netting cash and overdraft balances in cash pooling arrangements with legally enforceable rights to offset.

Notes to the Consolidated Financial Statements (continued)

25. Loans and borrowings (continued)

Non-current liabilities

In millions of EUR	Unsecured bond issues	Unsecured bank loans	Secured bank loans	Other non-current interest-bearing liabilities	Non-current derivatives	Non-current non-interest- bearing liabilities	Total
Balance as at 1 January 2016	9,269	126	38	1,193	32	–	10,658
Consolidation changes	–	–	–	16	–	–	16
Effect of movements in exchange rates	51	5	2	18	(21)	33	88
Transfers to current liabilities	(1,173)	14	(6)	(109)	(2)	(2)	(1,278)
Proceeds	1,303	264	57	30	1	–	1,655
Repayments	(18)	(170)	(7)	(18)	–	(7)	(220)
Other	–	–	–	35	–	–	35
Balance as at 31 December 2016	9,432	239	84	1,165	10	24	10,954

Terms and debt repayment schedule

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

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2016	Face value 2016	Carrying amount 2015	Face value 2015
Unsecured bond	issue under EMTN programme	EUR	4.6	2016	–	–	400	400
Unsecured bond	issue under EMTN programme	SGD	1.4	2017	66	66	64	65
Unsecured bond	issue under EMTN programme	EUR	1.3	2018	100	100	100	100
Unsecured bond	issue under EMTN programme	SGD	2.2	2018	62	62	62	62
Unsecured bond	issue under EMTN programme	USD	1.5	2019	189	190	183	184
Unsecured bond	issue under EMTN programme	EUR	2.5	2019	847	850	845	850
Unsecured bond	issue under EMTN programme	EUR	2.1	2020	997	1,000	997	1,000
Unsecured bond	issue under EMTN programme	EUR	2.0	2021	498	500	497	500
Unsecured bond	issue under EMTN programme	EUR	1.3	2021	498	500	497	500
Unsecured bond	issue under EMTN programme	USD	3.3	2022	189	190	183	184
Unsecured bond	issue under EMTN programme	EUR	1.7	2023	140	140	140	140
Unsecured bond	issue under EMTN programme	EUR	3.5	2024	497	500	497	500
Unsecured bond	issue under EMTN programme	EUR	1.5	2024	454	460	454	460
Unsecured bond	issue under EMTN programme	EUR	2.9	2025	743	750	742	750
Unsecured bond	issue under EMTN programme	EUR	2.0	2025	224	225	224	225
Unsecured bond	issue under EMTN programme	EUR	3.5	2029	199	200	199	200
Unsecured bond	issue under EMTN programme	EUR	3.3	2033	180	180	179	180
Unsecured bond	issue under EMTN programme	EUR	2.6	2033	92	100	91	100
Unsecured bond	issue under EMTN programme	EUR	3.5	2043	75	75	75	75
Unsecured bond	issue under EMTN programme	EUR	1.0	2026	790	800	–	–
Unsecured bond	issue under EMTN programme	EUR	1.4	2027	497	500	–	–
Unsecured bond	issue under APB MTN programme	SGD	3.0 – 4.0	2020 – 2022	25	25	25	25
Unsecured bond	issue under 144A/RegS	USD	1.4	2017	1,185	1,186	1,146	1,148
Unsecured bond	issue under 144A/RegS	USD	3.4	2022	709	712	685	689
Unsecured bond	issue under 144A/RegS	USD	2.8	2023	945	949	915	919

Notes to the Consolidated Financial Statements (continued)

Terms and debt repayment schedule (continued)

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2016	Face value 2016	Carrying amount 2015	Face value 2015
Unsecured bond	issue under 144A/RegS	USD	4.0	2042	465	474	450	459
Unsecured bond	n.a.	EUR	3.5 – 4.5	2020	17	17	19	19
Unsecured bank loans	bank facilities	EUR	4.8	2016	–	–	207	207
Unsecured bank loans	bank facilities	NGN	15 – 17	2021	51	51	14	16
Unsecured bank loans	German Schuldschein notes	EUR	1.8 – 6.2	2016	–	–	111	111
Unsecured bank loans	bank facilities	MYR	3.5 – 4.5	2016	–	–	19	19
Unsecured bank loans	bank facilities	ZAR	8.6	2018	112	112	71	71
Unsecured bank loans	various	various	various	various	80	80	58	58
Secured bank loans	bank facilities	XOF	7.0	2026	57	56	–	–
Secured bank loans	bank facilities	ETB	9.5	2021	20	20	22	22
Secured bank loans	various	various	various	various	17	20	24	25
Other interest-bearing liabilities	2011 US private placement	GBP	7.3	2016	–	–	34	34
Other interest-bearing liabilities	2008 US private placement	USD	2.8	2017	85	85	83	83
Other interest-bearing liabilities	2008 US private placement	GBP	7.2	2018	37	37	44	44
Other interest-bearing liabilities	2010 US private placement	USD	4.6	2018	688	688	665	666
Other interest-bearing liabilities	2008 US private placement	USD	6.3	2018	369	370	357	358
Other interest-bearing liabilities	facilities from JVs	EUR	various	various	4	4	17	17
Other interest-bearing liabilities	various	various	various	various	76	76	33	33
Deposits from third parties	n.a.	various	various	various	622	622	595	595
					12,901	12,972	12,023	12,093

Financing headroom

As at 31 December 2016, no amounts were drawn on the existing revolving credit facility of EUR 2,500 million. This revolving credit facility was extended by one year in May 2016 and matures in 2021. The committed financing headroom at Group level was EUR 3,112 million as at 31 December 2016 and consisted of an undrawn revolving credit facility and centrally available cash, minus commercial paper in issue at Group level.

Incurrence covenant

HEINEKEN has an incurrence covenant in some of its financing facilities. This incurrence covenant is calculated by dividing net debt (excluding the market value of cross-currency interest rate swaps) by EBITDA (beia) (both based on proportional consolidation of joint ventures and including acquisitions made in 2016 on a pro-forma basis). As at 31 December 2016 this ratio was 2.3 (2015: 2.4). If the ratio would be beyond a level of 3.5, the incurrence covenant would prevent HEINEKEN from conducting further significant debt financed acquisitions.

Notes to the Consolidated Financial Statements (continued)

26. Employee benefits

In millions of EUR	2016	2015
Present value of unfunded defined benefit obligations	305	329
Present value of funded defined benefit obligations	8,865	8,544
Total present value of defined benefit obligations	9,170	8,873
Fair value of defined benefit plan assets	(7,815)	(7,661)
Present value of net obligations	1,355	1,212
Asset ceiling items	3	4
Recognised liability for defined benefit obligations	1,358	1,216
Other long-term employee benefits	62	73
	1,420	1,289

HEINEKEN makes contributions to defined benefit plans that provide pension benefits for employees upon retirement in a number of countries. The defined benefit plans in the Netherlands and the UK combined cover 88.0% of the total defined benefit plan assets (2015: 88.4%), 84.1% of the present value of the defined benefit obligations (2015: 83.9%) and 61.2% of the present value of net obligations (2015: 55.2%) as at 31 December 2016.

HEINEKEN provides employees in the Netherlands with an average pay pension plan based on earnings up to the legal tax limit. Indexation of accrued benefits is conditional on the funded status of the pension fund. HEINEKEN pays contributions to the fund up to a maximum level agreed with the Board of the pension fund and has no obligation to make additional contributions in case of a funding deficit. In 2016, HEINEKEN's cash contribution to the Dutch pension plan was at the maximum level. The same level is expected to be paid in 2017.

HEINEKEN's UK plan (Scottish & Newcastle pension plan 'SNPP') was closed to future accrual in 2010 and the liabilities thus relate to past service before plan closure. Based on the triennial review finalised in early 2016, HEINEKEN has renewed the funding plan (until 31 May 2023) including an annual Company contribution of GBP37.5 million in 2017, thereafter increasing with GBP1.7 million per year. Deficit payments as of 2019 will be reviewed and may be replaced following the next triennial valuation which will take place in 2019. As at 31 December 2016, the IAS 19 present value of the net obligations of SNPP represents a GBP581 million (EUR 679 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.

Other countries where HEINEKEN offers a defined benefit plan to (former) employees include: Austria (closed in 2007 to new entrants), Belgium, France, Greece (closed in 2014 to new entrants), Ireland (closed in 2012 to all future accrual), Jamaica (to be closed in 2017 to all future accrual), Mexico (plan changed to hybrid defined contribution for majority of employees in 2014), Nigeria (closed to new entrants in 2007), Portugal, Spain (closed to management in 2010) and Switzerland.

The vast majority of benefit payments are from pension funds that are held in trusts (or equivalent); however, there is a small portion where HEINEKEN meets the benefit payment obligation as it falls due. Plan assets held in trusts are governed by Trustee Boards composed of HEINEKEN representatives and independent and/or member representation, in accordance with local regulations and practice in each country. The relationship and division of responsibility between HEINEKEN and the Trustee Board (or equivalent) including investment decisions and contribution schedules are carried out in accordance with the plan's regulations.

In other countries, retirement benefits are provided to employees via defined contribution plans.

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

Notes to the Consolidated Financial Statements (continued)

Movement in net defined benefit obligation

The movement in the net defined benefit obligation over the year is as follows:

In millions of EUR	Note	Present value of defined benefit obligations		Fair value of defined benefit plan assets		Present value of net obligations	
		2016	2015	2016	2015	2016	2015
Balance as at 1 January		8,873	8,909	(7,661)	(7,547)	1,212	1,362
Included in profit or loss							
Current service cost		86	83	–	–	86	83
Past service cost/(credit)		1	(9)	–	–	1	(9)
Administration expense		–	–	2	6	2	6
Effect of any settlement		(1)	(2)	–	–	(1)	(2)
Expense recognised in personnel expenses	10	86	72	2	6	88	78
Interest expense/(income)	12	257	258	(217)	(214)	40	44
		343	330	(215)	(208)	128	122
Included in OCI							
Remeasurement loss/(gain):							
Actuarial loss/(gain) arising from							
Demographic assumptions		20	(62)	–	–	20	(62)
Financial assumptions		1,080	(191)	–	–	1,080	(191)
Experience adjustments		(139)	(41)	–	–	(139)	(41)
Return on plan assets excluding interest income		–	–	(660)	166	(660)	166
Effect of movements in exchange rates		(674)	259	557	(236)	(117)	23
		287	(35)	(103)	(70)	184	(105)
Other							
Changes in consolidation and reclassification		(1)	13	–	–	(1)	13
Contributions paid:							
By the employer		–	–	(168)	(180)	(168)	(180)
By the plan participants		23	26	(23)	(26)	–	–
Benefits paid		(355)	(370)	355	370	–	–
		(333)	(331)	164	164	(169)	(167)
Balance as at 31 December		9,170	8,873	(7,815)	(7,661)	1,355	1,212

Notes to the Consolidated Financial Statements (continued)

26. Employee benefits (continued)

Defined benefit plan assets

In millions of EUR	2016			2015		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equity instruments:						
Europe	1,092	–	1,092	746	–	746
Northern America	403	–	403	511	–	511
Japan	113	–	113	212	–	212
Asia other	47	–	47	153	–	153
Other	478	246	724	249	1	250
	2,133	246	2,379	1,871	1	1,872
Debt instruments:						
Corporate bonds – investment grade	2,673	1,537	4,210	2,791	1,355	4,146
Corporate bonds – non-investment grade	297	102	399	131	178	309
	2,970	1,639	4,609	2,922	1,533	4,455
Derivatives	10	(1,389)	(1,379)	16	(1,229)	(1,213)
Properties and real estate	230	362	592	253	267	520
Cash and cash equivalents	180	116	296	195	47	242
Investment funds	711	350	1,061	1,219	292	1,511
Other plan assets	3	254	257	4	270	274
	1,134	(307)	827	1,687	(353)	1,334
Balance as at 31 December	6,237	1,578	7,815	6,480	1,181	7,661

The HEINEKEN pension funds monitor the mix of debt and equity securities in their investment portfolios based on market expectations. Material investments within the portfolio are managed on an individual basis. Through its defined benefit pension plans, HEINEKEN is exposed to a number of risks, the most significant which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If the return on the plan assets is less than the return on the liabilities implied by this assumption, this will create a deficit. Both the Netherlands and the UK plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term, while providing volatility and risk in the short term.

In the Netherlands, an Asset-Liability Matching (ALM) study is performed at least on a triennial basis. The ALM study is the basis for the strategic investment policies and the (long-term) strategic investment mix. This resulted in a strategic asset mix comprising 38% equity securities, 40% bonds, 7% property and real estate and 15% other investments. The objective is to hedge currency risk on the US dollar, Japanese yen and British pound for 50% of the equity exposure in the strategic investment mix.

In the UK, an Asset-Liability Matching study is performed at least on a triennial basis. The ALM study is the basis for the strategic investment policies and the (long-term) strategic investment mix. This resulted in a strategic asset mix comprising 40% of plan assets in liability driven investments, 19% in absolute return, 20% in equities (global and emerging markets), 5.5% in alternatives and 15.5% in private markets. The objective is to hedge 100% of currency risk on developed non-GBP equity market exposures in the strategic investment mix.

Interest rate risk

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

In the Netherlands, interest rate risk is partly managed through fixed income investments. These investments match the liabilities for 22.9% (2015: 22.7%). In the UK, interest rate risk is partly managed through the use of a mixture of fixed income investments and interest rate swap instruments. These investments and instruments match 28% of the interest rate sensitivity of the total liabilities (2015: 24.7%).

Notes to the Consolidated Financial Statements (continued)

Inflation risk

Some of the pension obligations are linked to inflation. Higher inflation will lead to higher liabilities, although in most cases caps on the level of inflationary increases are in place to protect the plan against extreme inflation. The majority of the plan assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will increase the deficit.

HEINEKEN provides employees in the Netherlands with an average pay pension plan, whereby indexation of accrued benefits is conditional on the funded status of the pension fund. In the UK, inflation is partly managed through the use of a mixture of inflation-linked derivative instruments. These instruments match 41% of the inflation-linked liabilities (2015: 39%).

Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant in the UK plan, where inflation-linked increases result in higher sensitivity to changes in life expectancy. In 2015, the Trustee of SNPP implemented a longevity hedge to remove the risk of a higher increase in life expectancy than anticipated for current pensioners.

Principal actuarial assumptions as at the balance sheet date

Based on the significance of the Dutch and UK pension plans compared with the other plans, the table below only includes the major actuarial assumptions for those two plans as at 31 December:

In %	The Netherlands		UK*	
	2016	2015	2016	2015
Discount rate as at 31 December	1.5	2.3	2.7	3.9
Future salary increases	2.0	2.0	–	–
Future pension increases	0.4	0.9	3.1	3.0

* The UK plan closed for future accrual, leading to certain assumptions being equal to zero.

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

In %	Europe		Americas		Africa, Middle East & Eastern Europe	
	2016	2015	2016	2015	2016	2015
Discount rate as at 31 December	0.6-6.8	0.8-2.3	7.0-7.6	7.0	1.5-15.5	12.0
Future salary increases	0.0-3.5	0.0-3.5	0.0-4.5	4.5	0.0-5.0	7.5
Future pension increases	0.0-1.5	0.0-1.2	0.0-3.5	3.5	0.0-3.5	3.0
Medical cost trend rate	0.0-4.5	0.0-4.5	0.0-5.0	5.1	0.0-5.0	4.5

Assumptions regarding future mortality rates are based on published statistics and mortality tables. For the Netherlands, the rates are obtained from the 'AG-Prognosetafel 2016', fully generational. Correction factors from Towers Watson are applied on these rates. For the UK, the future mortality rates are obtained by applying the Continuous Mortality Investigation 2014 projection model with an assumed long term rate of 1.5% p.a. to the Self-Administered Pension Schemes Series 2 (year of birth) tables with a 112% (male)/109% (female) weighting for pensioners and a 105% (male)/106% (female) weighting for non-pensioners.

The weighted average duration of the defined benefit obligation at the end of the reporting period is 18 years.

HEINEKEN expects the 2017 contributions to be paid for the defined benefit plans to be in line with 2016.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Effect in millions of EUR	31 December 2016		31 December 2015	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate (0.5% movement)	(695)	798	(677)	771
Future salary growth (0.25% movement)	23	(22)	21	(20)
Future pension growth (0.25% movement)	332	(309)	300	(292)
Medical cost trend rate (0.5% movement)	5	(4)	6	(5)
Life expectancy (1 year)	300	(301)	287	(290)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Notes to the Consolidated Financial Statements (continued)

27. Share-based payments – Long-Term Variable Award

HEINEKEN has a performance-based share plan (Long-Term Variable award (LTV)) for the Executive Board and senior management. Under this LTV plan, share rights are conditionally awarded to incumbents on an annual basis. The vesting of these rights is subject to the performance of Heineken N.V. on specific internal performance conditions and continued service over a three-year period.

The performance conditions for LTV 2014-2016, LTV 2015-2017 and LTV 2016-2018 are the same for the Executive Board and senior management and comprise solely of internal financial measures, being Organic Revenue Growth, Organic EBIT beia growth, Earnings Per Share (EPS) beia growth and Free Operating Cash Flow.

At target performance, 100% of the awarded share rights vest. At threshold performance, 50% of the awarded share rights vest. At maximum performance, 200% of the awarded share rights vest for the Executive Board as well as senior managers contracted by the US, Mexico, Brazil and Singapore, and 175% vest for all other senior managers.

The performance period for the aforementioned plans are:

LTV	Performance period start	Performance period end
2014-2016	1 January 2014	31 December 2016
2015-2017	1 January 2015	31 December 2017
2016-2018	1 January 2016	31 December 2018

The vesting date for the Executive Board is shortly after the publication of the annual results of 2016, 2017 and 2018 respectively and for senior management on 1 April 2017, 2018 and 2019 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 will be a net number. The share rights are not dividend-bearing during the performance period. The fair value has been adjusted for expected dividends by applying a discount based on the dividend policy and historical dividend payouts, during the vesting period.

The terms and conditions of the share rights granted are as follows:

Grant date/employees entitled	Number*	Based on share price
Share rights granted to Executive Board in 2014	51,702	49.08
Share rights granted to senior management in 2014	597,744	49.08
Share rights granted to Executive Board in 2015	54,903	58.95
Share rights granted to senior management in 2015	534,298	58.95
Share rights granted to Executive Board in 2016	34,278	78.77
Share rights granted to senior management in 2016	398,850	78.77

* The number of shares is based on at target payout performance (100%).

Under the LTV 2013-2015, a total of 58,447 (gross) shares vested for the Executive Board and 726,789 (gross) shares vested for senior management. The number of shares vested for the Executive Board relates to Mr. Jean-François van Boxmeer, as Mr. René Hooft Graafland was no longer member of the Executive Board at vesting and Ms. Laurence Debroux received LTI as per LTIP 2015-2017.

Based on the performance conditions, it is expected that approximately 786,093 shares of the LTV 2014-2016 will vest in 2017 for senior management and the Executive Board.

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 2016	Number of share rights 2016	Weighted average share price 2015	Number of share rights 2015
Outstanding as at 1 January	52.26	1,854,782	44.42	2,401,418
Granted during the year	78.77	433,128	58.95	589,201
Forfeited during the year	58.33	(121,026)	50.95	(235,289)
Vested during the year	50.47	(785,236)	35.89	(891,409)
Performance adjustment	–	491,699	–	(9,139)
Outstanding as at 31 December	60.40	1,873,347	52.26	1,854,782

Notes to the Consolidated Financial Statements (continued)

Under the extraordinary share plans for senior management 24,550 shares were granted and 7,850 (gross) shares vested. These extraordinary grants only have a service condition and vest between one and five years. The expenses relating to these additional grants are recognised in profit or loss during the vesting period. Expenses recognised in 2016 are EUR 1.3 million (2015: EUR 1.0 million).

Matching shares, extraordinary shares and retention share awards granted to the Executive Board and are disclosed in note 33.

Personnel expenses

In millions of EUR	Note	2016	2015
Share rights granted in 2012		–	1
Share rights granted in 2013		–	12
Share rights granted in 2014		16	10
Share rights granted in 2015		12	10
Share rights granted in 2016		14	–
Total expense recognised in personnel expenses	10	42	33

28. Provisions

In millions of EUR	Restructuring	Onerous contracts	Claims and litigation	Other	Total
Balance as at 1 January 2016	132	54	122	166	474
Changes in consolidation	–	–	–	4	4
Provisions made during the year	38	23	34	66	161
Provisions used during the year	(63)	(8)	(1)	(7)	(79)
Provisions reversed during the year	(7)	(13)	(26)	(53)	(99)
Effect of movements in exchange rates	(1)	(6)	18	(15)	(4)
Unwinding of discounts	–	–	2	(3)	(1)
Balance as at 31 December 2016	99	50	149	158	456
Non-current	41	38	129	94	302
Current	58	12	20	64	154

Restructuring

The provision for restructuring of EUR 99 million mainly relates to restructuring programmes in Spain and the Netherlands.

Claims and litigation

The provision for claims and litigation of EUR 149 million mainly relates to the litigation inherited from the acquisition of the beer operations of FEMSA in 2010 (refer to note 32).

Other provisions

Included are, among others, surety and guarantees provided of EUR 35 million (2015: EUR 39 million) and provisions for other taxes of EUR 56 million (2015: EUR 42 million).

Notes to the Consolidated Financial Statements (continued)

29. Trade and other payables

In millions of EUR	Note	2016	2015
Trade payables		2,934	2,797
Accruals and deferred income		1,263	1,270
Taxation and social security contributions		879	806
Returnable packaging deposits		628	606
Interest		129	131
Derivatives		75	89
Dividends		45	46
Other payables		271	268
	30	6,224	6,013

30. Financial risk management and financial instruments

Overview

HEINEKEN has exposure to the following risks from its use of financial instruments, as they arise in the normal course of HEINEKEN's business:

- Credit risk
- Liquidity risk
- Market risk.

This note presents information about HEINEKEN's exposure to each of the above risks, and it summarises HEINEKEN's policies and processes that are in place for measuring and managing risk, including those related to capital management. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Executive Board, under the supervision of the Supervisory Board, has overall responsibility and sets rules for HEINEKEN's risk management and control systems. They are reviewed regularly to reflect changes in market conditions and HEINEKEN'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 HEINEKEN's 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 it arises principally from HEINEKEN's receivables from customers and investment securities.

Following the economic crisis of 2008, HEINEKEN placed particular focus on strengthening credit management and a Global Credit Policy was implemented. All local operations are required to comply with the principles contained within the Global Credit Policy and develop local credit management procedures accordingly. HEINEKEN annually reviews compliance with these procedures and continuous focus is placed on ensuring that adequate controls are in place to mitigate any identified risks in respect of both customer and supplier risk.

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.

Notes to the Consolidated Financial Statements (continued)

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 include loans to customers, issued based on a loan contract. Loans to customers are ideally secured by, among 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 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. 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 basis, 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 diverse across HEINEKEN, the results and the balance sheet items cannot be split between types of customers on a consolidated basis. The various distribution models are also not centrally managed or monitored.

HEINEKEN establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The components of this allowance are a specific loss component and a collective loss component.

Investments

HEINEKEN limits its exposure to credit risk by only investing available cash balances in deposits and liquid securities and only with counterparties that have strong credit ratings. HEINEKEN actively monitors these credit ratings.

Guarantees

HEINEKEN's policy is to avoid issuing guarantees where possible unless this leads to substantial benefits for HEINEKEN. 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. Refer to note 42 of the Company financial statements.

Notes to the Consolidated Financial Statements (continued)

30. Financial risk management and financial instruments (continued)

Exposure to credit risk

The carrying amount of financial assets and guarantees to banks for loans represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

In millions of EUR	Note	2016	2015*
Cash and cash equivalents	21	3,035	3,232
Trade and other receivables, excluding derivatives	20	3,004	2,821
Current derivatives	20	48	52
Investments held for trading	17	–	16
Available-for-sale investments	17	427	287
Non-current derivatives and investments FVTPL	17	254	210
Loans to customers	17	58	69
Loans to joint ventures and associates	17	18	22
Held-to-maturity investments	17	1	1
Other non-current receivables	17	174	152
Guarantees to banks for loans (to third parties)	32	335	473
		7,354	7,335

* Revised to reflect the change in accounting policy on netting cash and overdraft balances in cash pooling arrangements with legally enforceable rights to offset.

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

In millions of EUR	2016	2015
Europe	1,412	1,424
Americas	636	542
Africa, Middle East & Eastern Europe	444	449
Asia Pacific	349	308
Head Office and Other/eliminations	163	98
	3,004	2,821

Impairment losses

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

In millions of EUR	Gross 2016	Impairment 2016	Gross 2015	Impairment 2015
Not past due	2,499	(32)	2,475	(54)
Past due 0 – 30 days	238	(8)	207	(13)
Past due 31 – 120 days	263	(67)	233	(64)
More than 120 days	452	(341)	347	(310)
	3,452	(448)	3,262	(441)

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

In millions of EUR	2016	2015
Balance as at 1 January	441	404
Changes in consolidation	–	7
Impairment loss recognised	106	103
Allowance used	(37)	(29)
Allowance released	(49)	(42)
Effect of movements in exchange rates	(13)	(2)
Balance as at 31 December	448	441

Notes to the Consolidated Financial Statements (continued)

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

In millions of EUR	2016	2015
Balance as at 1 January	121	135
Changes in consolidation	–	1
Impairment loss recognised	1	–
Allowance used	–	–
Allowance released	(8)	(14)
Effect of movements in exchange rates	(3)	(1)
Balance as at 31 December	111	121

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

The income statement impact of EUR 7 million gain (2015: EUR 14 million gain) in respect of loans to customers and EUR 57 million expense (2015: EUR 61 million expense) in respect of trade and other receivables (excluding current 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.

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, including the diversification of funding sources are under continuous evaluation (information about borrowing facilities is presented in Note 25). In addition, HEINEKEN seeks to align the maturity profile of its long-term debts with its forecasted cash flow generation. 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:

In millions of EUR	2016					
	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial liabilities						
Interest-bearing liabilities	(14,570)	(16,792)	(4,006)	(1,703)	(4,895)	(6,188)
Trade and other payables (excluding interest payable, dividends and derivatives and including non-current part)	(5,994)	(5,994)	(5,963)	(16)	(2)	(13)
Derivative financial assets and (liabilities)						
Interest rate swaps used for hedge accounting (net)	242	283	17	266	–	–
Forward exchange contracts used for hedge accounting (net)	(23)	(32)	(24)	(8)	–	–
Commodity derivatives used for hedge accounting (net)	11	11	4	2	5	–
Derivatives not used for hedge accounting (net)	(13)	(14)	(14)	–	–	–
	(20,347)	(22,538)	(9,986)	(1,459)	(4,892)	(6,201)

Notes to the Consolidated Financial Statements (continued)

30. Financial risk management and financial instruments (continued)

In millions of EUR	2015*					
	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial liabilities						
Interest-bearing liabilities	(14,973)	(17,158)	(4,422)	(1,742)	(5,193)	(5,801)
Trade and other payables (excluding interest payable, dividends and derivatives and including non-current part)	(5,744)	(5,744)	(5,658)	(62)	(12)	(12)
Derivative financial assets and (liabilities)						
Interest rate swaps used for hedge accounting (net)	214	265	20	15	230	–
Forward exchange contracts used for hedge accounting (net)	(2)	(16)	(12)	(4)	–	–
Commodity derivatives used for hedge accounting (net)	(70)	(70)	(42)	(20)	(8)	–
Derivatives not used for hedge accounting (net)	(1)	(1)	(1)	–	–	–
	(20,576)	(22,724)	(10,115)	(1,813)	(4,983)	(5,813)

* Revised to reflect the change in accounting policy on netting cash and overdraft balances in cash pooling arrangements with legally enforceable rights to offset.

The total carrying amount and contractual cash flows of derivatives are included in trade and other receivables (refer to note 20), other investments (refer to note 17), trade and other payables (refer to note 29) and non-current non-interest-bearing liabilities (refer to 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 adversely 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, while optimising the return on risk.

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

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

Foreign currency risk

HEINEKEN is exposed to foreign currency risk on (future) sales, (future) purchases, borrowings and dividends 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, Mexican peso, Nigerian naira, British pound, Vietnamese dong and Euro.

In 2016, the year-end exchange rate of US dollar moved to 1.05 vs the year-end 2015 rate of 1.09. This change had a limited translational and transactional impact on financial statements. The Mexican peso exchange rate depreciated from 18.88 per year-end 2015 to 21.60 per year-end 2016. The transactional exchange risk was hedged in line with the hedging policy, the resulting impact was therefore mitigated. The negative translational impact was more profound. The exchange rate for Vietnamese dong slightly moved from 24.438 per year-end 2015 to 23.969 per year-end 2016, having a limited translational and transactional impact on financial statements. In June 2016, Central Bank of Nigeria officially devalued the Nigerian naira. The Nigerian naira depreciated from year-end 2015 rate of 215.98 to 332.23 per year-end 2016. This devaluation had negative translational and transactional impact on HEINEKEN's financial statements. Following the result of the United Kingdom referendum to leave the EU, the year-end 2016 rate was 0.86 in comparison to 0.73 per year-end 2015. The transactional risk was hedged in line with the hedging policy, the resulting impact was therefore mitigated. The negative translational impact was more profound. The exchange rates mentioned in this paragraph are quoted vs Euro.

In managing foreign currency risk, HEINEKEN aims to ensure the availability of these foreign currencies and to reduce the impact of short-term fluctuations on earnings. Over the longer term, however, permanent changes in foreign exchange rates and the availability of foreign currencies, especially in emerging markets, will have an impact on profit.

HEINEKEN hedges up to 90% of its net US dollar export 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.

Notes to the Consolidated Financial Statements (continued)

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 a subsidiary level. The resulting exposure at Group level is hedged by means of foreign currency denominated external debts and by forward exchange contracts. Intra-HEINEKEN financing in foreign currencies is mainly in British pounds, US dollars, Swiss francs, South African rand 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 US dollar, British pound, Nigerian naira, Singapore dollar bank loans and bond issues are used to hedge local operations, which generate cash flows that have the same respective functional currencies or have functional currencies that are closely correlated. 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 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. Included in the amounts are intra-HEINEKEN cash flows.

In millions	2016		2015	
	EUR	USD	EUR	USD
Financial assets	146	5,260	124	5,035
Financial liabilities	(1,291)	(6,338)	(1,080)	(6,214)
Gross balance sheet exposure	(1,145)	(1,078)	(956)	(1,179)
Estimated forecast sales next year	207	1,330	168	1,353
Estimated forecast purchases next year	(1,965)	(1,818)	(1,765)	(1,534)
Gross exposure	(2,903)	(1,566)	(2,553)	(1,360)
Net notional amounts foreign exchange contracts	433	884	406	748
Net exposure	(2,470)	(682)	(2,147)	(612)
Sensitivity analysis				
Equity	(59)	(15)	(46)	(33)
Profit or loss	(4)	1	(8)	(6)

Sensitivity analysis

A 10% strengthening of the US dollar against the Euro or, in case of the Euro, a strengthening of the Euro against all other currencies as at 31 December would have affected the value of financial assets and liabilities (related to transactional exposure) recorded on the balance sheet and would have therefore decreased (increased) equity and profit by the amounts shown above. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% weakening of the US dollar against the Euro 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 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 3.8 to 6.5% (2015: from 3.8 to 7.3%).

Notes to the Consolidated Financial Statements (continued)

30. Financial risk management and financial instruments (continued)

Interest rate risk – profile

At the reporting date, the interest rate profile of HEINEKEN's interest-bearing financial instruments was as follows:

In millions of EUR	2016	2015
Fixed rate instruments		
Financial assets	83	93
Financial liabilities	(11,984)	(11,057)
Net interest rate swaps	–	(42)
	(11,901)	(11,006)
Variable rate instruments		
Financial assets	3,214	1,023
Financial liabilities	(2,587)	(1,508)
Net interest rate swaps	–	42
	627	(443)

Cash flow sensitivity analysis for variable rate instruments

HEINEKEN applies cash flow hedge accounting on certain floating rate financial liabilities and designates derivatives as hedging 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. This analysis is performed on the same basis as for 2015.

In millions of EUR	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2016				
Variable rate instruments	5	(5)	5	(5)
Net interest rate swaps	–	–	–	–
Cash flow sensitivity (net)	5	(5)	5	(5)
31 December 2015				
Variable rate instruments	(4)	4	(4)	4
Net interest rate swaps	–	–	–	–
Cash flow sensitivity (net)	(4)	4	(4)	4

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, while 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 has been limited to aluminium hedging and to a limited extent gas and grains 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 2016, the market value of commodity swaps was EUR 11 million positive (2015: EUR 70 million negative).

Sensitivity analysis for aluminium hedges

The table below shows an estimated pre-tax impact of 10% change in the market price of aluminium.

In millions of EUR	Equity	
	10% increase	10% decrease
31 December 2016		
Aluminium hedges	40	(40)

Notes to the Consolidated Financial Statements (continued)

Cash flow hedges

The following table indicates the carrying amount of derivatives and the periods in which all the cash flows associated with derivatives that are cash flow hedges are expected to occur:

In millions of EUR	2016					
	Carrying amount	Expected cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Interest rate swaps						
Assets	–	–	–	–	–	–
Liabilities	–	–	–	–	–	–
Cross-currency interest rate swaps						
Assets	242	1,167	55	1,112	–	–
Liabilities	–	(885)	(38)	(847)	–	–
Forward exchange contracts						
Assets	33	1,302	1,144	158	–	–
Liabilities	(56)	(1,335)	(1,169)	(166)	–	–
Commodity derivatives						
Assets	24	24	12	7	5	–
Liabilities	(13)	(13)	(8)	(5)	–	–
	230	260	(4)	259	5	–
In millions of EUR	2015					
	Carrying amount	Expected cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Interest rate swaps						
Assets	–	–	–	–	–	–
Liabilities	(1)	(2)	(2)	–	–	–
Cross-currency interest rate swaps						
Assets	215	1,220	90	53	1,077	–
Liabilities	–	(953)	(68)	(38)	(847)	–
Forward exchange contracts						
Assets	37	1,437	1,289	148	–	–
Liabilities	(39)	(1,453)	(1,301)	(152)	–	–
Commodity derivatives						
Assets	1	1	1	–	–	–
Liabilities	(71)	(70)	(42)	(20)	(8)	–
	142	180	(33)	(9)	222	–

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 typically one or two months earlier than the occurrence of the cash flows as in the above table.

HEINEKEN has entered into several cross-currency interest rate swaps which have been designated as cash flow hedges to hedge the foreign exchange rate risk on the principal amount and future interest payments of its US dollar borrowings. The borrowings and the cross-currency interest rate swaps have the same critical terms.

Net investment hedges

HEINEKEN hedges its investments in certain subsidiaries by entering into local currency denominated borrowings, which mitigate the foreign currency translation risk arising from the subsidiaries net assets. These borrowings are designated as a net investment hedge. The fair value of these borrowings at 31 December 2016 was EUR 506 million (2015: EUR 536 million), and no ineffectiveness was recognised in profit and loss in 2016 (2015: nil).

Notes to the Consolidated Financial Statements (continued)

30. Financial risk management and financial instruments (continued)

Capital management

There were no major changes in HEINEKEN's approach to capital management during the year. The Executive Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business and acquisitions. Capital is herein defined as equity attributable to equity holders of the Company (total equity minus non-controlling interests).

HEINEKEN is not subject to externally imposed capital requirements other than the legal reserves explained in note 22. Shares are purchased to meet the requirements of the share-based payment awards, as further explained in note 27. In 2015, HEINEKEN also purchased shares following the completion of the divestment of EMPAQUE in February 2015, as further explained in note 22.

Fair values

For bank loans and finance lease liabilities the carrying amount is a reasonable approximation of fair value. The fair value of the unsecured bond issues as at 31 December 2016 was EUR 11,292 million (2015: EUR 10,025 million) and the carrying amount was EUR 10,683 million (2015: EUR 9,669 million). The fair value of the other interest bearing liabilities as at 31 December 2016 was EUR 1,662 million (2015: EUR 1,870 million) and the carrying amount was EUR 1,597 million (2015: EUR 1,759 million).

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

The tables below present the financial instruments accounted for at fair value and amortised cost 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 2016	Level 1	Level 2	Level 3
Available-for-sale investments	342	–	85
Non-current derivative assets	–	254	–
Current derivative assets	–	48	–
	342	302	85
Non-current derivative liabilities	–	(10)	–
Loans and borrowings	(11,292)	(1,662)	–
Current derivative liabilities	–	(75)	–
	(11,292)	(1,747)	–
31 December 2015	Level 1	Level 2	Level 3
Available-for-sale investments	98	105	84
Non-current derivative assets	–	210	–
Current derivative assets	–	52	–
Investments held for trading	16	–	–
	114	367	84
Non-current derivative liabilities	–	(32)	–
Loans and borrowings	(10,025)	(1,870)	–
Current derivative liabilities	–	(89)	–
	(10,025)	(1,991)	–

Notes to the Consolidated Financial Statements (continued)

During the period ended 31 December 2016 there were no significant transfers between the three levels of the fair value hierarchy, except within the available-for-sale investments. Within this category the investment in Saigon Alcohol Beer and Beverages Corporation ('SABECO', Vietnam) has been transferred from Level 2 to Level 1 due to the fact that SABECO shares are no longer traded over-the-counter, but have become listed on the Ho Chi Minh Stock Exchange in December 2016. The transferred amount as per 31 December 2016 is EUR 249 million. The fair value adjustment of EUR 144 million during the year is recognised in other comprehensive income and presented within equity in the fair value reserve.

Level 2

HEINEKEN determines level 2 fair values for over-the-counter securities based on broker quotes. The fair values of simple over-the-counter derivative financial instruments are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where available.

The fair value of derivatives is calculated as the present value of the estimated future cash flows based on observable interest yield curves, basis spread and foreign exchange rates. These calculations are tested for reasonableness by comparing the outcome of the internal valuation with the valuation received from the counterparty. Fair values reflect the credit risk of the instrument and include adjustments to take into account the credit risk of HEINEKEN and counterparty when appropriate.

Level 3

Details of the determination of level 3 fair value measurements as at 31 December 2016 are set out below:

In millions of EUR	2016	2015
Available-for-sale investments based on level 3		
Balance as at 1 January	84	68
Fair value adjustments recognised in other comprehensive income	(2)	16
Disposals	–	–
Transfers	3	–
Balance as at 31 December	85	84

The fair values for the level 3 available-for-sale investments are based on the financial performance of the investments and the market multiples of comparable equity securities.

31. Off-balance sheet commitments

In millions of EUR	Total 2016	Less than 1 year	1-5 years	More than 5 years	Total 2015*
Operational lease commitments	1,460	231	552	677	1,114
Property, plant and equipment ordered	128	120	8	–	293
Raw materials purchase contracts	5,287	1,569	2,455	1,263	5,989
Marketing and merchandising commitments	391	177	209	5	370
Other off-balance sheet obligations	1,542	687	509	346	1,766
Off-balance sheet obligations	8,808	2,784	3,733	2,291	9,532
Undrawn committed bank facilities	2,747	–	2,747	–	2,930

* Revised.

Notes to the Consolidated Financial Statements (continued)

31. Off-balance sheet commitments (continued)

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. The raw materials purchase commitments relates to purchase contracts with EMPAQUE which has become a third party supplier after the disposal in 2015.

During the year ended 31 December 2016, EUR 302 million (2015: EUR 301 million) was recognised as an expense in profit or loss in respect of operating leases and rent.

On 15 December 2016 HEINEKEN has announced that following Vine Acquisitions Limited's announcement of a recommended cash offer for Punch Taverns plc, HEINEKEN through HEINEKEN UK has agreed a back-to-back deal with Vine Acquisitions to acquire Punch Securitisation A ('Punch A'), comprising approximately 1,900 pubs across the UK. HEINEKEN will pay an aggregate consideration of GBP305.0 million (EUR 356 million as per 31 December 2016) for the shares in Punch A and assume intercompany debts due from Punch A to Punch Taverns plc. As at 20 August 2016 external debts (nominal value) and derivatives of Punch A amounted to GBP 962.3 million. On 1 November 2016, Punch Taverns plc reduced the Punch A external debt by redeeming GBP 65 million of its class B4 notes. The acquisition of Punch A is subject, amongst other things, to approval by the relevant regulatory authorities.

The EUR 356 million cash consideration is included in the other off-balance sheet commitments (less than 1 year).

Next to the above mentioned consideration for Punch A, other off-balance sheet obligations includes distribution and service contracts.

Committed bank facilities are credit facilities on which a commitment fee is paid as compensation for the bank's requirement to reserve capital. The bank is legally obliged to provide the facility under the terms and conditions of the agreement.

32. Contingencies

HEINEKEN has contingencies for which, in the opinion of management and its legal counsel, the risk of loss is possible but not probable and therefore no provisions have been recorded. For example, HEINEKEN is from time to time involved in legal and arbitration proceedings arising in the ordinary course of business. Due to their nature, such legal proceedings involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental actions. HEINEKEN cannot reliably estimate the likely timing and amount of resolution for the majority of these matters.

Furthermore, HEINEKEN operates in a high number of tax jurisdictions, and is subject to a wide variety of taxes per tax jurisdiction (for example excise duties, VAT, corporate income tax and local taxes). In some cases, tax legislation is highly complex and subject to interpretation. As a result, HEINEKEN is required to exercise judgement in the recognition of the probable amount of taxes payable or recoverable and determination of contingencies.

HEINEKEN's significant contingencies are described below.

Brazil

As part of the acquisition of the beer operations of FEMSA in 2010, HEINEKEN inherited existing legal proceedings with labour unions, tax authorities and other parties of its, now wholly-owned, subsidiaries Cervejarias Kaiser Brasil and Cervejarias Kaiser Nordeste (jointly, Heineken Brasil). The proceedings have arisen in the ordinary course of business and are common to the current economic and legal environment of Brazil. The proceedings have partly been provided for (refer to note 28). The contingent amount being claimed against Heineken Brasil resulting from such proceedings as at 31 December 2016 is EUR 348 million. Such contingencies were classified by legal counsel as less than probable of being settled against Heineken Brasil, but more than remote. 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 part of the aforementioned contingencies (EUR 269 million) is tax-related and qualifies for indemnification by FEMSA.

As is customary in Brazil, Heineken Brasil has been requested by the tax authorities to collateralise tax contingencies currently in litigation amounting to EUR 521 million by either pledging fixed assets or entering into available lines of credit which cover such contingencies.

Guarantees

In millions of EUR	Total 2016	Less than 1 year	1-5 years	More than 5 years	Total 2015
Guarantees to banks for loans (to third parties)	335	137	187	11	473
Other guarantees	771	171	331	269	564
Guarantees	1,106	308	518	280	1,037

Guarantees to banks for loans relate to loans and advanced discounts 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.

Notes to the Consolidated Financial Statements (continued)

33. Related parties

Identification of related parties

HEINEKEN's parent company is Heineken Holding N.V. HEINEKEN's ultimate controlling party is Mrs. de Carvalho-Heineken. Our shareholder structure is set out in the section 'Shareholder Information'.

In addition, HEINEKEN has related party relationships with its associates and joint ventures (refer to note 16), HEINEKEN pension funds (refer to note 26), Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA), employees (refer to note 25) and with its key management personnel (the Executive Board and the Supervisory Board).

Key management remuneration

In millions of EUR

	2016	2015
Executive Board	13.0	13.9
Supervisory Board	1.0	0.9
Total	14.0	14.8

Executive Board

The remuneration of the members of the Executive Board consists of a fixed component and a variable component. The variable component is made up of a Short-term variable pay (STV) and a Long-term variable award (LTV). The STV is based on financial and operational measures (75%) and on individual leadership measures (25%) as set by the Supervisory Board. For the LTV award we refer to note 27. The separate Remuneration Report is stated on pages 50-58.

As at 31 December 2016, Mr. Jean-François van Boxmeer held 217,276 Company shares and Mrs. Laurence Debroux held 7,069 Company shares (2015: Mr. Jean-François van Boxmeer 179,838, Mrs. Laurence Debroux 681).

	2016						2015
In thousands of EUR	J.F.M.L. van Boxmeer	L. Debroux	Total	J.F.M.L. van Boxmeer	L. Debroux	D.R. Hooft Graafland*	Total
Fixed salary	1,200	720	1,920	1,150	421	201	1,772
Short-Term Variable pay	3,360	1,440	4,800	2,930	833	394	4,157
Matching share entitlement	751	322	1,073	1,353	385	182	1,920
Long-Term Variable award	3,204	711	3,915	2,706	158	1,825	4,689
Extraordinary share award/ Retention bonus	–	22	22	236	124	–	360
Pension contributions	944	139	1,083	723	82	33	838
Other emoluments	21	160	181	21	134	7	162
Total	9,480	3,514	12,994	9,119	2,137	2,642	13,898

* In 2015, an estimated tax penalty of EUR 2.8 million to the Dutch tax authorities was recognised in relation to the remuneration of Mr. René Hooft Graafland. This tax was an expense to the employer and therefore not included in the table above.

The matching share entitlements for each year are based on the performance in that year. The Executive Board members receive 25% of their STV pay in (investment) shares. In addition they have the opportunity to indicate before year-end whether they wish to receive up to another 25% of their STV pay in (investment) shares. All (investment) shares are restricted for sale for five calendar years, after which they are matched 1:1 by (matching) shares. For 2016 the Executive Board members did not elect to receive additional (investment) shares, hence the 'Matching share entitlement' in the table above is based on a 25% investment. In 2015 the investment was 50% for both Executive Board members. From an accounting perspective the corresponding matching shares vest immediately and as such a fair value of EUR 1.1 million was recognised in the 2016 income statement. The matching share entitlements are not dividend-bearing during the five calendar year holding period of the investment shares. Therefore, the fair value of the matching share entitlements has been adjusted for missed expected dividends by applying a discount based on the dividend policy and vesting period.

Notes to the Consolidated Financial Statements (continued)

33. Related parties (continued)

Supervisory Board

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

In thousands of EUR	2016	2015
G.J. Wijers	163	160
J.A. Fernández Carbajal	109	105
M. Das	88	85
M.R. de Carvalho	96	104
A.M. Fentener van Vlissingen	91	85
M.E. Minnick ¹	28	80
V.C.O.B.J. Navarre	74	70
J.G. Astaburuaga Sanjinés	99	96
H. Scheffers	83	80
J.M. Huët	88	75
P. Mars-Wright ²	49	–
Y. Brunini ²	44	–
	1,012	940

¹ Stepped down as at 21 April 2016.

² Appointed as at 21 April 2016.

Mr. Michel de Carvalho held 100,008 shares of Heineken N.V. as at 31 December 2016 (2015: 100,008 shares). As at 31 December 2016 and 2015, the Supervisory Board members did not hold any of the Company's bonds or option rights. Mr. Michel de Carvalho held 100,008 ordinary shares of Heineken Holding N.V. as at 31 December 2016 (2015: 100,008 ordinary shares).

Other related party transactions

In millions of EUR	Transaction value		Balance outstanding as at 31 December	
	2016	2015*	2016	2015*
Sale of products, services and royalties				
To associates and joint ventures	441	286	95	54
To FEMSA	797	817	170	137
	1,238	1,103	265	191
Raw materials, consumables and services				
Goods for resale – joint ventures	5	2	–	–
Other expenses – joint ventures	370	356	37	24
Other expenses FEMSA	151	197	70	59
	526	555	107	83

* Revised.

Heineken Holding N.V.

In 2016, an amount of EUR 1,159,905 (2015: EUR 1,047,479) was paid to Heineken Holding N.V. for management services for HEINEKEN.

This payment is based on an agreement of 1977 as amended in 2001, providing that Heineken N.V. reimburses Heineken Holding N.V. for its costs. Best practice provision III.6.4 of the Dutch Corporate Governance Code of 10 December 2008 has been observed in this regard.

FEMSA

As consideration for HEINEKEN's acquisition of the beer operations of Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA), FEMSA became a major shareholder of Heineken N.V. Therefore, several existing contracts between FEMSA and former FEMSA-owned companies acquired by HEINEKEN have become related party contracts.

Notes to the Consolidated Financial Statements (continued)

34. HEINEKEN entities

Control of HEINEKEN

The shares and options of the Company are traded on Euronext Amsterdam, where the Company is included in the main AEX Index. Heineken Holding N.V. Amsterdam has an interest of 50.005% in the issued capital of the Company. The financial statements of the Company are included in the consolidated financial statements of Heineken Holding N.V.

A declaration of joint and several liability pursuant to the provisions of Section 403, Part 9, Book 2, of the Dutch Civil Code has been issued with respect to legal entities established in the Netherlands. The list of the legal entities for which the declaration has been issued is disclosed in the Heineken N.V. stand-alone financial statements.

Pursuant to the provisions of Section 357 of the Republic of Ireland Companies Act 2014, the Company irrevocably guarantees, in respect of the financial year from 1 January 2016 up to and including 31 December 2016, the liabilities referred to in Schedule 3 of the Republic of Ireland Companies Act 2014 of the wholly-owned subsidiary companies Heineken Ireland Limited, Heineken Ireland Sales Limited, The West Cork Bottling Company Limited, Western Beverages Limited, Beamish & Crawford Limited and Nash Beverages Limited.

Significant subsidiaries

Set out below are HEINEKEN's significant subsidiaries at 31 December 2016. The subsidiaries as listed below are held by the Company and the proportion of ownership interests held equals the proportion of the voting rights held by HEINEKEN. The country of incorporation or registration is also their principal place of business. The disclosed significant subsidiaries represent the largest subsidiaries and represent an approximate total revenue of EUR 13 billion and total asset value of EUR 22 billion and are structural contributors to the business.

There were no significant changes to the HEINEKEN structure and ownership interests.

	Country of incorporation	Percentage of ownership	
		2016	2015
Heineken International B.V.	The Netherlands	100.0	100.0
Heineken Brouwerijen B.V.	The Netherlands	100.0	100.0
Heineken Nederland B.V.	The Netherlands	100.0	100.0
Cuauhtémoc Moctezuma Holding, S.A. de C.V.	Mexico	100.0	100.0
Cervejarias Kaiser Brasil S.A.	Brazil	100.0	100.0
Heineken France S.A.S.	France	100.0	100.0
Nigerian Breweries Plc.	Nigeria	55.4	54.3
Heineken USA Inc.	United States	100.0	100.0
Heineken UK Ltd.	United Kingdom	100.0	100.0
Heineken España S.A.	Spain	99.8	99.8
Heineken Italia S.p.A.	Italy	100.0	100.0
Brau Union Österreich AG	Austria	100.0	100.0
Grupa Żywiec S.A.	Poland	65.2	65.2
LLC Heineken Breweries	Russia	100.0	100.0
Heineken Vietnam Brewery Limited Company	Vietnam	60.0	60.0

Non-controlling interests

None of the non-controlling interests are considered to be material to HEINEKEN.

35. Subsequent events

Acquisition of Brasil Kirin Holding S.A.

On 13 February 2017, HEINEKEN announced that it had reached an agreement with Kirin Holdings Company Limited to acquire Brasil Kirin Holding S.A. for a consideration of EUR 664 million (enterprise value of EUR 1,025 million for HEINEKEN). Through the acquisition HEINEKEN acquires Kirin's Brazilian activities. The transaction is expected to close in the first half of 2017.

Heineken N.V. Balance Sheet

Before appropriation of profit

As at 31 December

In millions of EUR	Note	2016	2015
Fixed assets			
Financial fixed assets			
Investments in participating interests	36	24,846	24,522
Other investments		242	210
Deferred tax assets		73	72
Total financial fixed assets		25,161	24,804
Trade and other receivables		14	19
Cash and cash equivalents		–	5
Total current assets		14	24
Total assets		25,175	24,828
Shareholders' equity			
Issued capital		922	922
Share premium		2,701	2,701
Translation reserve		(1,829)	(1,017)
Hedging reserve		(1)	(47)
Fair value reserve		262	122
Other legal reserves		838	719
Reserve for own shares		(443)	(432)
Retained earnings		9,248	8,675
Net profit		1,540	1,892
Total shareholders' equity	37	13,238	13,535
Liabilities			
Loans and borrowings	38	10,480	10,369
Total non-current liabilities		10,480	10,369
Loans and borrowings (current part)	38	1,338	782
Trade and other payables		117	136
Tax payable		2	6
Total current liabilities		1,457	924
Total liabilities		11,937	11,293
Total shareholders' equity and liabilities		25,175	24,828

Heineken N.V. Income Statement

For the year ended 31 December

In millions of EUR	Note	2016	2015
Personnel expenses		(14)	(15)
Total expenses		(14)	(15)
Interest income		77	76
Interest expenses		(320)	(306)
Other net finance income/(expenses)		(90)	(433)
Net finance expenses		(333)	(663)
Share of profit of participating interests, after income tax		1,799	2,392
Profit before income tax		1,452	1,714
Income tax income/(expense)		88	178
Profit	37	1,540	1,892

Notes to the Heineken N.V. Financial Statements

Reporting entity

The Company financial statements of Heineken N.V. (the 'Company') are included in the consolidated financial statements of Heineken N.V.

Basis of preparation

The Company financial statements have been prepared in accordance with the provisions of Part 9, Book 2, of the Dutch Civil Code. The Company uses the option of Article 362.8 of Part 9, Book 2, of the Dutch Civil Code to prepare the Company financial statements, using the same accounting policies as in the consolidated financial statements. Valuation is based on recognition and measurement requirements of accounting standards adopted by the EU (i.e. only IFRS that is adopted for use in the EU at the date of authorisation) as explained further in the notes to the consolidated financial statements.

Significant accounting policies

Financial fixed assets

Participating interests (subsidiaries, joint ventures and associates) are measured on the basis of the equity method.

Shareholders' equity

The translation reserve and other legal reserves were previously formed under, and are still recognised in accordance with, the Dutch Civil Code.

Profit of participating interests

The share of profit of participating interests consists of the share of the Company in the results of these participating interests. Results on transactions, where the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests, themselves, are not recognised.

Notes to the Heineken N.V. Financial Statements (continued)

36. Investments in participating interests

In millions of EUR	Participating interests	Loans to participating interests	Total
Balance as at 1 January 2015	15,202	7,416	22,618
Profit of participating interests	2,392	–	2,392
Dividend payments by participating interests	(736)	736	–
Effect of movements in exchange rates	79	–	79
Changes in hedging and fair value adjustments	70	–	70
Actuarial gains/(losses)	100	–	100
Acquisition of non-controlling interests without a change in control	4	–	4
Investments/(repayments)	45	(786)	(741)
Other movements	–	–	–
Balance as at 31 December 2015	17,156	7,366	24,522
Balance as at 1 January 2016	17,156	7,366	24,522
Profit of participating interests	1,799	–	1,799
Dividend payments by participating interests	(800)	800	–
Effect of movements in exchange rates	(804)	–	(804)
Changes in hedging and fair value adjustments	186	–	186
Actuarial gains/(losses)	(254)	–	(254)
Acquisition of non-controlling interests without a change in control	(148)	–	(148)
Investments/(repayments)	(1,457)	1,006	(451)
Other movements	(4)	–	(4)
Balance as at 31 December 2016	15,674	9,172	24,846

Notes to the Heineken N.V. Financial Statements (continued)

37. Shareholders' equity

In millions of EUR	Share capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve
Balance as at 1 January 2015	922	2,701	(1,097)	(99)	96
Profit	–	–	–	–	–
Other comprehensive income	–	–	80	52	26
Total comprehensive income	–	–	80	52	26
Transfer to retained earnings	–	–	–	–	–
Dividends to shareholders	–	–	–	–	–
Purchase/reissuance of own shares	–	–	–	–	–
Own shares granted	–	–	–	–	–
Share-based payments	–	–	–	–	–
Acquisition of non-controlling interests without a change in control	–	–	–	–	–
Balance as at 31 December 2015	922	2,701	(1,017)	(47)	122
Balance as at 1 January 2016	922	2,701	(1,017)	(47)	122
Profit	–	–	–	–	–
Other comprehensive income	–	–	(812)	46	140
Total comprehensive income	–	–	(812)	46	140
Transfer to retained earnings	–	–	–	–	–
Dividends to shareholders	–	–	–	–	–
Purchase/reissuance of own shares	–	–	–	–	–
Own shares granted	–	–	–	–	–
Share-based payments	–	–	–	–	–
Acquisition of non-controlling interests without a change in control	–	–	–	–	–
Balance as at 31 December 2016	922	2,701	(1,829)	(1)	262

Notes to the Heineken N.V. Financial Statements (continued)

In millions of EUR	Other legal reserve	Reserve for own shares	Retained earnings	Net profit	Shareholders' equity
Balance as at 1 January 2015	743	(70)	7,697	1,516	12,409
Profit	186	–	(186)	1,892	1,892
Other comprehensive income	–	–	100	–	258
Total comprehensive income	186	–	(86)	1,892	2,150
Transfer to retained earnings	(210)	–	1,726	(1,516)	–
Dividends to shareholders	–	–	(676)	–	(676)
Purchase/reissuance of own shares	–	(384)	–	–	(384)
Own shares granted	–	22	(22)	–	–
Share-based payments	–	–	32	–	32
Acquisition of non-controlling interests without a change in control	–	–	4	–	4
Balance as at 31 December 2015	719	(432)	8,675	1,892	13,535
Balance as at 1 January 2016	719	(432)	8,675	1,892	13,535
Profit	153	–	(153)	1,540	1,540
Other comprehensive income	–	–	(254)	–	(880)
Total comprehensive income	153	–	(407)	1,540	660
Transfer to retained earnings	(34)	–	1,926	(1,892)	–
Dividends to shareholders	–	–	(786)	–	(786)
Purchase/reissuance of own shares	–	(39)	–	–	(39)
Own shares granted	–	28	(28)	–	–
Share-based payments	–	–	13	–	13
Acquisition of non-controlling interests without a change in control	–	–	(145)	–	(145)
Balance as at 31 December 2016	838	(443)	9,248	1,540	13,238

For more details on reserves, refer to note 22 of the consolidated financial statements.

For more details on share-based payments, refer to note 27 of the consolidated financial statements.

Notes to the Heineken N.V. Financial Statements (continued)

38. Loans and borrowings

Non-current and current liabilities

In millions of EUR

	2016	2015
Unsecured bond issues	10,637	9,625
Unsecured bank loans	–	106
Bank overdrafts and commercial papers	2	237
Other interest-bearing liabilities	1,179	1,183
Total interest-bearing liabilities	11,818	11,151
Non-interest-bearing liabilities	–	–
Non-current derivatives	–	–
Loans and borrowings	11,818	11,151

In millions of EUR

	Unsecured bond issues	Unsecured bank loans	Bank overdrafts and commercial papers	Other interest- bearing liabilities	Non-current derivatives	Total
Balance as at 1 January 2016	9,625	106	237	1,183	–	11,151
Effects of movements of exchange rates	126	1	(17)	26	(1)	135
Proceeds	1,300	–	868	–	1	2,169
Repayments	(414)	(107)	(1,086)	(30)	–	(1,637)
Balance as at 31 December 2016	10,637	–	2	1,179	–	11,818

Notes to the Heineken N.V. Financial Statements (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2016	Face value 2016	Carrying amount 2015	Face value 2015
Unsecured bond	issue under EMTN programme	EUR	4.6	2016	–	–	400	400
Unsecured bond	issue under EMTN programme	SGD	1.4	2017	66	66	64	65
Unsecured bond	issue under EMTN programme	EUR	1.3	2018	100	100	100	100
Unsecured bond	issue under EMTN programme	SGD	2.2	2018	62	62	62	62
Unsecured bond	issue under EMTN programme	USD	1.5	2019	189	190	183	184
Unsecured bond	issue under EMTN programme	EUR	2.5	2019	847	850	845	850
Unsecured bond	issue under EMTN programme	EUR	2.1	2020	997	1,000	997	1,000
Unsecured bond	issue under EMTN programme	EUR	2.0	2021	498	500	497	500
Unsecured bond	issue under EMTN programme	EUR	1.3	2021	498	500	497	500
Unsecured bond	issue under EMTN programme	USD	3.3	2022	189	190	183	184
Unsecured bond	issue under EMTN programme	EUR	1.7	2023	140	140	140	140
Unsecured bond	issue under EMTN programme	EUR	3.5	2024	497	500	497	500
Unsecured bond	issue under EMTN programme	EUR	1.5	2024	454	460	454	460
Unsecured bond	issue under EMTN programme	EUR	2.9	2025	743	750	742	750
Unsecured bond	issue under EMTN programme	EUR	2.0	2025	224	225	224	225
Unsecured bond	issue under EMTN programme	EUR	3.5	2029	199	200	199	200
Unsecured bond	issue under EMTN programme	EUR	3.3	2033	180	180	179	180
Unsecured bond	issue under EMTN programme	EUR	2.6	2033	92	100	91	100
Unsecured bond	issue under EMTN programme	EUR	3.5	2043	75	75	75	75
Unsecured bond	issue under EMTN programme	EUR	1.0	2026	790	800	–	–
Unsecured bond	issue under EMTN programme	EUR	1.4	2027	497	500	–	–
Unsecured bond	issue under 144A/RegS	USD	1.4	2017	1,185	1,186	1,146	1,148
Unsecured bond	issue under 144A/RegS	USD	3.4	2022	709	712	685	689
Unsecured bond	issue under 144A/RegS	USD	2.8	2023	945	949	915	919
Unsecured bond	issue under 144A/RegS	USD	4.0	2042	465	474	450	459
Unsecured bank loans	German Schuldschein notes	EUR	1.8 – 6.2	2016	–	–	111	111
Other interest-bearing liabilities	2011 US private placement	GBP	7.3	2016	–	–	34	34
Other interest-bearing liabilities	2008 US private placement	USD	2.8	2017	85	85	83	83
Other interest-bearing liabilities	2008 US private placement	GBP	7.2	2018	37	37	44	44
Other interest-bearing liabilities	2010 US private placement	USD	4.6	2018	688	688	665	666
Other interest-bearing liabilities	2008 US private placement	USD	6.3	2018	369	370	357	358
					11,820	11,889	10,919	10,986

For financial risk management and financial instruments, refer to note 30.

Notes to the Heineken N.V. Financial Statements (continued)

39. Auditor fees

Other expenses in the consolidated financial statements include EUR 9.8 million of fees in 2016 for services provided by Deloitte Accountants B.V. and its member firms and/or affiliates (2015: EUR 9.5 million). Fees for audit services include the audit of the financial statements of the Company and its subsidiaries. Fees for other audit services include review of interim financial statements, sustainability, subsidy and other audits. Fees for tax services include tax compliance and tax advice. Fees for other non-audit services include agreed-upon procedures and advisory services. Fees for tax and other non-audit services are related to the network outside the Netherlands and are in accordance with local independence regulation.

Comparative numbers have been revised for the effect of audit activities applicable to 2015 that have been finalised in 2016.

In millions of EUR	Deloitte Accountants B.V. 2016	Deloitte Accountants B.V. 2015	Other Deloitte member firms and affiliates 2016	Other Deloitte member firms and affiliates 2015	Total 2016	Total 2015
Audit of HEINEKEN and its subsidiaries	2.6	2.7	6.2	5.9	8.8	8.6
Other audit services	0.4	0.4	0.3	0.3	0.7	0.7
Tax services	–	–	0.1	0.2	0.1	0.2
Other non-audit services	–	–	0.2	–	0.2	–
Total	3.0	3.1	6.8	6.4	9.8	9.5

40. Off-balance sheet commitments

In millions of EUR	Total 2016	Less than 1 year	1 – 5 years	More than 5 years	Total 2015
Undrawn committed bank facility	2,500	–	2,500	–	2,500

	2016		2015	
	Third parties	HEINEKEN companies	Third parties	HEINEKEN companies
Declarations of joint and several liability	–	3,728	–	1,953

Fiscal unity

The Company is part of the fiscal unity of HEINEKEN in the Netherlands. As a result, the Company is liable for the tax liability of the fiscal unity in the Netherlands.

41. Subsequent events

For subsequent events, refer to note 35.

Notes to the Heineken N.V. Financial Statements (continued)

42. Participating interests

For disclosures of significant direct and indirect participating interests, refer to notes 16 and 34 to the consolidated financial statements.

A declaration of joint and several liability pursuant to the provisions of Section 403, Part 9, Book 2, of the Dutch Civil Code has been issued with respect to the following legal entities established in the Netherlands:

	Country of incorporation	Percentage of ownership	
		2016	2015
Heineken Nederlands Beheer B.V.	The Netherlands	100%	100%
Heineken Group B.V.	The Netherlands	100%	100%
Heineken Brouwerijen B.V.	The Netherlands	100%	100%
Heineken CEE Investments B.V.	The Netherlands	100%	100%
Heineken Nederland B.V.	The Netherlands	100%	100%
Heineken International B.V.	The Netherlands	100%	100%
Heineken Supply Chain B.V.	The Netherlands	100%	100%
Heineken Global Procurement B.V.	The Netherlands	100%	100%
Heineken Mexico B.V.	The Netherlands	100%	100%
HIBV Skopje Holdings B.V.	The Netherlands	100%	100%
Heineken Beer Systems B.V.	The Netherlands	100%	100%
Amstel Brouwerij B.V.	The Netherlands	100%	100%
Vrumona B.V.	The Netherlands	100%	100%
B.V. Beleggingsmaatschappij Limba	The Netherlands	100%	100%
Brand Bierbrouwerij B.V.	The Netherlands	100%	100%
Brasinvest B.V.	The Netherlands	100%	100%
Heineken Asia Pacific B.V.	The Netherlands	100%	100%
B.V. Handel- en Exploitatie Maatschappij Schoonhoven	The Netherlands	100%	100%
Distilled Trading International B.V.	The Netherlands	100%	100%
Premium Beverages International B.V.	The Netherlands	100%	100%
De Brouwketel B.V.	The Netherlands	100%	100%
Proseco B.V.	The Netherlands	100%	100%
Roeminck Insurance N.V.	The Netherlands	100%	100%
Heineken Americas B.V.	The Netherlands	100%	100%
Heineken Export Americas B.V.	The Netherlands	100%	100%
Amstel Export Americas B.V.	The Netherlands	100%	100%
Horeca European Buying B.V.	The Netherlands	100%	100%
Heineken Brazil B.V.	The Netherlands	100%	100%
B.V. Panden Exploitatie Maatschappij PEM	The Netherlands	100%	100%
Heineken Exploitatie Maatschappij B.V.	The Netherlands	100%	100%
Hotel De L'Europe B.V.	The Netherlands	100%	100%
Hotel De L'Europe Monumenten I B.V.	The Netherlands	100%	100%
Hotel De L'Europe Monumenten II B.V.	The Netherlands	100%	100%
Heineken Groothandel B.V.	The Netherlands	100%	100%
Heineken Horeca Services B.V.	The Netherlands	100%	100%
Heineken Namibia B.V.	The Netherlands	100%	100%
Online Drinks B.V.	The Netherlands	100%	–
Beerwulf B.V.	The Netherlands	100%	–

Notes to the Heineken N.V. Financial Statements (continued)

43. Other disclosures

Remuneration

Refer to note 33 of the consolidated financial statements for the remuneration and incentives of the Executive Board and Supervisory Board.

Executive and Supervisory Board statement

The members of the Supervisory Board signed the financial statements in order to comply with their statutory obligation pursuant to Article 2:101, paragraph 2, of the Dutch Civil Code.

The members of the Executive Board signed the financial statements in order to comply with their statutory obligation pursuant to Article 2:101, paragraph 2, of the Dutch Civil Code and Article 5:25c, paragraph 2 sub c, of the Financial Markets Supervision Act.

Amsterdam, 14 February 2017

Executive Board

Supervisory Board

Van Boxmeer

Wijers

Debroux

Fernández Carbajal

Das

de Carvalho

Fentener van Vlissingen

Navarre

Astaburuaga Sanjinés

Scheffers

Huët

Mars-Wright

Brunini

Independent Auditor's Report

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

Independent Auditor's Report on Financial Statements

Our opinion

We have audited the financial statements 2016 of Heineken N.V. ('the Company'), based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated financial statements give a true and fair view of the financial position of Heineken N.V. as at 31 December 2016 and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code
- The company financial statements give a true and fair view of the financial position of Heineken N.V. as at 31 December 2016 and of its result for the year 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2016.
- The following consolidated statements for 2016: the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity.
- The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- The company balance sheet as at 31 December 2016
- The company income statement for 2016
- The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section "Our responsibilities for the audit of the financial statements" of our report.

We are independent of Heineken N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" ('ViO') and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" ('VGBA').

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 150 million. The materiality is based on consolidated profit before taxation (6.2 %). We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Audits of group entities (components) were performed using materiality levels determined by the judgement of the group audit team, having regard to the materiality of the consolidated financial statements as a whole. Component materiality did not exceed EUR 50 million and for the majority of the components, materiality is significantly less than this amount.

We agreed with the Supervisory Board that misstatements in excess of EUR 7.5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that, in our view, must be reported on qualitative grounds.

Independent Auditor's Report (continued)

Scope of the group audit

Heineken N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Heineken N.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for the group entities (components). Decisive were size and/or risk profile of the components. On this basis, we selected components for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit mainly concentrated on significant components in terms of size and financial interest or where significant risks or complex activities were present, leading to full scope audits performed for 25 components.

We have performed audit procedures ourselves at corporate entities and the operations in the Netherlands. Furthermore, we performed audit procedures at group level on areas such as consolidation, disclosures, goodwill, intangible assets, joint ventures, financial instruments, acquisitions and divestments. Specialists were involved amongst others in the areas of treasury, information technology, tax, accounting, pensions and valuation.

For selected component audit teams, the group audit team provided detailed written instructions, which, in addition to communicating the requirements of component audit teams, detailed significant audit areas and information obtained centrally relevant to the audit of individual components including awareness for risk related to management override. Furthermore, we developed a plan for overseeing each component audit team based on its relative significance to the Company and certain other risk characteristics. This included procedures such as visiting components (Mexico, D.R.Congo, Brazil, China, Vietnam, Italy, HGSS Poland, France, Austria, Papua New Guinea, New Zealand, Nigeria, South Africa, Russia, Jamaica and Chile) during the year, performing file reviews, holding conference calls, attending meetings and reviewing component audit team deliverables to gain sufficient understanding of the work performed. For smaller components we have performed review procedures or specific audit procedures.

By performing the procedures mentioned above we have been able to obtain sufficient and appropriate audit evidence on the group's financial information to provide an opinion on the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition – Accruals for promotional allowances and volume rebates

Accounting for promotional allowances and volume rebates impacts the amounts of revenue recognized during the period. The revenue accounting policies are specified in note 3 to the financial statements. Significant management judgement is required to estimate the values of promotional allowances and volume rebates. This estimate is considered to be a key audit matter relevant to our audit of the financial statements.

Our audit procedures included, amongst others, evaluating controls relating to management's process for determining the value of promotional allowances and the volume rebates. In addition we performed substantive testing and analytical procedures to test the accuracy and completeness of the underlying calculation of the accruals. These procedures included challenging the appropriateness of management's assumptions and estimates and agreeing input data, including pricing and allowance data to underlying agreements with customers.

Intangible assets (including goodwill) and property, plant and equipment impairment test – Management assessment of recoverability

Intangible assets (including goodwill) and property, plant and equipment represent 68% of the consolidated statement of financial position. Procedures over management's annual impairment test were significant to our audit because the assessment process is complex and the test relies on estimates and assumptions. Intangibles and property, plant and equipment are allocated to Cash Generating Units (CGUs) and groups of CGUs. The Company uses assumptions in respect of future market and economic conditions such as economic growth, expected inflation rates, demographic developments, expected market share, revenue and margin development. The details on the accounting for intangibles and property, plant and equipment and disclosure requirements under IAS 36 Impairment of assets are included in notes 3, 14 and 15 to the financial statements. For our audit we assessed and tested the assumptions, the discount rates, methodologies and data used by the Company, for example by comparing them to external data such as expected inflation rates, external market growth expectations and by analysing sensitivities in the Company's valuation model. We included valuation specialists in our team to assist us in these audit activities. We specifically focused on the sensitivity in the available headroom of CGUs and whether a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. We also assessed the historical accuracy of management's estimates. We assessed the adequacy of the Company's disclosure notes 14 and 15 in the financial statements about those assumptions to which the outcome of the impairment test is most sensitive.

Independent Auditor's Report (continued)

Taxes – provisions for uncertain tax positions and valuation of deferred tax assets

The Company operates across a number of different tax jurisdictions and is subject to periodic challenges by local tax authorities during the normal course of business, including transaction-related taxes and transfer pricing arrangements. In those cases where the amount of tax payable or recoverable is uncertain, the Company establishes provisions based on its judgement of the probable amount of the liability or recovery. Deferred tax assets for tax losses carried forward are recognized by the Company to the extent that it is probable that future taxable income will be available against which unused tax losses can be utilised. The income tax related accounting policies are specified in notes 3, 13 and 18 to the financial statements.

We focused on these areas because of the level of judgement that is applied in quantifying appropriate provisions for uncertain tax positions and in determining assumptions about future market and economic conditions, as it relates to the recoverability of deferred tax assets.

Using our own tax specialists, we obtained a detailed understanding of the Company's tax strategy including current transfer pricing arrangements. We assessed tax risks, legislative developments and the status of ongoing local tax authority audits. We evaluated and challenged the Company's judgements in respect of estimates of tax exposures, recoverable amounts and contingencies. We considered correspondence with tax authorities and relevant historical and recent judgements, and also assessed legal opinions from third party tax advisors. With regard to recorded deferred tax assets, we evaluated the Company's assumptions and estimates in relation to the likelihood of generating sufficient future taxable income based on budgets and business plans.

Finally we considered the adequacy of the Company's disclosures in notes 3, 13 and 18 regarding uncertain tax positions and recognised deferred tax assets.

Internal controls over financial reporting

The Company operates various processes and procedures, both centrally (e.g. the shared service centre in Poland, the Heineken Global Procurement function and the central Information Technology organisation) as well as locally, that are important for reliable financial reporting. During 2016 the Company further deployed its test program for internal controls over financial reporting. We considered the Company's internal controls over financial reporting as a basis for designing audit procedures that are appropriate for our audit. We are however not required nor engaged to perform an audit of internal controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal controls over financial reporting.

We have tailored our procedures performed to the diverse Information Technology landscapes and the locally established business processes of the Company. We have performed walkthroughs to gain our detailed understanding of the entity and identify the relevant controls. Where effective for the audit we have tested the operating effectiveness of controls. In cases of deficiencies we have evaluated the compensating controls and measures of the Company and/or carried out tailored procedures to address the risk.

Report on the other information included in the Annual Report

In addition to the financial statements and our auditor's report, the annual report contains other information that consists of:

- Report of the Executive Board;
- Report of the Supervisory Board;
- Other Information pursuant to Part 9 of Book 2 of the Dutch Civil Code; and
- Other information included in the Annual Report.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of other information, including the Report of the Executive Board in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Independent Auditor's Report (continued)

Report on other legal and regulatory requirements

Engagement

We were appointed by the Annual General Meeting as auditor of Heineken N.V. on 24 April 2014. The audit for year 2016 was our second year audit.

Description of responsibilities for the financial statements

Responsibilities of the Executive Board and the Supervisory Board for the Financial Statements

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Executive Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

For an overview of our responsibilities we refer to NBA's website www.nba.nl (Standard texts auditor's report).

Deloitte Accountants B.V.

J. Dalhuisen

Amsterdam, 14 February 2017

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