

2014
Ann

Established in Amsterdam

HEINEKEN HOLDING N.V.
ANNUAL REPORT 2014

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◆ PROFILE

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

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

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

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

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

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

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

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FINANCIAL STATEMENTS 2014

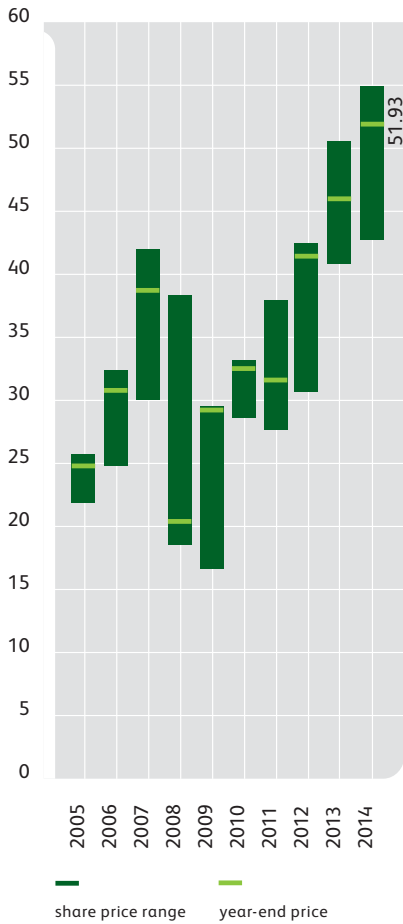
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SHAREHOLDER INFORMATION

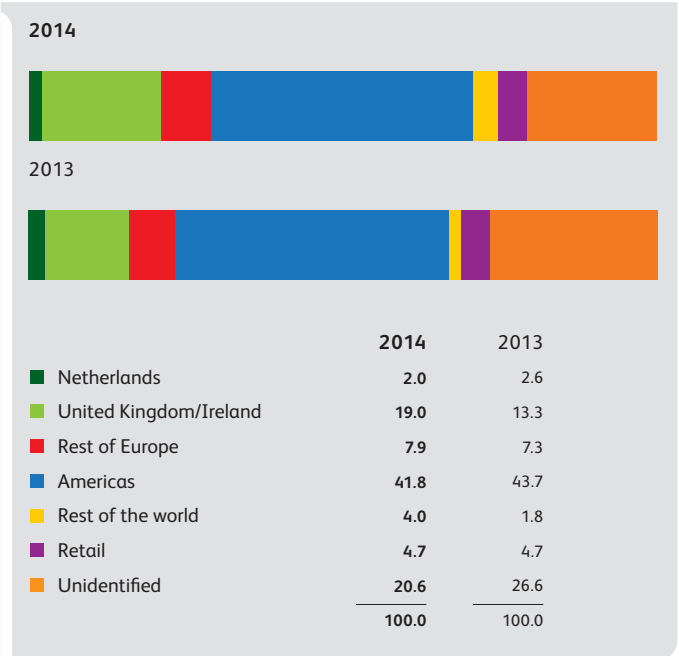
Heineken Holding N.V. share price
in euros
NYSE Euronext Amsterdam



Average trade in 2014:
141,510 shares per day

Nationality Heineken Holding N.V. shareholders
in %

Based on 96.0 million shares in free float
(excluding the holding of L'Arche Green N.V.
and FEMSA in Heineken Holding N.V.)



Source: CMI2i estimate based on
available information January 2015

HEINEKEN HOLDING N.V.

Heineken Holding N.V. ordinary shares are traded on NYSE Euronext Amsterdam. Heineken Holding N.V.'s ordinary shares are also trading Over-the-Counter (OTC) in the USA as American Depositary Receipts (ADRs). The ratio between Heineken Holding N.V. ADRs and the ordinary Dutch (EUR denominated) shares is 2:1, i.e. two ADRs represent one Heineken Holding N.V. ordinary share. Deutsche Bank Trust Company Americas acts as depositary bank for Heineken Holding N.V.'s ADR programme. In 2014, the average daily trading volume of Heineken Holding N.V. shares was 141,510 shares.

Dividend per ordinary share

<i>in euros</i>	
2005	0.40
2006	0.60
2007	0.70
2008	0.62
2009	0.65
2010	0.76
2011	0.83
2012	0.89
2013	0.89
2014	1.10 (proposed)

Market capitalisation

Shares in issue as at 31 December 2014:
 288,030,168 ordinary shares of EUR1.60 nominal value;
 250 priority shares of EUR2 nominal value.
 At a year-end price of EUR51.93 on 31 December 2014, the market capitalisation of Heineken Holding N.V. as at the balance sheet date was EUR15.0 billion.

Year-end price	EUR51.93	31 December 2014
Highest closing price	EUR54.99	28 November 2014
Lowest closing price	EUR42.72	5 February 2014

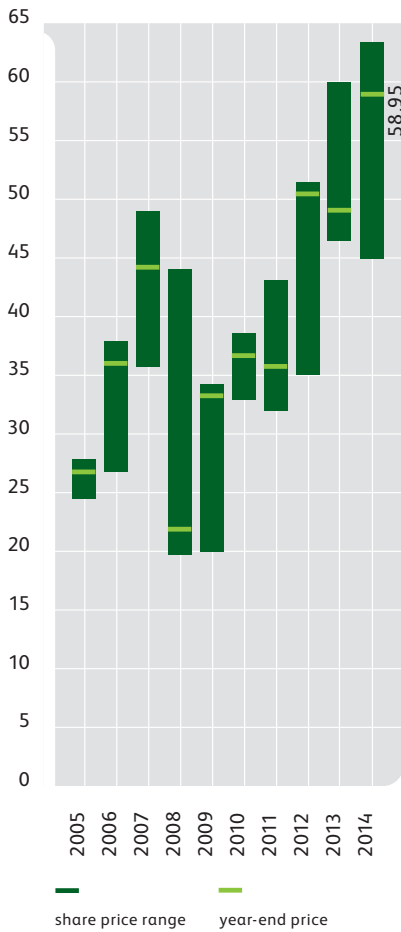
Substantial shareholdings

Pursuant to the Financial Supervision Act (*Wet op het financieel toezicht*) and the Decree on Disclosure of Major Holdings and Capital Interests in Issuing Institutions (*Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen Wft*), the Authority for the Financial Markets (AFM) has been notified of the following substantial shareholdings (i.e. of 3 per cent or more) regarding Heineken Holding N.V.:

- 1 November 2006: Mrs C.L. de Carvalho-Heineken (52.01 per cent, including a 50.005 per cent shareholding by L'Arche Holding S.A.*);
- 30 April 2010: Voting Trust (FEMSA), through its affiliate CB Equity LLP (14.94 per cent);
- 15 January 2014: Harris Associates L.P. (a capital and voting interest of 3.05 per cent, held indirectly).

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

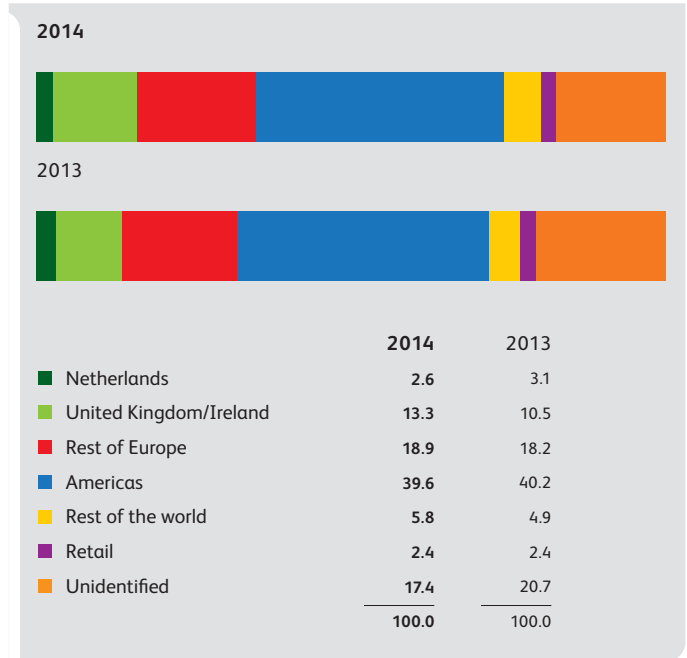
Heineken N.V. share price
in euros
NYSE Euronext Amsterdam



Average trade in 2014:
865,209 shares per day

Nationality Heineken N.V. shareholders
in %

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



Source: CMI2i estimate based on
available information January 2015

HEINEKEN N.V.

The shares of Heineken N.V. are traded on NYSE Euronext Amsterdam, where the company is included in the AEX Index.

Heineken N.V.'s shares are also trading Over-the-Counter (OTC) in the USA as American Depositary Receipts (ADRs). The ratio between Heineken N.V. ADRs and the ordinary Dutch (EUR denominated) shares is 2:1, i.e. two ADRs represent one Heineken N.V. share. Deutsche Bank Trust Company Americas acts as depositary bank for Heineken N.V.'s ADR programme.

Options on Heineken N.V. shares are listed on Euronext Liffe Amsterdam.

In 2014, the average daily trading volume of Heineken N.V. shares was 865,209 shares.

Market capitalisation

Shares in issue as at 31 December 2014:

576,002,613 shares of EUR1.60 nominal value.

At a year-end price of EUR58.95 on 31 December 2014, the market capitalisation of Heineken N.V. as at the balance sheet date was EUR34.0 billion.

Year-end price	EUR58.95	31 December 2014
Highest closing price	EUR63.38	1 December 2014
Lowest closing price	EUR44.96	30 January 2014

Substantial shareholdings

Pursuant to the Financial Supervision Act (*Wet op het financieel toezicht*) and the Decree on Disclosure of Major Holdings and Capital Interests in Issuing Institutions (*Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen Wft*), the Authority for the Financial Markets (AFM) has been notified of the following substantial shareholdings (i.e. of 3 per cent or more) regarding Heineken N.V.:

- 1 November 2006: Mrs C.L. de Carvalho-Heineken (indirectly 50.005 per cent through L'Arche Holding S.A.; the direct 50.005 per cent shareholder is Heineken Holding N.V.)¹;
- 30 April 2010: Voting Trust (FEMSA), through its affiliate CB Equity LLP (10.14 per cent)¹;
- 12 May 2014: Massachusetts Financial Services Company (a capital interest of 2.67 per cent (of which 1.73 per cent is held directly and 0.94 per cent is held indirectly) and a voting interest of 4.97 per cent (of which 2.04 per cent is held directly and 2.94 per cent is held indirectly)) (initial notification: 2 February 2010).

Bondholder information

In September 2008, HEINEKEN established a Euro Medium Term Note (EMTN) programme which was last updated in March 2014. The programme allows Heineken N.V. to issue Notes for a total amount of up to EUR10 billion. Currently approximately EUR5.5 billion is outstanding under the programme.

On 7 March 2012, Heineken N.V. was assigned solid investment grade credit ratings by Moody's Investor Service and Standard & Poor's. Both long-term credit ratings, Baa1 and BBB+, respectively, have 'stable' outlooks as of the date of this Annual Report.

On 30 January 2014, HEINEKEN privately issued 15.5-year Notes for an amount of EUR200 million with a coupon of 3.50 per cent under the EMTN programme.

On 28 March 2014, HEINEKEN privately issued 5.5-year Notes for an amount of USD200 million with a floating rate coupon under the EMTN programme.

Financial calendar in 2015 for both Heineken Holding N.V. and Heineken N.V.

Announcement of 2014 results	11 February
Publication of Annual Report	18 February
Trading update first quarter 2015	22 April
Annual General Meeting of Shareholders, Amsterdam ²	23 April
Quotation ex-final dividend 2014	27 April
Final dividend 2014 payable	6 May
Announcement of half-year results 2015	3 August
Quotation ex-interim dividend	5 August
Interim dividend 2015 payable	12 August
Trading update third quarter 2015	28 October

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

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

Traded Heineken N.V. Notes	Issue date	Total face value	Interest rate (%)	Maturity	ISIN code
GBPEMTN 2015	10 March 2009	GBP400 million	7.250	10 March 2015	XS0416081296
144A/RegS 2015	10 October 2012	USD500 million	0.800	1 October 2015	US423012AC71
EUR EMTN 2016	8 October 2009	EUR400 million	4.625	10 October 2016	XS0456567055
144A/RegS 2017	10 October 2012	USD1.25 billion	1.400	1 October 2017	US423012AB98
EUR EMTN 2018	18 April 2013	EUR100 million	1.250	18 April 2018	XS0918766550
EUR EMTN 2019	19 March 2012	EUR850 million	2.500	19 March 2019	XS0758419658
EUR EMTN 2020	2 August 2012	EUR1 billion	2.125	4 August 2020	XS0811554962
EUR EMTN 2021	4 April 2013	EUR500 million	2.000	6 April 2021	XS0911691003
144A/RegS 2022	3 April 2012	USD750 million	3.400	1 April 2022	US423012AA16
144A/RegS 2023	10 October 2012	USD1 billion	2.750	1 April 2023	US423012AD54
EUR EMTN 2024	19 March 2012	EUR500 million	3.500	19 March 2024	XS0758420748
EUR EMTN 2025	2 August 2012	EUR750 million	2.875	4 August 2025	XS0811555183
EUR EMTN 2029	30 January 2014	EUR200 million	3.500	30 July 2029	XS1024136282
EUR EMTN 2033	15 April 2013	EUR180 million	3.250	15 April 2033	XS0916345621
EUR EMTN 2033	19 April 2013	EUR100 million	2.562	19 April 2033	XS0920838371
144A/RegS 2042	10 October 2012	USD500 million	4.000	1 October 2042	US423012AA16

The EMTN programme and the above Heineken N.V. Notes issued thereunder are listed on the Luxembourg Stock Exchange.

Traded Heineken Asia Pacific Pte. Ltd.* Notes	Issue date	Total face value	Interest rate (%)	Maturity	ISIN code
SGD MTN 2020	3 March 2009	SGD22.25 million	3.780	3 March 2020	SG7V34954621
SGD MTN 2022	7 January 2010	SGD16.25 million	4.000	7 January 2022	SG7U93952517

The above Heineken Asia Pacific Pte. Ltd.* Notes are listed on the Singapore Exchange and guaranteed by Heineken N.V. * After a name change, Heineken Asia Pacific Pte. Ltd. is currently registered as Heineken Asia MTN Pte. Ltd.

Contact Heineken Holding N.V. and Heineken N.V.

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

The website www.heinekenholding.com also carries further information about both Heineken Holding N.V. and Heineken N.V.

◆ BOARD OF DIRECTORS

Mr M. Das (1948)

Non-executive director (Chairman)

Dutch nationality

Appointed in 1994; reappointed in 2013*

Lawyer

Mrs C.L. de Carvalho-Heineken (1954)

Executive director

Dutch nationality

Appointed in 1988; reappointed in 2011*

Mr J.A. Fernández Carbajal (1954)

Non-executive director

Mexican nationality

Appointed in 2010; reappointed in 2014*

Executive Chairman of the Board of

Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA)

Mrs C.M. Kwist (1967)

Non-executive director

Dutch nationality

Appointed in 2011*

Consultant in brand management, marketing and communication

Mr A.A.C. de Carvalho (1984)

Non-executive director

Dutch and English nationality

Appointed in 2013*

Associate at Lion Capital, a private equity firm

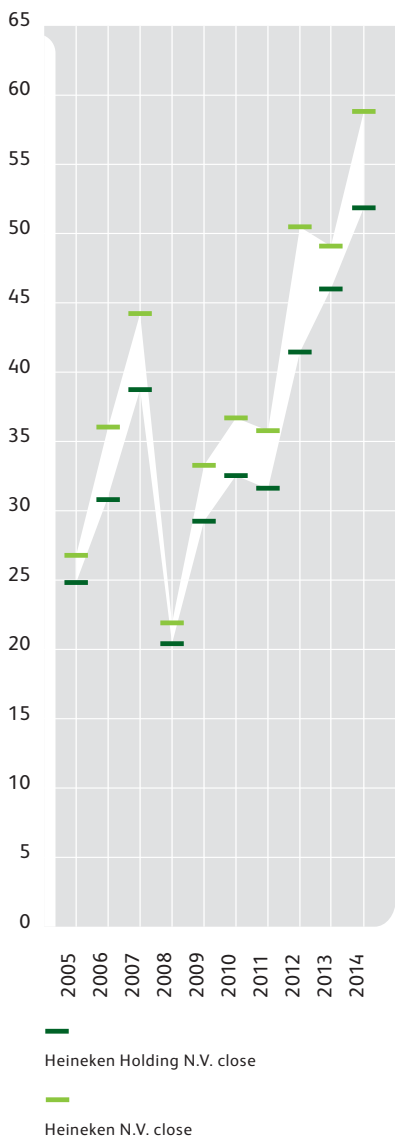
* For the maximum period of four years.

REPORT OF THE BOARD OF DIRECTORS

Gap between Heineken Holding N.V. and Heineken N.V. share price

in euros

NYSE Euronext Amsterdam



POLICY PRINCIPLES

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

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

ACTIVITIES

The Board of Directors met with the Preparatory Committee of the Supervisory Board of Heineken N.V. on eight occasions in 2014. The Board of Directors also met separately on two occasions to discuss, among other things, the Report of the Board of Directors and the financial statements for 2013 and the first half of 2014. At the meeting of the Board of Directors at which the directors' report and the financial statements were discussed, the external auditors gave a comprehensive report on their activities.

The approach by SABMiller regarding the potential acquisition of Heineken N.V. was reviewed. The majority shareholder (L'Arche Green N.V.) was consulted and the Board of Directors informed the Supervisory Board and Executive Board of Heineken N.V. that the proposal of SABMiller was non-actionable.

Other matters considered during the year included proposals for acquisitions, investments and disposals and other opportunities such as the merger of Nigerian Breweries with Consolidated Breweries, the divestment of the packaging business in Mexico EMPAQUE and the sale of part of the Star Pubs & Bars portfolio.

A further strategic review was presented to the Board of Directors. Important developments affecting the business in various countries were discussed, such as the political and security situation in Nigeria and the effect of the economic sanctions on the Russian business.

Other items on the agenda included renewal of the credit facilities, cost control and dividend policy.

A recurrent element in all the meetings was a discussion of the results: volumes, revenues and gross profits were reviewed by region and country and a

member of the Executive Board of Heineken N.V. outlined conditions in those markets, paying special attention in all cases to the development of the Heineken® brand. The cash flows, funding ratios and share price were also discussed.

The composition of the Supervisory Board and the Executive Board of Heineken N.V., with special attention for the replacement of CFO Mr D.R. Hooft Graafland, and management development were also recurring items on the agenda.

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

Mrs C.L. de Carvalho-Heineken, executive director, travelled to Singapore, New Guinea and Cambodia to visit breweries and sales offices, she went to Houston for the distributors meeting and she attended the award ceremony of the Quality Awards in Amsterdam.

Further information regarding developments during the 2014 financial year affecting Heineken N.V. and its related companies and the material risks faced by those companies is given in Heineken N.V.'s Annual Report.

REVIEW OF 2014

Share price

The share price gradually went up through the year. The gap between the Heineken N.V. and Heineken Holding N.V. share prices followed, from 6 per cent at the beginning of the year to almost 12 per cent at the end of December.

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

Interest in Heineken N.V.

The nominal value of our company's interest in Heineken N.V. as at 31 December 2014 was EUR461 million (31 December 2013: EUR461 million). The nominal value of the ordinary shares issued by our company as at the same date was also EUR461 million. As at 31 December 2014, our company's interest in Heineken N.V. represented 50.005 per cent of the issued capital (being 50.126 per cent of the outstanding capital) of Heineken N.V.

Results

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

The Board of Directors has elected to avail itself of the option given by Section 362, subsection 8, of Book 2 of the Dutch Civil Code of using the same accounting policies for the valuation of assets and liabilities and determination of results in the company financial statements as those used for the preparation of the consolidated financial statements of Heineken Holding N.V. Since the interest in Heineken N.V. is measured using the equity method, the equity attributable to the equity holders of Heineken Holding N.V., amounting to EUR6,125 million, shown in the consolidated statement of financial position, is equal to the shareholders' equity shown in the company balance sheet less the priority shares.

Our company's 50.126 per cent share in Heineken N.V.'s 2014 profit of EUR1,516 million is recognised as income of EUR760 million in the 2014 company income statement. This share in Heineken N.V.'s profit consists of both distributed and retained earnings for 2014.

HEINEKEN N.V. PERFORMANCE IN 2014 AND OUTLOOK

Performance

Heineken N.V. posted a net profit of EUR1,516 million in 2014.

Despite an increasingly volatile global macroeconomic backdrop HEINEKEN delivered healthy organic revenue and operating profit growth in 2014. As expected growth was more moderate in H2, with group revenue and group operating profit (beia) on an organic basis, up 2.1 per cent and 3.6 per cent respectively. The deliberate strategy of higher commercial investments to enhance brand equity and drive effective execution in the marketplace delivered further market share gains across key markets. Innovation was an important competitive advantage. HEINEKEN continues to invest early in key developing growth markets, and added capacity in several countries including Ethiopia, Cambodia, China, Vietnam and Indonesia. A continued focus on revenue management and disciplined cost management delivered improved revenue per hectolitre as well as operating margin expansion.

Organically group revenue grew 3.3 per cent, benefiting from both positive pricing and positive sales mix, driving a 1.4 per cent increase in group revenue per hectolitre. Organically, group beer volume was 2.0 per cent higher for the full year, stronger in H1 due

to favourable weather and the football World Cup and a soft comparable prior period. Most regions in H2 saw softer group volume growth due to unseasonably wet weather particularly in Europe combined with tough Q3 comparatives. However, in Asia Pacific volume growth was higher in H2, recovering from pressure in H1 from higher excise duties.

Group operating profit (beia) grew 7.8 per cent on an organic basis, benefiting from higher revenues and improved cost efficiencies partly offset by higher marketing and selling expenses. Group operating profit (beia) in developing markets grew 10 per cent organically, reflecting strong profit contributions from Mexico, Nigeria, Brazil and Vietnam, partly offset by lower profitability in Poland and Compañía Cervecerías Unidas S.A. (CCU). Group operating profit (beia) margins expanded by 80 basis points to 15.9 per cent.

More information on the performance is provided in Heineken N.V.'s Annual Report.

Outlook

In 2015 HEINEKEN expects a continued challenging external environment, however, delivering on its strategic priorities is expected to drive further organic revenue and profit growth.

Continued revenue growth: HEINEKEN expects positive organic revenue growth in 2015 with volume growth at a more moderate level than 2014, and weighted towards H2 (tougher comparatives in H1).

Continued volume growth in developing markets will offset more subdued volume growth elsewhere. Revenue per hectolitre is expected to increase driven by revenue management. Pricing will be limited by deflationary and off premise pressure in some markets.

Increased commercial investment: HEINEKEN will continue its targeted higher commercial investments across the regions, and expects a slight increase in marketing and selling (beia) spend as a percentage of revenue in 2015 (2014: 12.7 per cent).

Continued cost savings: HEINEKEN is committed to delivering further cost savings and will continue its focus on driving cost efficiencies across the Group. These are an important driver of the medium term margin guidance. As a result of ongoing productivity initiatives, HEINEKEN expects an organic decline in the total number of employees in 2015.

Input cost prices are expected to be slightly lower in 2015 (excluding a foreign currency transactional effect).

Further margin expansion: HEINEKEN continues to target a year on year improvement in consolidated operating profit (beia) margin of around 40bps in the medium term. This will continue to be supported by tight cost management, effective revenue management and the anticipated faster growth of higher margin developing markets. In 2015 consolidated operating profit (beia) margin will be adversely impacted by approximately 25bps from the disposal of EMPAQUE, the Mexican packaging business, announced on 1 September 2014 and expected to complete in Q1. HEINEKEN expects to partially but not fully offset this, such that in 2015 consolidated operating profit (beia) margin expansion will be somewhat below the 40bps medium term level.

Foreign currency movements: Assuming spot rates as of 6 February 2015, the calculated positive currency translational impact on consolidated operating profit (beia) would be approximately EUR130 million, and around EUR80 million at net profit (beia). However the foreign exchange markets are very volatile.

Improved financial flexibility: 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 2.5x. In 2015, capital expenditure related to property, plant and equipment is expected to be approximately EUR1.6 billion (2014: EUR1.5 billion). A cash conversion ratio of below 100 per cent is expected in 2015 (2014: 79 per cent).

Interest rate: HEINEKEN forecasts a stable average interest rate of c.3.7 per cent in 2015 (2014: 3.7 per cent).

Effective tax rate: HEINEKEN expects the effective tax rate (beia) for 2015 to be broadly in line with the prior year (2014: 29.7 per cent).

FINANCIAL STATEMENTS AND APPROPRIATION OF PROFIT

The Board of Directors will submit the financial statements for 2014 to the General Meeting of Shareholders. These financial statements, on pages 22 to 122 of this report, have been audited by KPMG Accountants N.V., whose report can be found on page 124.

Heineken N.V. proposes to distribute a dividend for 2014 of EUR1.10 per share of EUR1.60 nominal value, of which EUR0.36 per share of EUR1.60 nominal value has already been paid as interim dividend.

With the approval of the meeting of priority shareholders, the Board of Directors has resolved to vote at the General Meeting of Shareholders of Heineken N.V. in favour of Heineken N.V.'s dividend proposal. On that basis, the dividend payable to our company for 2014 totals EUR316.8 million in cash, of which EUR103.7 million has already been received by way of interim dividend. The final dividend due will therefore be EUR213.1 million.

In accordance with the provisions of Article 10, paragraph 9, of the Articles of Association, an interim dividend of EUR0.36 per share of EUR1.60 nominal value was distributed to holders of ordinary shares on 2 September 2014. Pursuant to the provisions of Article 10 of the Articles of Association, a final dividend of EUR0.74 per share of EUR1.60 nominal value currently in issue will be payable to holders of ordinary shares from 6 May 2015. Like the holders of Heineken N.V. shares, holders of ordinary shares will therefore receive a total dividend for 2014 of EUR1.10 per share of EUR1.60 nominal value. A total of EUR316.8 million will be distributed to holders of ordinary shares and a total of EUR20 (4 per cent of the nominal value of EUR2 per share) will be distributed as dividend to holders of priority shares.

CORPORATE GOVERNANCE

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

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

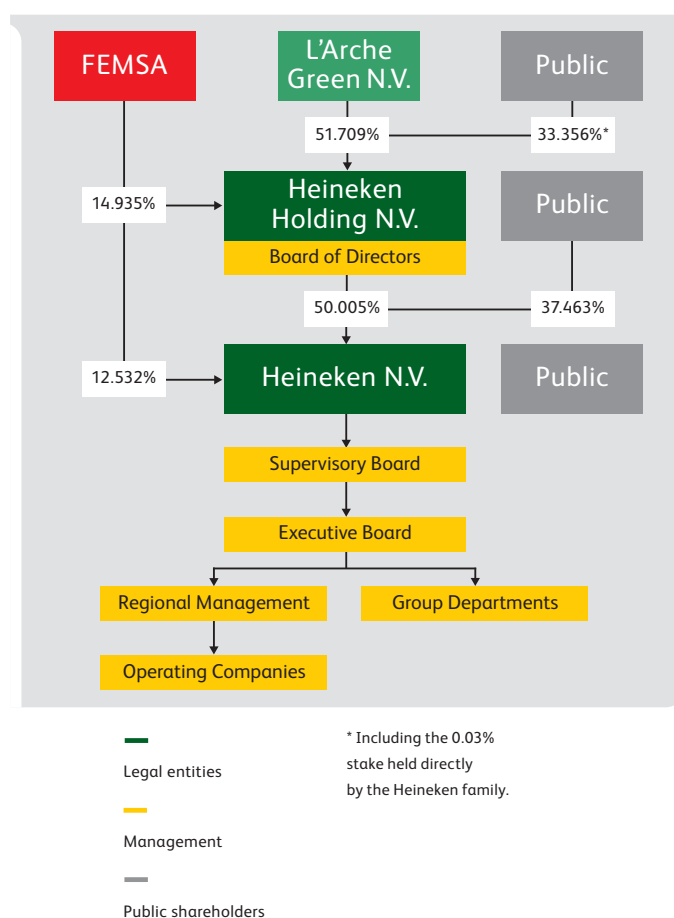
The departure from the Code (as revised) was discussed at the General Meeting of Shareholders on 22 April 2010.

Structure of the HEINEKEN group

Heineken Holding N.V. has a 50.005 per cent interest in the issued share capital of Heineken N.V. Both companies are listed on NYSE Euronext Amsterdam.

L'Arche Green N.V., a company owned by the Heineken family and the Hoyer family, holds as at 31 December 2014 51.709 per cent (31 December 2013: 51.482 per cent) interest of the issued share capital of Heineken Holding N.V. The Heineken family holds 88.67 per cent of the issued share capital of L'Arche Green N.V. and the remaining 11.33 per cent is held by the Hoyer family. The Heineken family also owns a direct 0.03 per cent stake in Heineken Holding N.V. FEMSA, through its affiliate CB Equity LLP, holds a 14.935 per cent interest of the issued share capital of Heineken Holding N.V. In combination with its Heineken N.V. shareholdings this represents a 20 per cent economic interest in the HEINEKEN group. Of the issued share capital of Heineken Holding N.V. 33.356 per cent is held by public shareholders.

A full description of rights conferred by the outstanding priority shares in the share capital of



Heineken Holding N.V. is given in the paragraph headed 'Further Information pursuant to the Article 10 Takeover Directive Decree' and the 'Other Information' section (page 123) of this Annual Report.

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

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

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

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

On 25 April 2012, Heineken Holding N.V. implemented a one-tier board management structure. The Board of Directors now comprises one executive member (*uitvoerend bestuurder*) and four non-executive members (*niet-uitvoerende bestuurders*).

Because Heineken N.V. manages the HEINEKEN group companies, Heineken Holding N.V., unlike Heineken N.V., does not have an internal risk management and control system. Heineken Holding N.V. does not engage in any operational activities and employs no staff. As to Heineken N.V., the risk management and control system for the business is described in the Heineken N.V. Annual Report, page 22 and further. Note 32 to the consolidated financial statements of Heineken Holding N.V. itemises the specific financial risks and explains the control systems relating to those risks.

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

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

required, other persons directly associated with the company.

Compliance with the Code

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

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

Heineken Holding N.V.'s Board of Directors is comparable with a Supervisory Board and therefore certain rules pertaining to Boards of Directors are not applied but certain rules pertaining to Supervisory Boards are applied.

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

Best-practice provision II.1.8 of the Code limits the number of supervisory directorships (*commissariaten*) of listed companies which may be held by a member of an executive board (*bestuurder*) of a listed company to a maximum of two, and does not permit a member of an executive board of a listed company to be the chairman of the supervisory board of a listed company. Pursuant to the Management and Supervision Act, this best-practice provision has, as of 1 January 2013,

been made mandatory law for 'large companies' such as Heineken Holding N.V. (Section 2:132a of the Dutch Civil Code), which means that this new provision should be taken into account for any new appointment or reappointment of an executive member (*uitvoerend bestuurder*) of the Board of Directors.

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

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

BOARD OF DIRECTORS

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

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

Board of Directors except the member whose suspension is the subject of the motion. A suspension imposed by the Board of Directors may be lifted at any time by the General Meeting of Shareholders.

At the Annual General Meeting of Shareholders on 24 April 2014 Mr Fernández Carbajal was reappointed as a non-executive member of the Board of Directors for the maximum period of four years and Mr K. Vuursteen retired from the Board of Directors.

In accordance with the current rotation schedule, Mrs de Carvalho-Heineken and Mrs Kwist will stand down at the Annual General Meeting of Shareholders on 23 April 2015. The meeting of holders of priority shares has, pursuant to the provisions of Article 7, paragraph 5, of the Articles of Association of the company, drawn up a non-binding nomination of Mrs de Carvalho-Heineken for reappointment as an executive member of the Board of Directors and of Mrs Kwist for reappointment as a non-executive member of the Board of Directors, both with effect from 23 April 2015, for the maximum period of four years (i.e. until the end of the Annual General Meeting of Shareholders to be held in 2019).

Mrs de Carvalho-Heineken was first appointed in 1988. She is also a director of L'Arche Holding S.A., the company in which the Heineken family has placed its shareholding in L'Arche Green N.V., and of L'Arche Green N.V., the company in which the Heineken and Hoyer families have combined their 51.709 per cent interest in Heineken Holding N.V. The meeting of holders of priority shares proposes to reappoint Mrs de Carvalho-Heineken in view of the way she fulfils her role as executive member of the Board of Directors. Mrs Kwist was first appointed in 2011. Mrs Kwist is also a director both of Greenfee B.V., the company in which the Hoyer family has placed its interest in L'Arche Green N.V., and of L'Arche Green N.V. The meeting of holders of priority shares proposes to reappoint Mrs Kwist in view of the way she fulfils her role as non-executive member of the Board of Directors.

Pursuant to the provisions of Article 7, paragraph 5, of the Articles of Association of the company, the meeting of holders of priority shares has drawn up a non-binding nomination of Mr M.R. de Carvalho (70) for appointment as an executive member of the Board of Directors with effect from 23 April 2015, for the maximum period of four years (i.e. until the end of the Annual General Meeting of Shareholders to be held in 2019). The meeting of

holders of priority shares proposes to appoint Mr de Carvalho as an executive member of the Board of Directors in view of his membership of the Supervisory Board of Heineken N.V. since 1996, his position as a director of L'Arche Green N.V., the company in which the Heineken and Hoyer families have combined their 51.709 per cent interest in Heineken Holding N.V., and his experience as a banker. Mr de Carvalho is Vice-Chairman of Investment Banking at Citi Inc., United Kingdom, and Chairman of Citi Private Bank Europe, Middle East and Africa. He holds the English nationality and lives in London. The proposal of the meeting of holders of priority shares implies that the age limit of 70 years that applies in principle is not applicable to Mr de Carvalho in view of his current positions as a Supervisory Board member of Heineken N.V. and a banker. The proposed appointment of Mr de Carvalho, the husband of Mrs C.L. de Carvalho-Heineken, as an executive member of the Board of Directors, is in line with the tradition of personal involvement of the family in the Heineken group.

The above (re)appointments of the executive and non-executive members of the Board of Directors of Heineken Holding N.V. have been incorporated in the respective rotation schedules, assuming that such (re)appointments are confirmed. The updated rotation schedules are made available at the company's website (www.heinekenholding.com).

Balanced distribution of board seats over men and women

At the moment the seats of the Board of Directors have been properly balanced between men and women in accordance with section 2:166 of the Dutch Civil Code.

Remuneration policy

Remuneration of the members of the Board of Directors was enabled by an amendment to the company's Articles of Association in 2001. The policy on the remuneration of members of the Board of Directors was approved by the General Meeting of Shareholders in 2005. Under this policy, the members of the Board of Directors receive the same remuneration as the members of the Supervisory Board of Heineken N.V. For 2015, this means EUR90,000 a year for the chairman and EUR60,000 a year for the other members of the Board of Directors.

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

THE GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders shall be held each year within six months of the end of the financial year, the agenda for which shall, *inter alia*, include: (i) consideration of the annual report, (ii) consideration and adoption of the financial statements, (iii) discharge of the members of the Board of Directors in respect of their management and (iv) announcement of the appropriation of profit and dividend. General Meetings of Shareholders shall be held in Amsterdam.

Notice of meeting

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

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

Right of shareholders to place items on agenda

An item that one or more holders of shares which alone or together (i) represent at least one per cent (1%) of the issued capital or (ii) have a value of at least EUR50 million have requested to be placed on the agenda shall be included in the notice of meeting or announced in a similar manner, provided that the Board of Directors receives the request in writing, which request is to be furnished with reasons or accompanied by a proposal for a resolution, not later than the 60th day before the date of the General Meeting of Shareholders. If shareholders have requested that an item be placed on the agenda, they shall explain this to the meeting and answer any questions thereon.

Best-practice provision IV.4.4 of the Code states: *'A shareholder shall exercise the right of putting an item on the agenda only after he consulted the management board about this. If one or more shareholders intend to request that an item be*

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

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

Record date

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

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

Attendance by proxy or electronic communication

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

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

The Board of Directors may determine that the powers set out in the previous sentence may also be exercised by means of electronic communication.

The Board of Directors may impose certain conditions on the use of electronic communications, which will in that case be stated in the notice of meeting.

Attendance register

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

Chairman of the General Meeting of Shareholders

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

Voting

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

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

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

Once cast, a vote cannot be retracted.

Minutes

Minutes shall be kept of the proceedings of General Meetings of Shareholders by a secretary appointed by the chairman. The minutes shall be adopted by the chairman and the secretary and shall be signed by them in evidence thereof. If a notarial record is made of the proceedings of a General Meeting of Shareholders, it shall be co-signed by the chairman of

the meeting. Shareholders shall be provided on request with copies of the minutes of the General Meeting of Shareholders not later than three months after the end of the meeting and shall be given three months in which to comment on these minutes.

Resolutions to be adopted by the General Meeting of Shareholders

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

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

Provision of information

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

Priority shares

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

A full description of rights conferred by the priority shares is given in the paragraph headed 'Further Information pursuant to the Article 10 Takeover Directive Decree' and the 'Other Information' section (page 123) of this Annual Report.

FURTHER INFORMATION PURSUANT TO THE ARTICLE 10 TAKEOVER DIRECTIVE DECREE

Shares

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

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

enterprise to a third party, entry into or termination of a lasting cooperation between the company or a subsidiary and another legal entity or relating to the acquisition or disposal by the company or a subsidiary of a substantial interest in the capital of another company.

Shares are issued pursuant to a resolution of the General Meeting of Shareholders, without prejudice to its right to delegate that authority. Such a resolution shall be valid only if prior or simultaneous approval is given by resolution of the meeting of holders of shares of the same class as that to which the issue relates, except in the case where the company is obliged pursuant to Article 10 of the Articles of Association to distribute stock dividend or bonus shares or grant pre-emptive rights to shareholders. Fully paid ordinary shares in its own capital may only be acquired by the company for no consideration or if (a) the shareholders' equity minus the purchase price is not less than the sum of the paid-in and called portion of the capital and the reserves prescribed by law and (b) the nominal amount of own shares which the company acquires, holds or keeps in pledge or which are held by a subsidiary does not exceed half of the issued capital.

Substantial shareholdings

Pursuant to the Financial Supervision Act (*Wet op het financieel toezicht*) and the Decree on Disclosure of Major Holdings and Capital Interests in Issuing Institutions (*Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen Wft*), the Authority for the Financial Markets (AFM) has been notified of the following substantial shareholdings (i.e. of 3 per cent or more) in Heineken Holding N.V.:

- 1 November 2006: Mrs C.L. de Carvalho-Heineken (52.01 per cent, including a 50.005 per cent shareholding by L'Arche Holding S.A.);
- 30 April 2010: Voting Trust (FEMSA), through its affiliate CB Equity LLP (14.94 per cent);
- 15 January 2014: Harris Associates L.P. (a capital and voting interest of 3.05 per cent, held indirectly).

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

Restrictions related to shares

There are no restrictions on the voting rights on ordinary shares. Heineken Holding N.V. has no staff share plan or option plan. The company is party to an agreement providing for certain (customary) restrictions on the transfer of shares in the company held by a specific shareholder. This agreement also provides (subject to certain exceptions) for certain restrictions on the voting rights on the shares in the company beneficially owned by the specific shareholder (and by any of its group members), if and to the extent that any shares beneficially owned by this specific shareholder (and any of its group members) are in excess of (i) 20 per cent of all issued and outstanding ordinary shares in the capital of the company or (ii) a 20 per cent economic interest (as defined in the relevant agreement) in Heineken N.V.

Persons who hold shares on a predetermined record date may attend and exercise their voting rights at General Meetings of Shareholders. The record date for the General Meeting of Shareholders on 23 April 2015 has been set 28 days before the General Meeting of Shareholders, i.e. on 26 March 2015.

Appointment and dismissal of Board of Directors

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

Members of the Board of Directors may be suspended or dismissed by the General Meeting of Shareholders at any time by a resolution adopted by an absolute majority of the votes cast which represents at least one-third of the issued capital. An executive member of the Board of Directors may also be suspended by the Board of Directors. The relevant executive director shall not participate in decision-making on his suspension. A resolution to suspend an executive director shall require a unanimous vote by all members of the Board of Directors except the member whose suspension is the subject of the motion. A suspension imposed by the Board of Directors may be lifted at any time by the General Meeting of Shareholders.

Amendment of the Articles of Association

The Articles of Association may be amended by a resolution adopted by the General Meeting of Shareholders only on a motion of the meeting of priority shareholders and only if at least half of the

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

Acquisition of own shares

The Annual General Meeting of Shareholders on 24 April 2014 extended, for the statutory maximum period of 18 months, commencing on 24 April 2014, the authorisation which it had granted to the Board of Directors on 25 April 2013 to acquire own shares subject to the following conditions and with due observance of the law and the Articles of Association:

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

Issue of shares

The Annual General Meeting of Shareholders on 24 April 2014 furthermore extended, for a period of 18 months, commencing on 24 April 2014, the authorisation which it had granted to the Board of Directors on 25 April 2013 to issue shares or grant rights to subscribe for shares, with due observance of the law and the Articles of Association.

The authorisation is limited to 10 per cent of the issued share capital of the company on the date of issue.

The Annual General Meeting of Shareholders on 24 April 2014 also extended, for a period of 18 months, commencing on 24 April 2014, the authorisation which it had granted to the Board of Directors on 25 April 2013 to restrict or exclude shareholders' pre-emptive rights in relation to the issue of shares or the granting of rights to subscribe for shares, with due observance of the law and the Articles of Association.

Change of control

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

STATEMENT OF THE BOARD OF DIRECTORS

In accordance with Article 5:25c paragraph 2 sub c of the Financial Supervision Act, we confirm that, to the best of our knowledge,

- the financial statements in this Annual Report 2014 give a true and fair view of our assets and liabilities, our financial position as at 31 December 2014, and the results of our consolidated operations for the financial year 2014; and
- the Report of the Board of Directors includes a fair review of the position as at 31 December 2014 and the development and performance during the financial year 2014 of Heineken Holding N.V. and the undertakings included in the consolidation taken as a whole, and describes the principal risks that Heineken Holding N.V. faces.

Amsterdam, 10 February 2015

Board of Directors

Mr M. Das

Mrs C.L. de Carvalho-Heineken

Mr J.A. Fernández Carbajal

Mrs C.M. Kwist

Mr A.A.C. de Carvalho

2014

FINANCIAL STATEMENTS 2014

BALANCE SHEET OF HEINEKEN HOLDING N.V.

before appropriation of profit
in millions of euros

31 December **2014**

31 December **2013**

		31 December 2014	31 December 2013
Assets			
<i>Financial fixed assets</i>			
Participating interest in Heineken N.V.	note I	6,125	5,620
<i>Current assets</i>			
Cash	note II	-	-
		6,125	5,620

31 December **2014** 31 December **2013**

Equity and liabilities		
<i>Shareholders' equity</i>		
Issued capital:		
Priority shares	-	-
Ordinary shares	461	461
	461	461
Share premium	1,257	1,257
Translation reserve	(549)	(862)
Hedging reserve	(49)	2
Fair value reserve	48	49
Other legal reserves	372	403
Retained earnings	3,825	3,627
Profit for the year	760	683
note III	6,125	5,620
<i>Current liabilities</i>		
Other payables	-	-
	6,125	5,620

◆ INCOME STATEMENT OF HEINEKEN HOLDING N.V.

in millions of euros

		2014	2013
Share in result of participating interest in Heineken N.V. after income tax	note IV	760	683
Other revenues and expenses after income tax	note V	-	-
Profit		760	683

◆ NOTES TO THE BALANCE SHEET AS AT 31 DECEMBER 2014 AND THE INCOME STATEMENT FOR 2014 OF HEINEKEN HOLDING N.V.

Reporting entity

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

Basis of preparation

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

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

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

The financial statements have been prepared by the Board of Directors of the Company and authorised for issue on 10 February 2015 and will be submitted for adoption to the Annual General Meeting of Shareholders on 23 April 2015.

Significant accounting policies

Financial fixed assets

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

Shareholders' equity

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

Profit of participating interests

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

note I **PARTICIPATING INTEREST IN HEINEKEN N.V.**

The interest of Heineken Holding N.V. in Heineken N.V. is 50.005 per cent of the issued capital (being 50.126 per cent (2013: 50.093 per cent) of the outstanding capital following the purchase of own shares by Heineken N.V.). The nominal value of the Heineken N.V. shares held by the Company amounted to EUR461 million as at 31 December 2014 (EUR461 million as at 31 December 2013).

Valuation of the participating interest in Heineken N.V. is based on 50.126 per cent of the shareholders' equity published by Heineken N.V. in its financial statements.

The market capitalisation of the participating interest in Heineken N.V. as at 31 December 2014 amounted to EUR17.0 billion (31 December 2013: EUR14.1 billion).

Balance as at 1 January 2013	5,787
50.093% of the profit of Heineken N.V.	683
Dividend payments received by Heineken Holding N.V.	(265)
Movements in translation reserve	(598)
Movements cash flow hedges	7
Movements fair value adjustments	(27)
Actuarial gains and losses	98
Share of other comprehensive income of associates and joint ventures of Heineken N.V.	5
Purchase own shares by Heineken N.V.	(11)
Share-based payments by Heineken N.V.	4
Movement because of changes in consolidation by Heineken N.V.	(63)
Balance as at 31 December 2013	5,620
Balance as at 1 January 2014	5,620
50.126% of the profit of Heineken N.V.	760
Dividend payments received by Heineken Holding N.V.	(256)
Movements in translation reserve	313
Movements cash flow hedges	(51)
Movements fair value adjustments	(1)
Actuarial gains and losses	(176)
Share of other comprehensive income of associates and joint ventures of Heineken N.V.	–
Purchase own shares by Heineken N.V.	(17)
Share-based payments by Heineken N.V.	24
Movement because of changes in consolidation by Heineken N.V.	(91)
Balance as at 31 December 2014	6,125

note II **CASH**

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

note III **SHAREHOLDERS' EQUITY**

	Issued capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Retained earnings	Profit for the year	Total equity ¹
Balance as at 1 January 2013	461	1,257	(264)	(5)	76	390	2,413	1,459	5,787
Other comprehensive income ²	–	–	(598)	7	(27)	–	103	–	(515)
Profit for the year	–	–	–	–	–	107	(107)	683	683
Total comprehensive income	–	–	(598)	7	(27)	107	(4)	683	168
Transfer of profit to retained earnings	–	–	–	–	–	–	1,459	(1,459)	–
Transfer between reserves	–	–	–	–	–	(94)	94	–	–
Dividends to shareholders	–	–	–	–	–	–	(265)	–	(265)
Purchase own shares by Heineken N.V.	–	–	–	–	–	–	(11)	–	(11)
Share-based payments by Heineken N.V.	–	–	–	–	–	–	4	–	4
Changes in consolidation by Heineken N.V.	–	–	–	–	–	–	(63)	–	(63)
Balance as at 31 December 2013	461	1,257	(862)	2	49	403	3,627	683	5,620
Balance as at 1 January 2014	461	1,257	(862)	2	49	403	3,627	683	5,620
Other comprehensive income ²	–	–	313	(51)	(1)	–	(176)	–	85
Profit for the year	–	–	–	–	–	87	(87)	760	760
Total comprehensive income	–	–	313	(51)	(1)	87	(263)	760	845
Transfer of profit to retained earnings	–	–	–	–	–	–	683	(683)	–
Transfer between reserves	–	–	–	–	–	(118)	118	–	–
Dividends to shareholders	–	–	–	–	–	–	(256)	–	(256)
Purchase own shares by Heineken N.V.	–	–	–	–	–	–	(17)	–	(17)
Share-based payments by Heineken N.V.	–	–	–	–	–	–	24	–	24
Changes in consolidation by Heineken N.V.	–	–	–	–	–	–	(91)	–	(91)
Balance as at 31 December 2014	461	1,257	(549)	(49)	48	372	3,825	760	6,125

¹ Total equity attributable to equity holders of Heineken Holding N.V.

² Net income recognised directly in equity is explained in the consolidated statement of comprehensive income.

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

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

Included here is the share in the profit of Heineken N.V. for 2014, being 50.126 per cent of EUR1,516 million (2013: 50.093 per cent of EUR1,364 million).

note V **OTHER REVENUES AND EXPENSES AFTER INCOME TAX**

Expenses made to manage and provide services to Heineken N.V. amounting to EUR744 thousand (2013: EUR758 thousand) are reimbursed by Heineken N.V. to Heineken Holding N.V. in accordance with the management agreement.

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

note VI **AUDIT FEES**

Other expenses in the consolidated financial statements include EUR12.4 million of fees in 2014 (2013: EUR13.7 million) for services provided by KPMG Accountants N.V. and its member firms and/or affiliates. Fees for audit services include the audit of the financial statements of Heineken Holding N.V. and its subsidiaries. Fees for other audit services include 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.

<i>In millions of euros</i>	KPMG Accountants N.V.		Other KPMG member firms and affiliates		Total	
	2014	2013	2014	2013	2014	2013
	Audit of Heineken Holding N.V. and its subsidiaries	1.9	2.1	7.4	8.2	9.3
Other audit services	0.5	0.4	0.5	0.7	1.0	1.1
Tax services	–	–	1.5	1.4	1.5	1.4
Other non-audit services	0.1	0.1	0.5	0.8	0.6	0.9
	2.5	2.6	9.9	11.1	12.4	13.7

Amsterdam, 10 February 2015

Board of Directors

Mr M. Das

Mrs C.L. de Carvalho-Heineken

Mr J.A. Fernández Carbajal

Mrs C.M. Kwist

Mr A.A.C. de Carvalho

CONSOLIDATED INCOME STATEMENT

in millions of euros

		2014	2013
Revenue	note 5	19,257	19,203
Other income	note 8	93	226
Raw materials, consumables and services	note 9	(12,053)	(12,186)
Personnel expenses	note 10	(3,080)	(3,108)
Amortisation, depreciation and impairments	note 11	(1,437)	(1,581)
Total expenses		(16,570)	(16,875)
Results from operating activities		2,780	2,554
Interest income	note 12	48	47
Interest expenses	note 12	(457)	(579)
Other net finance income/(expenses)	note 12	(79)	(61)
Net finance expenses		(488)	(593)
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	note 16	148	146
Profit before income tax		2,440	2,107
Income tax expense	note 13	(732)	(520)
Profit		1,708	1,587
Attributable to:			
Equity holders of Heineken Holding N.V. (net profit)		760	683
Non-controlling interests in Heineken N.V.		756	681
Non-controlling interests in Heineken N.V. group companies		192	223
Profit		1,708	1,587
Weighted average number of ordinary shares – basic	note 23	288,030,168	288,030,168
Weighted average number of ordinary shares – diluted	note 23	288,030,168	288,030,168
Basic earnings per ordinary share (EUR)	note 23	2.64	2.37
Diluted earnings per ordinary share (EUR)	note 23	2.64	2.37

◆ CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in millions of euros

	2014	2013
Profit	1,708	1,587
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Actuarial gains and losses <small>note 24/28</small>	(344)	197
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Currency translation differences <small>note 24</small>	697	(1,282)
Recycling of currency translation differences to profit or loss <small>note 24</small>	–	1
Effective portion of net investment hedges <small>note 24</small>	(5)	13
Effective portion of changes in fair value of cash flow hedges <small>note 24</small>	(99)	16
Effective portion of cash flow hedges transferred to profit or loss <small>note 24</small>	(3)	(4)
Net change in fair value available-for-sale investments <small>note 24</small>	(1)	(53)
Share of other comprehensive income of associates and joint ventures <small>note 24</small>	(7)	5
Other comprehensive income, net of tax <small>note 24</small>	238	(1,107)
Total comprehensive income	1,946	480
Attributable to:		
Equity holders of Heineken Holding N.V.	845	168
Non-controlling interests in Heineken N.V.	841	168
Non-controlling interests in Heineken N.V. group companies	260	144
Total comprehensive income	1,946	480

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in millions of euros

31 December **2014**

31 December **2013**

Assets		31 December 2014	31 December 2013
<i>Non-current assets</i>			
Property, plant & equipment	note 14	8,718	8,454
Intangible assets	note 15	16,341	15,934
Investments in associates and joint ventures	note 16	2,033	1,883
Other investments and receivables	note 17	737	762
Advances to customers		254	301
Deferred tax assets	note 18	661	508
		28,744	27,842
<i>Current assets</i>			
Inventories	note 19	1,634	1,512
Other investments	note 17	13	11
Trade and other receivables	note 20	2,743	2,427
Prepayments and accrued income		317	218
Income tax receivables		23	–
Cash and cash equivalents	note 21	668	1,290
Assets classified as held for sale	note 7	688	37
		6,086	5,495
		34,830	33,337

31 December **2014**

31 December **2013**

Equity			
Share capital	note 22	461	461
Share premium	note 22	1,257	1,257
Reserves		(178)	(408)
Retained earnings		4,585	4,310
Equity attributable to equity holders of			
Heineken Holding N.V.		6,125	5,620
Non-controlling interests in Heineken N.V.		6,284	5,782
Non-controlling interests in Heineken N.V.			
group companies	note 22	1,043	954
		13,452	12,356
Liabilities			
<i>Non-current liabilities</i>			
Loans and borrowings	note 25	9,499	9,853
Tax liabilities		3	112
Employee benefits	note 28	1,443	1,202
Provisions	note 30	398	367
Deferred tax liabilities	note 18	1,503	1,444
		12,846	12,978
<i>Current liabilities</i>			
Bank overdrafts	note 21	595	178
Loans and borrowings	note 25	1,671	2,195
Trade and other payables	note 31	5,533	5,131
Tax liabilities		390	317
Provisions	note 30	165	171
Liabilities classified as held for sale	note 7	178	11
		8,532	8,003
		21,378	20,981
		34,830	33,337

CONSOLIDATED STATEMENT OF CASH FLOWS

in millions of euros

	2014	2013
Operating activities		
Profit	1,708	1,587
Adjustments for:		
Amortisation, depreciation and impairments <small>note 11</small>	1,437	1,581
Net interest expenses <small>note 12</small>	409	532
Gain on sale of property, plant & equipment, intangible assets and subsidiaries, joint ventures and associates <small>note 8</small>	(93)	(226)
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	(158)	(160)
Income tax expenses <small>note 13</small>	732	520
Other non-cash items	244	156
Cash flow from operations before changes in working capital and provisions	4,279	3,990
Change in inventories	(104)	(42)
Change in trade and other receivables	(325)	5
Change in trade and other payables	456	88
Total change in working capital	27	51
Change in provisions and employee benefits	(166)	(58)
Cash flow from operations	4,140	3,983
Interest paid	(522)	(557)
Interest received	60	56
Dividends received	125	148
Income taxes paid	(745)	(716)
Cash flow related to interest, dividend and income tax	(1,082)	(1,069)
Cash flow from operating activities	3,058	2,914

2014

2013

	2014	2013
Investing activities		
Proceeds from sale of property, plant & equipment and intangible assets	144	152
Purchase of property, plant & equipment <small>note 14</small>	(1,494)	(1,369)
Purchase of intangible assets <small>note 15</small>	(57)	(77)
Loans issued to customers and other investments	(117)	(143)
Repayment on loans to customers	40	41
Cash flow (used in)/from operational investing activities	(1,484)	(1,396)
<i>Free operating cash flow</i>	<i>1,574</i>	<i>1,518</i>
Acquisition of subsidiaries, net of cash acquired <small>note 6</small>	(159)	(17)
Acquisition of/additions to associates, joint ventures and other investments	(7)	(53)
Disposal of subsidiaries, net of cash disposed of <small>note 6/7</small>	(27)	460
Disposal of associates, joint ventures and other investments	4	165
Cash flow (used in)/from acquisitions and disposals	(189)	555
Cash flow (used in)/from investing activities	(1,673)	(841)
Financing activities		
Proceeds from loans and borrowings	858	1,663
Repayment of loans and borrowings	(2,443)	(2,474)
Dividends paid	(723)	(710)
Purchase own shares by Heineken N.V.	(9)	(21)
Acquisition of non-controlling interests	(137)	(209)
Other	1	(1)
Cash flow (used in)/from financing activities	(2,453)	(1,752)
Net cash flow	(1,068)	321
Cash and cash equivalents as at 1 January	1,112	846
Effect of movements in exchange rates	29	(55)
Cash and cash equivalents as at 31 December <small>note 21</small>	73	1,112

◆ CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in millions of euros

	Share capital	Share premium	Translation reserve	Hedging reserve	
Balance as at 1 January 2013	461	1,257	(264)	(5)	
Profit	–	–	–	–	
Other comprehensive income	–	–	(598)	7	note 24
Total comprehensive income	–	–	(598)	7	
Transfer to retained earnings	–	–	–	–	
Dividends to shareholders	–	–	–	–	
Purchase own shares by Heineken N.V.	–	–	–	–	
Share-based payments by Heineken N.V.	–	–	–	–	
Acquisition of non-controlling interests in Heineken N.V. group companies without a change in control	–	–	–	–	note 6
Balance as at 31 December 2013	461	1,257	(862)	2	
Balance as at 1 January 2014	461	1,257	(862)	2	
Profit	–	–	–	–	
Other comprehensive income	–	–	313	(51)	note 24
Total comprehensive income	–	–	313	(51)	
Transfer to retained earnings	–	–	–	–	
Dividends to shareholders	–	–	–	–	
Purchase own shares by Heineken N.V.	–	–	–	–	
Share-based payments by Heineken N.V.	–	–	–	–	
Acquisition of non-controlling interests in Heineken N.V. group companies without a change in control	–	–	–	–	note 6
Balance as at 31 December 2014	461	1,257	(549)	(49)	

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

◆ CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Fair value reserve	Other legal reserves	Retained earnings	Equity*	Non-controlling interests in Heineken N.V.	Non-controlling interests in Heineken N.V. group companies	Total equity
76	390	3,872	5,787	5,947	1,071	12,805
–	107	576	683	681	223	1,587
(27)	–	103	(515)	(513)	(79)	(1,107)
(27)	107	679	168	168	144	480
–	(94)	94	–	–	–	–
–	–	(265)	(265)	(265)	(185)	(715)
–	–	(11)	(11)	(10)	–	(21)
–	–	4	4	4	–	8
–	–	(63)	(63)	(62)	(76)	(201)
49	403	4,310	5,620	5,782	954	12,356
49	403	4,310	5,620	5,782	954	12,356
–	87	673	760	756	192	1,708
(1)	–	(176)	85	85	68	238
(1)	87	497	845	841	260	1,946
–	(118)	118	–	–	–	–
–	–	(256)	(256)	(256)	(224)	(736)
–	–	(17)	(17)	(16)	32	(1)
–	–	24	24	23	1	48
–	–	(91)	(91)	(90)	20	(161)
48	372	4,585	6,125	6,284	1,043	13,452

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

note 1 REPORTING ENTITY

Heineken Holding N.V. (the 'Company') is a company domiciled in the Netherlands. The address of the Company's registered office is Tweede Weteringplantsoen 5, Amsterdam. The consolidated financial statements of the Company as at and for the year ended 31 December 2014 comprise Heineken Holding N.V., Heineken N.V., its subsidiaries (together referred to as 'HEINEKEN' and individually as 'HEINEKEN' entities) and HEINEKEN's interest in jointly controlled entities and associates.

Disclosures on subsidiaries, jointly controlled entities and associates are included in notes 36 and 16 respectively.

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

note 2 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. All standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) effective year-end 2014 have been adopted by the EU. Consequently, the accounting policies applied by HEINEKEN also comply fully with IFRS as issued by the IASB.

The consolidated financial statements have been prepared by the Board of Directors of the Company and authorised for issue on 10 February 2015 and will be submitted for adoption to the Annual General Meeting of Shareholders on 23 April 2015.

(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 IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about assumptions and estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in the following notes:

- Note 6 Acquisitions and disposals of subsidiaries and non-controlling interests
- Note 15 Intangible assets

- Note 16 Investments in associates and joint ventures
- Note 17 Other investments and receivables
- Note 18 Deferred tax assets and liabilities
- Note 28 Employee benefits
- Note 30 Provisions
- Note 32 Financial risk management and financial instruments
- Note 34 Contingencies

(e) Changes in accounting policies

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 2014:

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
- IFRIC 21 Levies

Offsetting Financial Assets and Financial liabilities (Amendments to IAS 32)

The amendments to IAS 32 clarify the offsetting rules for financial assets and financial liabilities on the statement of financial position. The clarifications of the offsetting principle in IAS 32 did not result in any changes to the financial assets and liabilities compared with the practice adopted before these amendments.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

HEINEKEN will comply with the extended disclosure requirements on the recoverable amount of non-financial assets, when applicable.

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

As the result of this amendment, HEINEKEN has changed its accounting policy for novation of derivatives and continuation of hedge accounting. These amendments, however, did not have an impact on the consolidated financial statements of HEINEKEN.

IFRIC 21 Levies

IFRIC 21 Levies clarifies that a levy is not recognised until the obligating event specified in the legislation occurs, even if there is no realistic opportunity to avoid the obligation. HEINEKEN has reassessed the timing of when to accrue levies imposed by legislation and concluded that the interpretation does not have a material impact on the consolidated financial statements.

note 3 **SIGNIFICANT ACCOUNTING POLICIES**

General

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by HEINEKEN entities.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to 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.

(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.

(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 (see 'Reporting in hyperinflationary economies' below). The related income, costs and balance sheet amounts are translated at the foreign exchange rate ruling at the balance sheet date.

Foreign currency differences are recognised in other comprehensive income and are presented within equity in the translation reserve. However, if the operation is 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:

<i>In euros</i>	<i>Year-end</i>		<i>Average</i>	
	2014	2013	2014	2013
BRL	0.3105	0.3070	0.3202	0.3486
GBP	1.2839	1.1995	1.2403	1.1775
MXN	0.0560	0.0553	0.0566	0.0590
NGN	0.0049	0.0047	0.0048	0.0049
PLN	0.2340	0.2407	0.2389	0.2382
RUB	0.0138	0.0221	0.0196	0.0236
SGD	0.6227	0.5743	0.5943	0.6017
USD	0.8237	0.7251	0.7527	0.7530
VND in 1,000	0.0387	0.0345	0.0355	0.0358

(iii) Reporting in hyperinflationary economies

When the economy of a country in which HEINEKEN operates is deemed hyperinflationary and the functional currency of a Group entity is the currency of that hyperinflationary economy, the financial statements of such Group entities are adjusted so that they are stated in terms of the measuring unit current at the end of the reporting period. This involves restatement of income and expenses to reflect changes in the general price index from the start of the reporting period and restatement of non-monetary items in the balance sheet, such as P, P & E, to reflect current purchasing power as at the period end using a general price index from the date when they were first recognised. Comparative amounts are not adjusted. Any differences arising were recorded in equity on adoption.

In 2013, hyperinflation accounting was applicable to the operations in Belarus. No hyperinflation accounting was applied in 2014.

(iv) 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.

(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 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(i)) – are recognised in other comprehensive income and presented within equity in the fair value reserve. When these investments are derecognised, the relevant cumulative gain or loss in the fair value reserve is transferred to profit or loss.

Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in 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. Included in non-derivative financial instruments are advances to customers. Subsequently, the advances are amortised over the term of the contract as a reduction of revenue.

(d) Derivative financial instruments (including hedge accounting)

(i) General

HEINEKEN uses derivatives in the ordinary course of business in order to manage market risks. Generally, HEINEKEN seeks to apply hedge accounting in order to minimise the effects of foreign currency, interest rate or commodity price fluctuations in profit or loss.

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

Derivative financial instruments are recognised initially at fair value, with attributable transaction costs recognised in profit or loss as incurred. Derivatives for which hedge accounting is not applied are accounted for as instruments at fair value through profit or loss. When derivatives qualify for hedge accounting, subsequent measurement is at fair value, and changes therein accounted for as described in 3b(iv), 3d(ii) 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 also is stated at fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognised in profit or loss and adjusts the carrying amount of the hedged item.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(iv) Separable embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

(e) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(ii) Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares.

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase 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.

(f) Property, Plant and Equipment (P, P & E)

(i) Owned assets

Items of P, P & E are measured at cost less government grants received (refer to 3q), 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.

(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 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.

(vi) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Intangible assets with a finite life are amortised on a straight-line basis over their estimated useful lives, other than goodwill, from the date they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

▪ Strategic brands	40 - 50 years
▪ Other brands	15 - 25 years
▪ Customer-related and contract-based intangibles	5 - 20 years
▪ Reacquired rights	3 - 12 years
▪ Software	3 - 7 years
▪ Capitalised development costs	3 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(vii) Gains and losses on sale

Net gains on sale of intangible assets are presented in profit or loss as other income. Net losses on sale are included in amortisation. Net gains and losses are recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, and there is no continuing management involvement with the intangible assets.

(h) Inventories

(i) General

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(ii) Finished products and work in progress

Finished products and work in progress are measured at manufacturing cost based on weighted averages and takes into account the production stage reached. Costs include an appropriate share of direct production overheads based on normal operating capacity.

(iii) Other inventories and spare parts

The cost of other inventories is based on weighted averages. Spare parts are valued at the lower of cost and net realisable value. Value reductions and usage of parts are charged to profit or loss. Spare parts that are acquired as part of an equipment purchase and only to be used in connection with this specific equipment are initially capitalised and depreciated as part of the equipment.

(i) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data 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 3h) and deferred tax assets (refer to 3s), 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 to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, 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 CGU are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate and joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate and joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(j) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee defined benefit plan assets, which continue to be measured in accordance with HEINEKEN's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and P, P & E once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale.

(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 AA-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 other comprehensive income 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.

(v) Share-based payment plan (LTV)

As from 1 January 2005, HEINEKEN established a share plan for the Executive Board of Heineken N.V. and, as from 1 January 2006, HEINEKEN also established a share plan for senior management (refer to note 29).

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 per cent 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 internal performance conditions, if any) in profit or loss, with a corresponding adjustment to equity.

(vi) Matching share entitlement

As from 21 April 2011, HEINEKEN established a matching share entitlement for the Executive Board of Heineken N.V. The grant date fair value of the matching shares is recognised as personnel expenses in the income statement as it is deemed an equity-settled 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.

(I) 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. 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.

(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.

(s) Income tax

Income tax comprises current and deferred tax. Current tax and deferred tax are recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity, or in other comprehensive income.

(i) Current tax

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

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that HEINEKEN is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future
- taxable temporary differences arising on the initial recognition of goodwill

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

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

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

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

(iii) 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 represented 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.

(v) Cash flow statement

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

(w) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Board of Heineken N.V., which is considered to be chief operating decision-maker. An operating segment is a component of HEINEKEN that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of HEINEKEN's other components. All operating segments' operating results are reviewed regularly by the Executive Board to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment results, assets and liabilities that are reported to the Executive Board of Heineken N.V. include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated result items comprise net finance expenses and income tax expenses. Unallocated assets comprise current other investments and cash call deposits.

Segment capital expenditure is the total cost incurred during the period to acquire P, P & E, and intangible assets other than goodwill.

(x) Emission rights

Emission rights are related to the emission of CO₂, which relates to the production of energy. These rights are freely tradable. Bought emission rights and liabilities due to production of CO₂ are measured at cost, including any directly attributable expenditure. Emission rights received for free are also recorded at cost, i.e. with a zero value.

(y) Recently issued IFRS

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 2014, 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. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018 with early adoption permitted. HEINEKEN is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective on or after 1 January 2017, with early adoption permitted. HEINEKEN is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

The following new or amended standards are not expected to have a significant impact of HEINEKEN consolidated financial statements:

- Bearer Plants (Amendments to IAS 16 and IAS 41)
- IFRS 14 Regulatory Deferral Accounts
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Classification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

note 4 **DETERMINATION OF FAIR VALUES**

General

A number of HEINEKEN's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on 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 quoted market prices for similar items when available and replacement cost when appropriate.

(ii) Intangible assets

The fair value of brands acquired in a business combination is based on the 'relief of royalty' method or determined using the multi-period excess earnings method. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of reacquired rights and other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iv) Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when acquired in a business combination.

Fair value from normal business

(i) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date or, if unquoted, determined using an appropriate valuation technique. The fair value of held-to-maturity investments is determined for disclosure purposes only. In case the quoted price does not exist at the date of exchange or in case the quoted price exists at the date of exchange but was not used as the cost, the investments are valued indirectly based on discounted cash flow models.

(ii) Derivative financial instruments

The fair value of derivative financial instruments is based on their listed market price, if available. If a listed market price is not available, 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.

note 5 OPERATING SEGMENTS

HEINEKEN distinguishes the following six reportable segments:

- Western Europe
- Central and Eastern Europe
- The Americas
- Africa Middle East
- Asia Pacific
- Heineken N.V. Head Office and Other/eliminations

The first five 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 of Heineken N.V. (the chief operating decision-maker) to discuss operating activities, regional forecasts and regional results. The Heineken N.V. Head Office operating segment falls directly under the responsibility of the Executive Board of Heineken N.V. For each of the six reportable segments, the Executive Board of Heineken N.V. reviews internal management reports on a monthly basis.

Information regarding the results of each reportable segment is included in the table on the next page. Performance is measured based on EBIT (beia), as included in the internal management reports that are reviewed by the Executive Board of Heineken N.V. EBIT (beia) is defined as earnings before interest and taxes and net finance expenses, before exceptional items and amortisation of acquisition-related intangibles. Exceptional items are defined as items of income and expense of such size, nature or incidence, that in 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 of Heineken N.V. is not allocating resources and assessing the performance based on business type information and therefore no segment information is provided on business type.

Inter-segment pricing is determined on an arm's length basis. As net finance expenses and income tax expenses are monitored on a consolidated level (and not on an individual regional basis) and regional presidents are not accountable for that, net finance expenses and income tax expenses are not provided for the operating segments.

Information about reportable segments	Western Europe		Central and Eastern Europe		The Americas	
	2014	2013	2014	2013	2014	2013
Revenue						
Third party revenue ¹	6,765	6,800	2,853	3,082	4,626	4,486
Interregional revenue	713	656	15	15	5	9
Total revenue	7,478	7,456	2,868	3,097	4,631	4,495
Other income note 8	16	50	60	119	7	56
Results from operating activities	781	737	287	231	660	681
Net finance expenses note 12						
Share of profit of associates and joint ventures and impairments thereof note 16	-	2	33	15	60	70
Income tax expense note 13						
Profit						
<i>Attributable to:</i>						
Equity holders of Heineken Holding N.V. (net profit)						
Non-controlling interests in Heineken N.V.						
Non-controlling interests in Heineken N.V. group companies						
<i>EBIT reconciliation</i>						
EBIT ²	781	739	320	246	720	751
Eia ²	71	115	(27)	60	121	39
EBIT (beia) ² note 27	852	854	293	306	841	790

¹ Includes other revenue of EUR377 million in 2014 and EUR375 million in 2013.

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

Africa Middle East		Asia Pacific		Heineken N.V. Head Office & Other/ eliminations		Consolidated	
2014	2013	2014	2013	2014	2013	2014	2013
2,643	2,554	2,087	2,036	283	245	19,257	19,203
-	-	1	1	(734)	(681)	-	-
2,643	2,554	2,088	2,037	(451)	(436)	19,257	19,203
10	1	-	-	-	-	93	226
606	606	407	376	39	(77)	2,780	2,554
						(488)	(593)
28	37	29	26	(2)	(4)	148	146
						(732)	(520)
						1,708	1,587
						760	683
						756	681
						192	223
						1,708	1,587
634	643	436	402	37	(81)	2,928	2,700
49	2	146	163	(20)	12	340	391
683	645	582	565	17	(69)	3,268	3,091

Information about reportable segments (continued)	Western Europe		Central and Eastern Europe		The Americas		
	2014	2013	2014	2013	2014	2013	
Beer volumes (in million hectolitres)							
Consolidated beer volume ²	42,454	42,224	42,319	44,261	53,210	51,209	
Attributable share of joint ventures and associates volume ²	–	–	3,712	3,743	3,775	3,717	
Group beer volume²	42,454	42,224	46,031	48,004	56,985	54,926	
Current segment assets	2,467	2,036	892	982	1,668	1,236	
Non-current segment assets	7,370	7,262	3,045	3,128	5,382	5,193	
Investment in associates and joint ventures	25	43	276	194	792	823	
Total segment assets	9,862	9,341	4,213	4,304	7,842	7,252	
Unallocated assets							
Total assets							
Segment liabilities	4,291	3,571	1,275	1,242	1,195	1,027	
Unallocated liabilities							
Total equity							
Total equity and liabilities							
Purchase of P, P & E	note 14	345	264	201	191	291	261
Acquisition of goodwill	note 15	–	9	100	–	–	–
Purchases of intangible assets	note 15	8	24	5	6	13	12
Depreciation of P, P & E	note 14	(325)	(329)	(213)	(235)	(219)	(211)
(Impairment) and reversal of impairment of P, P & E	note 14	(2)	(7)	(1)	(9)	–	(1)
Amortisation intangible assets	note 15	(42)	(65)	(18)	(17)	(92)	(97)
(Impairment) and reversal of impairment of intangible assets	note 15	–	(17)	–	(99)	–	–

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

Africa Middle East		Asia Pacific		Heineken N.V. Head Office & Other/ eliminations		Consolidated	
2014	2013	2014	2013	2014	2013	2014	2013
25,003	23,281	18,296	17,347	-	-	181,282	178,322
4,282	4,119	5,748	5,345	-	-	17,517	16,924
29,285	27,400	24,044	22,692	-	-	198,799	195,246
1,162	939	752	757	(868)	(475)	6,073	5,475
2,527	2,216	6,881	6,254	845	1,400	26,050	25,453
253	238	621	476	66	109	2,033	1,883
3,942	3,393	8,254	7,487	43	1,034	34,156	32,811
						674	526
						34,830	33,337
972	853	600	449	421	319	8,754	7,461
						12,624	13,520
						13,452	12,356
						34,830	33,337
425	461	243	142	14	50	1,519	1,369
-	-	-	-	-	-	100	9
2	2	1	5	28	28	57	77
(213)	(183)	(83)	(80)	(27)	(35)	(1,080)	(1,073)
(3)	-	(2)	2	-	(1)	(8)	(16)
(6)	(6)	(148)	(179)	(25)	(12)	(331)	(376)
(18)	-	-	-	-	-	(18)	(116)

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

Accounting for the acquisition of Zagorka

On 27 October 2014, HEINEKEN acquired a 98.86 per cent direct stake in Zagorka AD from Brewmasters Holdings. Prior to the transaction, HEINEKEN did not have control over the entity as it owned an indirect stake of 49.43 per cent through Brewmasters Holdings, of which HEINEKEN owns 50 per cent.

The Previously Held Equity Interest (PHEI) in the acquired business is accounted for at fair value as per the acquisition date. The fair value of the PHEI compared to HEINEKEN's carrying amount results in a non-cash gain of EUR51 million, recognised in other income.

Non-controlling interests are measured based on the proportional interest in the recognised assets and liabilities of the acquired business. HEINEKEN recognised EUR0.4 million in respect of a 1.14 per cent non-controlling interest.

The following table summarises the major classes of assets acquired and liabilities assumed as of the acquisition date. Provisional goodwill is recognised in Bulgarian lev and has been allocated to the CEE region since that is the level at which the goodwill will be monitored. Goodwill includes synergies, namely related to cost synergies within sales and distribution, workforce and relationships with suppliers.

2014¹

Property, plant & equipment	39
Intangible assets	15
Inventories	4
Trade and other receivables	3
Assets acquired	61
Loans and borrowings, current	5
Bank overdraft	5
Deferred tax liabilities	2
Trade and other current liabilities	14
Liabilities assumed	26
Total net identifiable assets	35
Consideration transferred ²	77
Fair value of previously held equity interest in the acquiree	58
Non-controlling interests	-
Net identifiable assets acquired	(35)
Goodwill on acquisition (provisional)	100

Acquisition-related costs of EUR0.1 million have been recognised in the income statement for the period ended 31 December 2014.

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

¹ Amounts were converted to euros at the rate of EUR/BGN1.96 for the statement of financial position.

² This amount only reflects the consideration transferred for the stake not yet owned by HEINEKEN.

Acquisitions of non-controlling interests

In 2014, HEINEKEN acquired various stakes from minority interest holders. As a result, equity attributable to equity holders of HEINEKEN decreased by EUR181 million. This mainly relates to the Asia Pacific region.

DISPOSALS

Disposal of 80 per cent of Brasserie Lorraine in Martinique

On 10 September 2014, HEINEKEN sold a majority stake of 80 per cent of Brasserie Lorraine to Antilles Glaces. HEINEKEN retains a 20 per cent shareholding in Brasserie Lorraine.

A EUR1 million pre-tax book gain on the disposal was recorded in other income.

note 7 ASSETS AND LIABILITIES (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 and mainly relate to HEINEKEN's packaging business Empaque in Mexico. On 1 September 2014, HEINEKEN announced that a binding agreement was signed for the sale of EMPAQUE to Crown Holdings Inc. The transaction is expected to close in the first quarter of 2015. EMPAQUE is included in reportable segment Heineken N.V. Head Office and Other/eliminations in note 5. Efforts to sell the other assets and liabilities classified as held for sale have also commenced and are expected to be completed during 2015.

A forward exchange contract was entered into to hedge the expected US dollar proceeds to euro. Upon rollover of the forward contract in December 2014, a EUR33 million settlement payment was made. This is presented on the line 'Disposal of subsidiaries, net of cash disposed of' in the consolidated statement of cash flows and included in the hedge reserve until the consideration is received.

2014 **2013**

Assets and liabilities classified as held for sale

Current assets	96	19
Property, plant & equipment	236	18
Intangible assets	332	–
Other non-current assets	24	–
Current liabilities	(103)	(10)
Non-current liabilities	(75)	(1)
	510	26

note 8 OTHER INCOME

	2014	2013
Gain on sale of property, plant & equipment	41	87
Gain on sale of subsidiaries, joint ventures and associates	52	139
	93	226

Included in other income is the gain of HEINEKEN's PHEI in Zagorka, amounting to EUR51 million (refer to note 6).

note 9 RAW MATERIALS, CONSUMABLES AND SERVICES

	2014	2013
Raw materials	1,782	1,868
Non-returnable packaging	2,551	2,502
Goods for resale	1,495	1,551
Inventory movements	(15)	2
Marketing and selling expenses	2,447	2,418
Transport expenses	1,050	1,031
Energy and water	548	564
Repair and maintenance	458	482
Other expenses	1,737	1,768
	12,053	12,186

Other expenses mainly include rentals of EUR291 million (2013: EUR282 million), consultant expenses of EUR179 million (2013: EUR166 million), telecom and office automation of EUR199 million (2013: EUR183 million), distribution expenses of EUR122 million (2013: EUR128 million), travel expenses of EUR143 million (2013: EUR155 million) and other taxes of EUR124 million (2013: EUR129 million).

note 10 PERSONNEL EXPENSES

	2014	2013
Wages and salaries	2,107	2,125
Compulsory social security contributions	337	346
Contributions to defined contribution plans	42	41
Expenses related to defined benefit plans <small>note 28</small>	(31)	41
Expenses related to other long-term employee benefits	8	11
Equity-settled share-based payment plan <small>note 29</small>	48	10
Other personnel expenses	569	534
	3,080	3,108

In other personnel expenses, restructuring costs are included for an amount of EUR101 million (2013: EUR80 million).

In 2014, these costs are primarily related to the restructuring of operations in Spain, the United Kingdom, Poland and Nigeria.

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

	2014	2013
The Netherlands	3,897	4,054
Other Western Europe	13,137	13,924
Central and Eastern Europe	14,839	15,946
The Americas	22,610	23,951
Africa Middle East	12,975	14,062
Asia Pacific	8,678	8,996
	76,136	80,933

note 11 AMORTISATION, DEPRECIATION AND IMPAIRMENTS

		2014	2013
Property, plant & equipment	note 14	1,088	1,089
Intangible assets	note 15	349	492
		1,437	1,581

note 12 NET FINANCE INCOME AND EXPENSE

		2014	2013
Recognised in profit or loss			
Interest income		48	47
Interest expenses		(457)	(579)
Dividend income from available-for-sale investments		10	15
Net change in fair value of derivatives		173	16
Net foreign exchange gain/(loss)		(205)	(31)
Unwinding discount on provisions		(5)	(5)
Interest on the net defined benefit obligation		(49)	(56)
Other		(3)	–
Other net finance income/(expenses)		(79)	(61)
		(488)	(593)

note 13 **INCOME TAX EXPENSE**

2014

2013

	2014	2013
Recognised in profit or loss		
<i>Current tax expense</i>		
Current year	666	740
Under/(over) provided in prior years	(9)	13
	657	753
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	21	(173)
Previously unrecognised deductible temporary differences	(5)	–
Changes in tax rate	10	(32)
Utilisation/(benefit) of tax losses recognised	32	(13)
Under/(over) provided in prior years	17	(15)
	75	(233)
	732	520

2014

2013

	2014	2013
Reconciliation of the effective tax rate		
Profit before income tax	2,440	2,107
Share of net profit of associates and joint ventures and impairments thereof	(148)	(146)
Profit before income tax excluding share of profit of associates and joint ventures (including impairments thereof)	2,292	1,961

	%	2014	%	2013
Income tax using the Company's domestic tax rate	25.0	573	25.0	490
Effect of tax rates in foreign jurisdictions	3.8	87	4.1	79
Effect of non-deductible expenses	2.7	61	4.6	90
Effect of tax incentives and exempt income	(4.0)	(93)	(8.3)	(162)
Recognition of previously unrecognised temporary differences	(0.2)	(5)	–	–
Utilisation or recognition of previously unrecognised tax losses	(0.1)	(3)	(0.6)	(11)
Unrecognised current year tax losses	0.7	17	1.3	26
Effect of changes in tax rate	0.4	10	(1.6)	(32)
Withholding taxes	2.6	60	2.1	42
Under/(over) provided in prior years	0.3	8	(0.1)	(2)
Other reconciling items	0.7	17	–	–
	31.9	732	26.5	520

The reported tax rate 2014 includes two substantial one-off items. The write-off of a deferred tax asset (EUR105 million) following an agreement with tax authorities limiting its recoverability. In addition, non-recognised losses were offset against a non-current income tax liability, acquired as part of

a prior acquisition, leading to a tax benefit (EUR85 million). The reported rate 2013 included a one-off tax item with a positive impact (EUR46 million) regarding the re-measurement of a deferred tax position following a tax rate change.

	2014	2013
Income tax recognised in other comprehensive income		
Changes in fair value reserve	3	10
Changes in hedging reserve	11	(2)
Changes in translation reserve	108	(43)
Changes as a result of actuarial gains and losses	96	(66)
Other	–	(1)
	218	(102)

note 24

note 14 **PROPERTY, PLANT AND EQUIPMENT**

Cost property, plant & equipment	Land and buildings	Plant and equipment	Other fixed assets	Under construction	Total
Balance as at 1 January 2013	5,267	6,927	4,494	526	17,214
Changes in consolidation	(204)	(138)	(28)	12	(358)
Purchases	60	162	375	772	1,369
Transfer of completed projects under construction	77	288	202	(567)	–
Transfer (to)/from assets classified as held for sale	(24)	(25)	(5)	–	(54)
Disposals	(90)	(86)	(290)	–	(466)
Effect of hyperinflation	–	2	1	–	3
Effect of movements in exchange rates	(152)	(225)	(133)	(38)	(548)
Balance as at 31 December 2013	4,934	6,905	4,616	705	17,160
Balance as at 1 January 2014	4,934	6,905	4,616	705	17,160
Changes in consolidation	9	2	1	–	12
Purchases	83	279	471	686	1,519
Transfer of completed projects under construction	91	383	149	(623)	–
Transfer (to)/from assets classified as held for sale	(72)	(175)	7	(4)	(244)
Disposals	(93)	(90)	(234)	(1)	(418)
Effect of movements in exchange rates	37	1	41	30	109
Balance as at 31 December 2014	4,989	7,305	5,051	793	18,138

Depreciation and impairment losses property, plant & equipment	Land and buildings	Plant and equipment	Other fixed assets	Under construction	Total
Balance as at 1 January 2013	(1,753)	(3,678)	(2,939)	–	(8,370)
Changes in consolidation	17	59	40	–	116
Depreciation charge for the year <small>note 11</small>	(163)	(416)	(494)	–	(1,073)
Impairment losses <small>note 11</small>	(3)	(15)	(5)	–	(23)
Reversal impairment losses <small>note 11</small>	1	2	4	–	7
Transfer to/(from) assets classified as held for sale	7	16	3	–	26
Disposals	70	119	229	–	418
Effect of movements in exchange rates	35	86	72	–	193
Balance as at 31 December 2013	(1,789)	(3,827)	(3,090)	–	(8,706)
Balance as at 1 January 2014	(1,789)	(3,827)	(3,090)	–	(8,706)
Changes in consolidation	4	11	3	–	18
Depreciation charge for the year <small>note 11</small>	(154)	(415)	(511)	–	(1,080)
Impairment losses <small>note 11</small>	(5)	(3)	–	–	(8)
Transfer to/(from) assets classified as held for sale	2	42	(8)	–	36
Disposals	30	79	210	–	319
Effect of movements in exchange rates	6	14	(19)	–	1
Balance as at 31 December 2014	(1,906)	(4,099)	(3,415)	–	(9,420)
Carrying amount					
As at 1 January 2013	3,514	3,249	1,555	526	8,844
As at 31 December 2013	3,145	3,078	1,526	705	8,454
As at 1 January 2014	3,145	3,078	1,526	705	8,454
As at 31 December 2014	3,083	3,206	1,636	793	8,718

Impairment losses

In 2014, a total impairment loss of EUR8 million (2013: EUR23 million) was charged to profit or loss.

Financial lease assets

HEINEKEN leases P, P & E under a number of finance lease agreements. At 31 December 2014, the net carrying amount of leased P, P & E was EUR15 million (2013: EUR9 million). During the year, HEINEKEN acquired leased assets of EUR1 million (2013: EUR13 million).

Security to authorities

Certain P, P & E amounting to EUR91 million (2013: EUR122 million) has been pledged to the authorities in a number of countries as security for the payment of taxes, particularly import and excise duties on beers, non-alcoholic beverages and spirits. This mainly relates to the Netherlands and Brazil.

Property, plant and equipment under construction

P, P & E under construction mainly relates to expansion of the brewing capacity in various countries.

Capitalised borrowing costs

During 2014, borrowing costs amounting to EUR5 million have been capitalised (2013: EUR8 million).

note 15 INTANGIBLE ASSETS

Cost intangible assets	Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total
Balance as at 1 January 2013	11,040	4,332	2,304	780	502	18,958
Changes in consolidation	(167)	(153)	(46)	(1)	(9)	(376)
Purchased/internally developed	–	–	–	(7)	84	77
Disposals	–	–	–	(4)	(38)	(42)
Transfers to assets held for sale	–	–	–	–	(1)	(1)
Effect of movements in exchange rates	(466)	(328)	(148)	(88)	(32)	(1,062)
Balance as at 31 December 2013	10,407	3,851	2,110	680	506	17,554
Balance as at 1 January 2014	10,407	3,851	2,110	680	506	17,554
Changes in consolidation and other transfers	98	15	17	30	(47)	113
Purchased/internally developed	–	–	1	–	56	57
Disposals	–	(2)	–	–	(2)	(4)
Transfers to assets held for sale	(259)	–	(85)	–	–	(344)
Effect of movements in exchange rates	557	208	131	63	1	960
Balance as at 31 December 2014	10,803	4,072	2,174	773	514	18,336

Amortisation and impairment losses intangible assets	Goodwill	Brands	Customer- related intangibles	Contract- based intangibles	Software, research and development and other	Total
Balance as at 1 January 2013	(297)	(289)	(382)	(23)	(279)	(1,270)
Changes in consolidation	–	22	27	–	7	56
Amortisation charge for the year note 11	–	(101)	(176)	(62)	(37)	(376)
Impairment losses note 11	(94)	(5)	–	–	(17)	(116)
Disposals	–	–	–	4	30	34
Transfers to assets held for sale	–	–	–	–	1	1
Effect of movements in exchange rates	–	14	20	10	7	51
Balance as at 31 December 2013	(391)	(359)	(511)	(71)	(288)	(1,620)
Balance as at 1 January 2014	(391)	(359)	(511)	(71)	(288)	(1,620)
Changes in consolidation	–	–	–	–	1	1
Amortisation charge for the year note 11	–	(98)	(147)	(43)	(43)	(331)
Impairment losses note 11	(16)	(2)	–	–	–	(18)
Disposals	–	2	–	–	(1)	1
Transfers to assets held for sale	–	–	21	–	(1)	20
Effect of movements in exchange rates	–	(5)	(13)	(29)	(1)	(48)
Balance as at 31 December 2014	(407)	(462)	(650)	(143)	(333)	(1,995)
Carrying amount						
As at 1 January 2013	10,743	4,043	1,922	757	223	17,688
As at 31 December 2013	10,016	3,492	1,599	609	218	15,934
As at 1 January 2014	10,016	3,492	1,599	609	218	15,934
As at 31 December 2014	10,396	3,610	1,524	630	181	16,341

The carrying amount of the CGU in Tunisia has been reduced to its recoverable amount through recognition of an EUR16 million impairment loss against goodwill and EUR2 million against brands.

Brands, customer-related and contract-based intangibles

The main brands capitalised are the brands acquired in 2008: Scottish & Newcastle (Fosters and Strongbow), 2010: Cervecería Cuauhtémoc Moctezuma (Dos Equis, Tecate and Sol) and 2012: Asia Pacific Breweries (Tiger, Anchor and Bintang). The main customer-related and contract-based intangibles were acquired in 2010 and 2012 and 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 Western Europe, Central and Eastern Europe (excluding Russia), the Americas (excluding Brazil) and Asia Pacific is allocated and monitored on a regional basis. For other subsidiaries such as Brazil and subsidiaries within Africa Middle East and Heineken N.V. Head Office and other, 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:

	2014	2013
Western Europe	3,377	3,246
Central and Eastern Europe (excluding Russia)	1,499	1,419
The Americas (excluding Brazil)	1,862	1,707
Brazil	83	82
Africa Middle East (aggregated)	491	482
Asia Pacific	2,604	2,364
Heineken N.V. Head Office and other (aggregated)	480	716
	10,396	10,016

Throughout the year, goodwill increased mainly due to the acquisition of Zagorka and net foreign currency differences, partly offset by the transfer of Empaque to assets held for sale and an impairment in Tunisia.

The recoverable amounts of the (group of) CGU(s) are based on value in use calculations. Value in use was determined by discounting the future cash flows generated from the continuing use of the unit using a pre-tax discount rate.

The key assumptions used for the value in use calculations are as follows:

- Cash flows were projected based on actual operating results and the three-year business plan. Cash flows for a further seven-year period were extrapolated using expected annual per country volume growth rates, which are based on external sources. Management believes that this forecast period is justified due to the long-term nature of the beer business and past experiences.
- The beer price growth per year after the first three-year period is assumed to be at specific per country expected annual long-term inflation, based on external sources.
- Cash flows after the first ten-year period were extrapolated using a perpetual growth rate equal to the expected annual long-term inflation, in order to calculate the terminal recoverable amount.
- A per CGU-specific pre-tax Weighted Average Cost of Capital (WACC) was applied in determining the recoverable amount of the units.

The values assigned to the key assumptions used for the value in use calculations are as follows:

<i>In %</i>	Pre-tax WACC	Expected annual long-term inflation 2018-2024	Expected volume growth rates 2018-2024
Western Europe	9.3	1.8	0.1
Central and Eastern Europe (excluding Russia)	9.8	2.2	(0.1)
The Americas (excluding Brazil)	15.7	3.5	1.0
Brazil	13.5	4.4	2.1
Africa Middle East	13.8-23.1	3.6-9.1	3.6-7.4
Asia Pacific	16.1	4.7	3.6
Heineken N.V. Head Office and other	10.5	3.9	2.9

The high inflation on costs combined with pressure in pricing as a result of affordability issues resulted in a deterioration of the outlook of the beer and soft drinks businesses in Tunisia. Consequently, a goodwill impairment of EUR16 million before tax has been recognised in 2014. The recoverable amount is based on the value in use.

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.

note 16 **INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**

HEINEKEN has interests in a number of individually insignificant joint ventures and associates.

HEINEKEN holds a 75 per cent equity interest in Sedibeng Brewery Pty. Ltd., but based on the contractual arrangements HEINEKEN has joint control. As a result, this investment is accounted for using the equity method.

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:

	Joint ventures		Associates	
	2014	2013	2014	2013
Carrying amount of interests	1,964	1,814	69	69
Share of:				
Profit or loss from continuing operations	135	130	13	16
Other comprehensive income	(7)	5	–	–
	128	135	13	16

note 17 OTHER INVESTMENTS AND RECEIVABLES

		2014	2013
Non-current other investments and receivables			
Available-for-sale investments	note 32	253	247
Non-current derivatives	note 32	97	67
Loans to customers	note 32	68	65
Other loans receivable	note 32	82	50
Long-term prepayments		84	88
Indemnification receivable	note 32	9	113
Held-to-maturity investments	note 32	3	4
Other receivables	note 32	141	128
		737	762
Current other investments			
Investments held for trading	note 32	13	11

Effective interest rates on loans to customers range from 6-12 per cent.

The decrease in indemnification receivable primarily relates to the settlement of certain indemnified tax liabilities, originating from the acquisition of the beer operations of FEMSA.

The other receivables mainly originate from the acquisition of the beer operations of FEMSA and represent a receivable on the Brazilian authorities on which interest is calculated

in accordance with Brazilian legislation. Collection of this receivable is expected to be beyond a period of five years.

The main available-for-sale investments are S.A. Des Brasseries du Cameroun, Desnoes & Geddes Ltd and Sabeco Ltd.

As far as these investments are listed, they are measured at their quoted market price. For others, multiples are used.

Debt securities (which are interest-bearing) with a carrying amount of EUR14 million (2013: EUR14 million) are included in available-for-sale investments.

Sensitivity analysis – equity price risk

As at 31 December 2014, an amount of EUR99 million (2013: EUR120 million) of available-for-sale investments and investments held for trading is listed on stock exchanges. An increase or decrease of 1 per cent in the share price at the reporting date would not result in a material impact on HEINEKEN's financial position.

note 18 DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Deferred tax assets and liabilities are attributable to the following items:						
Property, plant & equipment	80	119	(607)	(655)	(527)	(536)
Intangible assets	83	84	(1,340)	(1,318)	(1,257)	(1,234)
Investments	131	128	(8)	(9)	123	119
Inventories	20	19	(1)	–	19	19
Loans and borrowings	1	1	(10)	–	(9)	1
Employee benefits	366	317	(1)	(2)	365	315
Provisions	112	113	(20)	(12)	92	101
Other items	288	261	(113)	(202)	175	59
Tax losses carry forward	177	220	–	–	177	220
Tax assets/(liabilities)	1,258	1,262	(2,100)	(2,198)	(842)	(936)
Set-off of tax	(597)	(754)	597	754	–	–
Net tax assets/(liabilities)	661	508	(1,503)	(1,444)	(842)	(936)

Of the total net deferred tax assets of EUR661 million as at 31 December 2014 (2013: EUR508 million), EUR196 million (2013: EUR280 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.

2014

2013

Tax losses carry forward

HEINEKEN has tax losses carry forward for an amount of EUR1,493 million as at 31 December 2014 (2013: EUR1,906 million), which expire in the following years:

2014	–	16
2015	30	33
2016	40	28
2017	14	29
2018	33	23
2019	51	–
After 2019 respectively 2018 but not unlimited	277	330
Unlimited	1,048	1,447
	1,493	1,906
Recognised as deferred tax assets gross	(786)	(978)
Unrecognised	707	928

The unrecognised losses relate to entities for which it is not probable that taxable profit will be available to offset these losses. The decrease in available tax losses, compared to 2013, includes an offset of non-recognised tax losses (EUR340 million) against a non-current income tax liability, acquired as part of a prior acquisition.

Movement in deferred tax balances during the year 2014

	Balance 1 January	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	Balance 31 December
Property, plant & equipment	(536)	–	9	(22)	–	22	(527)
Intangible assets	(1,234)	(2)	(79)	40	–	18	(1,257)
Investments	119	–	1	1	–	2	123
Inventories	19	–	–	–	–	–	19
Loans and borrowings	1	–	(11)	(1)	–	2	(9)
Employee benefits	315	–	7	(36)	96	(17)	365
Provisions	101	–	2	(4)	–	(7)	92
Other items	59	–	98	(21)	14	25	175
Tax losses carry forward	220	(2)	(5)	(32)	–	(4)	177
Net tax assets/(liabilities)	(936)	(4)	22	(75)	110	41	(842)

Movement in deferred tax balances during the year 2013

	Balance 1 January	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	Balance 31 December
Property, plant & equipment	(620)	19	29	30	3	3	(536)
Intangible assets	(1,535)	43	127	129	–	2	(1,234)
Investments	122	–	(6)	1	2	–	119
Inventories	13	2	–	4	–	–	19
Loans and borrowings	2	–	–	–	–	(1)	1
Employee benefits	383	–	(6)	(6)	(70)	14	315
Provisions	108	(5)	(1)	(1)	–	–	101
Other items	47	(9)	(44)	79	6	(20)	59
Tax losses carry forward	238	–	(10)	(3)	–	(5)	220
Net tax assets/(liabilities)	(1,242)	50	89	233	(59)	(7)	(936)

note 19 INVENTORIES

	2014	2013
Raw materials	297	271
Work in progress	181	176
Finished products	398	388
Goods for resale	240	218
Non-returnable packaging	166	171
Other inventories and spare parts	352	288
	1,634	1,512

During 2014 and 2013, no write-down of inventories to net realisable value was made.

note 20 TRADE AND OTHER RECEIVABLES

	2014	2013
Trade receivables	2,017	1,804
Other receivables	580	556
Trade receivables due from associates and joint ventures	24	22
Derivatives	122	45
note 32	2,743	2,427

A net impairment loss of EUR19 million (2013: EUR34 million) in respect of trade and other receivables was included in expenses for raw materials, consumables and services.

note 21 CASH AND CASH EQUIVALENTS

	2014	2013
Cash and cash equivalents	668	1,290
Bank overdrafts	(595)	(178)
Cash and cash equivalents in the statement of cash flows	73	1,112

note 22 **CAPITAL AND RESERVES**

Share capital

As at 31 December 2014, the issued share capital comprised 288,030,168 ordinary shares (2013: 288,030,168) with a par value of EUR1.60 and 250 priority shares (2013: 250) with a par value of EUR2. All issued shares are fully paid. The share capital as at 31 December 2014 amounted to EUR461 million (2013: EUR461 million). The Company's authorised capital amounted to EUR1,500,000,500, consisting of 937,500,000 ordinary shares and 250 priority shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. For the rights of the priority shareholders reference is made to the Other information on page 123.

Share premium

As at 31 December 2014, the share premium amounted to EUR1,257 million (2013: EUR1,257 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.

Purchase own shares by Heineken N.V.

As at 31 December 2014, Heineken N.V. held 1,395,435 own shares (2013: 1,010,213). This results in an increased interest in shareholding by Heineken Holding N.V.

The related dilution effect has been recognised directly in equity.

Share-based payments by Heineken N.V.

During the period from 1 January to 31 December 2014, Heineken N.V. acquired 550,000 Heineken N.V. shares for delivery against LTV and other share-based payment plans.

Dividends

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

	2014	2013
Final dividend previous year EUR0.53, respectively EUR0.56 per ordinary share	152	161
Interim dividend current year EUR0.36, respectively EUR0.36 per ordinary share	104	104
Total dividend declared and paid	256	265

Heineken N.V. has widened the pay-out ratio for its annual dividend from 30-35 per cent to 30-40 per cent of net profit (beia). For 2014, a payment of a total cash dividend of EUR1.10 per share (2013: EUR0.89) will be proposed at the AGM of Heineken N.V. If approved, a final dividend of EUR0.74 per share will be paid on 6 May 2015, as an interim dividend of EUR0.36 per share was paid on 2 September 2014. The payment will be subject to 15 per cent Dutch withholding tax.

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

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

	2014	2013
Per ordinary share EUR1.10 (2013: EUR0.89)	317	256

Non-controlling interests in the activities and cash flows of Heineken N.V.

	2014	2013
NCI percentage	49.87% ¹	49.91% ¹
Non-current assets	28,744	27,842
Current assets	6,086	5,495
Non-current liabilities	(12,846)	(12,978)
Current liabilities	(8,532)	(8,003)
Net assets	13,452	12,356
Carrying amount of NCI	6,284	5,782
Revenue	19,257	19,203
Profit	1,708	1,587
OCI	238	(1,107)
Total comprehensive income	1,946	480
Profit allocated to NCI ²	756	681
OCI allocated to NCI ²	841	168
Cash flow from operating activities	3,058	2,914
Cash flow from investing activities	(1,673)	(841)
Cash flow from financing activities	(2,453)	(1,752)
Net increase (decrease) in cash and cash equivalents	(1,068)	321
Final dividend previous year	305	323
Interim dividend current year	207	207
Total dividend	512	530
Dividend allocated to NCI	256	265

¹ Of which 12.532 per cent relates to FEMSA and 37.463 per cent to the public.

² Calculated based on 49.87 per cent (2013: 49.91 per cent) of the equity attributable to Heineken N.V.

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

The non-controlling interests (NCI) relate to minority stakes held by third parties in HEINEKEN consolidated subsidiaries. The total non-controlling interest as at 31 December 2014 amounted to EUR1,043 million (2013: EUR954 million). Refer to note 36 for the disclosure of material NCIs.

note 23 **EARNINGS PER SHARE**

Basic earnings per share

The calculation of basic earnings per share for the period ended 31 December 2014 is based on the profit attributable to ordinary shareholders of the Company (net profit) of EUR760 million (2013: EUR683 million) and a weighted average number of ordinary shares – basic outstanding during the year ended 31 December 2014 of 288,030,168 (2013: 288,030,168). Basic earnings per share for the year amounted to EUR2.64 (2013: EUR2.37).

2014

2013

	2014	2013
Weighted average number of ordinary shares – basic and diluted		
Number of ordinary shares 1 January	288,030,168	288,030,168
Weighted average number of basic ordinary shares for the year	288,030,168	288,030,168

note 24 **INCOME TAX ON OTHER COMPREHENSIVE INCOME**

Other comprehensive income	Amount	Tax	Amount	Amount	Tax	Amount
	before tax		net of tax	before tax		net of tax
	2014	2014	2014	2013	2013	2013
Actuarial gains and losses	(440)	96	(344)	263	(66)	197
Currency translation differences	590	107	697	(1,244)	(38)	(1,282)
Recycling of currency translation differences to profit or loss	–	–	–	1	–	1
Effective portion of net investment hedges	(6)	1	(5)	18	(5)	13
Effective portion of changes in fair value of cash flow hedges	(108)	9	(99)	17	(1)	16
Effective portion of cash flow hedges transferred to profit or loss	(5)	2	(3)	(3)	(1)	(4)
Net change in fair value available-for-sale investments	(4)	3	(1)	(63)	10	(53)
Share of other comprehensive income of associates and joint ventures	(7)	–	(7)	6	(1)	5
	20	218	238	(1,005)	(102)	(1,107)

note 25 **LOANS AND BORROWINGS**

This note provides information about the contractual terms of HEINEKEN's interest-bearing loans and borrowings. For more information about HEINEKEN's exposure to interest rate risk and foreign currency risk, refer to note 32.

2014 **2013**

	2014	2013
Non-current liabilities		
Unsecured bond issues	7,802	8,083
Unsecured bank loans	481	422
Secured bank loans	45	16
Finance lease liabilities note 26	10	5
Other non-current interest-bearing liabilities	1,153	1,271
Non-current interest-bearing liabilities	9,491	9,797
Non-current derivatives	8	47
Non-current non-interest-bearing liabilities	–	9
	9,499	9,853
Current interest-bearing liabilities		
Current portion of unsecured bonds issued	967	904
Current portion of unsecured bank loans	3	261
Current portion of secured bank loans	11	12
Current portion of finance lease liabilities note 26	5	4
Current portion of other non-current interest-bearing liabilities	121	471
Total current portion of non-current interest-bearing liabilities	1,107	1,652
Deposits from third parties (mainly employee loans)	564	543
	1,671	2,195
Bank overdrafts note 21	595	178
	2,266	2,373

2014

2013

Net interest-bearing debt position		2014	2013
Non-current interest-bearing liabilities		9,491	9,797
Current portion of non-current interest-bearing liabilities		1,107	1,652
Deposits from third parties (mainly employee loans)		564	543
		11,162	11,992
Bank overdrafts	note 21	595	178
		11,757	12,170
Cash, cash equivalents and current other investments	note 17/21	(681)	(1,302)
		11,076	10,868

Non-current liabilities	Unsecured bond issues	Unsecured bank loans	Secured bank loans	Finance lease liabilities	Other non-current interest-bearing liabilities	Non-current derivatives	Non-current non-interest-bearing liabilities	Total
Balance as at 1 January 2014	8,083	422	16	5	1,271	47	9	9,853
Consolidation changes	–	–	–	–	(6)	–	–	(6)
Effect of movements in exchange rates	12	9	2	–	5	2	1	31
Transfers to current liabilities	(916)	(4)	(8)	(3)	(353)	(2)	(3)	(1,289)
Charge to/(from) equity in relation to derivatives	31	–	–	–	117	(1)	–	147
Proceeds	355	521	33	1	110	–	–	1,020
Repayments	(137)	(476)	–	–	3	–	(3)	(613)
Other	374	9	2	7	6	(38)	(4)	356
Balance as at 31 December 2014	7,802	481	45	10	1,153	8	–	9,499

Terms and debt repayment schedule

Terms and conditions of outstanding non-current and current loans and borrowings were as follows:	Category	Currency	Nominal interest rate (%)	Repayment	Carrying amount 2014	Face value 2014	Carrying amount 2013	Face value 2013
Unsecured bond	issue under EMTN programme	EUR	7.1	2014	–	–	906	906
Unsecured bond	issue under EMTN programme	GBP	7.3	2015	508	508	479	480
Unsecured bond	issue under EMTN programme	SGD	2.7	2015	47	47	41	43
Unsecured bond	issue under EMTN programme	EUR	4.6	2016	399	400	399	400
Unsecured bond	issue under EMTN programme	SGD	2.3	2017	61	62	57	57
Unsecured bond	issue under EMTN programme	EUR	1.3	2018	99	100	99	100
Unsecured bond	issue under EMTN programme	SGD	2.2	2018	59	59	54	55
Unsecured bond	issue under EMTN programme	EUR	0.7	2018	–	–	60	60
Unsecured bond	issue under EMTN programme	USD	1.1	2019	164	165	–	–
Unsecured bond	issue under EMTN programme	EUR	2.5	2019	844	850	843	850
Unsecured bond	issue under EMTN programme	EUR	2.1	2020	996	1,000	995	1,000
Unsecured bond	issue under EMTN programme	EUR	2.0	2021	497	500	496	500
Unsecured bond	issue under EMTN programme	EUR	3.5	2024	497	500	496	500
Unsecured bond	issue under EMTN programme	EUR	2.9	2025	741	750	741	750
Unsecured bond	issue under EMTN programme	EUR	3.5	2029	199	200	–	–
Unsecured bond	issue under EMTN programme	EUR	3.3	2033	179	180	179	180
Unsecured bond	issue under EMTN programme	EUR	2.6	2033	91	100	90	100
Unsecured bond	issue under EMTN programme	EUR	3.5	2043	75	75	75	75
Unsecured bond	issue under APB MTN programme	SGD	3.0-4.0	2014-2020	24	24	75	75
Unsecured bond	issue under 144A/RegS	USD	0.8	2015	411	412	361	363
Unsecured bond	issue under 144A/RegS	USD	1.4	2017	1,026	1,030	901	906
Unsecured bond	issue under 144A/RegS	USD	3.4	2022	614	618	539	543
Unsecured bond	issue under 144A/RegS	USD	2.8	2023	819	824	720	725
Unsecured bond	issue under 144A/RegS	USD	4.0	2042	402	412	353	363
Unsecured bond issues	n.a.	various	various	various	17	17	28	28
Unsecured bank loans	bank facilities	PLN	3.2	2014	–	–	46	46
Unsecured bank loans	bank facilities	EUR	5.1	2016	207	207	207	207
Unsecured bank loans	bank facilities	NGN	13.0	2013-2016	121	121	110	110
Unsecured bank loans	German Schuldschein notes	EUR	1.0-6.0	2014	–	–	202	206
Unsecured bank loans	German Schuldschein notes	EUR	1.0-6.2	2016	110	111	111	111
Unsecured bank loans	bank facilities	PGK	4.7	2019	35	35	–	–
Unsecured bank loans	bank facilities	BIF	10.0-15.0	2017	10	10	–	–
Unsecured bank loans	various	various	various	various	1	1	7	7
Secured bank loans	bank facilities	GBP	1.8	2016	8	8	9	9
Secured bank loans	bank facilities	HTG	8.5	2019	16	16	–	–
Secured bank loans	bank facilities	ETB	10.0	2021	20	20	–	–
Secured bank loans	various	various	various	various	12	12	19	19
Other interest-bearing liabilities	2002 S&N US private placement	USD	5.6	2014	–	–	452	435
Other interest-bearing liabilities	2005 S&N US private placement	USD	5.4	2015	–	–	229	218
Other interest-bearing liabilities	2008 US private placement	USD	5.9	2015	43	43	38	38
Other interest-bearing liabilities	2011 US private placement	USD	2.8	2017	74	74	65	65
Other interest-bearing liabilities	2008 US private placement	GBP	7.3	2016	32	32	30	30
Other interest-bearing liabilities	2008 US private placement	GBP	7.2	2018	41	41	38	38

Terms and debt repayment schedule (continued)

	Category	Currency	Nominal interest rate (%)	Repayment	Carrying amount 2014	Face value 2014	Carrying amount 2013	Face value 2013
Other interest-bearing liabilities	2010 US private placement	USD	4.6	2018	597	597	526	526
Other interest-bearing liabilities	2008 US private placement	USD	6.3	2018	321	321	282	282
Other interest-bearing liabilities	facilities from JV's	EUR	various	various	150	150	61	61
Other interest-bearing liabilities	various	various	various	various	16	16	21	21
Deposits from third parties	n.a.	various	various	various	564	564	543	543
Finance lease liabilities	n.a.	various	various	various	15	15	9	9
					11,162	11,227	11,992	12,040

Financing headroom*

As at 31 December 2014, no amounts were drawn on the existing revolving credit facility of EUR2,500 million. This revolving credit facility was extended and amended in May 2014 and now matures in 2019. The committed financing headroom at Group level was EUR2,169 million as at 31 December 2014 and consisted of the undrawn revolving credit facility and centrally available cash, minus centrally managed overdraft balances.

Incurrence covenant*

HEINEKEN has an incurrence covenant in some of its financing facilities. This incurrence covenant is calculated by dividing net debt by EBITDA (beia) (both based on proportional consolidation of joint ventures and including acquisitions made in 2014 on a pro-forma basis). As at 31 December 2014, this ratio was 2.4 (2013: 2.5). If the ratio would be beyond a level of 3.5, the incurrence covenant would prevent HEINEKEN from conducting further significant debt financed acquisitions.

* Non-GAAP measures: unaudited.

note 26 FINANCE LEASE LIABILITIES

Finance lease liabilities are payable as follows:	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	2014	2014	2014	2013	2013	2013
Less than one year	5	–	5	4	–	4
Between one and five years	8	–	8	5	–	5
More than five years	2	–	2	–	–	–
	15	–	15	9	–	9

note 27 **NON-GAAP MEASURES**

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. 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. Beia adjustments are also applied on operating profit and net profit metrics.

The table below presents the relationship between IFRS measures, being results from operating activities and net profit of Heineken N.V., and HEINEKEN non-GAAP measures, being EBIT, EBIT (beia), consolidated operating profit (beia), Group operating profit (beia) and net profit (beia):

	2014 ¹	2013 ¹
Results from operating activities	2,780	2,554
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	148	146
EBIT	2,928	2,700
Exceptional items and amortisation of acquisition-related intangible assets included in EBIT	340	391
EBIT (beia)	3,268	3,091
Share of profit of associates and joint ventures and impairments thereof (beia) (net of income tax)	(139)	(150)
Consolidated operating profit (beia)	3,129	2,941
Attributable share of operating profit from joint ventures and associates and impairments thereof	230	251
Group operating profit (beia)	3,359	3,192
Profit attributable to equity holders of Heineken Holding N.V. (net profit)	760	683
Non-controlling interests in Heineken N.V.	756	681
	1,516	1,364
Exceptional items and amortisation of acquisition-related intangible assets included in EBIT	340	391
Exceptional items included in finance costs	(1)	(11)
Exceptional items included in income tax expense	(52)	(151)
Exceptional items included in non-controlling interest	(45)	(8)
Net profit (beia)	1,758	1,585

¹ Unaudited.

The 2014 exceptional items included in EBIT contain the amortisation of acquisition-related intangibles for EUR291 million (2013: EUR329 million), restructuring expenses of EUR111 million (2013: EUR99 million), the settlement of indemnified tax liabilities of EUR39 million and the impairment of intangible assets and P, P & E in Tunisia for EUR21 million. These items are partly offset by past service benefit in the Netherlands due to a change in pension legislation of EUR88 million and the gain on revaluation of the PHEI in Zagorka of EUR51 million.

The exceptional items in income tax expense include the tax impact on amortisation of acquisition-related intangible assets of EUR72 million (2013: EUR84 million) and the tax impact on other exceptional items included in EBIT and finance costs of EUR6 million (2013: EUR21 million). These items are partly offset by exceptional income tax items with a negative impact amounting to EUR26 million (2013: EUR46 million positive impact), including the write-off of deferred tax assets of EUR111 million and the release of a non-current income tax liability of EUR85 million.

EBIT and EBIT (beia) are not financial measures calculated in accordance with IFRS. 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.

note 28 **EMPLOYEE BENEFITS**

2014 **2013**

Present value of unfunded defined benefit obligations	358	306
Present value of funded defined benefit obligations	8,551	7,368
Total present value of defined benefit obligations	8,909	7,674
Fair value of defined benefit plan assets	(7,547)	(6,553)
Present value of net obligations	1,362	1,121
Asset ceiling items	2	2
Recognised liability for defined benefit obligations	1,364	1,123
Other long-term employee benefits	79	79
	1,443	1,202

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 88.6 per cent of the total defined benefit plan assets (2013: 87.5 per cent), 83.0 per cent of the present value of the defined benefit obligations (2013: 82.5 per cent) and 52.1 per cent of the present value of net obligations (2013: 53.0 per cent) as at 31 December 2014.

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. 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 2014, HEINEKEN's cash contribution to the Dutch pension plan was at the maximum level. The same level is expected to be paid in 2015.

HEINEKEN's UK plan (Scottish & Newcastle pension plan) 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 2013, HEINEKEN has agreed a 10-year funding plan including base contributions of GBP21 million per year, with a further contribution of between GBP15 million and GBP40 million per year, contingent on the funding level of the pension fund. As at 31 December 2014, the IAS 19 present value of the net obligations of the Scottish & Newcastle pension plan represents a GBP377 million (EUR484 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 are: Austria (closed in 2007 to new entrants), Belgium, Greece (closed in 2014 to new entrants), Ireland (closed in 2012 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, the pension plans are defined contribution plans and/or similar arrangements for employees.

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

Movement in net defined benefit obligation

The movement in the defined benefit obligation over the year is as follows:

	Present value of defined benefit obligations		Fair value of defined benefit plan assets		Present value of net obligations	
	2014	2013	2014	2013	2014	2013
Balance as at 1 January	7,674	7,844	(6,553)	(6,401)	1,121	1,443
<i>Included in profit or loss</i>						
Current service cost	75	80	–	–	75	80
Past service cost/(credit)	(103)	(42)	–	–	(103)	(42)
Administration expense	–	–	4	3	4	3
Effect of any settlement	(7)	–	–	–	(7)	–
Expense recognised in personnel expenses <small>note 10</small>	(35)	38	4	3	(31)	41
Interest expense/(income) <small>note 12</small>	326	288	(277)	(232)	49	56
	291	326	(273)	(229)	18	97
<i>Included in OCI</i>						
Remeasurement loss/(gain):						
Actuarial loss/(gain) arising from:						
Demographic assumptions	12	16	–	–	12	16
Financial assumptions	1,185	(167)	–	–	1,185	(167)
Experience adjustments	(112)	(6)	–	–	(112)	(6)
Return on plan assets excluding interest income	–	–	(645)	(106)	(645)	(106)
Effect of movements in exchange rates	257	(100)	(225)	76	32	(24)
	1,342	(257)	(870)	(30)	472	(287)
<i>Other</i>						
Changes in consolidation and reclassification	(86)	48	32	5	(54)	53
Contributions paid:						
By the employer	–	–	(195)	(185)	(195)	(185)
By the plan participants	26	26	(26)	(26)	–	–
Benefits paid	(338)	(313)	338	313	–	–
	(398)	(239)	149	107	(249)	(132)
Balance as at 31 December	8,909	7,674	(7,547)	(6,553)	1,362	1,121

The defined benefit plan in the Netherlands was amended to reflect changes in legal requirements. From 1 January 2015, the annual accrual rate was reduced to the legal maximum rate of 1.875 per cent and a salary cap was introduced. As a result, the defined benefit obligation in the Dutch plan decreased by EUR88 million. A corresponding past service credit was recognised in profit or loss during 2014.

Defined benefit plan assets

	Quoted 2014	Unquoted 2014	Total 2014	Quoted 2013	Unquoted 2013	Total 2013
<i>Equity instruments:</i>						
Europe	764	–	764	711	–	711
Northern America	712	–	712	582	–	582
Japan	204	–	204	197	–	197
Asia other	234	–	234	177	–	177
Other	242	1	243	252	–	252
	2,156	1	2,157	1,919	–	1,919
<i>Debt instruments:</i>						
Corporate bonds – investment grade	2,857			2,150		
Corporate bonds – non-investment grade	186			39		
	3,043	35	3,078	2,189	20	2,209
Derivatives	132	(4)	128	423	2	425
Properties and real estate	278	212	490	233	214	447
Cash and cash equivalents	178	16	194	107	12	119
Investment funds	916	309	1,225	979	228	1,207
Other plan assets	210	65	275	184	43	227
	1,714	598	2,312	1,926	499	2,425
Balance as at 31 December	6,913	634	7,547	6,034	519	6,553

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 plan assets underperform this yield, 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 35 per cent equity securities, 40 per cent bonds, 10 per cent property and real estate and 15 per cent other investments. The objective is to hedge currency risk on the US dollar, Japanese yen and British pound for 50 per cent 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 29 per cent equity securities (including synthetic exposure from derivatives), 35 per cent bonds (including synthetic exposure from derivatives), 5 per cent property and real estate and 31 per cent other investments. The objective is to hedge currency risk on developed non-GBP equity market exposures for 70 per cent, with US dollar currency risk on other investments hedged 100 per cent 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 20.1 per cent (2013: 23.4 per cent). 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 the liabilities for 24.7 per cent (2013: 29.2 per cent).

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 sensitivity is based on capped Consumer Price Inflation for deferred members and capped Retail Price Inflation for pensions in payment.

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.

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:

<i>In %</i>	The Netherlands		UK*	
	2014	2013	2014	2013
Discount rate as at 31 December	1.8	3.6	3.6	4.6
Future salary increases	2.0	2.0	–	–
Future pension increases	0.3	1.4	2.9	3.2

* 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 as at 31 December:

In %	Other Western, Central and Eastern Europe		The Americas		Africa Middle East	
	2014	2013	2014	2013	2014	2013
	Discount rate as at 31 December	1.0-1.9	2.4-3.6	7.3	7.6	15.0
Future salary increases	1.0-3.5	1.0-3.5	4.5	3.9	8.4	9.2
Future pension increases	0.2-1.8	1.0-1.8	3.5	2.9	3.2	2.0
Medical cost trend rate	3.5-4.5	3.4-4.5	5.1	5.1	6.8	7.5

Assumptions regarding future mortality rates are based on published statistics and mortality tables. For the Netherlands, the rates are obtained from the 'AG-Prognosetafel 2014', fully generational. Correction factors from Towers Watson are applied on these. For the UK, the rates are obtained from the

Continuous Mortality Investigation 2011 projection model. The weighted average duration of the defined benefit obligation at the end of the reporting period is 18 years. HEINEKEN expects the 2015 contributions to be paid for the defined benefit plans to be in line with 2014.

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:

	31 December 2014		31 December 2013	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate (0.5% movement)	(721)	825	(560)	636
Future salary growth (0.25% movement)	45	(44)	14	(22)
Future pension growth (0.25% movement)	301	(265)	236	(225)
Medical cost trend rate (0.5% movement)	5	(5)	4	(3)
Life expectancy (1 year)	285	(287)	231	(236)

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.

note 29 **SHARE-BASED PAYMENTS – LONG-TERM VARIABLE AWARD**

HEINEKEN has a performance-based share plan (Long-Term Variable award (LTV)) for the Executive Board of Heineken N.V. and senior management. Under this LTV plan, Heineken N.V. 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 2012-2014, LTV 2013-2015 and LTV 2014-2016 are the same for the Executive Board and senior management and comprise solely of internal financial measures, being Organic Revenue growth (Organic Gross Profit beia growth up to LTV 2013-2015), Organic EBIT beia growth, Earnings Per Share (EPS) beia growth and Free Operating Cash Flow. The performance targets are also the same for the Executive Board and senior management, although for LTV 2012-2014 and LTV 2013-2015 the performance targets for the Executive Board have been set at a higher target level as a result of the recalibration that took place in 2013.

At target performance, 100 per cent of the awarded share rights vests. At threshold performance, 50 per cent of the awarded share rights vests. At maximum performance, 200 per cent of the awarded share rights vests for the Executive Board as well as senior managers in the US, Mexico, Brazil and Singapore, and 175 per cent vests for all other senior managers.

The performance period for the aforementioned plans are:

LTV	Performance period start	Performance period end
2012-2014	1 January 2012	31 December 2014
2013-2015	1 January 2013	31 December 2015
2014-2016	1 January 2014	31 December 2016

The vesting date for the Executive Board is shortly after the publication of the annual results of 2014, 2015 and 2016 respectively and for senior management on 1 April 2015, 2016 and 2017 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 LTV performance shares 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 Heineken N.V. share rights granted are as follows:

Grant date/employees entitled	Number*	Based on share price
Share rights granted to Executive Board in 2012	66,746	35.77
Share rights granted to senior management in 2012	703,382	35.77
Share rights granted to Executive Board in 2013	50,278	50.47
Share rights granted to senior management in 2013	560,863	50.47
Share rights granted to Executive Board in 2014	51,702	49.08
Share rights granted to senior management in 2014	597,744	49.08

Under the LTV 2011-2013, a total of 24,403 (gross) shares vested for the Executive Board and 191,827 (gross) shares vested for senior management.

Based on the performance conditions, it is expected that approximately 916,724 shares of the LTV 2012-2014 will vest in 2015 for senior management and the Executive Board.

* The number of shares is based on at target payout performance (100 per cent).

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 2014	Number of share rights 2014	Weighted average share price 2013	Number of share rights 2013
Outstanding as at 1 January	42.41	1,257,106	35.42	1,357,826
Granted during the year	49.08	649,446	50.47	611,141
Forfeited during the year	44.80	(112,593)	40.52	(120,014)
Vested during the year	36.69	(216,229)	33.27	(331,768)
Performance adjustment	–	823,688	–	(260,079)
Outstanding as at 31 December	44.42	2,401,418	42.41	1,257,106

Under the extraordinary share plans for senior management, 17,800 shares were granted and 46,996 (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 2014 are EUR1.2 million (2013: EUR1.1 million).

Matching shares, extraordinary shares and retention share awards are granted to the Executive Board and are disclosed in note 35.

2014

2013

Personnel expenses

Share rights granted in 2011	–	(3)
Share rights granted in 2012	20	5
Share rights granted in 2013	17	8
Share rights granted in 2014	11	–
Total expense recognised in personnel expenses	48	10

note 10

note 30 **PROVISIONS**

	Restructuring	Onerous contracts	Other	Total
Balance as at 1 January 2014	164	32	342	538
Changes in consolidation	–	–	(2)	(2)
Provisions made during the year	92	34	87	213
Provisions used during the year	(91)	(13)	(16)	(120)
Provisions reversed during the year	(7)	(1)	(79)	(87)
Effect of movements in exchange rates	2	2	9	13
Unwinding of discounts	2	–	6	8
Balance as at 31 December 2014	162	54	347	563
Non-current	79	41	278	398
Current	83	13	69	165

note 6

Restructuring

The provision for restructuring of EUR162 million mainly relates to restructuring programmes in the UK, Spain and the Netherlands.

Other provisions

Included are, among others, surety and guarantees provided of EUR26 million (2013: EUR25 million) and claims and litigation of EUR182 million (2013: EUR168 million).

Greece

HEINEKEN's subsidiary Athenian Brewery S.A. has been subject to an investigation and subsequent legal procedure initiated by the Hellenic Competition Commission in relation to a possible abuse of dominance situation in the Greek beer market. Athenian Brewery S.A. denies it is involved in such violation. The outcome of this case cannot be reliably predicted at this moment.

note 31 **TRADE AND OTHER PAYABLES**

	2014	2013
Trade payables	2,339	2,140
Accruals and deferred income	1,211	1,047
Taxation and social security contributions	802	804
Returnable packaging deposits	580	507
Interest	132	188
Derivatives	104	149
Dividends	45	36
Other payables	320	260
note 32	5,533	5,131

note 32 **FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

Overview

HEINEKEN has exposure to the following risks from its use of financial instruments, as they arise in the normal course of HEINEKEN’s business:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about HEINEKEN’s exposure to each of the above risks, and it summarises HEINEKEN’s policies and processes that are in place for measuring and managing risk, including those related to capital management. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Executive Board of Heineken N.V., under the supervision of the Supervisory Board of Heineken N.V. , has overall responsibility and sets rules for HEINEKEN’s risk management and control systems. They are reviewed regularly to reflect changes in market conditions and 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 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, 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.

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. As a result of the deteriorating economic circumstances since 2008, certain purchase limits have been redefined. Customers that fail to meet HEINEKEN's benchmark creditworthiness may transact with HEINEKEN only on a prepayment basis.

In monitoring customer credit risk, customers are, on a country 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.

Advances to customers

Advances to customers relate to an upfront cash discount to customers. The advances are amortised over the term of the contract as a reduction of revenue.

In monitoring customer credit risk, refer to the paragraph above relating to trade and other receivables.

Investments

HEINEKEN limits its exposure to credit risk by only investing available cash balances in liquid securities and only with counterparties that have 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.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was:

		2014	2013
Trade and other receivables, excluding current derivatives	note 20	2,621	2,382
Cash and cash equivalents	note 21	668	1,290
Current derivatives	note 20	122	45
Investments held for trading	note 17	13	11
Available-for-sale investments	note 17	253	247
Non-current derivatives	note 17	97	67
Loans to customers	note 17	68	65
Other loans receivable	note 17	82	50
Indemnification receivable	note 17	9	113
Held-to-maturity investments	note 17	3	4
Other non-current receivables	note 17	141	128
		4,077	4,402

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

	2014	2013
Western Europe	1,000	956
Central and Eastern Europe	497	466
The Americas	470	428
Africa Middle East	293	237
Asia Pacific	223	178
Heineken N.V. Head Office/eliminations	138	117
	2,621	2,382

Impairment losses

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

	Gross 2014	Impairment 2014	Gross 2013	Impairment 2013
Not past due	2,296	(76)	2,016	(83)
Past due 0-30 days	185	(9)	281	(15)
Past due 31-120 days	197	(36)	191	(33)
More than 120 days	347	(283)	312	(287)
	3,025	(404)	2,800	(418)

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

	2014	2013
Balance as at 1 January	418	461
Changes in consolidation	2	(3)
Impairment loss recognised	85	66
Allowance used	(38)	(66)
Allowance released	(66)	(32)
Effect of movements in exchange rates	3	(8)
Balance as at 31 December	404	418

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

	2014	2013
Balance as at 1 January	150	158
Changes in consolidation	–	3
Impairment loss recognised	10	–
Allowance used	(21)	5
Allowance released	(6)	(14)
Effect of movements in exchange rates	2	(2)
Balance as at 31 December	135	150

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 EUR4 million (2013: EUR14 million) in respect of loans to customers and EUR19 million (2013: EUR34 million) 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 are under continuous evaluation. 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:

2014	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial liabilities						
Interest-bearing liabilities	(11,757)	(14,202)	(2,831)	(876)	(4,269)	(6,226)
Trade and other payables, excluding interest, dividends and derivatives	(5,252)	(5,252)	(5,252)	–	–	–
Derivative financial assets and (liabilities)						
Interest rate swaps used for hedge accounting (net)	163	238	96	12	130	–
Forward exchange contracts used for hedge accounting (net)	(64)	(66)	(60)	(6)	–	–
Commodity derivatives used for hedge accounting (net)	(11)	(10)	(7)	(3)	–	–
Derivatives not used for hedge accounting (net)	19	19	19	(3)	3	–
	(16,902)	(19,273)	(8,035)	(876)	(4,136)	(6,226)

2013	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial liabilities						
Interest-bearing liabilities	(12,170)	(16,212)	(4,340)	(1,477)	(3,691)	(6,704)
Non-interest-bearing liabilities	(9)	(9)	(2)	(2)	(2)	(3)
Trade and other payables, excluding interest, dividends and derivatives	(4,752)	(4,752)	(4,752)	–	–	–
Derivative financial assets and (liabilities)						
Interest rate swaps used for hedge accounting (net)	(86)	(32)	(84)	40	12	–
Forward exchange contracts used for hedge accounting (net)	35	36	34	2	–	–
Commodity derivatives used for hedge accounting (net)	(26)	(26)	(24)	(2)	–	–
Derivatives not used for hedge accounting (net)	(7)	(7)	(7)	–	–	–
	(17,015)	(21,002)	(9,175)	(1,439)	(3,681)	(6,707)

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 31) 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 of Heineken N.V.

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, Euro and British pound.

In managing foreign currency risk, HEINEKEN aims to reduce the impact of short-term fluctuations on earnings. Over the longer term, however, permanent changes in foreign exchange rates would have an impact on profit.

HEINEKEN hedges up to 90 per cent of its mainly intra-HEINEKEN US dollar cash flows on the basis of rolling cash flow forecasts in respect to forecast sales and purchases. Cash flows in other foreign currencies are also hedged on the basis of rolling cash flow forecasts. HEINEKEN mainly uses forward exchange contracts to hedge its foreign currency risk. The majority of the forward exchange contracts have maturities of less than one year after the balance sheet date.

HEINEKEN has a clear policy on hedging transactional exchange risks, which postpones the impact on financial results. Translation exchange risks are hedged to a limited extent, as the underlying currency positions are generally considered to be long-term in nature. The result of the net investment hedging is recognised in the translation reserve, as can be seen in the consolidated statement of comprehensive income.

It is HEINEKEN's policy to provide intra-HEINEKEN financing in the functional currency of subsidiaries where possible to prevent foreign currency exposure on a subsidiary level. The resulting exposure at Group level is hedged by means of forward exchange contracts. Intra-HEINEKEN financing in foreign currencies is mainly in British pounds, US dollars, Swiss francs 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 and 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 British pound, US dollar and euro was as follows based on notional amounts. The euro column relates to transactional exposure to the euro within subsidiaries which are reporting in other currencies.

<i>In millions</i>	EUR 2014	GBP 2014	USD 2014	EUR 2013	GBP 2013	USD 2013
Financial assets						
Trade and other receivables	14	12	44	15	–	37
Cash and cash equivalents	98	1	93	90	–	158
Intragroup assets	14	464	4,727	12	461	4,556
Financial liabilities						
Interest-bearing liabilities	(17)	(878)	(5,464)	(12)	(855)	(6,183)
Non-interest-bearing liabilities	(1)	–	(1)	(13)	–	(3)
Trade and other payables	(135)	(9)	(93)	(105)	(1)	(124)
Intragroup liabilities	(728)	1	(706)	(414)	(3)	(282)
Gross balance sheet exposure	(755)	(409)	(1,400)	(427)	(398)	(1,841)
Estimated forecast sales next year	186	–	1,373	167	–	1,408
Estimated forecast purchases next year	(1,739)	(2)	(1,562)	(1,559)	(10)	(1,533)
Gross exposure	(2,308)	(411)	(1,589)	(1,819)	(408)	(1,966)
Net notional amount forward exchange contracts	99	396	950	(373)	397	1,533
Net exposure	(2,209)	(15)	(639)	(2,192)	(11)	(433)
Sensitivity analysis						
Equity	(35)	(1)	(31)	9	–	15
Profit or loss	(6)	(1)	(2)	(1)	–	(6)

Included in the US dollar amounts are intra-HEINEKEN cash flows.

Sensitivity analysis

A 10 per cent strengthening of the British pound and 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 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 per cent weakening of the British pound and 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 7.3 per cent (2013: from 3.6 to 7.3 per cent).

Interest rate risk – profile

At the reporting date, the interest rate profile of HEINEKEN's interest-bearing financial instruments was as follows:

	2014	2013
Fixed rate instruments		
Financial assets	99	96
Financial liabilities	(10,225)	(11,017)
Net interest rate swaps	56	471
	(10,070)	(10,450)
Variable rate instruments		
Financial assets	917	1,488
Financial liabilities	(1,532)	(1,153)
Net interest rate swaps	(56)	(471)
	(671)	(136)

Fair value sensitivity analysis for fixed rate instruments

HEINEKEN applies fair value and cash flow hedge accounting on certain fixed rate financial liabilities and designates derivatives (interest rate swaps) as hedging instruments. The fixed rate financial liabilities that were accounted for at fair value through profit and loss and the designated interest rate swaps were repaid/settled in 2014. The termination of these fair value hedges did not have a material impact on profit and loss.

A change of 100 basis points in interest rates would have increased (decreased) equity by EUR nil million (2013: EUR5 million).

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates constantly applied during the reporting period would have increased (decreased) equity and profit or loss by the amounts shown below (after tax). This analysis assumes that all other variables, in particular foreign currency rates, remain constant and excludes any possible change in fair value of derivatives at period-end because of a change in interest rates. The analysis is performed on the same basis as for 2013.

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2014				
Variable rate instruments	(5)	5	(5)	5
Net interest rate swaps	–	–	–	–
Cash flow sensitivity (net)	(5)	5	(5)	5
31 December 2013				
Variable rate instruments	3	(3)	3	(3)
Net interest rate swaps	(4)	4	(4)	4
Cash flow sensitivity (net)	(1)	1	(1)	1

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 2014, the market value of commodity swaps was EUR10 million negative (2013: EUR26 million negative).

Sensitivity analysis for aluminium hedges

The table below shows an estimated impact of 10 per cent change in the market price of aluminium:

	Equity	
	10 % increase	10 % decrease
31 December 2014		
Aluminium hedges	34	(34)

Cash flow hedges

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur:

2014	Carrying amount	Expected cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Interest rate swaps:						
Assets	166	1,701	605	82	1,014	–
Liabilities	(3)	(1,463)	(509)	(70)	(884)	–
Forward exchange contracts:						
Assets	24	1,541	1,394	147	–	–
Liabilities	(88)	(1,607)	(1,454)	(153)	–	–
Commodity derivatives:						
Assets	5	9	6	2	1	–
Liabilities	(15)	(19)	(13)	(5)	(1)	–
	89	162	29	3	130	–

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

2013	Carrying amount	Expected cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Interest rate swaps:						
Assets	63	1,607	79	561	967	–
Liabilities	(45)	(1,543)	(79)	(509)	(955)	–
Forward exchange contracts:						
Assets	39	643	530	113	–	–
Liabilities	(4)	(607)	(496)	(111)	–	–
Commodity derivatives:						
Assets	–	–	–	–	–	–
Liabilities	(26)	(26)	(24)	(2)	–	–
	27	74	10	52	12	–

Net investment hedges

HEINEKEN hedges its investments in certain subsidiaries by entering 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 2014 was EUR520 million (2013: EUR273 million), and no ineffectiveness was recognised in profit and loss in 2014 (2013: nil).

Capital management

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

There were no major changes in Heineken Holding N.V.'s approach to capital management during the year. The policy of the Board of Directors of Heineken Holding N.V. is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business and acquisitions of Heineken N.V. Capital is herein defined as equity attributable to equity holders of Heineken Holding N.V. (total equity minus non-controlling interests).

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

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

Fair values

The fair values of financial assets and liabilities that differ from the carrying amounts shown in the statement of financial position are as follows:

	Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
Bank loans	(540)	(540)	(711)	(711)
Unsecured bond issues	(8,769)	(9,296)	(8,987)	(8,951)
Finance lease liabilities	(15)	(15)	(9)	(9)
Other interest-bearing liabilities	(1,275)	(1,275)	(1,742)	(1,742)

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 2014	Level 1	Level 2	Level 3
Available-for-sale investments	99	86	68
Non-current derivative assets	–	97	–
Current derivative assets	–	122	–
Investments held for trading	13	–	–
	112	305	68
Non-current derivative liabilities	–	(8)	–
Loans and borrowings	(9,296)	(1,829)	–
Current derivative liabilities	–	(104)	–
	(9,296)	(1,941)	–

31 December 2013	Level 1	Level 2	Level 3
Available-for-sale investments	120	68	59
Non-current derivative assets	–	67	–
Current derivative assets	–	45	–
Investments held for trading	11	–	–
	131	180	59
Non-current derivative liabilities	–	(47)	–
Loans and borrowings	(8,951)	(2,461)	–
Current derivative liabilities	–	(149)	–
	(8,951)	(2,657)	–

There were no transfers between level 1 and level 2 of the fair value hierarchy during the period ended 31 December 2014.

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 2014 are set out in the table on page 114.

2014

2013

**Available-for-sale investments
based on level 3**

Balance as at 1 January	59	134
Fair value adjustments recognised in other comprehensive income	10	16
Disposals	(1)	(1)
Transfers	-	(90)
Balance as at 31 December	68	59

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.

note 33 **OFF-BALANCE SHEET COMMITMENTS**

	Total 2014	Less than 1 year	1-5 years	More than 5 years	Total 2013
Lease & operational lease commitments	993	155	319	519	701
Property, plant & equipment ordered	158	154	4	-	160
Raw materials purchase contracts	3,400	1,396	1,766	238	4,526
Other off-balance sheet obligations	2,008	530	913	565	2,279
Off-balance sheet obligations	6,559	2,235	3,002	1,322	7,666
Undrawn committed bank facilities	2,871	5	2,866	-	2,397

HEINEKEN leases buildings, cars and equipment in the ordinary course of business.

Raw material contracts include long-term purchase contracts with suppliers in which prices are fixed or will be agreed based upon predefined price formulas. These contracts mainly relate to malt, bottles and cans.

During the year ended 31 December 2014, EUR291 million (2013: EUR282 million) was recognised as an expense in profit or loss in respect of operating leases and rent.

Other off-balance sheet obligations mainly include distribution, rental, service and sponsorship contracts.

Committed bank facilities are credit facilities on which a commitment fee is paid as compensation for the bank's requirement to reserve capital. The bank is legally obliged to provide the facility under the terms and conditions of the agreement.

note 34 **CONTINGENCIES**

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 30). The contingent amount being claimed against Heineken Brasil resulting from such proceedings as at 31 December 2014 is EUR620 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 significant part of the aforementioned contingencies (EUR355 million) is tax-related and qualifies for indemnification by FEMSA (refer to note 17).

As is customary in Brazil, Heineken Brasil has been requested by the tax authorities to collateralise tax contingencies currently in litigation amounting to EUR399 million by either pledging fixed assets or entering into available lines of credit which cover such contingencies.

Guarantees	Total 2014	Less than 1 year	1-5 years	More than 5 years	Total 2013
Guarantees to banks for loans (to third parties)	354	152	190	12	280
Other guarantees	592	222	291	79	423
	946	374	481	91	703

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

note 35 **RELATED PARTIES**

Identification of related parties

Heineken Holding N.V. has a related party relationship with its Board of Directors, the Executive Board and Supervisory Board of Heineken N.V., L'Arche Green N.V., Stichting Administratiekantoor Piores, Stichting Beheer Prioriteitsaandelen Heineken Holding N.V., Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA), associates and joint ventures (refer to note 16), HEINEKEN pension funds (refer to note 28) and employees (refer to note 25). Heineken Holding N.V.'s ultimate controlling party is C.L. de Carvalho-Heineken. For the structure of the HEINEKEN Group reference is made to the Report of the Board of Directors, page 13.

2014

2013

**Board of Directors of Heineken Holding N.V.
remuneration**

In thousands of euros

C.L. de Carvalho-Heineken	60	60
Remuneration executive members	60	60
M. Das	90	90
J.A. Fernández Carbajal	60	60
C.M. Kwist	60	60
K. Vuursteen ¹	19	60
A.A.C. de Carvalho ²	60	41
Remuneration non-executive members	289	311
	349	371

As at 31 December 2014, the Board of Directors represented 149,021,038 ordinary shares in the Company (2013: 148,368,480 ordinary shares).

¹ Stepped down as at 24 April 2014.
² Appointed as at 25 April 2013.

Executive Board of Heineken N.V.

The remuneration of the members of the Executive Board comprises a fixed component and a variable component. The variable component is made up of a Short-Term Variable pay (STV) and a Long-Term Variable award (LTV). The STV is based on financial and operational measures (75 per cent) and on individual leadership measures (25 per cent) as set by the Supervisory Board. It is partly paid out in shares that are blocked for a period of five calendar years. After the five calendar years, HEINEKEN will match the blocked shares 1:1 which is referred to as the matching share entitlement. For the LTV award refer to note 29.

As at 31 December 2014, J.F.M.L. van Boxmeer held 117,889 Heineken N.V. shares and D.R. Hooft Graafland held 58,975 (2013: J.F.M.L. van Boxmeer 97,829 and D.R. Hooft Graafland 49,962 shares). D.R. Hooft Graafland held 3,052 ordinary shares of Heineken Holding N.V. as at 31 December 2014 (2013: 3,052 ordinary shares).

Executive Board of Heineken N.V. remuneration <i>In thousands of euros</i>	J.F.M.L. van Boxmeer	D.R. Hooft Graafland	Total	J.F.M.L. van Boxmeer	D.R. Hooft Graafland	Total
	2014	2014	2014	2013	2013	2013
Fixed salary	1,150	650	1,800	1,150	650	1,800
Short-Term Variable pay	2,769	1,118	3,887	1,127	455	1,582
Matching share entitlement	640	517	1,157	564	228	792
Long-Term Variable award	2,972	1,690	4,662	475	227	702
APB bonus and retention	750	–	750	3,039	1,300	4,339
Pension contributions	709	387	1,096	470	277	747
Termination benefit ¹	–	2,000	2,000	–	–	–
Total¹	8,990	6,362	15,352	6,825	3,137	9,962

The matching share entitlements for each year are based on the performance in that year. The CEO and CFO of Heineken N.V. have chosen to invest 25 and 50 per cent, respectively, of their STV for 2014 into Heineken N.V. shares (investment shares); in 2013 both the CEO and CFO invested 50 per cent. The corresponding matching shares vest immediately and as such a fair value of EUR1.2 million was recognised in the 2014 income statement. The matching share entitlements are not dividend-bearing during the five calendar year holding period of the investment shares. 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.

In 2013, the CEO and CFO were rewarded with an extraordinary share award of EUR2.52 million for the CEO (45,893 shares gross) and EUR1.3 million for the CFO (23,675 shares gross) for the successful acquisition of Asia Pacific Breweries Limited. The awarded Heineken N.V. shares vested immediately and remain blocked for a period of five years from the grant date. Furthermore, the Supervisory Board granted a retention share award to the CEO in 2013, to the value of EUR1.5 million (27,317 share entitlements gross). Two years after the grant date the share award will vest and be converted into Heineken N.V. shares. A three year holding restriction then applies to these shares. In 2014, an expense of EUR750,000 is recognised for the retention award.

¹ In 2013, the Dutch Government applied an additional tax levy of 16 per cent over 2013 taxable income above EUR150,000. This tax levy related to remuneration over 2013 for the Executive Board is EUR1.5 million. In 2014, an estimated tax penalty of EUR1.5 million by the Dutch tax authorities was recognised in relation to the termination agreement of D.R. Hooft Graafland. Both taxes are an expense to the employer and therefore not included in the table above.

Resignation of D.R. Hooft Graafland as a member of the Executive Board and CFO of Heineken N.V. in 2015

D.R. Hooft Graafland will resign from the Executive Board as from 24 April 2015 and his employment contract ends 1 May 2015.

A severance payment of EUR2 million will be made upon resignation and is recognised in the 2014 income statement. This resignation is considered a retirement under the LTV plan rules, which implies that unvested LTV awards as of 1 May 2015 will continue to vest at their regular vesting dates, insofar and to the extent that predetermined performance conditions are met.

As a result, the expenses for the LTV awards 2013-2015 and 2014-2016 have been accelerated from their usual rate of one-third per year to a rate which ensures full expensing on 1 May 2015 rather than on 31 December 2015 and 2016. The impact of this acceleration in expensing for D.R. Hooft Graafland is approximately EUR0.2 million.

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

	2014	2013 ¹
Supervisory Board of Heineken N.V. remuneration		
<i>In thousands of euros</i>		
G.J. Wijers ²	163	136
C.J.A. van Lede ³	–	51
J.A. Fernández Carbajal	105	108
M. Das	88	88
M.R. de Carvalho	141	141
J.M. de Jong ⁴	25	86
A.M. Fentener van Vlissingen	91	90
M.E. Minnick	83	80
V.C.O.B.J. Navarre	73	75
J.G. Astaburuaga Sanjinés	95	95
H. Scheffers ⁵	81	51
J. M. Huët ⁶	58	–
	1,003	1,001

M.R. de Carvalho held 100,008 shares of Heineken N.V. as at 31 December 2014 (2013: 100,008 shares). As at 31 December 2014 and 2013, the Supervisory Board members did not hold any of the Heineken N.V. bonds or option rights. M.R. de Carvalho held 100,008 ordinary shares of Heineken Holding N.V. as at 31 December 2014 (2013: 100,008 ordinary shares).

¹ Updated to include intercontinental travel allowance.

² Appointed as Chairman as at 25 April 2013.

³ Stepped down as at 25 April 2013.

⁴ Stepped down as at 24 April 2014.

⁵ Appointed as at 25 April 2013.

⁶ Appointed as at 24 April 2014.

Other related party transactions	Transaction value		Balance outstanding as at 31 December	
	2014	2013	2014	2013
Sale of products, services and royalties				
To associates and joint ventures	75	70	21	26
To FEMSA	857	699	136	129
	932	769	157	155
Raw materials, consumables and services				
Goods for resale – joint ventures	–	–	–	–
Other expenses – joint ventures	–	–	–	–
Other expenses FEMSA	201	142	46	25
	201	142	46	25

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

FEMSA

As consideration for HEINEKEN's acquisition of the beer operations of Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA), FEMSA became a major shareholder of Heineken Holding N.V. and Heineken N.V. Therefore, several existing contracts between FEMSA and former FEMSA-owned companies acquired by HEINEKEN have become related-party contracts.

In April, HEINEKEN entered into a sale and leaseback transaction with FEMSA relating to logistics assets in Mexico. The proceeds of the transaction amounted to EUR15 million. The relating operating lease expenses are included in Other expenses – FEMSA.

note 36 HEINEKEN ENTITIES

Control of HEINEKEN

The ordinary shares of the Company are traded on NYSE Euronext Amsterdam.

Heineken Holding N.V. holds an interest in Heineken N.V. of 50.005 per cent of the issued capital (being 50.126 per cent (2013: 50.093 per cent) of the outstanding capital following the purchase of own shares by Heineken N.V.).

L'Arche Green N.V. holds 51.709 per cent (2013: 51.482 per cent) of the Heineken Holding N.V. ordinary shares.

The Heineken family has an interest of 88.67 per cent in L'Arche Green N.V. The Heineken family also owns a direct 0.03 per cent stake in Heineken Holding N.V.

A declaration of joint and several liability pursuant to the provisions of Section 403, Part 9, Book 2, of the Dutch Civil Code has been issued by Heineken N.V. with respect to legal entities established in the Netherlands. The list of the legal entities for which the declaration has been issued is disclosed in the Heineken N.V. stand-alone financial statements on page 137.

Pursuant to the provisions of Article 17 (1) of the Republic of Ireland Companies (Amendment) Act 1986, Heineken N.V. issued irrevocable guarantees in respect of the financial year from 1 January 2014 up to and including 31 December 2014 in respect of the liabilities referred to in Article 5(c)(ii) of the Republic of Ireland Companies (Amendment) Act 1986 of the wholly-owned subsidiary companies Heineken Ireland Limited, Heineken Ireland Sales Limited, West Cork Bottling Limited, Western Beverages Limited, Beamish & Crawford Limited and Nash Beverages Limited.

Significant subsidiaries

Set out below are Heineken N.V.'s significant subsidiaries at 31 December 2014. The subsidiaries as listed below are held by Heineken N.V. 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.

There were no significant changes to the HEINEKEN structure and ownership interests except those disclosed in note 6.

Significant subsidiaries of Heineken N.V.	Country of incorporation	% of ownership held by Heineken N.V.	
		2014	2013
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	54.3	54.1
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	99.4
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
Vietnam Brewery Ltd.	Vietnam	60.0	60.0

Summarised financial information on subsidiaries with material non-controlling interests

On 31 December 2014, Nigerian Breweries Plc. completed the merger with Consolidated Breweries Ltd. HEINEKEN's shareholding in Nigerian Breweries Plc. increased from 54.10 per cent to 54.29 per cent as a result of the merger. The transaction was treated as a common control transaction in the HEINEKEN consolidated financial statements. Locally, the acquisition is accounted for as a business combination, hence there are differences between the values below and the statutory financial statements of Nigerian Breweries Plc. The NCI in Nigerian Breweries Plc. is dispersed without any shareholder having an interest of more than 16 per cent.

Set out below is the summarised financial information for Nigerian Breweries Plc. which has a non-controlling interest material to HEINEKEN.

	2014	2013
Summarised balance sheet		
<i>Current</i>		
Assets	274	213
Liabilities	(554)	(469)
Total current net assets	(280)	(256)
<i>Non-current</i>		
Assets	943	726
Liabilities	(303)	(184)
Total non-current net assets	640	542

	2014	2013
Summarised income statement		
Revenue	1,281	1,302
Profit before income tax	297	303
Income tax	(97)	(95)
Net profit from continuing operations	200	208
Net profit from discontinuing operations	-	-
Other comprehensive income/(loss)	1	(18)
Total comprehensive income	201	190
Total comprehensive income attributable to NCI	92	87
Dividend paid to NCI	82	42

2014

2013

	2014	2013
Summarised cash flow		
Cash flow from operating activities	405	530
Interest paid	(13)	(25)
Income tax paid	(115)	(81)
Net cash generated from operating activities	277	424
Net cash used in investing activities	(162)	(157)
Net cash used in financing activities	(145)	(268)
Net change in cash and cash equivalents	(30)	(1)
Exchange difference	3	(1)

note 37 **SUBSEQUENT EVENTS**

No subsequent events occurred that are significant to HEINEKEN.

OTHER INFORMATION

Rights of holders of priority shares

The priority shares in issue with a nominal value of EUR500, which comprise 250 shares of EUR2 nominal value, are held by:

Stichting Administratiekantoor Prioeres
(125 priority shares)

The members of the board of this foundation are
Mrs C.L. de Carvalho-Heineken, chairman
Mr M. Das
Mr R.H. Meppelink

Stichting Beheer Prioriteits aandelen
Heineken Holding N.V.
(125 priority shares)

The members of the board of this foundation are
Mr H.A. Oosters, chairman
Mr P.E.B. Corten

For the rights conferred by the priority shares, reference is made to the following articles of the company's Articles of Association:

Article 4, para. 8

(cooperation of the meeting of priority shareholders in issue of depositary receipts for shares)

Article 7, para. 5

(the meeting of priority shareholders draws up non-binding list of candidates for appointments to the Board of Directors by the General Meeting)

Article 8, para. 7

(the meeting of priority shareholders gives approval for exercising voting rights on shares)

Article 8, para. 8

(the meeting of priority shareholders and the General Meeting give approval for resolutions relating to any material change in the nature or identity of the company or the enterprise)

Article 9, para. 3

(appointment of representative by the meeting of priority shareholders in the event of absence or inability to act of all members of the Board of Directors)

Article 10, para. 6

(4 per cent dividend, after distribution of dividend to holders of ordinary shares)

Article 13, para. 1

(the meeting of priority shareholders brings resolutions to amend the Articles of Association or wind up the company to the General Meeting)

Article 14, para. 3

(priority shareholders' claims to liquidation surplus are subordinated).

Provisions of the Articles of Association concerning appropriation of profit

The relevant provisions of the Articles of Association concerning appropriation of profit read as follows:

Article 10, para. 4: Profit distributions may only be made if the shareholders' equity of the company exceeds the sum of the paid-up and called capital and the reserves prescribed by law.

Article 10, para. 6: Out of the profit as shown by the income statement adopted by the General Meeting, the ordinary shareholders shall first be paid the same dividend per share as paid by Heineken N.V. for the year concerned, having due regard to the provisions of paragraph 4. If and to the extent that the dividend paid by Heineken N.V. is in the form of a stock dividend, the dividend paid to the ordinary shareholders shall also be in the form of a stock dividend. From what remains after the distribution to the ordinary shareholders, the priority shareholders shall be paid a dividend of four per cent (4%) of the nominal value of the priority shares and the remainder shall be appropriated to the reserves. On a motion of the meeting of priority shareholders, the General Meeting shall be authorised to make distributions from the reserves.

Remuneration of the Board of Directors

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

Shares held by the Board of Directors

As at 31 December 2014, the Board of Directors represented 149,021,038 ordinary shares of the company.

Proposed appropriation of profit

It is proposed to appropriate EUR317 million of the profit for payment of dividend and to add EUR443 million to the reserves.

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the Financial statements 2014

Our opinion

We have audited the Financial statements 2014 of Heineken Holding N.V. (the Company), based in Amsterdam. The Financial statements include the Company and Consolidated financial statements.

In our opinion:

- the Company financial statements give a true and fair view of the financial position of Heineken Holding N.V. as at 31 December 2014, and of its result for 2014 in accordance with Part 9 of Book 2 of the Netherlands Civil Code
- the Consolidated financial statements give a true and fair view of the financial position of Heineken Holding N.V. as at 31 December 2014, and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code

The Company financial statements comprise:

- the Company balance sheet as at 31 December 2014
- the Company income statement for 2014
- notes, comprising a summary of the significant accounting policies and other explanatory information

The Consolidated financial statements comprise:

- the Consolidated statement of financial position as at 31 December 2014
- the following Consolidated statements for 2014: the income statement, the statements of comprehensive income, changes in equity and cash flows
- 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 this report.

We are independent of Heineken Holding 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in 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.

Based on our professional judgment we determined the materiality for the Consolidated financial statements as a whole at EUR95 million. The materiality is determined with reference to consolidated profit before taxation (3.9 per cent) and consolidated revenue (0.5 per cent). We also take into account misstatements and/or possible misstatements, if any, that in our opinion are material for qualitative reasons.

Audits of group entities (components) were performed using materiality levels determined by the judgment of the group audit team, having regard to the materiality of the Consolidated financial statements as a whole. Component materiality did not exceed EUR40 million and for the majority of the components, materiality is significantly less than this amount.

We agreed with the Board of Directors that misstatements in excess of EUR3 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.

Scope of the group audit

Heineken Holding N.V. has one participating interest, Heineken N.V. Heineken Holding N.V. heads the Heineken Group. Heineken Holding N.V. does not engage in operational activities itself. Heineken N.V. manages the Heineken group companies. The financial information of the Heineken Group is included in the Consolidated financial statements of Heineken Holding N.V. The audits of Heineken Holding N.V. and Heineken N.V. are performed by the group audit team.

Because we are ultimately responsible for the audit 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 components. Decisive were the size and/or risk profile of the components. On this basis, we selected components for which an audit had to be performed on the complete set of financial information or specific items.

Applying these scoping criteria led to a full scope audit for 28 components. Furthermore, we performed specified audit procedures at group level on significant risk areas such as goodwill and other asset impairment testing. This resulted in a coverage of 84 per cent of total revenue, 75 per cent of profit before income tax and 87 per cent of total assets. In addition we performed procedures at consolidated level to re-examine our assessment that there are no significant risks of material misstatement within the smaller components, none of which individually represented more than 2 per cent of total revenue, profit before income tax or total assets.

The group audit team provided detailed instructions to all component auditors, that covered significant audit areas including the relevant risks of material misstatement, and set out the information required to be reported back to the group audit team. The group audit team visited component auditors and performed file reviews in Singapore, Vietnam, Mexico, Nigeria, Spain, UK, Poland and India. Conference calls were held with the majority of the component auditors. During these visits and calls, the findings and observations reported to the group audit team were discussed in more detail. Any further work deemed necessary by the group audit team was subsequently performed.

By performing the procedures mentioned above at components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence to provide an audit opinion on the Financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial statements. We have communicated the key audit matters to the Board of Directors. The key audit matters are not a comprehensive reflection of all matters discussed. Given the single participating interest, the key audit

matters of Heineken N.V. apply to Heineken Holding N.V. as well.

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.

The risk that revenue is overstated

Revenue could be overstated resulting from the pressure local management may feel to achieve performance targets. As a response to this inherent risk, we tested the key internal controls on the timing of revenue recognition. In addition, we performed audit procedures on sales transactions taking place close before or after the balance sheet date as well as credit notes issued after the year-end date, to assess whether those transactions were recognised in the correct year. We also tested key reconciliations and manual journal entries posted to ensure that revenue journals were approved and corroborated with supporting evidence.

Valuation of goodwill

Goodwill represents 30 per cent of the balance sheet total and 77 per cent of total equity. Procedures over management's annual impairment test were significant to our audit because the assessment process is complex and the test imposes estimates. Goodwill is 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. For our audit we assessed and tested the assumptions, the Weighted Average Cost of Capital, 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 in our team a valuation specialist 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, and the impairment for Tunisia recognised in the year. We also assessed the historical accuracy of management's estimates. We assessed the adequacy of the Company's disclosure note 15 in the Financial statements about those assumptions to which the outcome of the impairment test is most sensitive.

Accounting for income tax positions

Income tax positions were significant to our audit because the assessment process is complex, imposes estimates and the amounts involved are material. The Company's operations are subject to income taxes in various jurisdictions. We have tested the completeness and accuracy of the amounts recognised as current and deferred tax, including the assessment of disputes with tax authorities and other uncertain tax positions. Our audit procedures included an assessment of correspondence with the relevant tax authorities and we tested management's assumptions to determine the probability that deferred tax assets will be recovered through taxable income in future years. We included in our team local and international tax specialists to analyse and challenge the assumptions used to determine tax positions and we corroborated the assumptions with supporting evidence. In addition we assessed the historical accuracy of management's assumptions. We also assessed the adequacy of the Company's disclosure notes 13 and 18 in the Financial statements in respect of tax and uncertain tax positions.

Responsibilities of the Board of Directors for the Financial statements

The Board of Directors 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 Netherlands Civil Code and for the preparation of the report of the Board of Directors in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Board of Directors is responsible for such internal control as they determine is necessary to enable the preparation of the Financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the Financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the Financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances in the Financial statements that may cast significant doubt on the Company's ability to continue as a going concern.

The non-executive directors of the Board of Directors are 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.

For more information about an audit of financial statements we refer to the NBA website: www.nba.nl/standardtexts-auditorsreport.

Report on other legal and regulatory requirements

Report on the report of the Board of Directors and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the report of the Board of Directors and other information):

- we have no deficiencies to report as a result of our examination whether the report of the Board of Directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed
- we report that the report of the Board of Directors, to the extent we can assess, is consistent with the Financial statements

Engagement

Our first appointment as auditor of Heineken Holding N.V. was before 2008. We were most recently re-appointed by the Annual General Meeting of Shareholders on 19 April 2012.

Amsterdam, 10 February 2015

KPMG Accountants N.V.
E.J.L. van Leeuwen RA

◆ REFERENCE INFORMATION

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Disclaimer

This Annual Report contains forward-looking statements with regard to the financial position and results of HEINEKEN's activities. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond HEINEKEN's ability to control or estimate precisely, such as future market and economic conditions, the behaviour of other market participants, changes in consumer preferences, the ability to successfully integrate acquired businesses and achieve anticipated synergies, costs of raw materials, interest rate and foreign exchange

fluctuations, changes in tax rates, changes in law, changes in pension costs, the actions of government regulators and weather conditions. These and other risk factors are detailed in this Annual Report. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report. HEINEKEN does not undertake any obligation to update the forward-looking statements contained in this Annual Report. Market share estimates contained in this Annual Report are based on outside sources, such as specialised research institutes, in combination with management estimates.