HEINEKEN

Annual Report 2014

Contents

WELCOME TO HEINEKEN

HEINEKEN is the world's most international brewer with its brands available in 178 countries around the world.

We are a proud independent global brewer committed to surprising and exciting consumers everywhere.

We value a passion for quality, enjoyment of life, respect for people and respect for our planet.

We want to win in all markets with Heineken® and with a full brand portfolio in markets where we choose.

Further information online:

theHEINEKENcompany.com
- Download the Annual Report
- Find out about HEINEKEN's history
- Explore our countries and brands

Follow us on Twitter for news and updates: @HEINEKENCorp

Performance highlights

"Our strong performance reflects the success of our strategy. We continued to invest in our portfolio of brands and we have significantly improved commercial execution."

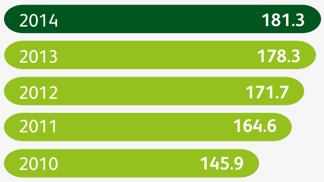
Jean-François van Boxmeer
Chairman of the Executive Board/CEO

Revenue
(in millions of EUR)

€19,257m

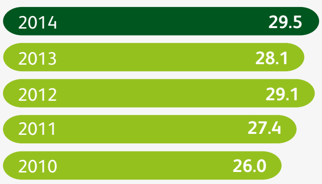
Consolidated beer volume
(in millions of hectolitres)

181.3mhl



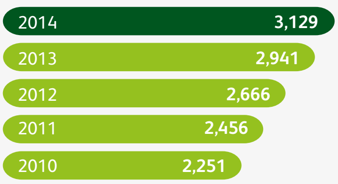
Heineken® volume in premium segment
(in millions of hectolitres)

29.5mhl



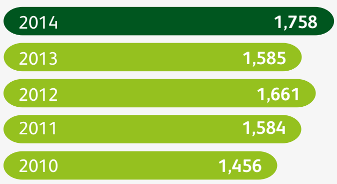
Consolidated operating profit (beia)
(in millions of EUR)

€3,129m



Net profit (beia)
(in millions of EUR)

€1,758m



Key figures

Group results[1]

In millions of EUR	2014	2013	Change in %
Group revenue	21,191	21,174[2]	0.1%
Group operating profit (beia)	3,359	3,192	5.2%

Consolidated results

In millions of EUR	2014	2013	Change in %
Revenue	19,257	19,203	0.3%
Consolidated operating profit (beia)	3,129	2,941	6.4%
Net profit	1,516	1,364	11.1%
Net profit (beia)	1,758	1,585	10.9%
EBITDA	4,365	4,281	2.0%
EBITDA (beia)	4,370	4,214	3.7%
Dividend (proposed)	632	512	23.4%
Free operating cash flow	1,574	1,518	3.7%

Balance sheet

In millions of EUR	2014	2013	Change in %
Total assets	34,830	33,337	4.5%
Equity attributable to equity holders of the Company	12,409	11,402	8.8%
Net debt position	11,076	10,868	1.9%
Market capitalisation	33,955	28,270	20.1%

Per share

	2014	2013	Change in %
Weighted average number of shares – basic	574,945,645	575,062,357	0.0%
Net profit	2.64	2.37	11.4%
Net profit (beia)	3.06	2.76	10.9%
Dividend (proposed)	1.10	0.89	23.6%
Free operating cash flow	2.74	2.64	3.8%
Equity attributable to equity holders of the Company	21.58	19.83	8.8%
Share price	58.95	49.08	20.1%
Weighted average number of shares – diluted	576,002,613	576,002,613	0.0%
Net profit (beia) – diluted	3.05	2.75	10.9%

Employees

	2014	2013	Change in %
Average number of employees (FTE)	76,136	80,933	(5.9)%

Ratios

	2014	2013	
Consolidated operating profit (beia) as a % of revenue	16.2%	15.3%	
Net profit as % of average equity attributable to equity holders of the Company	12.7%	11.8%	
Net debt/EBITDA (beia)	2.53	2.58	
Dividend % payout	35.9%	32.3%	
Cash conversion rate	78.9%	84.0%	

[1]Group metrics include HEINEKEN's attributable share of joint ventures and associates.
[2]Restated to correctly reflect HEINEKEN's share of joint ventures and associates.

Report of the Executive Board

Chief Executive's Statement

Left Jean-François van Boxmeer
Chairman of the Executive Board/CEO

Right René Hooft Graafland
Member of the Executive Board/CFO

Social networking since 1864

2014 has been an excellent year. We have continued to bring enjoyment to consumers around the world while driving top and bottom line growth. Group revenue grew 3.3 per cent organically, with group revenue per hectolitre up 1.4 per cent. Group operating profit (beia) grew 7.8 per cent organically.

Our strong performance reflects the success of our strategy. We continued to invest in our portfolio of brands and we have significantly improved commercial execution. We combined this with compelling consumer marketing and a powerful innovation agenda that contributed €1.5 billion to our revenues. As a result, Heineken® premium volume grew 5.1 per cent and a number of our global brands saw double digit growth. At the same time we have continued to focus on driving cost out of the business.

Celebrating 150 years

Throughout the year we have taken time to celebrate the journey that was started 150 years ago by Gerard Adriaan Heineken. It is clear that the values he established when the Company was just one brewery in Amsterdam continue to burn strongly today, across 178 countries and in the hearts and minds of our 81,000 employees. It is the continued passion for quality, for brands that people love, for the enjoyment of life, all underpinned by respect for people and the planet which gives me confidence that the best years for HEINEKEN remain ahead of us.

Benefits of a balanced geographic footprint

The steps that we have taken to transform our geographic footprint over the last 10 years are now being consistently reflected in our results. In 2014 emerging markets in the Africa Middle East, Americas and Asia Pacific regions contributed 50 per cent of revenue and 61 per cent of profit. In Western Europe the focus on innovation and higher brand investment led to market share gains across virtually every market. Market conditions in Central Eastern Europe continued to be challenging but our focus on value over volume and the premium segment should enable us to deliver a stronger performance over time.

In every region we are putting greater emphasis on strengthened sales execution, sampling activities to support new product launches, higher marketing investment and improving the effectiveness of promotional programmes. At the same time we are finding new ways to leverage our scale to drive cost out of the business and to improve the efficiency of our supply chain.

The power of innovation

This year our innovation rate reached 7.7 per cent. This is an excellent performance and is helping drive new interest in the beer and cider categories. We are meeting consumer needs across the world with great tasting no and low alcohol beers such as 0.0% MAXX and Radler 0.0%. New delivery systems are improving the quality of the beer we enjoy both in the bar and at home as well. Great ideas can come from anywhere. That is why we have created open sourcing projects like the Innovators Brewhouse to keep a steady pipeline of new thinking coming into the Company.

Broad premium portfolio, led by Heineken®

The Company continued to strengthen its leadership position in the premium segment. The Heineken® brand had an excellent year driven by strong global campaigns, brought to life in the markets. The 'Man of the World' platform continues to inspire ideas that capture the imagination of consumers. A good example of this is 'The City' campaign. More than 1 billion bottles, localised with the names of more than 50 cities, were created. This is helping to fuel the growth of Heineken® in the world's leading cities, from New York to Lagos and from Mexico City to Shanghai.

Chief Executive's Statement continued

Our other global beer brands grew at double digit rates. Desperados, Sol and Affligem were successfully launched in a further 18, 10 and 11 countries respectively during the year. Our local champion brands, such as Tecate, Żywiec and Tiger, continued their strong performance.

Around the world the cider opportunity continues to excite. It is a fast growing category with large potential and HEINEKEN is the global leader. We have successfully launched Strongbow Apple Ciders in five new markets, created a number of flavour innovations for Strongbow and Bulmers and brought storied brands such as Old Mout from New Zealand into the dynamic UK cider market. We are not alone in focusing on the cider category. This is good news. The more brands that help tell the cider story the bigger the market for cider will become.

Marketer of the year

Part of our Company vision is to 'wow the world with our brands'. As well as being a great brewer we are a brand building company. So it was pleasing in November when the Cannes Lions International Festival of Creativity named HEINEKEN Creative Marketer of the Year 2015. The award celebrates creativity over time with a proven business impact. This is a testament to the excellent work that is being undertaken by our marketing community and the willingness to push the boundaries and to take risks.

Playing our role in societal issues

At an industry level and in every market where we operate we are engaging with concerned groups on issues that are associated with the way we make our products, how we promote them and the way they are enjoyed. Through our Brewing a Better World initiative we are focusing on the areas where we can make the greatest impact. Heineken® continues to find ways to positively influence attitudes towards excessive drinking. In a number of key markets we invested 10 per cent of the brand's media budget in the 'Sunrise' and 'Dance More. Drink Slow' enjoy responsibly campaigns. At the same time we are consistently finding ways to reduce the amount of energy and water that is used to brew our products. As part of our commitment to inclusive growth, our local sourcing activities, primarily in Africa, are helping more than 100,000 farmers to invest in better processes, increase their yields, generate new revenue streams and build better lives for their families.

Taking pride in our category

As brewers we have a responsibility to tell the full story of our products. Not just the enjoyment that they bring to the vast majority of people who choose to buy a beer or a cider, but the valuable role the industry plays in many levels of society. The brewing industry delivers significant economic value directly through the people it employs and the businesses it partners with. It also contributes indirectly, especially through the contribution it makes to the global hospitality industry which is one of the largest employers of young people starting out in the world. As an industry we have chosen to go on the front foot, to engage with stakeholders and share our broader story. This is an ongoing journey. It is one that HEINEKEN is fully committed to and is taking a leadership role in.

Approach by SABMiller

In September we were approached by SABMiller regarding a potential acquisition of HEINEKEN. HEINEKEN consulted its controlling shareholder, Heineken Holding N.V., and on that basis concluded that the proposal was "non-actionable". The Heineken family, as the ultimate controlling shareholder, expressed its intent to preserve the heritage and identity of HEINEKEN as an independent company. This decision reflects the confidence of the Heineken family and Heineken N.V.'s management in our ability to continue delivering growth and shareholder value. It has also reinforced our determination to continue the focus on increasing effectiveness and efficiency across all aspects of our business.

Thank you

As I do every year I want to thank all my colleagues around the world for their professionalism and commitment. It is a privilege to work with such a dynamic and diverse group and to lead this exceptional Company. This year I want to pay a special tribute to René Hooft Graafland. After a career spanning more than 30 years in the Company and 13 years as an Executive Board member, René will step down from the Executive Board in April 2015. His drive, intellect and leadership have been invaluable in the transformation that the Company has undergone in the past decade. Throughout our time as colleagues I have valued his counsel and his friendship.

I would also like to thank everyone of our consumers who make the choice to enjoy our brands, our business partners for their continuing support and all our stakeholders for their input into what we do and how we do it.

Jean-François van Boxmeer

Chairman of the Executive Board/CEO
Amsterdam, 10 February 2015

Outlook 2015

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%).

Continued cost savings

HEINEKEN is committed to delivering further cost savings and will continue its focus on driving cost efficiencies across the company. 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 €130 million, and around €80 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 €1.6 billion (2014: €1.5 billion). A cash conversion ratio of below 100% is expected in 2015 (2014: 79%).

Interest rate

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

Effective tax rate

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

Executive Committee

The two members of the Executive Board, the five Regional Presidents and five Chief Officers together form the Executive Committee. The Executive Committee is the highest consultative body within HEINEKEN.

It supports the development of policies and ensures the alignment and continuous implementation of key priorities and strategies across the organisation.

Jean-François van Boxmeer (Belgian; 1961)
Chairman Executive Board/CEO

In 2001, appointed member of the Executive Board and from 1 October 2005 Chairman of the Executive Board/CEO. Joined HEINEKEN in 1984 and held various management positions in Rwanda (Sales & Marketing Manager), Democratic Republic of Congo (General Manager), Poland (Managing Director), and Italy (Managing Director). Executive Board responsibility for HEINEKEN Regions and Global functions: Human Resources, Corporate Relations, Supply Chain, Commerce, Legal Affairs, Strategy, Internal Audit and Company Secretary.

René Hooft Graafland (Dutch; 1955)
Member Executive Board/CFO

In 2002, appointed member of the Executive Board. Joined HEINEKEN in 1981 and held various management positions in Democratic Republic of Congo (Financial Director), the Netherlands (Marketing Director), Indonesia (General Manager) and the Netherlands (Director Corporate Marketing, Director HEINEKEN Export Group). Executive Board responsibility for Global functions: Strategic Planning & Business Control, Tax & Financial Markets, Business Development and Business Services.

Chris Barrow (South African; 1958)
Chief Strategy Officer

In 2013, appointed Chief Strategy Officer. Joined HEINEKEN in 2004 working on various business development projects in Asia and Latin America before becoming Managing Director HEINEKEN Latin America in 2005. In 2007, he was appointed President of HEINEKEN's Polish operations, Grupa Żywiec, and President HEINEKEN Brasil in 2010.

Frans Eusman (Dutch; 1962)
Chief Business Services Officer

In 2010, appointed Chief Business Services Officer. Joined HEINEKEN in 1987. He has worked in various finance and general management positions in Europe and Asia, which included his role as Corporate Control & Accounting Director from 2003 to 2005. From 2005 to 2010, he was President of HEINEKEN France.

Marc Gross (French; 1958)
Chief Supply Chain Officer

In 2005, appointed Chief Supply Chain Officer. Joined HEINEKEN in Greece as Plant Manager in 1995. In 1999, he became Regional Technical Director North, Central and Eastern Europe. In 2002, Marc became Managing Director of HEINEKEN Netherlands Supply. Prior to joining the Company, he held various management roles with international food and consumer businesses (Danone, Sara Lee).

Siep Hiemstra (Dutch; 1955)
President Africa Middle East

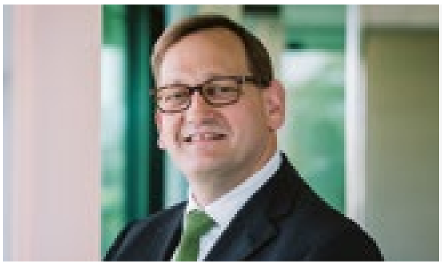
In 2011, appointed President Africa Middle East. Joined HEINEKEN in 1978. Between 1995 and 1998, he was Deputy Director Africa. In 1998, Siep was appointed Regional Director SEA/Oceania with Asia Pacific Breweries Ltd. in Singapore. In 2001, he was appointed Director of HEINEKEN Technical Services in the Netherlands and Regional President HEINEKEN Asia Pacific in 2005, based in Singapore.

Jan Derck van Karnebeek (Dutch; 1967)
President Central and Eastern Europe & Chief Sales Officer

In 2013, appointed President Central and Eastern Europe & Chief Sales Officer. Appointed President Central and Eastern Europe in 2012. Joined HEINEKEN in 1991. In 1999, he was appointed Commercial Director HEINEKEN Slovak Republic. In 2001, he became General Manager HEINEKEN Beer Systems in the Netherlands. From 2006 until 2009, he managed HEINEKEN's joint venture business in Bulgaria and in 2009 became Managing Director HEINEKEN Romania.

Alexis Nasard (Lebanese; 1966)
President Western Europe & Chief Marketing Officer

In 2013, appointed President Western Europe & Chief Marketing Officer. Joined HEINEKEN and appointed Chief Commercial Officer in 2010. He spent 17 years with Procter and Gamble (P&G) in senior marketing and general management roles, covering various geographies. From 2006, Alexis was General Manager of the Personal Care business for Central and Eastern Europe, the Middle East and Africa.



Sean O'Neill (British; 1963)
Chief Corporate Relations Officer

In 2005, appointed Chief Corporate Relations Officer. Joined HEINEKEN in 2004, following eight years in senior roles within the alcoholic beverages sector. Prior to this, he held international management roles in the UK, Russia, the Middle East and Australia for a global corporate affairs and communication consultancy.

Stefan Orlowski (Australian; 1966)
President Americas

In 2013, appointed President Americas. Stefan joined HEINEKEN in 1998 as Sales, Marketing and Distribution Director for Żywiec in Poland. From 2003 until 2005, Stefan was Chief Operating Officer of Brau Union. In 2005, he became Managing Director of HEINEKEN Central and Eastern Europe. In 2007, Stefan was appointed Group Commerce Director HEINEKEN. From 2009, he was Managing Director HEINEKEN UK.

Roland Pirmez (Belgian; 1960)
President Asia Pacific

In 2013, appointed President Asia Pacific. Roland joined HEINEKEN in 1995. From 1995 to 1998, he was Managing Director of HEINEKEN Angola. In 1998, he was appointed General Manager Thai Asia Pacific Brewery Co. Ltd, Thailand and, in 2002, he became Chief Executive Officer of HEINEKEN Russia. In 2008, he returned to Asia as Chief Executive Officer of Asia Pacific Breweries Ltd (now Heineken Asia Pacific Pte Ltd) until the takeover by HEINEKEN.

Chris Van Steenbergen (Belgian; 1956)
Chief Human Resources Officer

In 2014, appointed Chief Human Resources Officer. Chris joined HEINEKEN from Royal DSM where he was Executive Vice President Corporate HR. Prior to this, Chris spent more than 20 years in Senior HR and operational roles including Chief Human Resources Officer Cadbury, President Europe Cadbury, CEO of Quick Restaurants SA in Belgium and Managing Director Randstad Belgium.

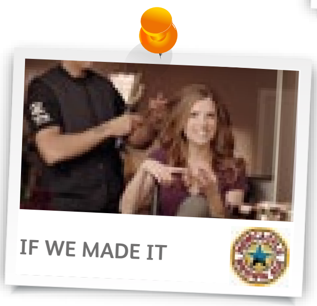
Brands that people love

On November 14th, the Cannes Lions International Festival of Creativity announced that HEINEKEN was awarded the 2015 Creative Marketer of the Year. It recognised creativity across multiple brands, over a number of years, with a proven business impact.

"Creative Marketer of the Year at Cannes Lions is awarded to a company who is breaking the boundaries of creativity and who truly believes that creativity drives business...HEINEKEN lives and breathes creativity throughout its organisation."

Philip Thomas, CEO of Lions Festivals

RECENT CANNES AWARDS



CHAMPIONS

HEINEKEN is only the second company to win the award twice

IN THE LAST 3 YEARS...

6 of our brands have won 41 Lions across 7 countries

Operational Review

HEINEKEN is focused on six business priorities. Each one helps us to achieve our goal of winning in all markets with Heineken® and with a full brand portfolio in markets where we choose.

Grow the Heineken® brand

Consumer-inspired, customer-oriented and brand-led

Capture the opportunities in emerging markets

Leverage the benefits of HEINEKEN's global scale

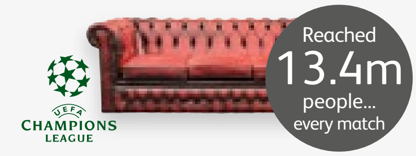
Drive personal leadership

Embed and integrate sustainability

Grow the Heineken® brand

The Heineken® brand is a key strategic asset and the undisputed leader in the international premium segment (IPS).

DANCE MORE DRINK SLOW
global enjoy responsibly campaign with DJ Armin van Buuren



#SHARETHESOFA
purchase intent
↑7%
76%
share of voice of all sponsors

19%
Heineken®
SHARE OF IPS

@WHERENEXT
helping consumers all over the world to share and enjoy the secrets of their city

NEW STAR CAN
design unveiled

See our latest campaigns: theHEINEKENcompany.com

Consumer-inspired, customer-oriented and brand-led

HEINEKEN is committed to being part of the conversation with consumers and being recognised as the preferred partner for its customers.

Now in 85 countries

Volume ↑19%

Volume* ↑39%

Now in 56 countries

FASTEST GROWING GLOBAL BRANDS

Radler

NOW AVAILABLE IN 41 MARKETS

ALCOHOL FREE RADLER

Launched in key European markets

CIDER CATEGORY GROWING 2.5x FASTER THAN BEER

21 BRANDS SOLD IN 50 COUNTRIES

#1 GLOBAL CIDER PRODUCER

€1.5bn REVENUE FROM INNOVATION

7.7% innovation rate in 2014

↑ FROM 5.9% in 2013

THE SUB® AVAILABLE IN 4 MARKETS

THE TORP® 9 BRANDS AND GROWING

In-store theatre UEFA Champions League promotion in Europe

9 STRATEGIC RETAILERS; 15,000 STORES; MORE THAN 10% SALES UPLIFT

To learn more about our innovations, visit: theHEINEKENcompany.com

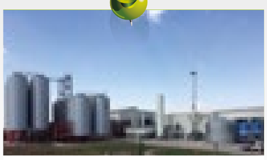
* Sol Premium excluding Mexico

Capture the opportunities in emerging markets

HEINEKEN has transformed its emerging market presence in recent years through a clear acquisition strategy and strong organic growth.

CONTINUED INVESTMENT IN EMERGING MARKETS

CHINA
Groundbreaking for new brewery August 2014



ETHIOPIA
First brew in our new brewery July 2014

INVESTING IN CAPACITY
Cambodia, Indonesia and Vietnam

REGIONAL POWER BRANDS

↑55% volume growth Mexico

↑21.8% volume growth Vietnam

LOCAL BRAND CHAMPIONS

Mexico	Nigeria	Indonesia
Tecate	Star	Bintang
15.2* mhl	3.2* mhl	1.6* mhl

Asia Pacific

Revenue ↑ 5.3%

Americas

Operating profit (beia) ↑ 16%

Africa Middle East

Total volume ↑ 7.5%

Heineken® VOLUME GROWTH IN KEY COUNTRIES

China	South Korea	Brazil	Mexico
23.5%	13.5%	35.3%	26.8%

Explore our regional and local brands: theHEINEKENcompany.com

*Source: Company data

Leverage the benefits of HEINEKEN's global scale

HEINEKEN is investing in new business initiatives aimed at better leveraging the global scale of its operations.

HEINEKEN GLOBAL SHARED SERVICES (HGSS) DELIVERING EFFICIENCIES

25% REDUCTION IN COST PER INVOICE

20% INCREASE IN PRODUCTIVITY INVOICE PROCESSING

HGSS KRAKÓW

22 Operating Companies now migrated transactional finance activities to Kraków

677 Employees

24 Nationalities

25 Languages

EXCELLENT OUTLET EXECUTION

PROGRAMME LAUNCHED WORLDWIDE

DELIVERING CONTINUOUS IMPROVEMENT IN SALES PROCESSES

399 LINE managers trained in **15** OpCos

SALES EXECUTION MOBILE PILOTED AND TO BE ROLLED OUT IN **2015**

ONE GLOBAL IT

SAVING COSTS

ENERGY SAVING

IMPROVING EFFICIENCY

1,000+ LOCATIONS CONNECTED TO GLOBAL NETWORKS

GLOBAL PROCUREMENT

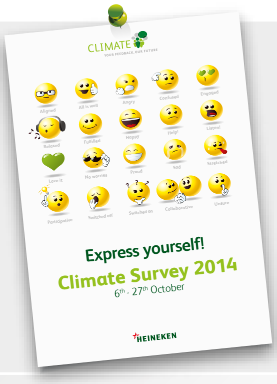
DRIVING COST SAVINGS & ECONOMIES OF SCALE

MANAGING INPUT PRICE VOLATILITY

Discover what is happening at HEINEKEN: theHEINEKENcompany.com

Drive personal leadership

HEINEKEN employs more than 81,000 people in over 70 countries. As our business continues to grow in scale and complexity, people are our main source of competitive advantage.



86% RESPONSE

73 OPCOs

35 LANGUAGES

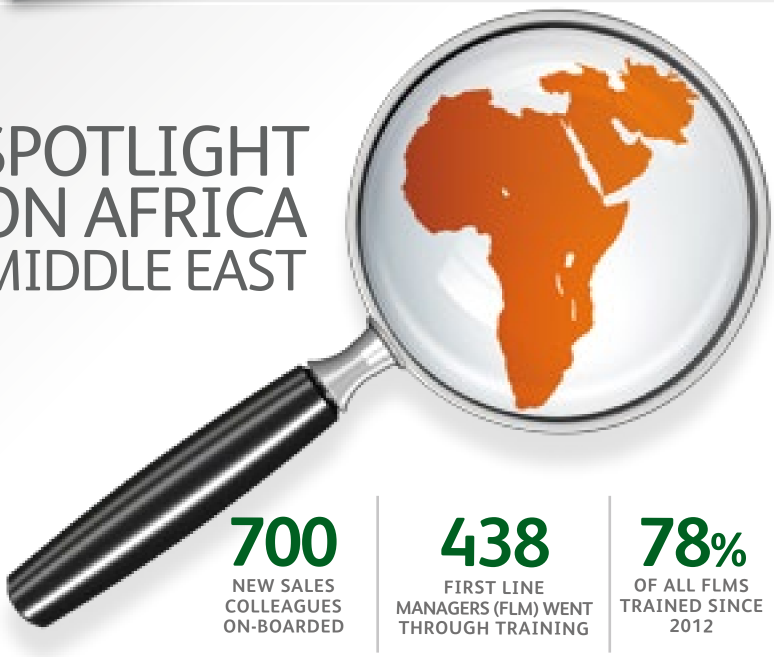
CLIMATE
YOUR FEEDBACK, OUR FUTURE

FEEDBACK FROM OUR PEOPLE ON WAYS TO CREATE A BETTER PLACE TO WORK

GENERAL MANAGER CAMPUS PROGRAMME

CUSTOMISED
INSEAD
BUSINESS SCHOOL EXECUTIVE EDUCATION

SPOTLIGHT ON AFRICA MIDDLE EAST



700 NEW SALES COLLEAGUES ON-BOARDED

438 FIRST LINE MANAGERS (FLM) WENT THROUGH TRAINING

78% OF ALL FLMS TRAINED SINCE 2012

SIMPLE AND CLEAR
HEINEKEN BEHAVIOURS
LAUNCHED TO
81,000+
EMPLOYEES

To support the Company strategy

INTERNATIONAL GRADUATE PROGRAMME (IGP)

NEARLY **20,000** APPLICATIONS

FROM MORE THAN **130** COUNTRIES

360° Developing our leaders

Helped **500** of our leaders with structured feedback and coaching

Explore HEINEKEN as a place to work:
theHEINEKENcompany.com

Embed and integrate sustainability

Brewing a Better World is about creating real sustainable value for all our stakeholders. It is integral to enabling the Company to achieve its business objectives.

48 MARKETS

HAVE A STAKEHOLDER PARTNERSHIP TO ADDRESS ALCOHOL-RELATED HARM

MEETING CONSUMER NEEDS WITH NO AND LOW ALCOHOL BEERS:

Three new markets started with Water Stewardship activities:

Algeria, Indonesia & Nigeria

DECREASING WATER CONSUMPTION IN BREWING PROCESS:

NEW 2020 TARGET

3.5 hl/hl

Previously 3.7hl/hl

ADVOCATING RESPONSIBLE CONSUMPTION

PROTECTING WATER RESOURCES

REDUCING CO_2 EMISSIONS

SOURCING SUSTAINABLY

FEATURED IN THE CDP CLIMATE PERFORMANCE LEADERSHIP INDEX A-LIST

AFRICA

10 INITIATIVES IN 8 COUNTRIES

ETHIOPIA
Barley supply contracts in place with 6,000+ smallholder farmers

RWANDA
Project to develop maize with smallholder farmers started in June

NIGERIA
MoU signed with government to focus on Sorghum hybrids; programme with Dutch government to develop Cassava with smallholder farmers

SOUTH AFRICA
Consortium created to develop barley supply with smallholder farmers

WE'RE INCREASING OUR USE OF RENEWABLE ENERGY SOURCES:

- 90% of the waste heat generated by a nearby industry is now used in our Wieselburg brewery (Austria)
- 4,000 solar panels installed in our Tadcaster brewery in Yorkshire

In the middle of this year we changed the name of our programme to Brewing a Better World to reflect a greater attention to the here and now, with sustainability fully embedded in the business and introducing two new focus areas.

Brewing a Better World

Growing with communities
Ensuring our growth is with and not at the expense of our communities and stakeholders.

Promoting health and safety
Greater visibility and action in order to reach our goal of zero fatalities and fewer accidents.

Take a look at our 2015-2020 targets: theHEINEKENcompany.com

Regional Review

Wherever you are in the world, you are able to enjoy one of our brands. We own, market and sell more than 250 of them.

Americas

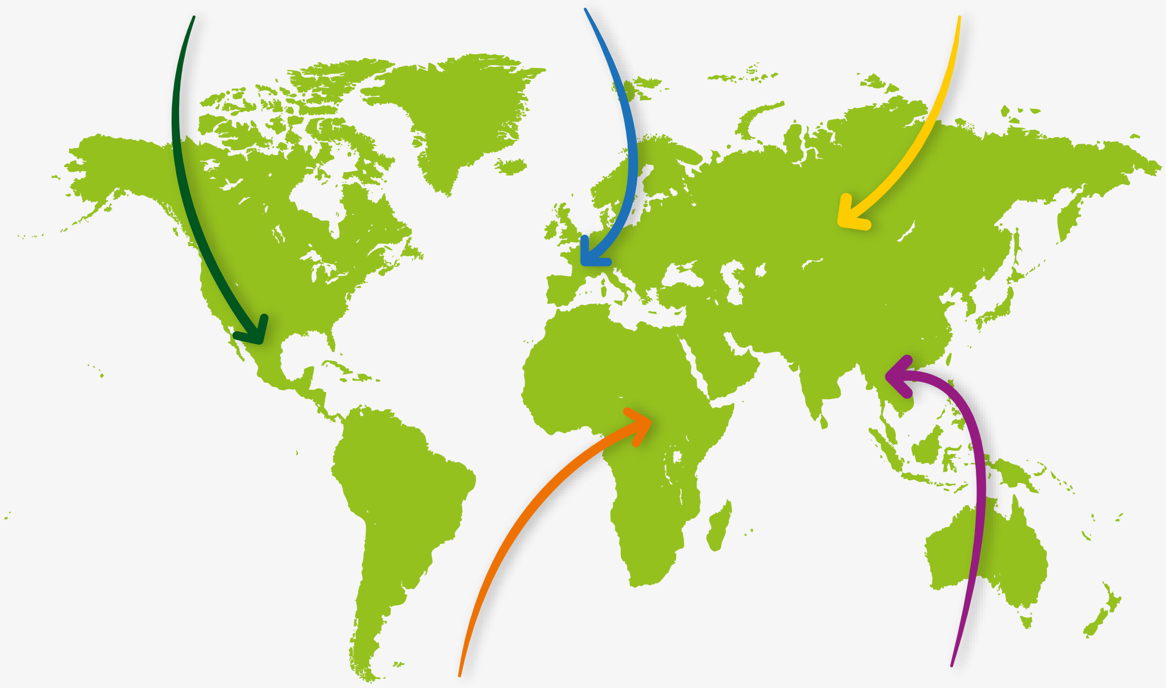
Group beer volume
57.0mhl

Western Europe

Group beer volume
42.5mhl

Central and Eastern Europe

Group beer volume
46.0mhl



Africa and The Middle East

Group beer volume
29.3mhl

Asia Pacific

Group beer volume
24.0mhl

Read our regional announcement in full: theHEINEKENcompany.com

Africa Middle East

"The introduction of new brands and more innovative packaging has helped us reach new consumer groups as HEINEKEN continues to lead the way in making the beer category an even more attractive proposition to people across the region."

Siep Hiemstra, President Africa Middle East

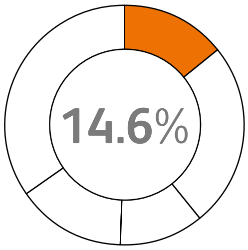
Key highlights

- Consolidated operating profit (beia) up 8.8% organically reflecting solid growth across most markets
- High rate of innovation driven by launch of new brands and packaging
- Continued capital investment in capacity across key markets

Group revenue

€3,085m

Group revenue as % of total



Group beer volume

29.3mhl

Group beer volume as % of total

14.7%

Heineken® volume in premium segment

3.8mhl

Group operating profit (beia)

€700m

Group operating profit (beia) as % of total

20.8%

Key Brands

Americas

"An excellent year in which our portfolio strategy, investment behind our brands and innovation led to strong revenue growth and share gains in our key markets. This reaffirms the region's potential to offer volume and value growth opportunities."
Stefan Orlowski, President Americas

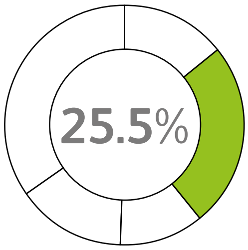
Key highlights

- Consolidated operating profit (beia) increased 16% with market share gains across all key markets
- 3.2% revenue per hectolitre growth driven by improved brand mix and pricing
- Double digit growth in Mexico, strong performance in Brazil and improved market share in U.S.A.

Group revenue

€5,401m

Group revenue as % of total



Group beer volume

57.0mhl

Group beer volume as % of total

28.7%

Heineken® volume in premium segment

8.9mhl

Group operating profit (beia)

€887m

Group operating profit (beia) as % of total

26.4%

Key Brands

Asia Pacific

"Further market share gains across our main markets reflect solid growth from our portfolio of premium brands, led by Heineken® and Tiger. We have continued to invest in the region with capacity expansion projects and new breweries currently under construction."

Roland Pirmez, President Asia Pacific

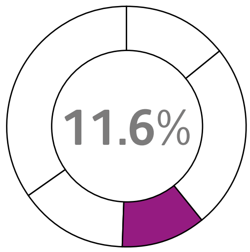
Key highlights

- Consolidated operating profit (beia) up 5.4% organically
- Capacity expansion projects in Vietnam, China and Cambodia
- Successful innovation including the introduction of Radler and several global brands led to market share gains

Group revenue

€2,455m

Group revenue as % of total



Group beer volume

24.0mhl

Group beer volume as % of total

12.1%

Heineken® volume in premium segment

6.3mhl

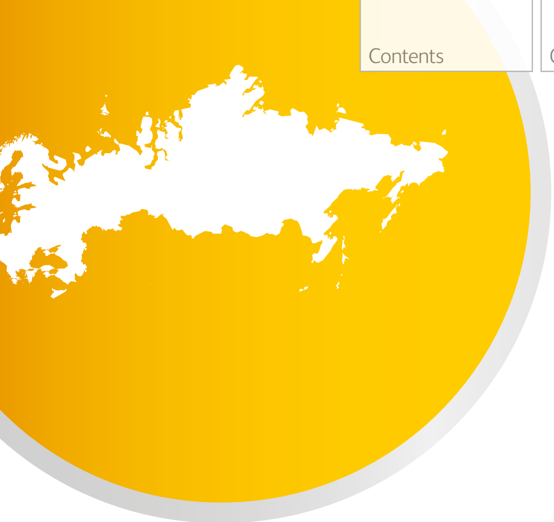
Group operating profit (beia)

€598m

Group operating profit (beia) as % of total

17.8%

Key Brands



Central and Eastern Europe

"Our improved performance reflects a value focused strategy that has delivered disproportional growth of Heineken® and strong progress from our regional premium brands. This has been supported by continued innovation and further efficiency initiatives."

Jan Derck van Karnebeek, President Central and Eastern Europe and Chief Sales Officer

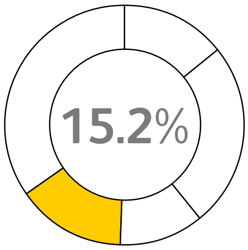
Key highlights

- Revenue per hectolitre up 1.4% reflecting strategic focus on premiumisation and innovation
- Operating margin (beia) increased 10bps due to ongoing cost efficiencies
- Strong innovation performance with significant growth in non-alcoholic beer category

Group revenue

€3,223m

Group revenue as % of total



Group beer volume

46.0mhl

Group beer volume as % of total

23.1%

Heineken® volume in premium segment

2.5mhl

Group operating profit (beia)

€302m

Group operating profit (beia) as % of total

9.0%

Key Brands

Western Europe

"A year of strong and balanced top and bottom line growth, building on strong and broad market share gains, despite an adverse economic and trading environment. Underlying this is a continued focus on cost management and strong innovation rate."

Alexis Nasard, President Western Europe and Chief Marketing Officer

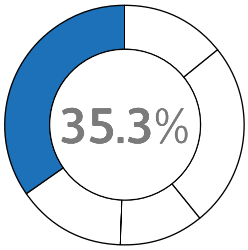
Key highlights

- Operating profit (beia) up 4.5% reflecting increased revenues and continued cost management
- Market share gains across the region due to impact of 'not an inch back' strategy
- Improved commercial execution alongside continued investment in brands and innovation

Group revenue

€7,478m

Group revenue as % of total



Group beer volume

42.5mhl

Group beer volume as % of total

21.4%

Heineken® volume in premium segment

8.0mhl

Group operating profit (beia)

€852m

Group operating profit (beia) as % of total

25.4%

Key Brands

Risk Management

This section presents an overview of HEINEKEN's approach to risk management, the main features of HEINEKEN's internal control and risk management systems and a description of the nature and extent of its exposure to risks.

Effective management of risks forms an integral part of how HEINEKEN operates as a business and is embedded in day-to-day operations. Responsibility for identifying potential operational, strategic and external risks and for implementing fit-for-purpose responses lies primarily with line management. Risk management priorities are defined by regional and functional management and endorsed by the Executive Board, who bears ultimate responsibility for managing the main risks faced by the Company and for reviewing the adequacy of HEINEKEN's internal control system.

Risk profile

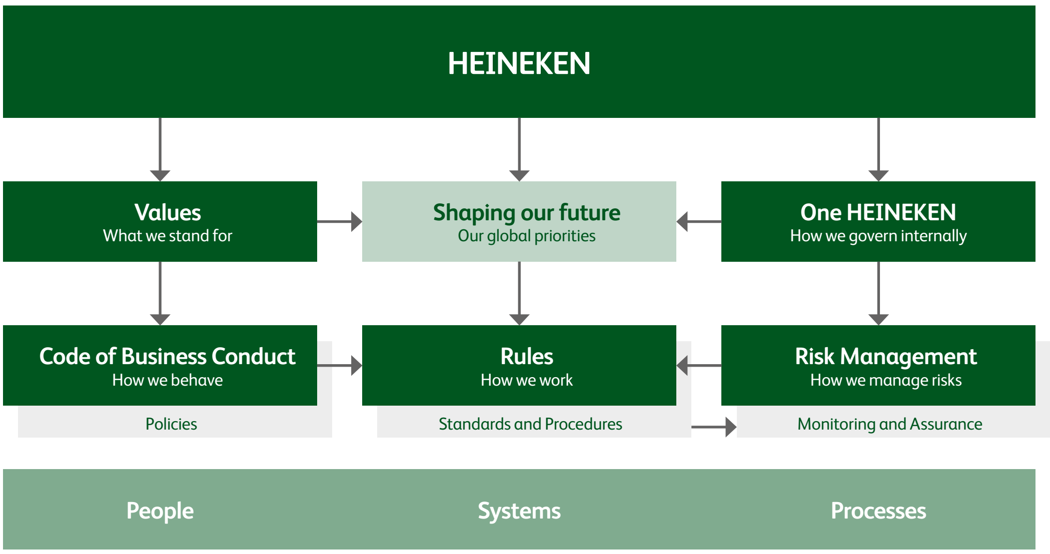
HEINEKEN is a predominantly single-product business, operating throughout the world in the alcohol industry. Taking risks is an inherent part of entrepreneurial behaviour. A structured risk management process allows HEINEKEN to take risks in a managed and controlled manner. The international spread of the country portfolio geographically and between mature and emerging markets, a robust balance sheet and strong cash flow form the context based on which HEINEKEN determines its appetite to risk. When doing business, HEINEKEN looks to mitigate operational and reporting risks to the maximum extent based on cost/reward considerations. Preventing regulatory breaches, protecting its reputation and delivering the highest level of product quality have priority over any other business objective.

In recent years, there has been increased media, social and political criticism directed at the alcoholic beverage industry. An increasingly negative perception in society towards alcohol could prompt legislators to implement restrictive measures such as limitations on availability, advertising, sponsorships, distribution and points of sale and increased government tax, and may cause changes in consumption trends, which could lead to a decrease in the brand equity and sales of HEINEKEN's products. In addition, it could adversely affect HEINEKEN's commercial freedom to operate and restrict the availability of HEINEKEN's products.

HEINEKEN has undertaken business activities with other market parties in the form of joint ventures and strategic partnerships. Where HEINEKEN does not have the majority of the shares and voting rights, decisions taken by these entities may not be fully harmonised with HEINEKEN's strategic objectives. Moreover, HEINEKEN may not be able to identify and manage risks to the same extent as in the rest of the Group.

Internal Control and Risk Management

HEINEKEN Business Framework



The HEINEKEN Governance, Risk and Compliance activities are organised within the HEINEKEN Business Framework which is applicable to all HEINEKEN subsidiaries. Based on the COSO reference framework and adapted to the Company's strategic goals and operating model, this framework provides an overview of HEINEKEN's identity, mission and vision, organisation structure, Code of Business Conduct, Company Rules and Risk Management.

Risk identification and assessment

HEINEKEN's risk management activities seek to ensure identification and appropriate response to any significant threat to the Company's reputation, its assets, the safety of its employees, or the achievement of its strategic objectives. To this end, HEINEKEN has put in place a comprehensive risk management system which identifies, assesses, prioritises and manages risks on a continuous and systematic basis, and covers all subsidiaries across regions, countries, markets and corporate functions.

Ongoing identification and assessment of risks is an integral part of HEINEKEN's governance cycle. Each reporting entity presents, along with its business plan, a risk assessment which covers risks of various natures: operational (among others compliance, financial, safety), strategic and external risks. Implementation of adequate responses is then assessed on a quarterly basis. Simultaneously, the risks reported by the operating companies are aggregated on a global level to determine HEINEKEN's main risks and coordinated risk response across geographies. Accountability for mitigating, monitoring and reporting on each of the most significant risks is assigned to functional directors. These risks are subject to half-yearly review to account for emerging risks or changes in the Company's internal or external environment that could require a review of HEINEKEN's risk management priorities.

Internal control activities

HEINEKEN's internal control activities aim to provide reasonable assurance as to the accuracy of financial information, the Company's compliance with applicable laws and internal policies and the effectiveness of internal processes.

The foundation for managing the Company's operations is the HEINEKEN Rulebook which translates the Company's objectives and strategies into clear rules. These rules articulate how to work as they comprise all mandatory standards and procedures. Compliance with the rules is tested every year through self-assessment of key processes and controls by management. Appropriate action plans for deficiencies are established by local management. Progress on these remediation steps is monitored and reported on at least a quarterly basis.

Underpinning the Rulebook and supporting HEINEKEN's ethical culture, the first rule pertains to the Code of Business Conduct. The Code of Business Conduct and its underlying policies set out the expected standard of behaviour of all HEINEKEN employees and third parties working with HEINEKEN. Adherence to these policies is a.o. supported by adequate trainings and a reporting platform available 24/7 where employees can speak up confidentially and securely if they observe or suspect ethics violations.

Assurance

Three lines of defence structure

HEINEKEN has a three lines of defence structure in place:

- Operational management, as first line of defence, has the ownership, responsibility and accountability for implementing, assessing, controlling and mitigating risks.
- Continuous improvement of processes and compliance with the HEINEKEN standards and procedures lies with the internal control function (Process & Control Improvement), HEINEKEN's second line of defence, which also facilitates periodic functional risk assessments (Financial Reporting, Tax, Supply Chain, IT) and controls self-assessments.
- Acting as third line of defence, Global Audit is mandated to perform group-wide reviews of key processes based on HEINEKEN's strategic priorities and most significant risk areas.

Audit activities

The Global Audit department provides independent and objective assurance and consultancy services. Global Audit employs a systematic and disciplined approach to evaluate and improve the organisation's governance and risk management processes including reliability of information, compliance with laws, regulations and procedures, and efficient and effective use of resources. The methodology followed by HEINEKEN internal audit team complies with the standards of the Institute of Internal Auditors and other relevant governing bodies.

Risk Management continued

Financial reporting

The risk management and control system for financial reporting includes clear accounting policies, a standard chart of accounts and annual Letters of Representation signed by regional, functional and local management. The HEINEKEN common systems and embedded control frameworks are implemented in a large number of the operating companies, and support common accounting and regular financial reporting in standard forms. Testing of key controls relevant for financial reporting is part of the Financial Reporting and Compliance Audits in operating companies on common systems. The external audit activities provide additional assurance on the financial reporting. The external auditors also report on internal control issues through their management letters, and attend the regional and certain local assurance meetings.

Main risks

The risk overview highlights the main risks which could hinder HEINEKEN in achieving its financial and strategic objectives or could represent a threat to the business. This overview does not include all risks and uncertainties that may ultimately affect the Company: some risks currently deemed immaterial or unknown to it, could ultimately have an adverse impact on HEINEKEN's financial performance, reputation, business objectives, employees or assets. Timely discovery and accurate evaluation of such risks is at the core of HEINEKEN's risk management processes. The financial risks are dealt with separately in note 32 to the Financial Statements.

Risk description	What we are doing to manage the risk
Regulatory Changes related to Alcohol Alcohol remains under scrutiny in many markets and prompts regulators to take further restrictive measures including restrictions and/or bans on advertising and marketing, sponsorship, points of sale, and increased taxes leading to lower revenues and profit. Specific risks include: ▪ Increased restrictions on commercial freedoms ▪ Increased taxes and duties ▪ Increased restrictions in availability	▪ Placing of responsible consumption labels on HEINEKEN's products ▪ Continuous advocacy of responsible consumption of HEINEKEN products ▪ Co-operation with governments, NGOs and businesses to prevent abusive consumption ▪ Global commitments by alcohol producers to support reduction in abusive consumption
Customer relationships Maintaining strong relationships with our customers is key for brand positioning and availability to consumers. Consolidation among our customers may affect our ability to obtain pricing and favourable trade terms. Specific risks include: ▪ Inability to secure appropriate shelf space ▪ Limited ability to raise prices ▪ Increased cost of promotional activities	▪ Management of customer relationships at central level (multinational customers) as well as local level ▪ Development of joint business plans with distributors and key retailers ▪ Central commercial capabilities programme to enhance sales performance (Excellent Outlet Execution)
Changing consumer preferences Consumers' preferences and behaviours are evolving, shaping an increasingly complex and fragmented beer category. This requires HEINEKEN to constantly adapt its product offering, innovate and invest to maintain the relevance and strength of its brands. Specific risks include: ▪ Inability to further build our brands due to lack of consumer insight ▪ Loss of brand equity and market share of HEINEKEN brands	▪ Strengthened commercial organisation ▪ Central marketing academy ▪ Investments in consumer and market intelligence ▪ Strengthened innovation organisation to respond to industry changes ▪ Effective use of social media and consumer and marketing intelligence ▪ Investments in protecting brands, including the registration of trademarks, anti-counterfeit measures and domain names

Risk description	What we are doing to manage the risk
Management capabilities HEINEKEN relies on the skills of its people to lead its growth agenda and strategic change programmes. HEINEKEN may not be successful in attracting, developing and retaining talented staff with the required capabilities. Specific risks include: ▪ Shortage of skilled staff to fill current and future positions ▪ Lower than required quality of staff in key positions	▪ Strengthening of the management talent pipeline ▪ Deepening of appraisal and evaluation processes ▪ Broad range of management development programmes and initiatives ▪ Functional Succession Committees
Industry consolidation Further consolidation of the alcohol industry is expected. HEINEKEN might fail to participate in the right opportunities, overpay to acquire a business, or fail to successfully integrate acquired businesses.	▪ Improved cost efficiency by lifting end to end productivity ▪ Permanent market intelligence ensuring timely identification of promising acquisition targets ▪ Robust balance sheet providing access to liquidity when required ▪ Proven business integration capabilities
Safety, Health and Environment (SHE) HEINEKEN is committed to providing a safe workplace for all employees and contractors. Despite the controls in place, incidents and accidents may happen in the brewery, the supply chain and in HEINEKEN's route-to-market.	▪ Global safety programme to strengthen global standards, organisation, processes and competencies ▪ Training and development focus on safety leadership and safety behaviours ▪ Global reporting and deployment of accidents, incidents and near misses to drive continuous improvement ▪ Global compliance monitoring and gap closing
Non-compliance Due to changes in the legal and regulatory environment, HEINEKEN faces an increasing risk of non-compliance to local and global laws and regulations. Failure to comply with applicable regulations could lead to fines, claims and brand damage. Specific risks include: ▪ Non-compliance with Company Rules and Code of Business Conduct ▪ Non-compliance with competition law ▪ Non-compliance to local tax regulations ▪ Non-compliance with marketing and advertisement regulations, among others on under legal drinking age consumers	▪ Embedding of certain risk and control systems and processes aimed at compliance with all applicable laws and regulations ▪ Yearly assessment of compliance with HEINEKEN Company Rules and HEINEKEN Code of Business Conduct ▪ Global functions (such as legal and tax) to maintain the standards and procedures and develop relevant training

Risk Management continued

Risk description	What we are doing to manage the risk
Economic and political environment The current economic and political uncertainties could impact our business and that of our customers. This may lead to lower volumes, pressure on selling prices and increased credit risk and suppliers' insolvency. Specific risks include: ▪ Down trading ▪ Increased credit risk ▪ Increased taxes ▪ Insolvency of critical suppliers ▪ Impairment of goodwill related to acquisitions ▪ Adverse exchange rate fluctuations ▪ Pension plan shortfalls due to the development of the financial markets	▪ Additional monitoring and mitigating actions related to customers' solvency ▪ Implementation of a Global Credit Policy ▪ Supplier selection process ▪ Developing contingency plans ▪ Taking prudent balance sheet measures ▪ Strengthening of short-term liquidity positions ▪ Training country general managers in Public Affairs
Execution and change management In the last years, HEINEKEN has engaged in several significant business improvement projects. These strategic transformation programmes may not deliver the expected benefits or may incur significant cost or time overruns. Specific risks include: ▪ Lower than expected benefits ▪ Ineffective or inefficient programme execution affecting supply chain, wholesale business, support functions, quality standards, business plans and synergies	▪ Selection and prioritisation of business improvement projects ▪ Involvement of top management in all major projects ▪ Planning of projects and monitoring of third party providers, project costs and benefits ▪ Improved project governance organisation including project management and progress reporting
Supply chain Disruptions in the supply chain could lead to HEINEKEN's inability to deliver key products to key customers, revenue loss and brand damage. Changes in the availability or price of raw materials, commodities, energy and water may result in a shortage of those resources or increased costs. Specific risks include: ▪ Failure of IT systems ▪ Factors beyond our control such as natural disasters, political instability, military conflicts ▪ Epidemic disease ▪ Limited availability of production materials or resources ▪ Failure to pass on cost increases ▪ Business disruption	▪ Business continuity plans ▪ Implementation of back-up scenarios ▪ Monitoring of the solvency of customers and suppliers ▪ Supplier performance measurement system to monitor high risk supply areas and, where necessary, the ability to intervene ▪ Global insurance policies ▪ Leveraging scale by making use of flexibility in contracts ▪ Long-term contracts and active hedging policy ▪ Ownership of several strategic malteries and packaging facilities ▪ Implementation of a Global Purchasing organisation ▪ Policy to ensure at least dual suppliers for all primary production materials ▪ Increased focus on sustainable water sourcing and water protection

Risk description	What we are doing to manage the risk
Product safety and integrity HEINEKEN is committed to achieving the highest standards for integrity and safety of its products. Poor quality of any of its products may result in health hazards, reputational damage, lower volumes and financial liabilities. Specific risks include: ▪ Accidental or malicious contamination ▪ Insufficient quality of products ▪ Cost of recalls	▪ Global production standards and governance, product Quality Assurance ▪ Recall and crisis procedures ▪ Global production material standards and governance ▪ Global and local supplier governance, including periodic suppliers review ▪ Company-wide sustainability programme, supported by EcoVadis self-assessment tool covering suppliers risk, production material risk and country risk
Information security HEINEKEN's business relies heavily on its IT infrastructure. Failure of its IT system or a breach in the security infrastructure may lead to business disruption, loss of confidential information, financial and reputational damage. Specific risks include: ▪ Disruption of processes outsourced to shared service centres ▪ Unauthorised access ▪ Cyber crime ▪ Security breaches ▪ Reliability of key IT suppliers	▪ Strengthened information security policy ▪ Implementation and testing of continuity measures with our outsourcing partners ▪ Implementation of measures to secure confidentiality and integrity of data ▪ Back-up of core operating data with separate contingency systems ▪ Increased centralisation of IT systems allowing central enforcement of security measures ▪ Information Security Crisis Manual and Threat Level Management Standard
Social media Having a strong online presence and developing the opportunities offered by social media involves new challenges and risks. HEINEKEN may not be able to control information or respond in a timely manner to threats to the Company's reputation, causing brand damage and declining consumer loyalty. ▪ Accidental or wilful propagation of negative messages related to HEINEKEN or any of its brands ▪ Misuse of the HEINEKEN identity, leading to publication of incorrect, damaging or inappropriate content ▪ Ineffective monitoring of active discussions or delayed response to consumer remarks and questions	▪ Annual training on Responsible Digital Communication ▪ Social Media Program (Masterclass, Workshop and 100-day Follow Up) for Local, Regional and Global Marketing Teams ▪ Coach Marketing Teams on Social Media Crisis Management and social listening ▪ Monitoring social media platforms by various departments (Marketing, Corporate Relations, Legal Affairs) and monitoring response systems

Financial Review

Results from operating activities

In millions of EUR	2014	2013
Revenue	**19,257**	19,203
Other income	**93**	226
Raw materials, consumables and services	(12,053)	(12,186)
Personnel expenses	(3,080)	(3,108)
Amortisation, depreciation and impairments	(1,437)	(1,581)
Total expenses	**(16,570)**	(16,875)
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

Consolidation impact

The main consolidation changes impacting 2014 are:

- The divestment of Oy Hartwall Ab in Finland, a wholly owned subsidiary, on 23 August 2013.
- The divestment of Pago International, a wholly owned subsidiary, on 15 February 2013.
- The acquisition of the indirect shareholding of Coca-Cola HBC in Zagorka AD, the Bulgarian brewer, which increased HEINEKEN's ownership to a controlling stake of 98.86 per cent. The transaction completed on 27 October 2014.
- The divestiture of an 80 per cent shareholding of Brasserie Lorraine in Martinique on 10 September 2014. HEINEKEN retains a 20 per cent shareholding in the business.

Revenue

Revenue grew 0.3 per cent to EUR19,257 million, reflecting a 1.1 per cent negative net consolidation impact (EUR214 million), mostly attributable to the divestment of Hartwall in Finland and Pago in Austria in 2013. Unfavourable foreign currency movements drove a EUR315 million decrease in revenues (or -1.6 per cent), largely driven by the depreciation of the Mexican Pesos, Indonesian Rupiah, Russian Rouble, Papua New Guinean Kina and Brazilian Real. An organic revenue increase of 3 per cent is made up of a total consolidated volume growth of 1.8 per cent and a 1.2 per cent increase in revenue per hectolitre (net of a flat country mix effect).

Total expenses (beia)

Total expenses (beia) were EUR16,128 million, increased 2 per cent organically. Input costs increased organically by 1.8 per cent and were 0.2 per cent lower on a per hectolitre basis. Energy and water costs were stable at organic level. Marketing and selling expenses (beia) increased organically 3.5 per cent to EUR2,447 million, representing 12.7 per cent of revenues (2013: 12.6 per cent).

HEINEKEN announced with H1 results that the TCM 2 cost savings program had completed ahead of schedule and delivered above the original target (EUR637 million compared to target EUR625 million). The company continues to realise further ongoing productivity improvements across the global supply chain function, as well as focusing on rightsizing and restructuring initiatives to optimise the cost structure.

Global Business Services continues to leverage global scale and deliver cost savings. HEINEKEN Global Procurement (HGP) is delivering considerable cost benefits through the central negotiation and purchasing of both product and non-product related spend areas. Similarly, the transition of the transactional finance activity to HEINEKEN Global Shared Services (HGSS) supports primarily cost efficiencies. At the end of 2014, 22 European operating companies had successfully completed the transition to HGSS. HEINEKEN is currently expanding the scope of activities carried out by HGSS, primarily related to order to cash and standard reporting activities. All operating companies in Europe will have transitioned these further activities to HGSS by the end of 2015.

At the end of 2014 upfront cumulative GBS costs incurred were EUR203 million, in line with budget, of which EUR160 million was recognised as an operating expense and EUR43 million capitalised.

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 our PHEI in Zagorka of EUR51 million.

Operating profit (beia)

Operating profit (beia) grew by 6.4 per cent to EUR3,129 million. Strong organic growth at 8.7 per cent was partially offset by a negative consolidation impact of EUR19 million (or 0.6 per cent negative) and an unfavourable foreign currency translational effect of EUR49 million (or 1.7 per cent negative). Organic growth was supported by higher revenue and benefitted from continued costs savings programs.

Share of net profit of associates and joint ventures

Share of net profit of associates and joint ventures (beia) decreased 7.3 per cent (of which 6.2 per cent organically) from EUR150 million to EUR139 million, mainly reflecting a lower contribution from joint ventures in South America and South Africa, which were only partially offset by higher profits in India and in Germany.

Results (beia)

In millions of EUR	2014	2013
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 the Company (net profit)	**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

Financial Review continued

EBIT (beia) and net profit (beia)

In millions of EUR	EBIT beia	Net profit beia
2013	3,091	1,585
Organic growth	246	218
Changes in consolidation	(16)	(13)
Effects of movement in exchange rates	(53)	(32)
2014	3,268	1,758

EBIT to profit

In millions of EUR	2014	2013
EBIT	2,928	2,700
Net interest expenses	(409)	(532)
Other net finance income/(expenses)	(79)	(61)
Profit before income tax	2,440	2,107
Income tax expenses	(732)	(520)
Profit	1,708	1,587

Net finance expenses (beia)

Net interest expenses (beia) decreased by EUR123 million, reflecting a lower average effective interest rate on outstanding debts. The average interest rate in 2014 was 3.7 per cent, compared with 4.4 per cent in 2013.

Other net finance expenses (beia) amounted to EUR80 million, primarily due to the interest expense on the net pension liability being presented in other net finance income/(expenses). Other net finance expenses increased by EUR8 million, with the organic increase partially offset by the impact of favourable foreign currency translational movements.

Income tax expense (beia)

The effective tax rate (beia) was 29.7 per cent (2013: 28.7 per cent). Under IFRS, HEINEKEN is required to provide for withholding taxes that will be incurred upon future dividends received from our foreign investments. The annual contribution to the provision has structurally increased due to expected higher dividends payments from certain investments, explaining the increase of the effective tax rate (beia).

Earnings per share diluted

Earnings per share – diluted increased to EUR2.63 (2013: EUR2.37). Earnings per share – diluted (beia) increased by 10.9 per cent from EUR2.75 to EUR3.05.

EBIT to EBITDA (beia)

In millions of EUR	2014	2013
EBIT	2,928	2,700
Depreciation and impairments of plant, property and equipment	1,088	1,089
Amortisation and impairment of intangible assets	349	492
EBITDA	4,365	4,281
Exceptional items	5	(67)
EBITDA (beia)	4,370	4,214

Cash flow

In millions of EUR	2014	2013
Cash flow from operations before changes in working capital and provisions	**4,279**	3,990
Total change in working capital	27	51
Change in provisions and employee benefits	(166)	(58)
Cash flow from operations	**4,140**	3,983
Cash flow related to interest, dividend and income tax	(1,082)	(1,069)
Cash flow from operating activities	**3,058**	2,914
Cash flow (used in)/from operational investing activities	(1,484)	(1,396)
Free operating cash flow	**1,574**	1,518
Cash flow (used in)/from acquisitions and disposals	(189)	555
Cash flow (used in)/from financing activities	(2,453)	(1,752)
Net cash flow	**(1,068)**	321
Cash conversion ratio	**79%**	84%

Capital expenditure and cash flow

Capital expenditure related to property, plant and equipment increased to EUR1,494 million in 2014 (2013: EUR1,369 million) representing 7.8 per cent of revenue (2013: 7.1 per cent). This primarily reflected capacity expansion in several markets, including Vietnam, and a greenfield in Ethiopia as well as a soft drinks plant in Indonesia.

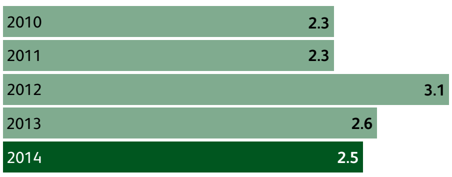
Free operating cash flow increased to EUR1,574 million (from EUR1,518 million) primarily due to higher cash flow from operations only partly offset by higher capex and a reduced benefit from working capital.

Financial structure

In millions of EUR	2014	%	2013	%
Total equity	13,452	39	12,356	37
Deferred tax liabilities	1,503	4	1,444	4
Employee benefits	1,443	4	1,202	4
Provisions	563	2	538	2
Interest-bearing loans and borrowings	11,757	34	12,170	36
Other liabilities	6,112	17	5,627	17
Total equity and liabilities	**34,830**	**100**	33,337	100

Total equity
as a percentage of total assets

Net debt/EBITDA (beia) ratio



Financing and liquidity

Equity attributable to equity holders of the Company increased by EUR1,007 million to EUR12,409 million, mainly driven by net profit of EUR1,516 million being partly offset by dividends paid of EUR512 million.

Financial Review continued

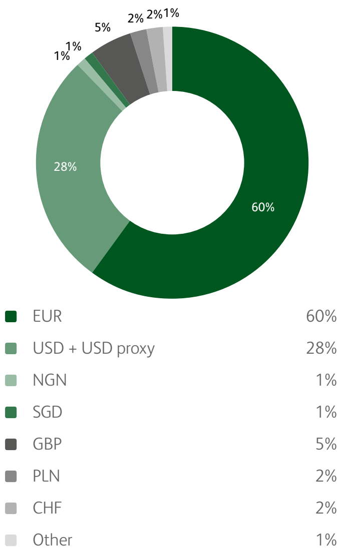
Total gross debt amounts to EUR11,757 million (from EUR12,170 million at 31 December 2013). Net debt increased to EUR11,076 million (from EUR10,868 million at 31 December 2013). Free operating cash flow of EUR1,574 million (versus EUR1,518 million in 2013) exceeded dividends paid and outflow from acquisitions, but net debt expressed in Euros increased due to the strong appreciation of the U.S. dollar in the second half of 2014 as 29 per cent of net debt is U.S. dollar-related.

Currency split of net debt

This currency breakdown includes the effect of derivatives, which are used to hedge intercompany lending denominated in currencies other than Euro. Of total net interest-bearing debt, approximately 60 per cent is denominated in Euro and 29 per cent is US dollar-related. This is including the effect of cross-currency interest rate swaps on some of the non-Euro denominated debt. The fair value of these swaps does not form part of net debt.

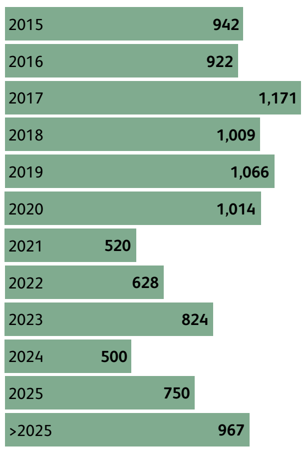
Heineken N.V. has solid investment grade credit ratings assigned by Moody's Investor Service and Standard & Poor's. Both long-term credit ratings, Baa1 and BBB+ respectively, have 'stable' outlooks as at the date of this Annual Report.

Currency split of net debt



Obligatory debt repayments

in millions of EUR



On 30 January 2014, HEINEKEN privately placed 15.5 year Notes for an amount of EUR200 million with a coupon of 3.50 per cent. On 28 March 2014, HEINEKEN privately placed 5.5 year Notes for an amount of USD200 million with a floating rate coupon. Both Notes were issued under HEINEKEN's Euro Medium Term Note Programme. The proceeds of the Notes were used for general corporate purposes.

On 1 July 2014, HEINEKEN extended and amended its EUR2,000 million revolving credit facility maturing in May 2018. The facility has been increased to EUR2,500 million and is now set to mature in May 2019. The facility is committed by a group of 19 banks and has two further one-year extension options.

Financing ratios

HEINEKEN remains focused on cash flow generation and disciplined working capital management, with a commitment to a long-term target net debt/ EBITDA (beia) ratio of below 2.5. Despite the impact of the strong appreciation of the U.S. dollar a net debt/EBITDA (beia) of 2.5 was achieved at the end of 2014 (2013: 2.6). The anticipated proceeds of the EMPAQUE divestment will provide further flexibility.

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 us from conducting further significant debt financed acquisitions.

Profit appropriation

HEINEKEN 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. 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.

Corporate Governance Statement

Introduction

Heineken N.V. (the 'Company') is a public company with limited liability incorporated under the laws of the Netherlands. Its shares are listed on the Amsterdam Stock Exchange, Euronext Amsterdam.

The Company's management and supervision structure is organized in a so-called two-tier system, which consists of an Executive Board (made up of two executive directors) and a Supervisory Board (made up of 10 non-executive directors). The Supervisory Board supervises the Executive Board and ensures that external experience and knowledge are embedded in the Company's way of operating. These two Boards are independent of one another and accountable to the Annual General Meeting (AGM).

The Company is required to comply with, among other regulations, the Dutch Corporate Governance Code (as lastly amended on 10 December 2008) (the 'Code'). Deviations from the Code are explained in accordance with the Code's "comply or explain" principle.

In this report, the Company addresses its corporate governance structure and states to what extent it applies the best practice provisions of the Code, and explains which best practice provisions of the Code the Company does not apply, and why. This report also includes the information that the Company is required to disclose pursuant to the Dutch governmental decree on Article 10 Takeover Directive and the governmental decree on Corporate Governance. Substantial changes in the Company's corporate governance structure and in the Company's compliance with the Code, if any, will be submitted to the AGM for discussion under a separate agenda item.

Executive Board

General

The role of the Executive Board is to manage the Company, which means, among other things, that it is responsible for setting and achieving the operational and financial objectives of the Company, the design of the strategy to achieve the objectives, the parameters to be applied in relation to the strategy (for example, in respect of the financial ratios), the associated risk profile, the development of results and corporate social responsibility issues that are relevant to the Company. The Executive Board is accountable for this to the Supervisory Board and to the AGM. In discharging its role, the Executive Board shall be guided by the interests of all of the Company and its affiliated enterprises, taking into consideration the interests of the Company's stakeholders. The Executive Board is responsible for complying with all primary and secondary legislation, for managing the risks associated with the Company's activities and for financing the Company.

The Company has established five operating regions: Western Europe, Central and Eastern Europe, The Americas, Africa Middle East and Asia Pacific. Each region is headed by a Regional President. The two members of the Executive Board, the five Regional Presidents and five Chief Officers form the Executive Committee. The Executive Committee is responsible for the implementation of key priorities and strategies across the organization.

Executive Board members are appointed by the AGM from a non-binding nomination drawn up by the Supervisory Board. The Supervisory Board appoints one of the Executive Board members as Chairman/CEO. The AGM can dismiss members of the Executive Board by a majority of the votes cast, if the subject majority at least represents one-third of the issued capital.

In 2014, no (re)appointments to the Executive Board were proposed to the AGM. The Supervisory Board and Mr. René Hooft Graafland have mutually agreed that the end of his current mandate as member of the Executive Board will be the logical and natural moment of transition to the next generation of leadership. To that purpose an agreement has been reached on his resignation from the Executive Board as from 24 April 2015, and on the termination of his employment contract on 1 May 2015. Concurrently, the Supervisory Board has announced that it will nominate Mrs. Laurence Debroux for appointment to the Executive Board at the 2015 AGM.

Composition of the Executive Board

The Executive Board currently consists of two members, Chairman/CEO Jean-François (J.F.M.L.) van Boxmeer and CFO René (D.R.) Hooft Graafland. Information on these Executive Board members is provided below.

Jean-François (J.F.M.L.) van Boxmeer (1961)
Belgian nationality; male.
Initial appointment in 2001.
Reappointment: 2013*.
four-year term ends in 2017.
Chairman/CEO (since 2005).
No supervisory board seats (or non-executive board memberships) in Large Dutch Entities**.
Other positions***: Mondelēz International, USA; Henkel AG & Co., Germany; The Dutch Opera.

René (D.R.) Hooft Graafland (1955)
Dutch nationality; male.
Initial appointment in 2002.
Reappointment: 2011*.
four-year term ends in 2015.
CFO (since 2005).
Supervisory board seats (or non-executive board memberships) in Large Dutch Entities**: Wolters Kluwer N.V. and Koninklijke Ahold N.V. (as of 1 January 2015).
Other positions***: Royal Theatre Carré, Amsterdam (Chairman).

* For the maximum period of four years.
** Large Dutch Entities are Dutch N.V.s, B.V.s or Foundations (that are required to prepare annual accounts pursuant to Chapter 9 of Book 2 of the Dutch Civil Code or similar legislation) that meet two of the following criteria (on a consolidated basis) on two consecutive balance sheet dates:
(i) The value of the assets (according to the balance sheet with the explanatory notes and on the basis of acquisition and manufacturing costs) exceeds EUR 17.5 million;
(ii) The net turnover exceeds EUR 35 million;
(iii) The average number of employees is at least 250.
*** Under 'Other positions', other functions are mentioned that may be relevant to performance of the duties of the Executive Board.

Best practice provision II.1.1 of the Code recommends that an Executive Board member is appointed for a maximum period of four years and that a member may be reappointed for a term of not more than four years at a time. In compliance with this best practice provision, the Supervisory Board has drawn up a rotation schedule in order to avoid, as far as possible, a situation in which Executive Board members retire at the same time.

Members of the Executive Board are not allowed to hold more than two supervisory board memberships or non-executive directorships in a Large Dutch Entity or foreign equivalent. Acceptance of such external supervisory board memberships or non-executive directorships by members of the Executive Board is subject to approval by the Supervisory Board, which has delegated this authority to the Selection & Appointment Committee.

Pursuant to the Act on Management and Supervision (the Act), which came into force on 1 January 2013, executive boards of large Dutch public companies, such as Heineken N.V., are deemed to have a balanced composition if they consist of at least 30 per cent female and 30 per cent male members. If a board of management does not have such a balanced composition, it must explain this in its annual report. It must also set out how the company has tried to obtain a balanced composition, and how it will seek to achieve such a balanced composition in the future. The two current members of the Executive Board are male, and, formally, the composition of the Executive Board is not balanced within the meaning of the Act. The Supervisory Board has announced that it shall at the 2015 AGM nominate Mrs. Laurence Debroux for appointment as a member of the Executive Board, in succession to Mr. René Hooft Graafland. Subject to her appointment, the composition of the Executive Board will be deemed to be balanced (within the meaning of the Act) as of 24 April 2015.

Conflict of Interest

Dealing with (apparent) conflicts of interest between the Company and members of its Executive Board is governed by the Articles of Association of the Company (the 'Articles of Association') and the Code. A member of the Executive Board shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a personal conflict of interest with the Company. Decisions to enter into transactions under which members have conflicts of interest that are of material significance to the Company and/or the relevant member(s) of the Executive Board require the approval of the Supervisory Board. Any such decisions shall be published in the annual report for the relevant year, along with a reference to the conflict of interest and a declaration that the relevant best practice provisions of the Code have been complied with. In 2014, no transactions were reported under which a member of the Executive Board had a conflict of interest that was of material significance.

Corporate Governance Statement continued

Remuneration
In line with the remuneration policy adopted by the AGM, the remuneration of the members of the Executive Board is determined by the Supervisory Board, upon recommendation of the Remuneration Committee. The remuneration policy and the elements of the remuneration of the Executive Board members are set out in the Remuneration Report and notes 29 and 35 to the Financial Statements. The main elements of the employment agreements of the members of the Executive Board are available on our corporate website.

Risk Management and Control System for Financial Reporting
The risk management and control system for financial reporting includes clear accounting policies, a standard chart of accounts and annual Letters of Representation signed by regional, functional and local management. The HEINEKEN common systems and embedded control frameworks are implemented in a large number of the operating companies, and support common accounting and regular financial reporting in standard forms. Testing of key controls relevant for financial reporting is part of the Financial Reporting and Compliance Audits in operating companies on common systems. The external audit activities provide additional assurance on the financial reporting. The external auditor also reports on internal control issues through their management letters, and attend the regional and certain local assurance meetings.

Supervisory Board
General
The role of the Supervisory Board is to supervise the management of the Executive Board and the general affairs of the Company and its affiliated enterprises, as well as to assist the Executive Board by providing advice. In discharging its role, the Supervisory Board shall be guided by the interests of the Company and its affiliated enterprises and shall take into account the relevant interest of the Company's stakeholders.

The supervision of the Executive Board by the Supervisory Board includes the achievement of the Company's objectives, the corporate strategy and the risks inherent in the business activities, the design and effectiveness of the internal risk and control system, the financial reporting process, compliance with primary and secondary legislation, the Company-shareholder relationship and corporate social responsibility issues that are relevant to the Company. The Supervisory Board evaluates at least once a year the corporate strategy and main risks to the business, and the result of the assessment by the Executive Board of the design and effectiveness of the internal risk management and control system, as well as any significant changes thereto.

The division of duties within the Supervisory Board and the procedure of the Supervisory Board are laid down in the Regulations for the Supervisory Board, which are available on our corporate website.

The Supervisory Board members are appointed by the AGM from a non-binding nomination drawn up by the Supervisory Board. The AGM can dismiss members of the Supervisory Board by a majority of the votes cast, if the subject majority at least represents one-third of the issued capital.

In 2014, three reappointments and one appointment to the Supervisory Board were proposed to and approved by the AGM. For 2015, one reappointment to the Supervisory Board is currently scheduled to be proposed to the AGM.

Composition of the Supervisory Board
The Supervisory Board consists of 10 members: Mr. Hans Wijers (Chairman), Mr. José Antonio Fernández Carbajal (Vice-Chairman), Mr. Maarten Das, Mr. Michel de Carvalho, Mrs. Annemiek Fentener van Vlissingen, Mrs. Mary Minnick, Mr. Christophe Navarre, Mr. Javier Astaburuaga Sanjinés, Mr. Henk Scheffers and Mr. Jean Marc Huët.

Information on these Supervisory Board members is provided below.

Hans (G.J.) Wijers (1951)
Dutch nationality; male.
Appointed in 2012*; Chairman (as of 2013).
Profession: Company Director.
Supervisory board seats (or non-executive board memberships) in Large Dutch Entities**: AFC Ajax N.V.
Other positions***: Royal Dutch Shell plc (Deputy Chairman); GlaxoSmithKline plc; Natuurmonumenten (Chairman); HAL Holding N.V.; Concertgebouw N.V.

José Antonio (J.A.) Fernández Carbajal (1954)
Mexican nationality; male.
Appointed in 2010; reappointment in 2014*.
Vice-Chairman (as of 2010).
Profession: Executive Chairman Fomento Económico Mexicano S.A.B. de C.V. (FEMSA).
Supervisory board seats (or non-executive board memberships) in Large Dutch Entities**: Heineken Holding N.V.
Other positions***: Coca-Cola Femsa S.A.B. de C.V. (Chairman); Tecnológico de Monterrey (Chairman); Fundación Femsa (Chairman); participates on Boards of Industrias Peñoles and Grupo Televisa.

Maarten (M.) Das (1948)
Dutch nationality; male.
Appointed in 1994; latest reappointment in 2013*.
Delegated Member (1995).
Profession: Advocaat (Attorney at law).
Supervisory board seats (or non-executive board memberships) in Large Dutch Entities**: Heineken Holding N.V. (Chairman) and Groene Energie Administratie B.V. (Chairman).
Other positions***: L'Arche Green N.V. (Chairman); Stichting Administratiekantoor Priores; LAC B.V.; Greenfee B.V. (Chairman).

Michel (M.R.) de Carvalho (1944)
English nationality; male.
Appointed in 1996; latest reappointment in 2011*.
Profession: Banker, Investment Banking, Citi Inc., UK (Vice-Chairman) and Citi Private Bank Europe, Middle East and Africa (Chairman).
No supervisory board seats (or non-executive board memberships) in Large Dutch Entities**.
Other positions***: L'Arche Green N.V.

Annemiek (A.M.) Fentener van Vlissingen (1961)
Dutch nationality; female.
Appointed in 2006; latest reappointment in 2014*.
Profession: Company Director.
Supervisory board seats (or non-executive board memberships) in Large Dutch Entities**: SHV Holdings N.V. (Chairman); De Nederlandsche Bank N.V. (Vice-Chairman); University Medical Center Utrecht (UMC Utrecht).
Other positions***: Lhoist, Belgium.

Mary (M.E.) Minnick (1959)
American nationality; female.
Appointed in 2008; reappointment in 2012*.
Profession: Partner in Lion Capital LLP, UK.
No supervisory board seats (or non-executive board memberships) in Large Dutch Entities**.

Christophe (V.C.O.B.J.) Navarre (1958)
Belgian nationality; male.
Appointed in 2009; reappointment in 2013*.
Profession: Chairman & CEO Moët Hennessy, LVMH Wines & Spirits Brands.
No supervisory board seats (or non-executive board memberships) in Large Dutch Entities**.

Javier (J.G.) Astaburuaga Sanjinés (1959)
Mexican nationality; male.
Appointed in 2010; reappointment in 2014*.
Profession: Vice President Corporate Development Fomento Económico Mexicano S.A.B. de C.V. (FEMSA).
No supervisory board seats (or non-executive board memberships) in Large Dutch Entities**.

Hendrik (H.) Scheffers (1948)
Dutch nationality; male
Appointed in 2013*.
Profession: Company Director.
Supervisory board seats (or non-executive board memberships) in Large Dutch Entities**: Aalberts Industries N.V. (Chairman); Royal BAM Group N.V. (Vice-Chairman).

Jean Marc (R.J.M.S.) Huët (1969)
Dutch nationality; male.
Appointed in 2014*.
Profession: Chief Financial Officer and Executive Director of Unilever plc.
No supervisory board seats (or non-executive board memberships) in Large Dutch Entities**.
Other positions***: Delta Topco Limited.

* For the maximum period of four years.
** Large Dutch Entities are Dutch N.V.s, B.V.s or Foundations (that are required to prepare annual accounts pursuant to Chapter 9 of Book 2 of the Dutch Civil Code or similar legislation) that meet two of the following criteria (on a consolidated basis) on two consecutive balance sheet dates:
(i) The value of the assets (according to the balance sheet with the explanatory notes and on the basis of acquisition and manufacturing costs) exceeds EUR 17.5 million;
(ii) The net turnover exceeds EUR 35 million;
(iii) The average number of employees is at least 250.
*** Under 'Other positions', other functions are mentioned that may be relevant to performance of the duties of the Supervisory Board.

The Supervisory Board endorses the principle that the composition of the Supervisory Board is such that the members are able to act critically and independently of one another and of the Executive Board. Each Supervisory Board member is capable of assessing the broad outline of the overall strategy of the Company and its businesses and carrying out its duties properly.

The majority of the Supervisory Board consists of 'independent' members within the meaning of best practice provision III.2.2 of the Code. Four of its members (i.e. Messrs. de Carvalho, Das, Fernández Carbajal and Astaburuaga Sanjinés) do not meet the applicable criteria for being 'independent'. In this respect, it is relevant to note that the appointment of Messrs. Fernández Carbajal and Astaburuaga Sanjinés is based on the contractual arrangements concluded between (among others) the Company and FEMSA in connection with the acquisition by the Company of FEMSA's beer activities in 2010; these arrangements were approved by the AGM on 22 April 2010.

Best practice provision III.3.5 of the Code provides that a person may be appointed to the supervisory board for a maximum of three four-year terms. However, in the interest of preserving the core values and the structure of the Company, this maximum term will not be applied to members of the Supervisory Board who are related by blood or marriage to the late Mr. A.H. Heineken or to members who are also members of the Board of Directors of Heineken Holding N.V.

The Supervisory Board has drawn up a rotation schedule in order to avoid, as far as possible, a situation in which many Supervisory Board members retire at the same time. The rotation schedule is available on our corporate website.

Corporate Governance Statement continued

The Act on Management and Supervision stipulates that supervisory boards of large Dutch public companies, such as Heineken N.V., are deemed to have a balanced composition if they consist of at least 30 per cent female and 30 per cent male members. The Supervisory Board will take the balanced composition requirements into account when nominating and selecting new candidates for the Supervisory Board. However, the Supervisory Board is of the opinion that gender is only one element of diversity, and that experience, background, knowledge, skills and insight are equally important and relevant criteria in selecting new members.

Profile

The Supervisory Board has prepared a profile of its size and composition, taking account of the nature of the business, its activities and the desired expertise and background of the Supervisory Board members. The profile deals with the aspects of diversity in the composition of the Supervisory Board that are relevant to the Company and states what specific objective is pursued by the Supervisory Board in relation to diversity. At least one member of the Supervisory Board shall be a financial expert with relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities. The composition of the Supervisory Board shall be such that it is able to carry out its duties properly. The profile is available on our corporate website.

Regulations of the Supervisory Board

The tasks and responsibilities, as well as internal procedural matters for the Supervisory Board, are addressed in the Regulations of the Supervisory Board, and are available on our corporate website.

The Supervisory Board appoints from its members a Chairman (currently Mr. Hans Wijers). The Chairman of the Supervisory Board may not be a former member of the Executive Board. The Chairman of the Supervisory Board determines the agenda, chairs the meetings of the Supervisory Board, ensures the proper functioning of the Supervisory Board and its Committees, arranges for the adequate provision of information to its members and acts on behalf of the Supervisory Board as the main contact for the Executive Board and for shareholders regarding the functioning of the Executive Board and the Supervisory Board members. The Chairman also ensures the orderly and efficient conduct of the AGM.

The Chairman of the Supervisory Board is assisted in his role by the Company Secretary. All members of the Supervisory Board have access to the advice and services of the Company Secretary. The Company Secretary is responsible for ensuring that procedures are followed and that the Supervisory Board acts in accordance with its statutory obligations as well as its obligations under the Articles of Association.

The Supervisory Board appoints from its members a Vice-Chairman (currently Mr. José Antonio Fernández Carbajal). The Vice-Chairman of the Supervisory Board acts as deputy for the Chairman. The Vice-Chairman acts as contact for individual Supervisory Board members and Executive Board members concerning the functioning of the Chairman of the Supervisory Board.

The Supervisory Board can only adopt resolutions in a meeting if the majority of its members is present or represented at that meeting. In such meetings, resolutions must be adopted by absolute majority of the votes cast. In addition, approval of a resolution by the Supervisory Board, as referred to in Article 8, section 6 under a, b and c of the Articles of Association, requires the affirmative vote of the delegated member.

Induction and training

After appointment to the Supervisory Board, members receive an induction programme, drawn up by the Company in consultation with the Chairman of the Supervisory Board. The programme includes a general information package in respect of the Company and its corporate governance, as well as meetings with members of the Executive Committee and other senior management leaders, and a tour of our brewery in Zoeterwoude, the Netherlands. Furthermore, the Executive Board provides regular updates to the Supervisory Board on the Company's operations, legal matters, corporate governance, accounting and compliance.

Conflict of Interest

The Articles of Association and the Regulations of the Supervisory Board prescribe how to deal with (apparent) conflicts of interest between the Company and members of the Supervisory Board. A member of the Supervisory Board shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a personal conflict of interest with the Company. Decisions to enter into transactions under which Supervisory Board members have conflicts of interest that are of material significance to the Company and/or the relevant member(s) of the Supervisory Board require the approval of the Supervisory Board. Any such decisions shall be published in the annual report for the relevant year, along with a reference to the conflict of interest and a declaration that the relevant best practice provisions of the Code have been complied with. Note 35 of the 2014 Financial Statements sets out related party transactions in 2014.

Remuneration

Supervisory Board members receive a fixed annual remuneration fee, as determined by the AGM. More information on the remuneration of Supervisory Board members can be found in note 35 to the 2014 Financial Statements.

Resolutions subject to Supervisory Board approval
Certain resolutions of the Executive Board are subject to the approval of the Supervisory Board. Examples are resolutions concerning the operational and financial objectives of the Company, the strategy designed to achieve the objectives, the parameters to be applied in relation to the strategy (for example, in respect of the financial ratios) and corporate social responsibility issues that are relevant to the Company. Also, decisions to enter into transactions under which Executive Board or Supervisory Board members would have conflicts of interest that are of material significance to the Company and/or to the relevant Executive Board member/Supervisory Board member require the approval of the Supervisory Board. Further reference is made to Article 8 paragraph 6 of the Articles of Association, which contains a list of resolutions of the Executive Board that require Supervisory Board approval.

Delegated Member
The AGM may appoint one of the Supervisory Board members as Delegated Member. Mr. Maarten Das currently acts as the Delegated Member. The delegation to the Delegated Member does not extend beyond the duties of the Supervisory Board and does not comprise the management of the Company. It intends to effect a more intensive supervision and advice and more regular consultation with the Executive Board. The Delegated Member has a veto right concerning resolutions of the Supervisory Board to approve the resolutions of the Executive Board referred to in Article 8 paragraph 6 under a, b and c of the Articles of Association of the Company.

The role of Delegated Member is consistent with best practice provision III.6.6 of the Code, except insofar that the delegation is not temporary but is held for the term for which the member concerned is appointed by the AGM. The Company is of the opinion that the position of Delegated Member, which has been in existence since 1952, befits the structure of the Company.

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

The function of these committees is to prepare the decision-making of the Supervisory Board. The Supervisory Board has drawn up regulations for each committee, which indicate the role and responsibility of the committee concerned, its composition and the manner in which it discharges its duties. The regulations of the Audit Committee, Remuneration Committee and Selection & Appointment Committee provide that at least two of its respective members are 'independent' (within the meaning of best practice provision III.2.2 of the Code), whereas the regulations of the Americas Committee and Preparatory Committee do not stipulate a minimum number of 'independent' members. These regulations are available on our corporate website.

The Report of the Supervisory Board states the composition of the committees, the number of committee meetings and the main items discussed.

Preparatory Committee
The Preparatory Committee prepares decision-making of the Supervisory Board on matters not already handled by any of the other committees, such as in relation to acquisitions and investments.

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

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

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

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

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

Remuneration Committee
The Remuneration Committee may not be chaired by the Chairman of the Supervisory Board or by a former member of the Executive Board or by a Supervisory Board member who is a member of the management board of another listed company. However, given the structure of the Heineken Group and the character of the Board of Directors of Heineken Holding N.V., the regulations of the Remuneration Committee permit that the Remuneration Committee is chaired by a Supervisory Board member who is a member of the Board of Directors of Heineken Holding N.V. The current Chairman of the Remuneration Committee, Mr. Maarten Das, is a Non-Executive Director (and Chairman) of Heineken Holding N.V.

Corporate Governance Statement continued

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

Selection & Appointment Committee

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

Americas Committee

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

General Meeting of Shareholders

Annually, within six months after the end of the financial year, the AGM shall be held, in which, inter alia, the following items shall be brought forward: (i) the discussion of the Annual Report, (ii) the discussion and adoption of the financial statements, (iii) discharge of the members of the Executive Board for their management, (iv) discharge of the members of the Supervisory Board for their supervision on the management and (v) appropriation of profits. The AGM shall be held in Amsterdam.

Convocation

Pursuant to the law, the Executive Board or the Supervisory Board shall convene the AGM with a convocation period of at least 42 days (excluding the date of the meeting, but including the convocation date).

The Executive Board and the Supervisory Board are obliged to convene an AGM upon request of shareholders individually or collectively owning 25 per cent of the shares. Such meeting shall then be held within eight weeks from the request and shall deal with the subjects as stated by those who wish to hold the meeting.

Right to include items on the agenda

If the Executive Board has been requested in writing not later than 60 days prior to the date of the AGM to deal with an item by one or more shareholders who solely or jointly (i) represent at least 1 per cent of the issued capital or (ii) at least represent a value of EUR 50 million, then the item will be included in the convocation or announced in a similar way. A request of a shareholder for an item to be included on the agenda of the AGM needs to be substantiated. The principles of reasonableness and fairness may allow the Executive Board to refuse the request.

The Code provides the following in best practice provision IV.4.4: "A shareholder shall exercise the right of putting an item on the agenda only after he consulted the executive 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 Executive or Supervisory Board members, the Executive 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 pursuant to Article 2:110 of the Dutch Civil Code. The shareholder shall respect the response time stipulated by the Executive Board within the meaning of best practice provision II.1.9."

If the Executive Board invokes a response time, such period shall not exceed 180 days from the moment the Executive Board is informed by one or more shareholders of their intention to put an item on the agenda to the day of the general meeting at which the item is to be dealt with. The Executive Board shall use the response time for further deliberation and constructive consultation. This shall be monitored by the Supervisory Board. The response time shall be invoked only once for any given general meeting and shall not apply to an item in respect of which the response time has been previously invoked.

Record date

For each AGM, the Company shall determine a record date for the exercise of the voting rights and participation in the meeting. The record date shall be the 28th day prior to the date of the meeting. The record date shall be included in the convocation notice, as well as the manner in which those entitled to attend and/or vote in the meeting can be registered and the manner in which they may exercise their rights.

Only persons who are shareholders on the record date may participate and vote in the AGM.

Participation in person, by proxy or through electronic communication

Each shareholder is entitled, either personally or by proxy authorised in writing, to attend the AGM, to address the meeting and to exercise his or her voting rights.

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

If a shareholder wants to exercise his or her rights by proxy authorised in writing, the written power of attorney must be received by the Company no later than on the date indicated for that purpose in the convocation notice. Through its corporate website, the Company generally facilitates that shareholders can give electronic voting instructions.

Attendance list

Each person entitled to vote or otherwise entitled to attend a meeting or such person's representative shall have to sign the attendance list, stating the number of shares and votes represented by such person.

Chairman of the AGM

The AGM shall be presided over by the Chairman or the Vice-Chairman of the Supervisory Board, or in his absence, by one of the Supervisory Board members present at the meeting, to be designated by them in mutual consultation. If no members of the Supervisory Board are present, the meeting shall appoint its own chairman.

Voting

All resolutions of the AGM shall be adopted by an absolute majority of the votes cast, except for those cases in which the law or the Articles of Association prescribe a larger majority.

Each share confers the right to one vote. Blank votes shall be considered as not having been cast.

The Executive Board may determine in the convocation notice that any vote cast prior to the AGM by means of electronic communication shall be deemed to be a vote cast in the AGM. Such a vote may not be cast prior to the record date. A shareholder who has cast his or her vote prior to the AGM by means of electronic communication remains entitled, whether or not represented by a holder of a written power of attorney, to participate in the AGM.

Minutes

The proceedings in the AGM shall be recorded in minutes taken by a secretary to be designated by the chairman of the meeting, which minutes shall be signed by the chairman of the meeting and the secretary. If, in deviation of the above, a notarial record of the proceedings of the AGM is drawn up, the chairman of the meeting shall countersign the notarial record. Upon request, the record of the proceedings of the AGM shall be submitted to shareholders ultimately within three months after the conclusion of the meeting.

Resolutions to be adopted by the AGM

The AGM has authority to adopt resolutions concerning, inter alia, the following matters:

- Issue of shares by the Company or rights on shares (and to authorise the Executive Board to resolve that the Company issues shares or rights on shares)
- Authorisation of the Executive Board to resolve that the Company acquires its own shares
- Cancellation of shares and reduction of share capital
- Appointment of Executive Board members
- The remuneration policy for Executive Board members
- Suspension and dismissal of Executive Board members
- Appointment of Supervisory Board members
- The remuneration of Supervisory Board members
- Suspension and dismissal of Supervisory Board members
- Appointment of the Delegated Member of the Supervisory Board
- Adoption of the financial statements
- Granting discharge to Executive and Supervisory Board members
- The profit reservation and distribution policy
- Dividend distributions
- A substantial change in the corporate governance structure
- Appointment of the external auditor
- Amendment of the Articles of Association, and
- Liquidation.

Resolutions on a major change in the identity or character of the Company or enterprise shall be subject to the approval of the AGM. This would at least include (a) the transfer of the enterprise or the transfer of practically the entire enterprise of the Company to a third party, (b) the entering into or the termination of a lasting co-operation of the Company or a subsidiary with another legal entity or company or a fully liable partner in a limited partnership or general partnership, if such co-operation or termination is of fundamental importance to the Company and (c) acquiring or disposing of a participation in the capital of a company by the Company or a subsidiary amounting to at least one-third of the amount of assets according to the Company's consolidated balance sheet plus explanatory notes as laid down in the last adopted financial statements of the Company.

Decree Article 10 Take-Over Directive

Shares

The issued share capital of the Company amounts to EUR 921,604,180.80, consisting of 576,002,613 shares of EUR 1.60 each. Each share carries one vote. The shares are listed on Euronext Amsterdam.

All shares carry equal rights and are freely transferable (unless provided otherwise below).

Shares repurchased by the Company for the share-based long-term variable (LTV) awards or for any other purpose do not carry any voting rights and dividend rights.

Shareholders who hold shares on a predetermined record date are entitled to attend and vote at the AGM. The record date for the AGM of 23 April 2015 is 28 days before the AGM, i.e. on 26 March 2015.

Corporate Governance Statement continued

Substantial shareholdings

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

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

Voting Trust (FEMSA) (indirectly 10.14 per cent; the direct 10.14 per cent shareholder is CB Equity LLP); as at 31 December 2014, Voting Trust (FEMSA)'s indirect shareholding in the Company (through CB Equity LLP) stands at 12.53 per cent.

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)).

Restrictions related to shares held by FEMSA

Upon completion (on 30 April 2010) of the acquisition of the beer operations of Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA), CB Equity LLP (belonging to the FEMSA group) received Heineken N.V. shares (and Heineken Holding N.V. shares). Pursuant to the Corporate Governance Agreement of 30 April 2010 concluded between the Company, Heineken Holding N.V., L'Arche Green N.V., FEMSA and CB Equity LLP the following applies:

- Subject to certain exceptions, FEMSA, CB Equity LLP, and any member of the FEMSA group shall not increase its shareholding in Heineken Holding N.V. above 20 per cent and shall not increase its holding in the Heineken Group above a maximum of 20 per cent economic interest (such capped percentages referred to as the 'Voting Ownership Cap').
- Subject to certain exceptions, FEMSA, CB Equity LLP and any member of the FEMSA group may not exercise any voting rights in respect of any shares beneficially owned by it, if and to the extent that such shares are in excess of the applicable Voting Ownership Cap.
- FEMSA, CB Equity and any member of the FEMSA group may not sell any shares in the Company (and in Heineken Holding N.V.) for a five-year period, subject to certain exceptions, including among others, (i) beginning in year three, the right to sell up to 1 per cent of all outstanding shares of each of the Company and Heineken Holding N.V. in any calendar quarter and (ii) beginning in year three, the right to sell any Company shares and/or any Heineken Holding N.V. shares in any private block sale outside the facilities of a stock exchange so long as Heineken Holding N.V. (as to Heineken N.V. shares) or L'Arche Green N.V. (as to Heineken Holding N.V. shares), as the case may be, is given first the opportunity to acquire such shares at the market price thereof.
- Unless FEMSA's economic interest in the Heineken Group were to fall below 14 per cent, the current FEMSA control structure were to change or FEMSA were to be subject to a change of control, FEMSA is entitled to have two representatives on the Company's Supervisory Board, one of whom will be Vice-Chairman, who also serves as the FEMSA representative on the Board of Directors of Heineken Holding N.V.

Share plans

There is a share-based LTV award for both the Executive Board members and senior management. Eligibility for participation in the LTV by senior management is based on objective criteria.

Each year, performance shares are awarded to the participants. Depending on the fulfilment of certain predetermined performance conditions during a three-year performance period, the performance shares will vest and the participants will receive Heineken N.V. shares.

Shares received by Executive Board members upon vesting under the Long-Term Variable Award are subject to a holding period of five years as from the date of award of the respective performance shares, which is approximately two years from the vesting date.

Under the short-term variable pay (STV) for the Executive Board, the Executive Board members are entitled to receive a cash bonus subject to the fulfilment of predetermined performance conditions. The Executive Board members are obliged to invest at least 25 per cent of their STV payout in Heineken N.V. shares (investment shares) to be delivered by the Company; the maximum they can invest in Heineken N.V. shares is 50 per cent of their STV payout (at their discretion).

The investment shares (which are acquired by the Executive Board members in the year after the year over which the STV payout is calculated) are subject to a holding period of five years as from 1 January of the year in which the investment shares are acquired. Executive Board members are entitled to receive one additional Heineken N.V. share (a matching share) for each investment share held by them at the end of the respective holding period. The entitlement to receive matching shares shall lapse upon the termination by the Company of the employment agreement for an urgent reason ('dringende reden') within the meaning of the law or in case of dismissal for cause ('ontslag met gegronde redenen') whereby the cause for dismissal concerns unsatisfactory functioning of the Executive Board member.

In exceptional situations, extraordinary share entitlements may be awarded by the Executive Board to employees. These share entitlements are usually non-performance-related and the employees involved are usually entitled to receive Heineken N.V. shares after the expiry of a period of time.

The shares required for the LTV, the STV and the extraordinary share entitlements will be acquired by the Company on the basis of an authorization granted by the AGM and subject to approval of the Supervisory Board of the Company.

Change of control

There are no important agreements to which the Company is a party and that will automatically come into force, be amended or be terminated under the condition of a change of control over the Company as a result of a public offer.

However, the contractual conditions of most of the Company's important financing agreements and notes issued (potentially) entitle the banks and noteholders respectively to claim early repayment of the amounts borrowed by the Company in the situation of a change of control over the Company (as defined in the respective agreement).

Also, some of HEINEKEN's important joint venture agreements provide that in case of a change of control over HEINEKEN (as defined in the respective agreement), the other party to such agreement may exercise its right to purchase HEINEKEN's shares in the joint venture, as a result of which the respective joint venture agreement will terminate.

Compensation rights on termination of employment agreements

There are no agreements of the Company with Executive Board members that specifically entitle them to any compensation rights upon termination of their employment after completion of a public offer for Heineken N.V. shares.

If the Company gives notice of termination of the employment agreement for a reason which is not an urgent reason ('dringende reden') within the meaning of the law, the Company shall pay severance compensation to the Executive Board member on expiry of the employment agreement. This severance compensation shall be set on the basis of the notion of reasonableness taking into account all the circumstances of the matter, including whether the Executive Board member shall be bound by a non-competition obligation and whether any allowance is paid by the Company in relation to this non-competition obligation. In case of dismissal for cause ('ontslag met gegronde reden') whereby the cause for dismissal concerns unsatisfactory functioning of the Executive Board member, the severance compensation cannot exceed one year's base salary, including holiday allowance.

Appointment and dismissal of Supervisory and Executive Board members

Members of the Supervisory Board and the Executive Board are appointed by the AGM on the basis of a non-binding nomination by the Supervisory Board.

The AGM can dismiss members of the Supervisory Board and the Executive Board by a majority of the votes cast, if the subject majority at least represents one-third of the issued capital.

Amendment of the Articles of Association

The Articles of Association can be amended by resolution of the AGM in which at least half of the issued capital is represented and exclusively either at the proposal of the Supervisory Board or at the proposal of the Executive Board that has been approved by the Supervisory Board, or at the proposal of one or more shareholders representing at least half of the issued capital.

Acquisition of own shares

On 24 April 2014, the AGM authorised the Executive Board (for the statutory maximum period of 18 months) to acquire own shares subject to the following conditions and with due observance of the law and the Articles of Association (which require the approval of the Supervisory Board):

a. The maximum number of shares which may be acquired is 10 per cent of the issued share capital of the Company.
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 Euronext Amsterdam on the date of the transaction or, in the absence of such a price, the latest price quoted therein.
c. Transactions may be executed on the stock exchange or otherwise.

The authorisation may be used in connection with the LTV for the members of the Executive Board and the LTV for senior management, but may also serve other purposes, such as other acquisitions. A new authorisation will be submitted for approval at the next AGM on 23 April 2015.

Issue of shares

On 24 April 2014, the AGM also authorised the Executive Board (for a period of 18 months) to issue shares or grant rights to subscribe for shares and to restrict or exclude shareholders' pre-emption rights, with due observance of the law and Articles of Association (which require the approval of the Supervisory Board). The authorisation is limited to 10 per cent of the Company's issued share capital, as per the date of issue. The authorisation may be used in connection with the LTV for the members of the Executive Board and the LTV for senior management, but may also serve other purposes, such as acquisitions. A new authorisation will be submitted for approval to the AGM at 23 April 2015.

Corporate Governance Statement continued

Compliance with the Code

On 10 December 2008, the current Code was introduced. The Code can be downloaded at www.commissiecorporategovernance.nl.

The Company has prepared a Comply or Explain report on the basis of the Code. The Comply or Explain report is available at www.theHEINEKENcompany.com/investors/governance/corporate-governance-code.

As stated in the Code (principle 'Compliance with and enforcement of the Code', paragraph I), there should be a basic recognition that corporate governance must be tailored to the company-specific situation and therefore that non-application of individual provisions by a company may be justified.

HEINEKEN in principle endorses the Code's principles and applies virtually all best practice provisions. However, given the structure of the HEINEKEN Group, and specifically the relationship between the Company and its controlling shareholder Heineken Holding N.V., the Company does not (fully) apply the following best practice provisions:

- III.2.1, III.2.3 and III.5.1: Number of independent Supervisory Board members;
- III.3.5: Maximum terms of appointment Supervisory Board members; and
- III.6.6: Temporary nature of appointing a delegated Supervisory Board member.

Furthermore, HEINEKEN does not fully apply best practice provision II.2.8 (severance payment Executive Board members) to the present members of the Executive Board (i.e. Messrs. Van Boxmeer and Hooft Graafland). In view of the long-standing employment relationship (over 25 years in service), the limitation of severance payment to one year's salary will only be applied in case of dismissal for cause.

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

- II.2.4, II.2.6 and II.2.7: HEINEKEN does not grant options on shares;
- III.4.1 (g): the Central Works Council operates at the level of Heineken Nederlands Beheer B.V., a subsidiary of HEINEKEN with its own Supervisory Board;
- III.8: HEINEKEN does not have a one-tier management structure;
- IV.1.2: HEINEKEN has no financing preference shares;
- IV.2: HEINEKEN has no depositary receipts of shares, nor a trust office;
- IV.3.11: HEINEKEN has no anti-takeover measures;
- IV.4: the principle and best practice provisions relate to shareholders; and
- V.3.3: HEINEKEN has an internal audit function.

Statement of the Executive Board

In accordance with best practice provision II.1.5 of the Code, we are of the opinion that, in respect of financial reporting risks, the internal risk management and control system, as described in the Risk Management section of this Annual Report 2014:

- provides a reasonable level of assurance that the financial reporting in this Annual Report 2014 does not contain any errors of material importance; and
- has worked properly during the year 2014.

It should be noted that the foregoing does not imply that this system and these procedures provide absolute assurance as to the realisation of operational and strategic business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliance with legislation, rules and regulations. For a detailed description of the risk management system and the principal risks identified, please refer to the Risk Management section.

In accordance with Article 5:25c paragraph 2 sub c of the Financial Markets 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 at 31 December 2014, and the results of our consolidated operations for the financial year 2014; and
- the Report of the Executive Board includes a fair review of the position at 31 December 2014 and the development and performance during the financial year 2014 of Heineken N.V. and the undertakings included in the consolidation taken as a whole, and describes the principal risks that Heineken N.V. faces.

This statement cannot be construed as a statement in accordance with the requirements of Section 404 of the US Sarbanes-Oxley Act, which Act is not applicable to Heineken N.V.

Executive Board

J.F.M.L. van Boxmeer
D.R. Hooft Graafland

Amsterdam, 10 February 2015

Report of the Supervisory Board

To the Shareholders

During the year under review, the Supervisory Board performed its duties in accordance with primary and secondary legislation and the Articles of Association of Heineken N.V. and supervised and advised the Executive Board on an ongoing basis.

Financial statements and profit appropriation

The Supervisory Board hereby submits to the shareholders the financial statements and the report of the Executive Board for the financial year 2014, as prepared by the Executive Board and approved by the Supervisory Board in its meeting of 10 February 2015. KPMG Accountants N.V. audited the financial statements. Its report can be found on page 140 in the Other information section.

The Supervisory Board recommends that shareholders, in accordance with the Articles of Association, adopt these financial statements. The Company has decided to widen the pay-out range of the dividend policy to 30-40 per cent of net profit before exceptional items and amortisation of acquisition-related intangible assets (net profit beia). The former pay-out range was 30-35 per cent of net profit beia. The Executive Board shall propose to appropriate a total dividend of EUR632 million for 2014. The proposed dividend amounts to EUR1.10 per share of EUR1.60 nominal value, representing a pay-out of 35.9 per cent of net profit beia, of which EUR0.36 was paid as an interim dividend on 2 September 2014. The Supervisory Board recommends that shareholders approve the proposed 2014 dividend pay-out.

Supervisory Board composition, independence and remuneration

Composition

The Annual General Meeting (AGM) on 24 April 2014 appointed Mr. Jean-Marc Huët as a member of the Supervisory Board for a period of four years. Mr. Jean-Marc Huët became a member of the Audit Committee. Mr. J.M. de Jong stepped down as member of the Supervisory Board after the AGM on 24 April 2014. Mrs. Annemiek Fentener van Vlissingen and Messrs. J.A. Fernández Carbajal and J.G. Astaburuaga Sanjinés were reappointed as members of the Supervisory Board for a period of four years.

The Supervisory Board has a diverse composition in terms of experience, gender, nationality and age. Two out of 10 members are women and five out of 10 members are non-Dutch. There are five nationalities (American, Belgian, British, Dutch and Mexican) and age ranges between 45 and 70. The Supervisory Board is of the opinion that the present composition broadly reflects the markets HEINEKEN operates in.

In line with the Dutch Act on Management and Supervision (Wet bestuur en toezicht), the profile of the Supervisory Board states that the Supervisory Board shall pursue that at least 30 per cent of the seats shall be held by men and at least 30 per cent by women. Currently, 20 per cent of the Supervisory Board members are female. Diversity and gender are important drivers in the selection process. With reference thereto, the Supervisory Board will retain an active and open attitude as regards selecting female candidates, and has established a list of potential female candidates who will be considered should a vacancy in the Supervisory Board arise. The Supervisory Board notes that, in its opinion, gender is only one element of diversity, and that experience, background, knowledge, skills and insight are equally important and relevant criteria in selecting new members.

Mr. Michel de Carvalho will resign by rotation from the Supervisory Board at the AGM on 23 April 2015. Mr. Michel de Carvalho is eligible for reappointment for a period of four years. A non-binding nomination for his reappointment will be submitted to the AGM. The notes to the agenda contain further information on the proposed reappointment.

Independence

The Supervisory Board endorses the principle that the composition of the Supervisory Board shall be such that its members are able to act critically and independently of one another and of the Executive Board and any particular interests. In a strictly formal sense, Messrs. Astaburuaga Sanjinés, de Carvalho, Das and Fernández Carbajal do not meet the applicable criteria for 'independence' as set out in the Dutch Corporate Governance Code dated 10 December 2008. However, the Supervisory Board has ascertained that Messrs. Astaburuaga Sanjinés, de Carvalho, Das and Fernández Carbajal in fact act critically and independently.

Remuneration

The AGM determines the remuneration of the members of the Supervisory Board. In 2011, the AGM resolved to adjust the remuneration of the Supervisory Board effective 1 January 2011. The detailed amounts are stated in the notes to the financial statements.

To the Shareholders continued

Executive Board composition
Mr. René Hooft Graafland will step down as a member of the Executive Board and Chief Financial Officer on 24 April 2015. Mr. René Hooft Graafland has been a member of the Executive Board since 2002, and has been Chief Financial Officer since 2005. The Supervisory Board recognizes and is grateful for his extraordinary career with, and contribution to the Company over the past 34 years, including his commitment over the past 13 years as member of the Executive Board (of which the last 10 years as Chief Financial Officer).

A non-binding nomination will be submitted to the AGM for the appointment of Mrs. Laurence Debroux to the Executive Board as of 24 April 2015 for a period of four years. Mrs. Laurence Debroux will hold the position of Chief Financial Officer. Further information on the proposed appointment shall be set out in the notes to the 2015 AGM agenda.

Meetings and activities of the Supervisory Board
During 2014, the Supervisory Board held eight meetings with the Executive Board. The agenda included subjects such as the Company's strategy, its financial position, the results of the Regions and Operating Companies, acquisitions, large investment proposals, the yearly budget, management changes and the internal risk management and control system. The external auditor attended the meeting in which the annual results were discussed. In 2014, specific attention was given to the following:

- The Supervisory Board had a two-day meeting with the Executive Board to discuss the Company's strategic priorities. During this meeting, the five Regional Presidents presented their regional strategic topics.
- The Supervisory Board visited New York, USA, where local management of Heineken USA, and the Managing Directors of CCM Mexico, Heineken Brasil and Caribbean & Americas Exports presented developments. The Supervisory Board also met with representatives of key distributors and a retailer of Heineken USA. In addition, trade visits were made to on- and off-premises in the boroughs around Manhattan.
- During the year, several representatives of senior management were invited to give presentations to the Supervisory Board. In 2014, the following subjects were presented in more detail:
  - Sustainability
  - Human Resources and succession planning.
- The Supervisory Board and Executive Board reviewed the approach by SABMiller plc regarding the potential acquisition of the Company. After having consulted with its majority shareholder (Heineken Holding N.V.), the Company concluded that SABMiller's proposal was non-actionable.
- Regular Executive Sessions were held without the Executive Board being present. The purpose of these sessions was to evaluate the Supervisory Board meetings and, where relevant, further reflect on particular subjects discussed at the meetings. One Executive Session was dedicated to the evaluation of the Supervisory Board relating to the performance, working methods, procedures and functioning of the Supervisory Board, its committees and its members as well as the functioning of the Executive Board. The evaluation was facilitated by a third-party service provider.
- An induction programme was set up for Mr. Jean-Marc Huët. As part of the programme, Mr. Jean-Marc Huët had meetings with several senior executives and visited the brewery in Zoeterwoude, the Netherlands.

The Chairman of the Supervisory Board met frequently with the CEO, among others, to prepare the Supervisory Board meetings.

The Supervisory Board confirms that all Supervisory Board members have adequate time available to give sufficient attention to the concerns of the Company. In 2014, the attendance rate as a whole was 94 per cent. Two additional meetings were scheduled at short notice. Nevertheless, nearly all Supervisory Board members were able to attend all eight meetings. One member was absent three times. In case of absence, members are fully informed in advance, enabling them to provide input for the meeting, and they are also updated on the meeting outcomes.

Committees
The Supervisory Board has five Committees: the Preparatory Committee, the Audit Committee, the Selection & Appointment Committee, the Remuneration Committee and the Americas Committee. The terms of reference for the Committees are posted on the Company's website.

The following changes were made to the composition of the Audit Committee on 24 April 2014 (the date of the 2014 AGM):

- Mr. Henk Scheffers succeeded Mr. De Jong as Chairman of the Audit Committee.
- Mr. Jean-Marc Huët was appointed to the Audit Committee.

Preparatory Committee
Composition: Messrs. Wijers (Chairman), de Carvalho, Das and Fernández Carbajal. The Preparatory Committee met eight times. The Committee prepares decision-making by the Supervisory Board on matters not already handled by any of the other Committees, such as in relation to acquisitions and investments.

Audit Committee

Composition: Messrs. Scheffers (Chairman), Astaburuaga Sanjinés, Huët and Mrs. Annemiek Fentener van Vlissingen. The Audit Committee met four times. The members collectively have the experience and financial expertise to supervise the financial statements and the risk profile of Heineken N.V.

The Executive Board attended all meetings, and so did the external auditor, the Executive Director Global Audit and the Chief Business Services Officer.

The Executive Director Global Audit has direct access to the Audit Committee, primarily through its chairman. During the year, the Audit Committee met once with the external auditors and once with the Executive Director Global Audit, in both instances without management being present.

The Committee supervises the activities of the Executive Board with respect to the publication of financial information. The Committee reviews, together with the Executive Board and the external auditor, the appropriateness of the half-year reporting and the annual financial statements, focusing on:

- The decisions made on the selection and application of accounting policies.
- The reliability and completeness of disclosures.
- Compliance with financial and other reporting requirements.
- Significant judgements, estimates and assumptions used in preparing the reports in respect of, among others, accounting for acquisitions and divestments, the annual impairment test and determining the level of provisions.
- Any correspondence from regulators in relation to our financial reporting.

At the beginning of the year, the Committee reviews the audit plan of the external auditor as well as the internal audit plan. The Committee focuses mainly on the scoping, key risks, staffing and budget. During the year, the Committee reviews the reports of the external and the internal auditor in respect of these items.

Furthermore, the Committee in 2014 discussed recurring topics, such as:

- The effectiveness and the outcome of the internal control and risk management processes.
- Status updates on the developments of Global Business Services (including the IT programmes, Global Procurement and Financial Shared Services), Global Treasury and Tax, and Global Legal Affairs.
- Functional updates in respect of tax, treasury, pensions, litigation and risk management.
- HEINEKEN's governance, risk and compliance (GRC) activities, including the HEINEKEN Company Rules and the HEINEKEN Code of Business Conduct.
- Post Audit Reviews of large investments.
- Transition Plan of Deloitte (as incoming auditor) and Deloitte's 2015 Audit Plan.
- The outcome of the annual Letter of Representation process and the reports from the Integrity Committee related to fraud reporting and Speak Up policy.

Selection & Appointment Committee

Composition: Messrs. Wijers (Chairman), de Carvalho, Das, Fernández Carbajal, and Mrs. Annemiek Fentener van Vlissingen. The Selection & Appointment Committee met five times.

In 2014, the following subjects were discussed:

- The composition and rotation schedule of the Supervisory Board, including a list of potential female candidates for appointment to the Supervisory Board.
- The composition and rotation schedule of the Executive Board, including a review and selection of candidates for the succession of Mr. René Hooft Graafland.

Remuneration Committee

Composition: Messrs. Das (Chairman), de Carvalho, Wijers and Mrs. Mary Minnick. The Remuneration Committee met four times.

The Committee made recommendations to the Supervisory Board on target setting and payout levels for the STV and LTV awards to the Executive Board (including the recalibration of the performance conditions of the LTV award to the Executive Board over the performance periods 2012-2014 and 2013-2015).

The Remuneration Committee received a presentation on trends in executive remuneration and executive remuneration governance in order to fulfil its remuneration governance responsibilities.

The presentation aimed to review, among other things, alignment of HEINEKEN's remuneration practices with its remuneration principles, to provide an overview of HEINEKEN's competitive positioning versus the market, to assess the relation between actual remuneration and performance and to update the Committee on executive compensation trends and regulatory developments. A copy of the report was also submitted to the full Supervisory Board.

To the Shareholders continued

Americas Committee

Composition: Messrs. Fernández Carbajal (Chairman), de Carvalho, Navarre and Mrs. Mary Minnick.

The Committee advises the Supervisory Board on the overall strategic direction of the Americas Region and reviews and evaluates the performance, the organisation and the management in the Americas Region. The Chairman of the Executive Board and the Regional President Americas also attend the Americas Committee meetings.

The Committee met once in 2014 and paid attention to specific developments in the region, including financial results and strategic priorities, presented by the Regional President Americas.

Executive Board composition and remuneration

Composition

Best practice provision II.1.1 of the Dutch Corporate Governance Code of 10 December 2008 recommends that an Executive Board member is appointed for a period of four years and that a member may be reappointed for a term of not more than four years at a time. In compliance with this best practice provision, the Supervisory Board has drawn up a rotation schedule in order to avoid, as far as possible, a situation in which Executive Board members retire at the same time.

- Mr. Jean-François van Boxmeer was initially appointed for an indefinite term in 2001 and was reappointed for a period of four years in 2013.
- Mr. René Hooft Graafland will step down upon expiry of his current four-year term on 24 April 2015.
- Mrs. Laurence Debroux has been nominated by the Supervisory Board for appointment to the Executive Board for a period of four years as of 24 April 2015.

Pursuant to the Act on Management and Supervision, the Supervisory Board shall pursue that on the Executive Board at least 30 per cent of the seats shall be held by men and at least 30 per cent by women.

HEINEKEN strives to appoint a well-balanced mix of men and women to its senior management, Executive Board and Supervisory Board. Dutch legislation requires companies to pursue a policy of having at least 30 per cent of the seats of the Executive Board and the Supervisory Board held by women and at least 30 per cent of the seats held by men. We believe we are making good progress in implementing this policy. The appointment of Mrs. Laurence Debroux, who will be nominated for appointment by the Supervisory Board, will bring the Executive Board's gender diversity well within the statutory criteria. We note that there may be various pragmatic reasons – such as the other relevant selection criteria and the availability of suitable candidates – that could play a complicating role in achieving the gender targets, at least in the short term.

Remuneration

The AGM approved the current remuneration policy for the Executive Board in 2011 and 2014, respectively. Details of the policy and its implementation are described in the Remuneration Report.

Appreciation

The Supervisory Board wishes to express its gratitude to the members of the Executive Board and all HEINEKEN employees for their hard work and dedication in 2014.

Supervisory Board Heineken N.V.

Wijers	Fentener van Vlissingen
Fernández Carbajal	Minnick
Das	Navarre
de Carvalho	Astaburuaga Sanjinés
Huët	Scheffers

Amsterdam, 10 February 2015

Remuneration Report

The Executive Board's remuneration policy reflects our longstanding remuneration principles of supporting the business strategy, paying for performance, and paying competitively and fairly. The remuneration policy and underlying principles continue to support our business growth in the widely diverse markets in which we operate. In 2014 the Remuneration Committee reviewed the remuneration policy versus its implementation, and its outcome versus performance. As a result, the Supervisory Board concluded that there were no reasons to recommend adjustments to the remuneration policy to the 2015 Annual General Meeting (AGM).

This conclusion was reconfirmed when agreements were reached in 2014 on the intended succession of the CFO within the prevailing remuneration policy: the Supervisory Board nominates Mrs. Laurence Debroux for appointment to the Executive Board as of 24 April 2015, to hold the position of CFO. The Supervisory Board also reached agreement on the resignation of Mr. René Hooft Graafland from the Executive Board as of 24 April 2015 and on the termination of his employment contract with the Company as of 1 May 2015.

Introduction
This Remuneration Report includes three sections:

- **Part I** – Describes the prevailing Executive Board's remuneration policy, as it was adopted by the AGM in 2011, and as it has been applied in 2014 and will be applied in 2015.
- **Part II** – Provides details of the Executive Board's actual remuneration for 2014 and the resignation agreement with Mr. René Hooft Graafland.
- **Part III** –Outlines the agreement with Mrs. Laurence Debroux.

Part I – Executive Board remuneration policy
Remuneration principles
The Executive Board's remuneration policy is designed to meet four key principles:

- **Support the business strategy** – We align our remuneration policy with business strategies focused on creating long-term growth and shareholder value, while maintaining a tight focus on short-term financial results.
- **Pay for performance** – We set clear and measurable targets for our short-term variable pay and long-term variable award policies, and we pay higher remuneration when targets are exceeded and lower remuneration when targets are not met.
- **Pay competitively** – We set target remuneration to be competitive with other relevant multinational corporations of similar size and complexity.
- **Pay fairly** – We set target remuneration to be internally consistent and fair; we regularly review internal pay relativities between the Executive Board and senior managers and aim to achieve consistency and alignment where possible.

Remuneration Report continued

Summary overview of remuneration elements

The Executive Board's remuneration policy is simple and transparent in design, and consists of the following key elements:

Remuneration element	Description	Strategic role
Base salary	▪ Involves fixed cash compensation ▪ Aims for the median of the labour market peer group	▪ Facilitates attraction ▪ Rewards performance of day-to-day activities
Short-term variable pay	▪ Is based on achievements of annual measures, of which a weighted 75 per cent relate to financial measures for Heineken N.V. and 25 per cent to individual leadership measures ▪ Aims, at target level, for the median of the labour market peer group ▪ Is partly paid in cash, and partly in investment shares with a holding restriction of five calendar years: – the part paid in shares is between 25 and 50 per cent of the full gross pay, depending on the individual's choice – the part in cash is paid net of taxes (i.e. after deduction of withholding tax due on the full gross pay) ▪ Investment shares are matched on a 1:1 basis after the holding period	▪ Drives and rewards annual HEINEKEN performance ▪ Drives and rewards sound business decisions for the long-term health of HEINEKEN ▪ Aligns Executive Board and shareholder interests
Long-term variable award	▪ Is based on achievements of three-year financial targets for Heineken N.V. ▪ Aims, at target level, for the median of the labour market peer group ▪ Is awarded through the vesting of shares, net of taxes (i.e. after deduction of withholding tax due on the full gross award) ▪ Vested shares are blocked for another two years, to arrive at a five-year holding restriction after the date of the conditional performance grant	▪ Drives and rewards sound business decisions for the long-term health of HEINEKEN ▪ Aligns Executive Board and shareholder interests ▪ Supports Executive retention
Pensions	▪ Defined Contribution Pension Plan or Capital Creation Plan	▪ Provides for employee welfare and retirement needs

Labour market peer group

A global labour market peer group was adopted by the AGM in 2011, and subsequently adjusted in 2012. The median target remuneration of this peer group is a reference point for the target remuneration of the CEO and CFO. Each year, the Remuneration Committee validates the peer group to ensure relevance, and recommends adjustments to the Supervisory Board if needed. For 2014, the peer group consisted of the following companies, which will apply to 2015 as well:

- Anheuser-Busch InBev (BE)
- Carlsberg (DK)
- Coca-Cola (US)
- Colgate-Palmolive (US)
- Danone (FR)
- Diageo (UK)
- Henkel (DE)
- Kimberley-Clark (US)
- Mondelēz International (US)
- L'Oréal (FR)
- Pepsico (US)

- Pernod Ricard (FR)
- Philips (NL)
- SABMiller (UK)
- Unilever (NL)

Base salary

Base salaries are determined by reference to the median base salary level of the aforementioned labour market peer group. Every year, peer group and base salary levels are reviewed, and the Remuneration Committee may propose adjustments to the Supervisory Board taking into account external labour market peer group data and internal pay relativities.

The annual base salaries for 2014 were EUR1,150,000 for the CEO and EUR650,000 for the CFO. These annual base salaries will remain unchanged for 2015 for the CEO and the current CFO. Subject to her appointment to the Executive Board, the 2015 annual base salary for Mrs. Laurence Debroux will be EUR610,000 (cf. Part III of this Remuneration Report).

Short-term variable pay

The short-term variable pay (STV) is designed to drive and reward the achievements of HEINEKEN's annual performance targets. Through its payout in both cash and investment shares it also drives and rewards sound business decisions for HEINEKEN's long-term health while aligning Executive Board and shareholder interests at the same time.

The target STV opportunities for both 2014 and 2015 are 140 per cent of base salary for the CEO and 100 per cent of base salary for the CFO. These opportunities are well aligned with the global labour market peer group medians. The STV opportunities are for a weighted 75 per cent based on financial and operational measures, and for a weighted 25 per cent on individual leadership measures.

At the beginning of each year, the Supervisory Board establishes the performance measures, their relative weights and corresponding targets based on HEINEKEN's business priorities for that year. The measures and their relative weights are reported in the Remuneration Report upfront; the targets themselves are not disclosed as they are considered to be commercially sensitive.

At the end of the year, the Supervisory Board reviews the Company's and individual performance against the pre-set targets, and approves the STV payout levels based on the performance achieved. The performance on each of the measures is reported in qualitative terms in the Remuneration Report after the end of the performance period (cf. Part II).

The STV payout for 2014 is, and for 2015 remains, subject to four performance measures with equal weights: Organic Revenue Growth, Organic Net Profit beia Growth, Free Operating Cash Flow and individual leadership measures.

For threshold, target and maximum performance the following STV payout, as a percentage of target payout, applies:

- Threshold performance – 50 per cent of target payout
- Target performance – 100 per cent of target payout
- Maximum performance – 200 per cent of target payout

Payout in between these performance levels is on a straight-line basis. Below threshold performance the payout is zero, whereas beyond maximum performance it is capped at 200 per cent of payout at target.

Remuneration Report continued

The CEO and CFO are obliged to invest at least 25 per cent of their STV payout in Heineken N.V. shares (investment shares), to be delivered by the Company; the maximum they can invest in Heineken N.V. shares is 50 per cent of their STV payout (at their discretion). These investment shares are then blocked and cannot be sold under any circumstance, including resignation, for five calendar years to link the value of the investment shares to long-term Company performance. After the blocking period is completed, the Company will match the investment shares 1:1, i.e. one matching share is granted for each investment share. According to plan rules, matching entitlements will be forfeited in case of dismissal by the Company for an urgent reason within the meaning of the law ('dringende reden'), or in case of dismissal for cause ('gegronde reden') whereby the cause for dismissal concerns unsatisfactory functioning of the Executive Board member. With this 'deferral-and-matching' proposition a significant share ownership by the Executive Board is ensured, creating an increased alignment of interests with shareholders.

The Supervisory Board has the power to revise the amount of the STV payout to an appropriate amount if the STV payout that would have been payable in accordance with the agreed payment schedule would be unacceptable according to standards of reasonableness and fairness. The Supervisory Board is entitled to claw back all or part of the STV payout (in cash, investment shares or matching shares) insofar as it has been made based on incorrect information about achieving the performance conditions.

Long-term variable award

The long-term variable award (LTV) is designed to drive and reward sound business decisions for HEINEKEN's long-term health, and to align the Executive Board and shareholder interests.

The target LTV opportunities for 2014 are, and for 2015 remain, 150 per cent of base salary for the CEO and 125 per cent of base salary for the CFO.

Each year, a target number of performance shares is conditionally granted based on the aforementioned target LTV opportunity percentage of the current year, the base salary of the current year, and the closing share price of 31 December of the preceding year. The vesting of these performance shares is, since the conditional grant in 2011, contingent on HEINEKEN's performance over a period of three years on four fundamental financial performance measures.

- Organic Revenue Growth (as of 2014) / Organic Gross Profit beia Growth (until and including 2013) – a measure to drive top-line growth
- Organic EBIT beia Growth – a measure to drive operational efficiency
- Earnings Per Share (EPS) beia Growth – a measure to drive overall long-term Company performance
- Free Operating Cash Flow – a measure to drive focus on cash

These four performance measures have equal weights to minimise the risk that participants over-emphasise one performance measure to the detriment of others. At the beginning of each performance period, the Supervisory Board establishes the corresponding targets for these performance measures based on HEINEKEN's business priorities. These targets are not reported in the Remuneration Report as they are considered to be commercially sensitive.

At the end of the performance period, the Supervisory Board reviews the Company's performance against the pre-set targets, and approves the LTV vesting based on the performance achieved. The performance on each of the measures is reported in qualitative terms in the Remuneration Report after the performance period has been completed (cf. Part II).

For each performance measure, a threshold, target and maximum performance level is set with the following performance share vesting schedule:

- Threshold performance – 50 per cent of performance shares vest
- Target performance – 100 per cent of performance shares vest
- Maximum performance – 200 per cent of performance shares vest

Vesting in between these performance levels is on a straight-line basis. Below threshold performance the vesting is zero, whereas beyond maximum performance it is capped at 200 per cent of vesting at target.

The Supervisory Board has the power to revise the amount of performance shares that will vest to an appropriate amount if the amount of performance shares that would have vested under the agreed vesting schedule would be unacceptable according to standards of reasonableness and fairness. The Supervisory Board is entitled to claw back all or part of the shares transferred to the Executive Board members upon vesting (or the value thereof) insofar as vesting occurred based on incorrect information about achieving the performance conditions.

The vested performance shares that remain after income tax withholding are subject to an additional holding restriction of two years.

Pensions

The members of the Executive Board can either participate in a Defined Contribution Pension Plan or in a Capital Creation Plan. In the Capital Creation Plan the Executive Board member elects to receive as taxable income the contribution amounts from the Defined Contribution Pension Plan, less an amount equivalent to the employee contribution in that plan. Both the CEO and the current CFO participate in the Capital Creation Plan.

As from 2012 the Defined Contribution Pension Plan and the Capital Creation Plan for Executive Board members have been fully aligned with the corresponding plans for the top executives under Dutch employment contract below the Executive Board. Since the latter plans have been amended as a result of legislative changes for 2014, the Supervisory Board has decided to amend the Executive Board's Capital Creation Plan accordingly, implying a reduction of pension contribution rates by around 11-13 per cent.

Loans

HEINEKEN does not provide loans to the members of the Executive Board.

Part II – The Executive Board's actual remuneration for 2014

The following table provides an overview of the Executive Board's actual remuneration for performance in 2014 that became unconditional. For disclosures in line with IFRS reporting requirements, which are 'accrual-based' over earning/performance periods and may depend on estimations, see note 35 'Related parties' on page 125. The Supervisory Board conducted a scenario analysis with respect to possible outcomes of the variable remuneration for 2014.

			2012-2014 Long-term variable award[2]		
	Base salary in EUR	2014 Short-term variable pay in EUR[1]	No. of performance shares vesting	Value as of 31.12.2014 of performance shares vesting in EUR[3]	Pension cost in EUR
Van Boxmeer	1,150,000	2,769,200	57,681	3,400,295	708,947
Hooft Graafland	650,000	1,118,000	29,757	1,754,175	387,427

[1]The short-term variable pay relates to the performance year 2014 and becomes payable in 2015.
[2]The long-term variable award relates to the performance period 2012-2014 and vests shortly after the publication of these financial statements on 11 February 2015.
[3]The share price as of 31.12.2014 is EUR58.95.

Remuneration Report continued

2014 Short-term variable pay

The STV pay for 2014 was subject to four performance measures: Organic Revenue Growth, Organic Net Profit beia Growth, Free Operating Cash Flow and individual leadership measures, all with a weight of 25 per cent. The Supervisory Board determined the results against the pre-set targets on these measures as follows:

- Organic Revenue Growth – between target and maximum performance
- Organic Net Profit beia Growth – between target and maximum performance
- Free Operating Cash Flow – maximum performance
- Individual leadership measures – between target and maximum performance

The resulting STV payout for 2014 is equal to 172 per cent of payout at target level for both the CEO and CFO. The CEO resp. CFO have chosen to invest 25 resp. 50 per cent of their Short-term variable pay into Heineken N.V. shares (investment shares), against the closing share price of 11 February 2015. To this award, including the related matching share entitlements, revision and clawback provisions apply.

The table below provides an overview of the investment shares that were awarded as part of STV payouts in the past, but that are blocked and awaiting 1:1 matching by the Company, provided the conditions thereto are met. Only when the holding period of the investment shares has been completed, will the matching share entitlements be converted into shares and transferred to the recipient.

	STV payout for	% of STV payout invested in shares	No. of investment shares awarded[1,2]	Value of investment shares as of the award date in EUR	End of blocking period	Value of investment shares as of 31.12.2014 in EUR[3]
Van Boxmeer	2014	25%	t.b.d.	692,300	31.12.2019	n.a.
	2013	50%	11,910	563,462	31.12.2018	702,095
	2012	50%	12,391	680,638	31.12.2017	730,449
	2011	50%	23,272	882,009	31.12.2016	1,371,884
	2010	50%	16,125	653,125	31.12.2015	950,569
Hooft Graafland	2014	50%	t.b.d.	559,000	31.12.2019	n.a.
	2013	50%	4,808	227,466	31.12.2018	283,432
	2012	50%	5,479	300,961	31.12.2017	322,987
	2011	50%	10,291	390,029	31.12.2016	606,654
	2010	50%	8,274	335,157	31.12.2015	487,752

[1] The number of investment shares awarded in relation to the STV payout for 2011 and beyond is determined by dividing the part of the STV payout that is invested in shares by the closing share price of the date of publication of the financial statements for that year (and subsequent rounding). For the STV payout for 2014 this date is 11 February 2015, for the STV payout for 2013 this date was 12 February 2014, for the STV payout for 2012 this date was 13 February 2013, and for the STV payout for 2011 this date was 15 February 2012.
[2] The number of investment shares awarded in relation to the STV payout for 2010 was determined by dividing the part of the STV payout that was invested in shares by the closing share price of 21 April 2011 (and subsequent rounding), the date on which the AGM approved the Executive Board remuneration policy 2011, including this 'deferral-and-matching' proposition.
[3] The share price as of 31.12.2014 is EUR58.95.

2012-2014 Long-term variable award

After 2014 the conditional performance shares granted in 2012 are subject to vesting. The vesting of the LTV award for performance period 2012-2014 is subject to Heineken N.V. performance on four financial measures with equal weights. The Supervisory Board determined the results against the pre-set targets (as set in 2012 and recalibrated in 2013) as follows:

- Organic Gross Profit beia Growth – between target and maximum performance
- Organic EBIT beia Growth – target performance
- Earnings Per Share (EPS) beia Growth – maximum performance
- Free Operating Cash Flow – between threshold and target performance

As a result, the vesting of the LTV grant for performance period 2012-2014 will be equal to 131 per cent of the vesting at target level for both the CEO and CFO. The resulting share awards are defined in gross terms (i.e. before deduction of withholding tax due); the net number of shares awarded (i.e. after withholding tax due), amounting to 29,205 shares to the CEO and 15,066 shares to the CFO, remain blocked for an additional period of two years until 15 February 2017, also in case of resignation during that period. The closing share price as of 31 December 2014 is EUR58.95. To this award revision and clawback provisions apply.

The table below provides an overview of outstanding LTV awards (awards granted but not yet vested, or awards vested but still blocked) as of 31 December 2014:

	Grant date	No. of shares conditionally granted at target level[1]	Value of shares conditionally granted as of the grant date in EUR	Vesting date[2]	No. of shares vesting on the vesting date[3] (before tax)	No. of shares vesting on the vesting date[4] (after tax)	End of blocking period	Value of unvested or blocked shares as of 31.12.2014[5] in EUR
Van Boxmeer	2014	35,147	1,662,805	02.2017	t.b.d.	t.b.d.	02.2019	1,049,015
	2013	34,179	1,877,452	02.2016	t.b.d.	t.b.d.	02.2018	1,020,130
	2012	44,031	1,668,775	02.2015	57,681	29,205	02.2017	1,721,635
	2011	42,927	1,617,489	02.2014	16,098	8,150	02.2016	480,443
	2010	35,692	1,323,102	02.2013	24,539	12,424	02.2015	732,395
Hooft Graafland	2014	16,555	783,217	02.2017	t.b.d.	t.b.d.	02.2019	494,119
	2013	16,099	884,318	02.2016	t.b.d.	t.b.d.	02.2018	480,501
	2012	22,715	860,899	02.2015	29,757	15,066	02.2017	888,141
	2011	22,145	834,424	02.2014	8,305	4,205	02.2016	247,885
	2010	19,537	724,237	02.2013	13,432	6,801	02.2015	400,919

[1]Determined according to plan rules, using the closing share price of 31 December of the year preceding the grant date.
[2]The vesting date is shortly after the publication of the financial statements after completion of the performance period.
[3]Vested shares are disclosed in gross terms (i.e. before deduction of withholding tax due).
[4]Vested shares are disclosed in net terms (i.e. after deduction of withholding tax due).
[5]The value for the grants in 2010, 2011 and 2012 is based on the actual number of shares vesting on the vesting date after tax withholding, i.e. after applying the relevant income tax rate, whereas the value for the grants in 2013 and 2014 is based on the number of shares conditionally granted at target level (since the number of shares vesting is yet unknown) after applying the relevant income tax rate.

Resignation of Mr. René Hooft Graafland as member of the Executive Board and CFO in 2015

After a successful career of 34 years, the last 13 of which have been as a member of the Executive Board, the Supervisory Board and Mr. René Hooft Graafland have mutually agreed that the end of his current mandate as a member of the Executive Board will be the logical and natural moment to transition to the next generation of leadership. To that purpose an agreement has been reached, on 3 November 2014, on his resignation from the Executive Board as from 24 April 2015, and on the termination of his employment contract as of 1 May 2015. In financial terms the agreement respects existing contractual obligations and entails that:

- A severance payment of EUR2,000,000 will be made in May 2015, in the absence of dismissal for urgent cause or death; this amount aligns with the capitalised value of his fixed remuneration (i.e. base salary and Capital Creation payments) between his resignation date of 1 May 2015 and age 62 (i.e. two years and five months), which has been the directional retirement age in the Company's pension plan design for Executive Board members at the time.
- This resignation is considered a retirement under the LTV Plan Rules. Given existing agreements from 2005 for a specific group of senior managers (including the current Executive Board members), as a result of a transition from an annual variable pay plan to the three-year Long-term variable award plan as disclosed above at the time, this implies that unvested LTV awards as of 1 May 2015 will continue to be subject to vesting at their regular vesting dates, insofar and to the extent that predetermined performance conditions are met. Shares that may vest under these plans will be subject to a holding period of two years in accordance with the LTV Plan Rules.

Remuneration Report continued

Matching share entitlements Mr. René Hooft Graafland

In line with Plan Rules and as a result of his resignation, the conditional matching share entitlements of Mr. René Hooft Graafland related to his short-term variable pay for the years 2010-2013 have become unconditional at the agreement date of 3 November 2014, and for 2014 at year-end. The conversion and actual delivery of the matching shares will occur once the five-year holding periods of the underlying investment shares have been met. The table below provides an overview of the matching share entitlements that have become unconditional for Mr. René Hooft Graafland.

	Unconditional matching share entitlements			
	Performance year of the short-term variable pay from which the underlying investment shares have been acquired	Number of matching share entitlements[1]	Value at the date when the matching share entitlements have become unconditional, in EUR	Conversion and delivery as common shares in January
Hooft Graafland	2014	t.b.d.	516,853	2020
	2013	4,808	267,610	2019
	2012	5,479	309,829	2018
	2011	10,291	591,104	2017
	2010	8,274	482,620	2016

[1]The number of matching share entitlements related to short-term variable pay for 2014 is determined by dividing the indicated investment value by the closing share price of the date of publication of the financial statements, i.e. 11 February 2015 (and subsequent rounding).

Extraordinary share awards and Retention share award

The table below provides an overview of the outstanding Extraordinary share awards and the Retention share award as of 31 December 2014. The Retention share award will vest in April 2015, if the conditions thereto are met; a further three-year holding period will apply to this share award. The Extraordinary share awards have vested at grant in 2013; to these share awards a five-year holding period applies as from grant.

	Award	Grant date	No. of shares granted[1]	Value of shares conditionally granted as of the grant date in EUR	Vesting date	No. of shares vesting on the vesting date[2]	End of blocking period	Value of unvested or blocked shares as of 31.12.2014[3] in EUR
Van Boxmeer	Extraordinary share award	26.04.2013	45,893	2,520,000	26.04.2013	24,373	26.04.2018	1,436,788
	Retention share award	26.04.2013	27,317	1,500,000	26.04.2015	27,317	26.04.2018	1,610,337
Hooft Graafland	Extraordinary share award	26.04.2013	23,675	1,300,000	26.04.2013	12,573	26.04.2018	741,178

[1]The 'Number of shares granted' refers to the grant in gross terms (i.e. before tax withholding).
[2]As the table reveals, income tax is withheld from the Extraordinary share awards themselves; the Retention share award will vest 'gross', i.e. withholding tax will be due from other sources than the share award itself.
[3]The value of the share awards is based on the 'Number of shares vesting on the vesting date', and is thus before-tax for the Retention share award and after-tax for the Extraordinary share awards.

Part III – Agreement with Mrs. Laurence Debroux

The Supervisory Board nominates Mrs. Laurence Debroux for appointment to the Executive Board as of 24 April 2015, to hold the position of CFO. Mrs. Laurence Debroux will receive the following target remuneration for 2015.

- An annual base salary of EUR610,000
- An STV opportunity as described in Part I, including the 'deferral-and-matching' proposition
- An LTV opportunity as described in Part I
- A Company pension contribution of 18 per cent of annual base salary; this is in line with the new pension arrangement for top executives in the Netherlands below Executive Board who are hired as from 2015[1], which is within the framework of the remuneration policy for new Executive Board members
- An extraordinary share grant of 2,000 shares as compensation for forfeited variable remuneration by her previous employer; 50 per cent of this share grant is subject to her appointment by the 2015 AGM as a member of the Executive Board as from 24 April 2015 while the remaining 50 per cent is subject to her continued Executive Board membership one year later; both parts of the share grant have a holding period after vesting until 24 April 2020; any income tax implications are at her own expense by withholding an appropriate number of shares from the respective parts of the grant
- Following recent Dutch legislation, as from her appointment as a member of the Executive Board, Mrs. Laurence Debroux is not formally an employee of the Company; in accordance with the Dutch Corporate Governance Code her severance payment in the event of dismissal during her first term, if not for cause, will be twice the amount of her annual base salary; if dismissal occurs in subsequent terms, this severance payment will not exceed an amount equivalent to one year's annual base salary.

Supervisory Board Heineken N.V.
Amsterdam, 10 February 2015

[1]For these top executives in the Netherlands the maximum possible portion from these contributions is typically paid into a tax-exempt pension arrangement, and the rest is paid in the form of taxable income. Mrs. Laurence Debroux has the choice to receive the full amount in the form of taxable income.

Financial statements

Consolidated Income Statement

For the year ended 31 December In millions of EUR	Note	2014	2013
Revenue	5	**19,257**	19,203
Other income	8	**93**	226
Raw materials, consumables and services	9	(12,053)	(12,186)
Personnel expenses	10	(3,080)	(3,108)
Amortisation, depreciation and impairments	11	(1,437)	(1,581)
Total expenses		**(16,570)**	(16,875)
Results from operating activities		**2,780**	2,554
Interest income	12	48	47
Interest expenses	12	(457)	(579)
Other net finance income/(expenses)	12	(79)	(61)
Net finance expenses		**(488)**	(593)
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	16	148	146
Profit before income tax		**2,440**	2,107
Income tax expense	13	(732)	(520)
Profit		**1,708**	1,587
Attributable to:			
Equity holders of the Company (net profit)		1,516	1,364
Non-controlling interests		192	223
Profit		**1,708**	1,587
Weighted average number of shares – basic	23	574,945,645	575,062,357
Weighted average number of shares – diluted	23	576,002,613	576,002,613
Basic earnings per share (EUR)	23	2.64	2.37
Diluted earnings per share (EUR)	23	2.63	2.37

Consolidated Statement of Comprehensive Income

For the year ended 31 December In millions of EUR	Note	2014	2013
Profit		**1,708**	1,587
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gains and losses	24/28	(344)	197
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences	24	697	(1,282)
Recycling of currency translation differences to profit or loss	24	–	1
Effective portion of net investment hedges	24	(5)	13
Effective portion of changes in fair value of cash flow hedges	24	(99)	16
Effective portion of cash flow hedges transferred to profit or loss	24	(3)	(4)
Net change in fair value available-for-sale investments	24	(1)	(53)
Share of other comprehensive income of associates/joint ventures	24	(7)	5
Other comprehensive income, net of tax	24	**238**	(1,107)
Total comprehensive income		**1,946**	480
Attributable to:			
Equity holders of the Company		1,686	336
Non-controlling interests		260	144
Total comprehensive income		**1,946**	480

Consolidated Statement of Financial Position

As at 31 December In millions of EUR	Note	2014	2013
Assets			
Property, plant and equipment	14	8,718	8,454
Intangible assets	15	16,341	15,934
Investments in associates and joint ventures	16	2,033	1,883
Other investments and receivables	17	737	762
Advances to customers		254	301
Deferred tax assets	18	661	508
Total non-current assets		**28,744**	27,842
Inventories	19	1,634	1,512
Other investments	17	13	11
Trade and other receivables	20	2,743	2,427
Prepayments and accrued income		317	218
Income tax receivables		23	–
Cash and cash equivalents	21	668	1,290
Assets classified as held for sale	7	688	37
Total current assets		**6,086**	5,495
Total assets		**34,830**	33,337
Equity			
Share capital	22	922	922
Share premium	22	2,701	2,701
Reserves		(427)	(858)
Retained earnings		9,213	8,637
Equity attributable to equity holders of the Company		**12,409**	11,402
Non-controlling interests	22	1,043	954
Total equity		**13,452**	12,356
Liabilities			
Loans and borrowings	25	9,499	9,853
Tax liabilities		3	112
Employee benefits	28	1,443	1,202
Provisions	30	398	367
Deferred tax liabilities	18	1,503	1,444
Total non-current liabilities		**12,846**	12,978
Bank overdrafts	21	595	178
Loans and borrowings	25	1,671	2,195
Trade and other payables	31	5,533	5,131
Tax liabilities		390	317
Provisions	30	165	171
Liabilities classified as held for sale	7	178	11
Total current liabilities		**8,532**	8,003
Total liabilities		**21,378**	20,981
Total equity and liabilities		**34,830**	33,337

Consolidated Statement of Cash Flows

For the year ended 31 December In millions of EUR	Note	2014	2013
Operating activities			
Profit		1,708	1,587
Adjustments for:			
Amortisation, depreciation and impairments	11	1,437	1,581
Net interest expenses	12	409	532
Gain on sale of property, plant and equipment, intangible assets and subsidiaries, joint ventures and associates	8	(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	13	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
Investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		144	152
Purchase of property, plant and equipment	14	(1,494)	(1,369)
Purchase of intangible assets	15	(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)
Free operating cash flow		**1,574**	1,518
Acquisition of subsidiaries, net of cash acquired	6	(159)	(17)
Acquisition of/additions to associates, joint ventures and other investments		(7)	(53)
Disposal of subsidiaries, net of cash disposed of	6/7	(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)

Consolidated Statement of Cash Flows continued

For the year ended 31 December In millions of EUR	Note	2014	2013
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		(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	21	**73**	1,112

Consolidated Statement of Changes in Equity

In millions of EUR	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	Retained earnings	Equity attributable to equity holders of the Company	Non-controlling interests	Total equity
Balance as at 1 January 2013		922	2,701	(527)	(11)	150	779	(26)	7,746	11,734	1,071	12,805
Profit		–	–	–	–	–	214	–	1,150	1,364	223	1,587
Other comprehensive income	24	–	–	(1,194)	13	(53)	–	–	206	(1,028)	(79)	(1,107)
Total comprehensive income		–	–	(1,194)	13	(53)	214	–	1,356	336	144	480
Transfer to retained earnings		–	–	–	–	–	(188)	–	188	–	–	–
Dividends to shareholders		–	–	–	–	–	–	–	(530)	(530)	(185)	(715)
Purchase/reissuance own/non-controlling shares		–	–	–	–	–	–	(21)	–	(21)	–	(21)
Own shares delivered		–	–	–	–	–	–	6	(6)	–	–	–
Share-based payments		–	–	–	–	–	–	–	8	8	–	8
Acquisition of non-controlling interests without a change in control	6	–	–	–	–	–	–	–	(125)	(125)	(76)	(201)
Balance as at 31 December 2013		922	2,701	(1,721)	2	97	805	(41)	8,637	11,402	954	12,356

Consolidated Statement of Changes in Equity continued

In millions of EUR	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	Retained earnings	Equity attributable to equity holders of the Company	Non-controlling interests	Total equity
Balance as at 1 January 2014		**922**	**2,701**	**(1,721)**	**2**	**97**	**805**	**(41)**	**8,637**	**11,402**	**954**	**12,356**
Profit		–	–	–	–	–	174	–	1,342	1,516	192	1,708
Other comprehensive income	24	–	–	624	(101)	(1)	–	–	(352)	170	68	238
Total comprehensive income		**–**	**–**	**624**	**(101)**	**(1)**	**174**	**–**	**990**	**1,686**	**260**	**1,946**
Transfer to retained earnings		–	–	–	–	–	(236)	–	236	–	–	–
Dividends to shareholders		–	–	–	–	–	–	–	(512)	(512)	(224)	(736)
Purchase/reissuance own/non-controlling shares		–	–	–	–	–	–	(33)	–	(33)	32	(1)
Own shares delivered		–	–	–	–	–	–	4	(4)	–	–	–
Share-based payments		–	–	–	–	–	–	–	47	47	1	48
Acquisition of non-controlling interests without a change in control	6	–	–	–	–	–	–	–	(181)	(181)	20	(161)
Balance as at 31 December 2014		**922**	**2,701**	**(1,097)**	**(99)**	**96**	**743**	**(70)**	**9,213**	**12,409**	**1,043**	**13,452**

Notes to the Consolidated Financial Statements

1. Reporting entity

Heineken N.V. (the 'Company') is a company domiciled in the Netherlands. The address of the Company's registered office is Tweede Weteringplantsoen 21, Amsterdam. The consolidated financial statements of the Company as at and for the year ended 31 December 2014 comprise the Company, its subsidiaries (together referred to as 'HEINEKEN' and individually as 'HEINEKEN' entities) and HEINEKEN's interest in jointly controlled entities and associates.

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.

2. Basis of preparation

(a) Statement of compliance

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

The consolidated financial statements have been prepared by the Executive Board of the Company and authorised for issue on 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

Notes to the consolidated financial statements continued

2. Basis of preparation continued

(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.

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.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

(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:

In EUR	Year-end 2014	Year-end 2013	Average 2014	Average 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 we operate is deemed hyperinflationary and the functional currency of a Group entity is the currency of that hyperinflationary economy, the financial statements of such Group entities are adjusted so that they are stated in terms of the measuring unit current at the end of the reporting period. This involves restatement of income and expenses to reflect changes in the general price index from the start of the reporting period and restatement of non-monetary items in the balance sheet, such as P, P & E, to reflect current purchasing power as at the period end using a general price index from the date when they were first recognised. Comparative amounts are not adjusted. Any differences arising were recorded in equity on adoption.

In 2013, hyperinflation accounting was applicable to our 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.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

(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.

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

(i) Owned assets

Items of property, plant and equipment (P, P & E) are measured at cost less government grants received (refer to (q)), accumulated depreciation (refer to (iv)) and accumulated impairment losses (3i(ii)).

Cost comprises the initial purchase price increased with expenditures that are directly attributable to the acquisition of the asset (such as transports and non-recoverable taxes). The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use (refer to an appropriate proportion of production overheads), and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised as part of the cost of that asset. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of P, P & E.

Spare parts that are acquired as part of an equipment purchase and only to be used in connection with this specific equipment or purchased software that is integral to the functionality of the related equipment are capitalised and amortised as part of that equipment. In all other cases, spare parts are carried as inventory and recognised in the income statement as consumed. Where an item of P, P & E comprises major components having different useful lives, they are accounted for as separate items (major components) of P, P & E.

Returnable bottles and kegs in circulation are recorded within P, P & E and a corresponding liability is recorded in respect of the obligation to repay the customers' deposits. Deposits paid by customers for returnable items are reflected in the consolidated statement of financial position within current liabilities.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

(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 accounting policy 3i(ii)). Goodwill is allocated to individual or groups of cash-generating units (CGUs) for the purpose of impairment testing and is tested annually for impairment. Negative goodwill is recognised directly in profit or loss as other income.

(ii) Brands
Brands acquired, separately or as part of a business combination, are capitalised if they meet the definition of an intangible asset and the recognition criteria are satisfied.

Strategic brands are well-known international/local brands with a strong market position and an established brand name. Strategic brands are amortised on an individual basis over the estimated useful life of the brand. Other brands are amortised on a portfolio basis per country.

(iii) Customer-related, contract-based intangibles and reacquired rights
Customer-related and contract-based intangibles are capitalised if they meet the definition of an intangible asset and the recognition criteria are satisfied. If the amounts are not material, these are included in the brand valuation. The relationship between brands and customer-related intangibles is carefully considered so that brands and customer-related intangibles are not both recognised on the basis of the same cash flows.

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

Customer-related and contract-based intangibles acquired as part of a business combination are valued at fair value. Customer-related and contract-based intangibles acquired separately are measured at cost.

Customer-related, contract-based intangibles and reacquired rights are amortised over the remaining useful life of the customer relationships or the period of the contractual arrangements.

(iv) Software, research and development and other intangible assets
Purchased software is measured at cost less accumulated amortisation (refer to (vi)) and impairment losses (refer to accounting policy 3i(ii)). Expenditure on internally developed software is capitalised when the expenditure qualifies as development activities, otherwise it is recognised in profit or loss when incurred.

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products, software and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and HEINEKEN intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation (refer to (vi)) and accumulated impairment losses (refer to accounting policy 3i(ii)).

Other intangible assets that are acquired by HEINEKEN and have finite useful lives are measured at cost less accumulated amortisation (refer to (vi)) and impairment losses (refer to accounting policy 3i(ii)). Expenditure on internally generated goodwill and brands is recognised in profit or loss when incurred.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

(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 accounting policy (h)) and deferred tax assets (refer to accounting policy(s)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, 'CGU').

The recoverable amount of an asset or CGU is the higher of an asset's fair value less costs 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.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

(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 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. The grant date fair value of the matching shares is recognised as personnel expenses in the income statement as it is deemed an equity-settled share-based payment.

(vii) Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term benefits if HEINEKEN has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(l) Provisions

(i) General
A provision is recognised if, as a result of a past event, HEINEKEN has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as part of net finance expenses.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

(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 the Company 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.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Company 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, the Company 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 the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the income tax expense in the period that such a determination is made.

(t) Discontinued operations

A discontinued operation is a component of HEINEKEN's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(u) Earnings per share

HEINEKEN presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for the weighted average number of own shares purchased in the year. Diluted EPS is determined by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, adjusted for the weighted average number of own shares purchased in the year and for the effects of all dilutive potential ordinary shares which comprise share rights granted to employees.

(v) Cash flow statement

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

(w) Operating segments

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

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

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

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

(x) Emission rights

Emission rights are related to the emission of CO_2, which relates to the production of energy. These rights are freely tradable. Bought emission rights and liabilities due to production of CO_2 are measured at cost, including any directly attributable expenditure. Emission rights received for free are also recorded at cost, i.e. with a zero value.

(y) Recently issued IFRS

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

Notes to the consolidated financial statements continued

4. Determination of fair values

General

A number of HEINEKEN's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values or for the purpose of impairment testing is disclosed in the notes specific to that asset or liability.

Fair value as a result of business combinations

(i) Property, plant and equipment

The fair value of P, P & E recognised as a result of a business combination is based on 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 contact 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.

5. Operating segments

HEINEKEN distinguishes the following six reportable segments:

- Western Europe
- Central and Eastern Europe
- The Americas
- Africa Middle East
- Asia Pacific
- 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 (the chief operating decision-maker) to discuss operating activities, regional forecasts and regional results. The Head Office operating segment falls directly under the responsibility of the Executive Board. For each of the six reportable segments, the Executive Board reviews internal management reports on a monthly basis.

Information regarding the results of each reportable segment is included in the table on the next page. Performance is measured based on EBIT (beia), as included in the internal management reports that are reviewed by the Executive Board. EBIT (beia) is defined as earnings before interest and taxes and net finance expenses, before exceptional items and amortisation of acquisition-related intangibles. Exceptional items are defined as items of income and expense of such size, nature or incidence, that in the view of management their disclosure is relevant to explain the performance of HEINEKEN for the period. EBIT and EBIT (beia) are not financial measures calculated in accordance with IFRS. EBIT (beia) is used to measure performance as management believes that this measurement is the most relevant in evaluating the results of these segments.

HEINEKEN has multiple distribution models to deliver goods to end customers. There is no reliance on major clients. Deliveries to end consumers are done in some countries via own wholesalers or own pubs, in other markets directly and in some others via third parties. As such, distribution models are country-specific and diverse across HEINEKEN. In addition, these various distribution models are not centrally managed or monitored. Consequently, the Executive Board is not allocating resources and assessing the performance based on business type information and therefore no segment information is provided on business type.

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

Notes to the consolidated financial statements continued

5. Operating segments continued

Information about reportable segments

In millions of EUR	Note	Western Europe 2014	Western Europe 2013	Central and Eastern Europe 2014	Central and Eastern Europe 2013	The Americas 2014	The Americas 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	8	16	50	60	119	7	56
Results from operating activities		781	737	287	231	660	681
Net finance expenses	12						
Share of profit of associates and joint ventures and impairments thereof	16	–	2	33	15	60	70
Income tax expense	13						
Profit							
Attributable to:							
Equity holders of the Company (net profit)							
Non-controlling interests							
EBIT reconciliation							
EBIT[2]		781	739	320	246	720	751
Eia[2]		71	115	(27)	60	121	39
EBIT (beia)[2]	27	**852**	854	**293**	306	**841**	790
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 & associates volume[2]		–	–	3,712	3,743	3,775	3,717
Group beer volume[2]		**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	14	345	264	201	191	291	261
Acquisition of goodwill	15	–	9	100	–	–	–
Purchases of intangible assets	15	8	24	5	6	13	12
Depreciation of P, P & E	14	(325)	(329)	(213)	(235)	(219)	(211)
(Impairment) and reversal of impairment of P, P & E	14	(2)	(7)	(1)	(9)	–	(1)
Amortisation intangible assets	15	(42)	(65)	(18)	(17)	(92)	(97)
(Impairment) and reversal of impairment of intangible assets	15	–	(17)	–	(99)	–	–

[1]Includes other revenue of EUR377 million in 2014 and EUR375 million in 2013.
[2]For definition, see 'Glossary'. Note that these are non-GAAP measures and therefore unaudited.

	Africa Middle East		Asia Pacific		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
							1,516	1,364
							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
	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)

Notes to the consolidated financial statements continued

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.

In millions of EUR[1]	
Property, plant and 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**

In millions of EUR[1]	
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**

[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.

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.

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 our 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.

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 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.

Assets and liabilities classified as held for sale

In millions of EUR	2014	2013
Current assets	96	19
Property, plant and equipment	236	18
Intangible assets	332	–
Other non-current assets	24	–
Current liabilities	(103)	(10)
Non-current liabilities	(75)	(1)
	510	26

8. Other income

In millions of EUR	2014	2013
Gain on sale of property, plant and 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).

9. Raw materials, consumables and services

In millions of EUR	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).

Notes to the consolidated financial statements continued

10. Personnel expenses

In millions of EUR	Note	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	28	(31)	41
Expenses related to other long-term employee benefits		8	11
Equity-settled share-based payment plan	29	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

11. Amortisation, depreciation and impairments

In millions of EUR	Note	2014	2013
Property, plant and equipment	14	1,088	1,089
Intangible assets	15	349	492
		1,437	1,581

12. Net finance income and expense

Recognised in profit or loss

In millions of EUR	2014	2013
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)
Net finance income/(expenses)	**(488)**	(593)

13. Income tax expense

Recognised in profit or loss

In millions of EUR	2014	2013
Current tax expense		
Current year	666	740
Under/(over) provided in prior years	(9)	13
	657	753
Deferred tax expense		
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)
Total income tax expense in profit or loss	**732**	520

Notes to the consolidated financial statements continued

13. Income tax expense continued

Reconciliation of the effective tax rate

In millions of EUR	2014	2013
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.

Income tax recognised in other comprehensive income

In millions of EUR	Note	2014	2013
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)
	24	**218**	(102)

14. Property, plant and equipment

In millions of EUR	Note	Land and buildings	Plant and equipment	Other fixed assets	Under construction	Total
Cost						
Balance as at 1 January 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						
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	11	(163)	(416)	(494)	–	(1,073)
Impairment losses	11	(3)	(15)	(5)	–	(23)
Reversal impairment losses	11	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	11	(154)	(415)	(511)	–	(1,080)
Impairment losses	11	(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**

Notes to the consolidated financial statements continued

14. Property, plant and equipment continued

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).

15. Intangible assets

In millions of EUR	Note	Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total
Cost							
Balance as at 1 January 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							
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	11	–	(101)	(176)	(62)	(37)	(376)
Impairment losses	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)

In millions of EUR	Note	Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total
Balance as at 1 January 2014		**(391)**	**(359)**	**(511)**	**(71)**	**(288)**	**(1,620)**
Changes in consolidation		–	–	–	–	1	1
Amortisation charge for the year	11	–	(98)	(147)	(43)	(43)	(331)
Impairment losses	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 our CGU in Tunisia has been reduced to its recoverable amount through recognition of a 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 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:

In millions of EUR	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
Head Office and other (aggregated)	480	716
	10,396	10,016

Notes to the consolidated financial statements continued

15. Intangible assets continued

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 10-year period were extrapolated using a perpetual growth rate equal to the expected annual long-term inflation, in order to calculate the terminal recoverable amount.
- A per CGU-specific pre-tax Weighted Average Cost of Capital (WACC) was applied in determining the recoverable amount of the units.

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

In per cent	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
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.

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	
In millions of EUR	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

17. Other investments and receivables

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

Notes to the consolidated financial statements continued

18. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

	Assets		Liabilities		Net	
In millions of EUR	2014	2013	2014	2013	2014	2013
Property, plant and 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.

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:

In millions of EUR	2014	2013
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

In millions of EUR	Balance 1 January 2014	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	Balance 31 December 2014
Property, plant and 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)**

In millions of EUR	Balance 1 January 2013	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	Balance 31 December 2013
Property, plant and 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)

19. Inventories

In millions of EUR	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.

Notes to the consolidated financial statements continued

20. Trade and other receivables

In millions of EUR	Note	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
	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.

21. Cash and cash equivalents

In millions of EUR	Note	2014	2013
Cash and cash equivalents	32	668	1,290
Bank overdrafts	25	(595)	(178)
Cash and cash equivalents in the statement of cash flows		**73**	1,112

22. Capital and reserves

Share capital

As at 31 December 2014, the issued share capital comprised 576,002,613 ordinary shares (2013: 576,002,613). The ordinary shares have a par value of EUR1.60. All issued shares are fully paid. The share capital as at 31 December 2014 amounted to EUR922 million (2013: EUR922 million).

The Company's authorised capital amounts to EUR2,500 million, consisting of 1,562,500,000 shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. In respect of the Company's shares that are held by HEINEKEN (see next page), rights are suspended.

Share premium

As at 31 December 2014, the share premium amounted to EUR2,701 million (2013: EUR2,701 million).

Translation reserve

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

Hedging reserve

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

Fair value reserve

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

Other legal reserves

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

Reserve for own shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by HEINEKEN. As at 31 December 2014, HEINEKEN held 1,395,435 of the Company's shares (2013: 1,010,213).

LTV

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

Dividends

The following dividends were declared and paid by HEINEKEN:

In millions of EUR	2014	2013
Final dividend previous year EUR0.53, respectively EUR0.56 per qualifying ordinary share	305	323
Interim dividend current year EUR0.36, respectively EUR0.36 per qualifying ordinary share	207	207
Total dividend declared and paid	**512**	530

HEINEKEN 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. 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.

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

In millions of EUR	2014	2013
Per qualifying ordinary share EUR1.10 (2013: EUR0.89)	**632**	512

Non-controlling interests

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

Notes to the consolidated financial statements continued

23. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the period ended 31 December 2014 is based on the profit attributable to ordinary shareholders of the Company (net profit) of EUR1,516 million (2013: EUR1,364 million) and a weighted average number of ordinary shares – basic outstanding during the year ended 31 December 2014 of 574,945,645 (2013: 575,062,357). Basic earnings per share for the year amounted to EUR2.64 (2013: EUR2.37).

Diluted earnings per share

The calculation of diluted 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 EUR1,516 million (2013: EUR1,364 million) and a weighted average number of ordinary shares – basic outstanding after adjustment for the effects of all dilutive potential ordinary shares of 576,002,613 (2013: 576,002,613). Diluted earnings per share for the year amounted to EUR2.63 (2013: EUR2.37).

Weighted average number of shares – basic and diluted

	2014	2013
Number of shares 1 January	576,002,613	576,002,613
Effect of own shares held	(1,056,968)	(940,256)
Weighted average number of basic shares for the year	**574,945,645**	575,062,357
Effect of own shares held	1,056,968	940,256
Weighted average number of diluted shares for the year	**576,002,613**	576,002,613

24. Income tax on other comprehensive income

	2014			2013		
In millions of EUR	Amount before tax	Tax	Amount net of tax	Amount before tax	Tax	Amount net of tax
Other comprehensive income						
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/joint ventures	(7)	–	(7)	6	(1)	5
Total other comprehensive income	**20**	**218**	**238**	(1,005)	(102)	(1,107)

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.

Non-current liabilities

In millions of EUR	Note	2014	2013
Unsecured bond issues		7,802	8,083
Unsecured bank loans		481	422
Secured bank loans		45	16
Finance lease liabilities	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
Non-current liabilities		**9,499**	9,853

Current interest-bearing liabilities

In millions of EUR	Note	2014	2013
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	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	21	595	178
Current interest-bearing liabilities		**2,266**	2,373

Notes to the consolidated financial statements continued

25. Loans and borrowings continued

Net interest-bearing debt position

In millions of EUR	Note	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	21	595	178
		11,757	12,170
Cash, cash equivalents and current other investments	17/21	(681)	(1,302)
Net interest-bearing debt position		**11,076**	10,868

Non-current liabilities

In millions of EUR	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:

In millions of EUR	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

Notes to the consolidated financial statements continued

25. Loans and borrowings continued

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2014	Face value 2014	Carrying amount 2013	Face value 2013
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	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
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[1]

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 undrawn revolving credit facility and centrally available cash, minus centrally managed overdraft balances.

Incurrence covenant[1]

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 us from conducting further significant debt financed acquisitions.

[1] Non-GAAP measures: unaudited

26. Finance lease liabilities

Finance lease liabilities are payable as follows:

In millions of EUR	Future minimum lease payments 2014	Interest 2014	Present value of minimum lease payments 2014	Future minimum lease payments 2013	Interest 2013	Present value of minimum lease payments 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

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, and HEINEKEN non-GAAP measures, being EBIT, EBIT (beia), consolidated operating profit (beia), Group operating profit (beia) and net profit (beia).

In millions of EUR	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 the Company (net profit)	**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 our PHEI in Zagorka of EUR51 million.

Notes to the consolidated financial statements continued

27. Non-GAAP measures continued

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.

28. Employee benefits

In millions of EUR	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 Company contributions of GBP21 million per year, with a further Company 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	
In millions of EUR	Note	2014	2013	2014	2013	2014	2013
Balance as at 1 January		**7,674**	7,844	**(6,553)**	(6,401)	**1,121**	1,443
Included in profit or loss							
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	10	**(35)**	38	**4**	3	**(31)**	41
Interest expense/(income)	12	326	288	(277)	(232)	49	56
		291	326	**(273)**	(229)	**18**	97
Included in OCI							
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)
Other							
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.

Notes to the consolidated financial statements continued

28. Employee benefits continued

Defined benefit plan assets

In millions of EUR	Quoted 2014	Unquoted 2014	Total 2014	Quoted 2013	Unquoted 2013	Total 2013
Equity instruments:						
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
Debt instruments:						
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:

	The Netherlands		UK*	
In per cent	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 at 31 December:

	Other Western, Central and Eastern Europe		The Americas		Africa Middle East	
In per cent	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	14.0
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.

Notes to the consolidated financial statements continued

28. Employee benefits continued

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	
Effect in millions of EUR	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.

29. Share-based payments – Long-Term Variable Award

HEINEKEN has a performance-based share plan (Long-Term Variable award (LTV)) for the Executive Board and senior management. Under this LTV plan, share rights are conditionally awarded to incumbents on an annual basis. The vesting of these rights is subject to the performance of Heineken N.V. on specific internal performance conditions and continued service over a three-year period.

The performance conditions for LTV 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 our dividend policy and historical dividend payouts, during the vesting period.

The terms and conditions of the share rights granted are as follows:

Grant date/employees entitled	Number*	Based on share price
Share rights granted to Executive Board in 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**

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

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, 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.

Personnel expenses

In millions of EUR	Note	2014	2013
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	10	**48**	10

Notes to the consolidated financial statements continued

30. Provisions

In millions of EUR	Note	Restructuring	Onerous contracts	Other	Total
Balance as at 1 January 2014		**164**	**32**	**342**	**538**
Changes in consolidation	6	–	–	(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

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
The Company'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.

31. Trade and other payables

In millions of EUR	Note	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
	32	**5,533**	5,131

32. Financial risk management and financial instruments

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

The Executive Board, under the supervision of the Supervisory Board, has overall responsibility and sets rules for HEINEKEN's risk management and control systems. They are reviewed regularly to reflect changes in market conditions and HEINEKEN's activities. The Executive Board oversees the adequacy and functioning of the entire system of risk management and internal control, assisted by Group departments.

The Global Treasury function focuses primarily on the management of financial risk and financial resources. Some of the risk management strategies include the use of derivatives, primarily in the form of spot and forward exchange contracts and interest rate swaps, but options can be used as well. It is 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. We annually review compliance with these procedures and continuous focus is placed on ensuring that adequate controls are in place to mitigate any identified risks in respect of both customer and supplier risk.

As at the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial instrument, including derivative financial instruments, in the consolidated statement of financial position.

Notes to the consolidated financial statements continued

32. Financial risk management and financial instruments continued

Loans to customers

HEINEKEN's exposure to credit risk is mainly influenced by the individual characteristics of each customer. HEINEKEN's held-to-maturity investments include loans to customers, issued based on a loan contract. Loans to customers are ideally secured by, among others, rights on property or intangible assets, such as the right to take possession of the premises of the customer. Interest rates calculated by HEINEKEN are at least based on the risk-free rate plus a margin, which takes into account the risk profile of the customer and value of security given.

HEINEKEN establishes an allowance for impairment of loans that represents its estimate of incurred losses. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar customers in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics.

In a few countries, the issuance of new loans is outsourced to third parties. In most cases, HEINEKEN issues guarantees to the third party for the risk of default by the customer.

Trade and other receivables

HEINEKEN's local management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Under the credit policies, all customers requiring credit over a certain amount are reviewed and new customers are analysed individually for creditworthiness before HEINEKEN's standard payment and delivery terms and conditions are offered. HEINEKEN's review includes external ratings, where available, and in some cases bank references. Purchase limits are established for each customer and these limits are reviewed regularly. 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:

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

In millions of EUR	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
Head Office/eliminations	138	117
	2,621	2,382

Notes to the consolidated financial statements continued

32. Financial risk management and financial instruments continued

Impairment losses

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

In millions of EUR	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:

In millions of EUR	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:

In millions of EUR	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:

In millions of EUR	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
						2014
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)**

In millions of EUR	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
						2013
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)

Notes to the consolidated financial statements continued

32. Financial risk management and financial instruments continued

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.

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, 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 the Company and the various foreign operations, HEINEKEN ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to foreign currency risk

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

			2014			2013
In millions	EUR	GBP	USD	EUR	GBP	USD
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).

Notes to the consolidated financial statements continued

32. Financial risk management and financial instruments continued

Interest rate risk – profile

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

In millions of EUR	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: EUR 5 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	
In millions of EUR	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	
In millions of EUR	10 per cent increase	10 per cent 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
In millions of EUR	Carrying amount	Expected cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Interest rate swaps:						
Assets	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
In millions of EUR	Carrying amount	Expected cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Interest rate swaps:						
Assets	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	–

Notes to the consolidated financial statements continued

32. Financial risk management and financial instruments continued

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

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

HEINEKEN is not subject to externally imposed capital requirements other than the legal reserves explained in note 22. Shares are purchased to meet the requirements of the share-based payment awards, as further explained in note 29.

Fair values

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

In millions of EUR	Carrying amount 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 below:

In millions of EUR	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.

Notes to the consolidated financial statements continued

33. Off-balance sheet commitments

In millions of EUR	Total 2014	Less than 1 year	1-5 years	More than 5 years	Total 2013
Lease and operational lease commitments	993	155	319	519	701
Property, plant and 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.

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

In millions of EUR	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
Guarantees	**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.

35. Related parties

Identification of related parties

HEINEKEN's parent company is Heineken Holding N.V. HEINEKEN's ultimate controlling party is Mrs. de Carvalho-Heineken. Our shareholder structure is set out in the section 'Shareholder Information'.

In addition, HEINEKEN has related party relationships with its associates and joint ventures (refer to note 16), HEINEKEN pension funds (refer to note 28), Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA), employees (refer to note 25) and with its key management personnel (the Executive Board and the Supervisory Board).

Key management remuneration

In millions of EUR	2014	2013
Executive Board	15.4	10.0
Supervisory Board	1.0	1.0
Total	**16.4**	11.0

Executive Board

The remuneration of the members of the Executive Board comprises a fixed component and a variable component. The variable component is made up of a Short-Term Variable pay (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 we refer to as the matching share entitlement. For the LTV award refer to note 29. The separate Remuneration Report is stated on pages 49-57.

As at 31 December 2014, Mr. Jean-François van Boxmeer held 117,889 Company shares and Mr. René Hooft Graafland held 58,975 (2013: Mr. Jean-François van Boxmeer 97,829 and Mr. René Hooft Graafland 49,962 shares). Mr. René Hooft Graafland held 3,052 ordinary shares of Heineken Holding N.V. as at 31 December 2014 (2013: 3,052 ordinary shares).

Notes to the consolidated financial statements continued

35. Related parties continued

In thousands of EUR	J.F.M.L. van Boxmeer 2014	D.R. Hooft Graafland 2014	Total 2014	J.F.M.L. van Boxmeer 2013	D.R. Hooft Graafland 2013	Total 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	–	–	–
Total[1]	**8,990**	**6,362**	**15,352**	6,825	3,137	9,962

[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 Mr. René Hooft Graafland. Both taxes are an expense to the employer and therefore not included in the table above.

The matching share entitlements for each year are based on the performance in that year. The CEO and CFO 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 our 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.

Resignation of Mr. René Hooft Graafland as a member of the Executive Board and CFO in 2015

Mr. René 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 Mr. René Hooft Graafland is approximately EUR0.2 million.

Supervisory Board

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

In thousands of EUR	2014	2013[1]
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	–
Total	**1,003**	1,001

[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

Mr. Michel 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 Company's bonds or option rights. Mr. Michel de Carvalho held 100,008 ordinary shares of Heineken Holding N.V. as at 31 December 2014 (2013: 100,008 ordinary shares).

Other related party transactions

	Transaction value		Balance outstanding as at 31 December	
In millions of EUR	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

Heineken Holding N.V.

In 2014, an amount of EUR744,285 (2013: EUR757,719) was paid to Heineken Holding N.V. for management services for HEINEKEN.

This payment is based on an agreement of 1977 as amended in 2001, providing that Heineken N.V. reimburses Heineken Holding N.V. for its costs. Best practice provision III.6.4 of the Dutch Corporate Governance Code of 10 December 2008 has been observed in this regard.

Notes to the consolidated financial statements continued

35. Related parties continued

FEMSA

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

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 EUR 15 million. The relating operating lease expenses are included in Other Expenses – FEMSA.

36. HEINEKEN entities

Control of HEINEKEN

The shares and options of the Company are traded on Euronext Amsterdam, where the Company is included in the main AEX Index. Heineken Holding N.V. Amsterdam has an interest of 50.005 per cent in the issued capital of the Company. The financial statements of the Company are included in the consolidated financial statements of Heineken Holding N.V.

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

Pursuant to the provisions of Article 17 (1) of the Republic of Ireland Companies (Amendment) Act 1986, the Company 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's significant subsidiaries at 31 December 2014. The subsidiaries as listed below are held by the Company and the proportion of ownership interests held equals the proportion of the voting rights held by HEINEKEN. The country of incorporation or registration is also their principal place of business.

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

		% of ownership	
	Country of incorporation	2014	2013
Heineken International B.V.	The Netherlands	100%	100%
Heineken Brouwerijen B.V.	The Netherlands	100%	100%
Heineken Nederland B.V.	The Netherlands	100%	100%
Cuauhtémoc Moctezuma Holding, S.A. de C.V.	Mexico	100%	100%
Cervejarias Kaiser Brasil S.A.	Brazil	100%	100%
Heineken France S.A.S.	France	100%	100%
Nigerian Breweries Plc.	Nigeria	54.3%	54.1%
Heineken USA Inc.	United States	100%	100%
Heineken UK Ltd	United Kingdom	100%	100%
Heineken España S.A.	Spain	99.8%	99.4%
Heineken Italia S.p.A.	Italy	100%	100%
Brau Union Österreich AG	Austria	100%	100%
Grupa Żywiec S.A.	Poland	65.2%	65.2%
LLC Heineken Breweries	Russia	100%	100%
Vietnam Brewery Ltd.	Vietnam	60%	60%

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.

In millions of EUR	2014	2013
Summarised Balance Sheet		
Current		
Assets	274	213
Liabilities	(554)	(469)
Total current net assets	(280)	(256)
Non-current		
Assets	943	726
Liabilities	(303)	(184)
Total non-current net assets	**640**	542

In millions of EUR	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

In millions of EUR	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)

37. Subsequent events

No subsequent events occurred that are significant to HEINEKEN.

Heineken N.V. Balance Sheet

Before appropriation of profit
As at 31 December

In millions of EUR	Note	2014	2013
Fixed assets			
Financial fixed assets			
Investments in participating interests	38	22,618	21,611
Other investments		97	167
Deferred tax assets		40	133
Total financial fixed assets		**22,755**	21,911
Trade and other receivables		69	5
Cash and cash equivalents		1	2
Total current assets		**70**	7
Total assets		**22,825**	21,918
Shareholders' equity			
Issued capital		922	922
Share premium		2,701	2,701
Translation reserve		(1,097)	(1,721)
Hedging reserve		(99)	2
Fair value reserve		96	97
Other legal reserves		743	805
Reserve for own shares		(70)	(41)
Retained earnings		7,697	7,273
Net profit		1,516	1,364
Total shareholders' equity	39	**12,409**	11,402
Liabilities			
Loans and borrowings	40	8,933	9,112
Total non-current liabilities		**8,933**	9,112
Loans and borrowings (current part)		1,349	1,204
Trade and other payables		121	187
Tax payable		13	13
Total current liabilities		**1,483**	1,404
Total liabilities		**10,416**	10,516
Total shareholders' equity and liabilities		**22,825**	21,918

Heineken N.V. Income Statement

For the year ended 31 December

In millions of EUR	Note	2014	2013
Share of profit of participating interests, after income tax		2,215	1,478
Other profit after income tax		(699)	(114)
Net profit	39	**1,516**	1,364

Notes to the Heineken N.V. Financial Statements

Reporting entity
The financial statements of Heineken N.V. (the 'Company') are included in the consolidated financial statements of Heineken N.V.

Basis of preparation
The Company financial statements have been prepared in accordance with the provisions of Part 9, Book 2, of the Dutch Civil Code. The Company uses the option of Article 362.8 of Part 9, Book 2, of the Dutch Civil Code to prepare the Company financial statements, using the same accounting policies as in the consolidated financial statements. Valuation is based on recognition and measurement requirements of accounting standards adopted by the EU (i.e. only IFRS that is adopted for use in the EU at the date of authorisation) as explained further in the notes to the consolidated financial statements. The Company presents a condensed income statement, using the facility of Article 402 of Part 9, Book 2, of the Dutch Civil Code.

Significant accounting policies
Financial fixed assets
Participating interests (subsidiaries, joint ventures and associates) are measured on the basis of the equity method.

Shareholders' equity
The translation reserve and other legal reserves were previously formed under, and are still recognised in accordance with, the Dutch Civil Code.

Profit of participating interests
The share of profit of participating interests consists of the share of the Company in the results of these participating interests. Results on transactions, where the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests, themselves, are not recognised.

38. Investments in participating interests

In millions of EUR	Participating interests	Loans to participating interests	Total
Balance as at 1 January 2013	13,384	9,120	22,504
Profit of participating interests	1,478	–	1,478
Dividend payments by participating interests	(140)	140	–
Effect of movements in exchange rates	(1,180)	–	(1,180)
Changes in hedging and fair value adjustments	(41)	–	(41)
Actuarial gains/(losses)	197	–	197
Acquisition of non-controlling interests without a change in control	(125)	–	(125)
Investments/(repayments)	85	(1,311)	(1,226)
Other movements	4	–	4
Balance as at 31 December 2013	13,662	7,949	21,611
Balance as at 1 January 2014	**13,662**	**7,949**	**21,611**
Profit of participating interests	2,215	–	2,215
Dividend payments by participating interests	(494)	494	–
Effect of movements in exchange rates	627	–	627
Changes in hedging and fair value adjustments	(99)	–	(99)
Actuarial gains/(losses)	(352)	–	(352)
Acquisition of non-controlling interests without a change in control	(181)	–	(181)
Investments/(repayments)	(176)	(1,027)	(1,203)
Other movements	–	–	–
Balance as at 31 December 2014	**15,202**	**7,416**	**22,618**

Notes to the Heineken N.V. Financial Statements continued

39. Shareholders' equity

In millions of EUR	Share capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve
Balance as at 1 January 2013	922	2,701	(527)	(11)	150
Profit	–	–	–	–	–
Other comprehensive income	–	–	(1,194)	13	(53)
Total comprehensive income	–	–	(1,194)	13	(53)
Transfer to retained earnings	–	–	–	–	–
Dividends to shareholders	–	–	–	–	–
Purchase/reissuance of own shares	–	–	–	–	–
Own shares granted	–	–	–	–	–
Share-based payments	–	–	–	–	–
Acquisition of non-controlling interests without a change in control	–	–	–	–	–
Balance as at 31 December 2013	922	2,701	(1,721)	2	97
Balance as at 1 January 2014	**922**	**2,701**	**(1,721)**	**2**	**97**
Profit	**–**	**–**	**–**	**–**	**–**
Other comprehensive income	–	–	624	(101)	(1)
Total comprehensive income	**–**	**–**	**624**	**(101)**	**(1)**
Transfer to retained earnings	**–**	**–**	**–**	**–**	**–**
Dividends to shareholders	**–**	**–**	**–**	**–**	**–**
Purchase/reissuance of own shares	**–**	**–**	**–**	**–**	**–**
Own shares granted	**–**	**–**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**	**–**	**–**
Acquisition of non-controlling interests without a change in control	**–**	**–**	**–**	**–**	**–**
Balance as at 31 December 2014	**922**	**2,701**	**(1,097)**	**(99)**	**96**

In millions of EUR	Other legal reserve	Reserve for own shares	Retained earnings	Net profit	Shareholders' equity
Balance as at 1 January 2013	779	(26)	4,832	2,914	11,734
Profit	214	–	(214)	1,364	1,364
Other comprehensive income	–	–	206	–	(1,028)
Total comprehensive income	214	–	8	1,364	336
Transfer to retained earnings	(188)	–	3,102	(2,914)	–
Dividends to shareholders	–	–	(530)	–	(530)
Purchase/reissuance of own shares	–	(21)	–	–	(21)
Own shares granted	–	6	(6)	–	–
Share-based payments	–	–	8	–	8
Acquisition of non-controlling interests without a change in control	–	–	(125)	–	(125)
Balance as at 31 December 2013	805	(41)	7,273	1,364	11,402
Balance as at 1 January 2014	**805**	**(41)**	**7,273**	**1,364**	**11,402**
Profit	174	–	(174)	1,516	1,516
Other comprehensive income	–	–	(352)	–	170
Total comprehensive income	**174**	**–**	**(526)**	**1,516**	**1,686**
Transfer to retained earnings	(236)	–	1,600	(1,364)	–
Dividends to shareholders	–	–	(512)	–	(512)
Purchase/reissuance of own shares	–	(33)	–	–	(33)
Own shares granted	–	4	(4)	–	–
Share-based payments	–	–	47	–	47
Acquisition of non-controlling interests without a change in control	–	–	(181)	–	(181)
Balance as at 31 December 2014	**743**	**(70)**	**7,697**	**1,516**	**12,409**

For more details on reserves, refer to note 22 of the consolidated financial statements.

For more details on share-based payments, refer to note 29 of the consolidated financial statements.

40. Loans and borrowings

Non-current liabilities

In millions of EUR	2014	2013
Unsecured bond issues	7,762	7,981
Unsecured bank loans	104	107
Other	1,064	979
Non-current interest-bearing liabilities	**8,930**	9,067
Non-current non-interest-bearing liabilities	–	4
Non-current derivatives	3	41
	8,933	9,112

Notes to the Heineken N.V. Financial Statements continued

40. Loans and borrowings continued

In millions of EUR	Unsecured bond issues	Unsecured bank loans	Other non-current interest-bearing liabilities	Non-current derivatives	Non-current non-interest-bearing liabilities	Total
Balance as at 1 January 2014	**7,981**	**107**	**979**	**41**	**4**	**9,112**
Charge from/to equity in relation to derivatives	31	–	117	(5)	–	143
Effects of movements of exchange rates	7	–	–	–	–	7
Proceeds	345	–	–	–	–	345
Repayments	(60)	(3)	–	–	–	(63)
Transfers to current liabilities	(917)	–	(39)	4	–	(952)
Other	375	–	7	(37)	(4)	341
Balance as at 31 December 2014	**7,762**	**104**	**1,064**	**3**	**–**	**8,933**

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2014	Face value 2014	Carrying amount 2013	Face value 2013
Unsecured bond	issue under EMTN programme	EUR	7.1	2014	–	–	1,000	1,000
Unsecured bond	issue under EMTN programme	GBP	7.3	2015	514	514	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	740	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

In millions of EUR	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	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 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 bank loans	German Schuld-schein notes	EUR	1.0–6.0	2014	–	–	202	206
Unsecured bank loans	German Schuld-schein notes	EUR	1.0–6.2	2016	110	111	111	111
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
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
					9,952	**10,017**	10,269	10,346

For financial risk management and financial instruments, refer to note 32.

Notes to the Heineken N.V. Financial Statements continued

41. 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 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.

	KPMG Accountants N.V.		Other KPMG member firms and affiliates		Total	
In millions of EUR	2014	2013	2014	2013	2014	2013
Audit of HEINEKEN and its subsidiaries	1.9	2.1	7.4	8.2	9.3	10.3
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
Total	2.5	2.6	9.9	11.1	12.4	13.7

42. Off-balance sheet commitments

In millions of EUR	Total 2014	Less than 1 year	1 – 5 years	More than 5 years	Total 2013
Undrawn committed bank facility	2,500	–	2,500	–	2,000

	2014		2013	
	Third parties	HEINEKEN companies	Third parties	HEINEKEN companies
Declarations of joint and several liability	–	1,717	–	1,987

Fiscal unity

The Company is part of the fiscal unity of HEINEKEN in the Netherlands. As a result, the Company is liable for the tax liability of the fiscal unity in the Netherlands.

43. Subsequent events

For subsequent events, refer to note 37.

44. Participating interests

For disclosures of significant direct and indirect participating interests, refer to notes 16 and 36 to the consolidated financial statements.

A declaration of joint and several liability pursuant to the provisions of Section 403, Part 9, Book 2, of the Dutch Civil Code has been issued with respect to the following legal entities established in the Netherlands.

		Ownership interest	
	Country of incorporation	2014	2013
Heineken Nederlands Beheer B.V.	The Netherlands	100%	100%
Heineken Group B.V.	The Netherlands	100%	100%
Heineken Brouwerijen B.V.	The Netherlands	100%	100%
Heineken CEE Investments B.V.	The Netherlands	100%	100%
Heineken Nederland B.V.	The Netherlands	100%	100%
Heineken International B.V.	The Netherlands	100%	100%
Heineken Supply Chain B.V.	The Netherlands	100%	100%
Heineken Global Procurement B.V.	The Netherlands	100%	100%
Heineken Mexico B.V.	The Netherlands	100%	100%
HIBV Skopje Holdings B.V.	The Netherlands	100%	–
Heineken Beer Systems B.V.	The Netherlands	100%	100%
Amstel Brouwerij B.V.	The Netherlands	100%	100%
Amstel Internationaal B.V.	The Netherlands	100%	100%
Vrumona B.V.	The Netherlands	100%	100%
B.V. Beleggingsmaatschappij Limba	The Netherlands	100%	100%
Brand Bierbrouwerij B.V.	The Netherlands	100%	100%
Heineken CEE Holdings B.V.	The Netherlands	100%	100%
Brasinvest B.V.	The Netherlands	100%	100%
Heineken Asia Pacific B.V.	The Netherlands	100%	100%
B.V. Handel- en Exploitatie Maatschappij Schoonhoven	The Netherlands	100%	100%
Distilled Trading International B.V.	The Netherlands	100%	100%
Premium Beverages International B.V.	The Netherlands	100%	100%
De Brouwketel B.V.	The Netherlands	100%	100%
Store Exploitation B.V.	The Netherlands	100%	100%
Proseco B.V.	The Netherlands	100%	100%
Roeminck Insurance N.V.	The Netherlands	100%	100%
Heineken Ghanaian Holdings B.V.	The Netherlands	100%	100%
Heineken Americas B.V.	The Netherlands	100%	100%
Heineken Export Americas B.V.	The Netherlands	100%	100%
Amstel Export Americas B.V.	The Netherlands	100%	100%
Horeca European Buying B.V.	The Netherlands	100%	100%
Heineken Brazil B.V.	The Netherlands	100%	100%
B.V. Panden Exploitatie Maatschappij PEM	The Netherlands	100%	100%
Heineken Exploitatie Maatschappij B.V.	The Netherlands	100%	100%
Hotel De L'Europe B.V.	The Netherlands	100%	100%
Hotel De L'Europe Monumenten I B.V.	The Netherlands	100%	100%
Hotel De L'Europe Monumenten II B.V.	The Netherlands	100%	100%

Notes to the Heineken N.V. Financial Statements continued

45. Other disclosures

Remuneration

Refer to note 35 of the consolidated financial statements for the remuneration and incentives of the Executive Board and Supervisory Board. The Executive Board members are the only employees of the Company.

Executive and Supervisory Board statement

The members of the Supervisory Board signed the financial statements in order to comply with their statutory obligation pursuant to Article 2:101, paragraph 2, of the Dutch Civil Code.

The members of the Executive Board signed the financial statements in order to comply with their statutory obligation pursuant to Article 2:101, paragraph 2, of the Dutch Civil Code and Article 5:25c, paragraph 2 sub c, of the Financial Markets Supervision Act.

Amsterdam, 10 February 2015	Executive Board	Supervisory Board
	Van Boxmeer	Wijers
	Hooft Graafland	Fernández Carbajal
		Das
		de Carvalho
		Fentener van Vlissingen
		Minnick
		Navarre
		Astaburuaga Sanjinés
		Scheffers
		Huët

Appropriation of Profit

Article 12, paragraph 7, of the Articles of Association stipulates:
"Of the profits, payment shall first be made, if possible, of a dividend of six per cent of the issued part of the authorised share capital. The amount remaining shall be at the disposal of the General Meeting of Shareholders."

It is proposed to appropriate EUR632 million of the profit for payment of a dividend and to add EUR884 million to the retained earnings.

Civil Code

Heineken N.V. is not a 'structuurvennootschap' within the meaning of Section 2: 152-164 of the Dutch Civil Code. Heineken Holding N.V., a company listed on the NYSE Euronext Amsterdam, holds 50.005 per cent of the issued shares of Heineken N.V.

Authorised capital

The Company's authorised capital amounts to EUR2,500 million.

Independent Auditor's Report

To: Annual General Meeting of Heineken N.V.

Report on the audit of the Financial statements 2014

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

In our opinion:
- the Consolidated financial statements give a true and fair view of the financial position of Heineken N.V. as at 31 December 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 give a true and fair view of the financial position of Heineken 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 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

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

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 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 Supervisory Board 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 N.V. is head of a group of entities. The financial information of this group is included in the Financial statements of Heineken N.V.

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 Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the Financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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.

Independent Auditor's Report continued

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 Executive Board and the Supervisory Board for the Financial statements
The Executive Board is responsible for the preparation and fair presentation of the Financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Netherlands Civil Code and for the preparation of the Report of the Executive Board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Executive Board is responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the Financial statements that are free from material misstatement, whether due to errors or fraud.

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

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the Financial statements
Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

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 Executive Board 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 Executive Board and other information):

- we have no deficiencies to report as a result of our examination whether the Report of the Executive Board, 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 Executive Board, to the extent we can assess, is consistent with the Financial statements

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

Amsterdam, 10 February 2015
KPMG Accountants N.V.

E.J.L. van Leeuwen RA

Shareholder Information

Investor Relations
HEINEKEN takes a proactive role in maintaining an open dialogue with shareholders and bondholders, providing accurate and complete information in a timely and consistent way. The Company does this through media releases, the Annual Report, presentations, webcasts, investor conferences and regular briefings with analysts, fund managers and shareholders.

Ownership structure
Heading the HEINEKEN Group, Heineken Holding N.V. is no ordinary holding company. Since its formation in 1952, the objective of Heineken Holding N.V., pursuant to its Articles of Association, has been to manage and/or supervise the HEINEKEN Group and to provide services for Heineken N.V. The role Heineken Holding N.V. has performed for the HEINEKEN Group since 1952 has been to safeguard its continuity, independence and stability and create conditions for controlled, steady growth of the activities of the HEINEKEN Group. The stability provided by this structure has enabled the HEINEKEN Group to remain independent and to rise to its present position as the brewer with the widest international presence and one of the world's largest brewing groups.

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. Historically, however, Heineken Holding N.V. shares have traded at a lower price due to technical factors that are market-specific. Heineken Holding N.V. holds 50.005 per cent of the Heineken N.V. issued shares. On 31 December 2014, L'Arche Green N.V. held 51.709 per cent of the Heineken Holding N.V. shares. The Heineken family holds 88.67 per cent of L'Arche Green N.V. The remaining 11.33 per cent of L'Arche Green N.V. is held by the Hoyer family. Mrs. de Carvalho-Heineken also owns a direct 0.03 per cent stake in Heineken Holding N.V.

Heineken N.V. shares and options
Heineken N.V. shares are traded on NYSE Euronext Amsterdam, where the Company is included in the main AEX Index. The shares are listed under ISIN code NL0000009165. Prices for the ordinary shares may be accessed on Bloomberg under the symbol HEIA.NA and on the Reuters Equities 2000 Service under HEIA.AS. Options on Heineken N.V. shares are listed on Euronext. Liffe.

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

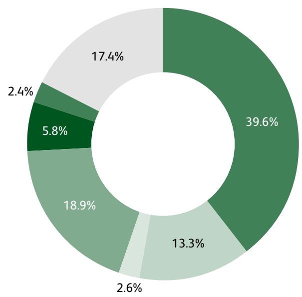
Market capitalisation Heineken N.V.
On 31 December 2014, there were 576,002.613 shares of EUR1.60 nominal value in issue. At a year-end price of EUR58.95 on 31 December 2014, the market capitalisation of Heineken N.V. on the balance sheet date was EUR34.0 billion.

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

Shareholder Information continued

Share distribution comparison year-on-year Heineken N.V. shares*

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



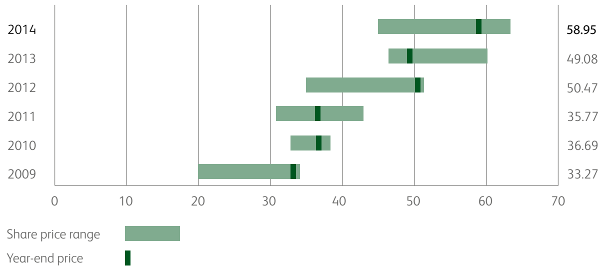
Based on 215.8 million shares in free float

Americas	39.6%
UK/Ireland	13.3%
Netherlands	2.6%
Rest of Europe (ex. Netherlands)	18.9%
Rest of the world	5.8%
Retail	2.4%
Unidentified	17.4%

* Source: Cmi2i estimate based on available information January 2015.

Heineken N.V. share price

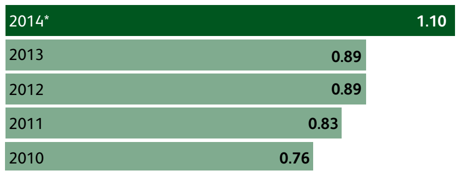
In EUR, NYSE Euronext Amsterdam



Average trade in 2014: 865,209 shares per day

Dividend per share

In EUR



* Proposed

Heineken Holding N.V. shares

The ordinary shares of Heineken Holding N.V. are traded on NYSE Euronext Amsterdam. The shares are listed under ISIN code NL0000008977. Prices for the ordinary shares may be accessed on Bloomberg under the symbol HEIO.NA and on the Reuters Equities 2000 Service under HEIO.AS.

In 2014, the average daily trading volume of Heineken Holding N.V. shares was 141,510 shares.

Market capitalisation Heineken Holding N.V.

On 31 December 2014, there were 288,030,168 ordinary shares of EUR1.60 nominal value in issue and 250 priority shares of EUR2.00 nominal value in issue.

At a year-end price of EUR51.93 on 31 December 2014, the market capitalisation of Heineken Holding N.V. on 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

American Depositary Receipts (ADRs)

HEINEKEN's shares are trading Over-the-Counter (OTC) in the US as American Depositary Receipts (ADRs). There are two separate Heineken ADR programmes representing ownership respectively in: 1) Heineken N.V. and 2) Heineken Holding N.V. For both programmes, the ratio between HEINEKEN ADRs and the ordinary Dutch (EUR denominated) shares is 2:1, i.e. two ADRs represent one HEINEKEN ordinary share. Deutsche Bank Trust Company Americas acts as depositary bank for HEINEKEN's ADR programmes.

Heineken N.V.

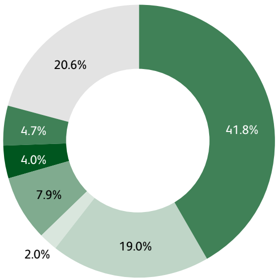
Ticker: HEINY
ISIN: US4230123014
CUSIP: 423012301
Structure: Sponsored Level I ADR
Exchange: OTCQX
Ratio (DR:ORD): 2:1

Heineken Holding N.V.

Ticker: HKHHY
ISIN: US4230081014
CUSIP: 423008101
Structure: Sponsored Level I ADR
Exchange: OTCQX
Ratio (DR:ORD): 2:1

Share distribution comparison year-on-year Heineken Holding N.V. shares*

Based on free float (excluding holding of l 'Arche Green N.V. and FEMSA in Heineken Holding N.V.)



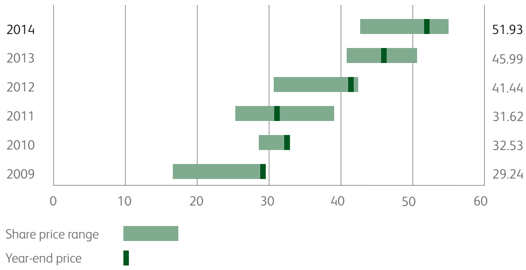
Based on 96.0 million shares in free float

Americas	41.8%
UK/Ireland	19.0%
Netherlands	2.0%
Rest of Europe (ex. Netherlands)	7.9%
Rest of the world	4.0%
Retail	4.7%
Unidentified	20.6%

* Source: CMi2i estimate based on available information January 2015.

Heineken Holding N.V. share price

In EUR, NYSE Euronext Amsterdam



Average trade in 2014: 141,510 shares per day

ADR contact information

Deutsche Bank Trust Company Americas
c/o American Stock Transfer & Trust Company
Peck Slip Station
P.O. Box 2050
New York, NY 10272-2050
Email: DB@amstock.com

Shareholder Service (toll-free) Tel. +1 866 706 0509
Shareholder Service (international) Tel. +1 718 921 8124
www.amstock.com

Contact details for ADR brokers and institutional investors

US Tel: +1 212 250 9100
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The Company ADR programmes are sponsored by Deutsche Bank Trust Company Americas (Deutsche Bank). As the depositary bank, Deutsche Bank performs the following roles for ADR holders as further detailed in the Deposit Agreement:

- Records and maintains the register of ADR holders
- Is the stock transfer agent
- Distributes dividends in US dollars
- Facilitates the voting process and the exercise of the voting rights of ADR holders at any General Meeting of Shareholders if permitted by the Company and the Deposit Agreement,
- Issues and cancels HEINEKEN American Depositary Receipts (ADRs)
- Can distribute circulars and documentation in connection with any General Meeting of Shareholders if applicable.

For those holders who are not registered because their ADRs are held through a 'Street name' (nominee account), your nominee will receive Company documents from time to time from Deutsche Bank to distribute to ADR holders. You need to make arrangements with your nominee if you wish to receive such documents and to be able to exercise your vote through the depositary bank at General Meetings (if applicable).

Shareholder Information continued

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

Dividend policy

The dividend policy of Heineken N.V. intends to preserve the independence of the Company, to maintain a healthy financial structure and to retain sufficient earnings in order to grow the business both organically and through acquisitions.

The dividend payments are related to the annual development of the net profit before exceptional items and amortisation of acquisition-related intangible assets (net profit beia).

Following the strong results of 2014 and to reflect confidence in future strong and sustainable cash flow generation HEINEKEN has widened the pay-out ratio for its annual dividend from 30%-35% to 30%-40% of Net profit (beia).

Dividends are paid in the form of an interim dividend and a final dividend. The interim dividend is fixed at 40 per cent of the total dividend of the previous year. Annual dividend proposals will remain subject to shareholder approval.

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

Further information on Heineken N.V. is available from the Investor Relations department, telephone + 31 20 523 95 90 or by email: investors@heineken.com.

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 email: investors@heineken.com.

Further shareholder information is available on the Company's website: www.theHEINEKENcompany.com/investors.

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 USD 200 million with a floating rate coupon under the EMTN programme.

Traded Heineken N.V. Notes	Issue date	Total face value	Interest rate	Maturity	ISIN code
GBP EMTN 2015	10 March 2009	GBP 400 million	7.250%	10 March 2015	XS0416081296
144A/RegS 2015	10 October 2012	USD 500 million	0.800%	1 October 2015	US423012AC71
EUR EMTN 2016	8 October 2009	EUR 400 million	4.625%	10 October 2016	XS0456567055
144A/RegS 2017	10 October 2012	USD 1.25 billion	1.400%	1 October 2017	US423012AB98
EUR EMTN 2018	18 April 2013	EUR 100 million	1.250%	18 April 2018	XS0918766550
EUR EMTN 2019	19 March 2012	EUR 850 million	2.500%	19 March 2019	XS0758419658
EUR EMTN 2020	2 August 2012	EUR 1 billion	2.125%	4 August 2020	XS0811554962
EUR EMTN 2021	4 April 2013	EUR 500 million	2.000%	6 April 2021	XS0911691003
144A/RegS 2022	3 April 2012	USD 750 million	3.400%	1 April 2022	US423012AA16
144A/RegS 2023	10 October 2012	USD 1 billion	2.750%	1 April 2023	US423012AD54
EUR EMTN 2024	19 March 2012	EUR 500 million	3.500%	19 March 2024	XS0758420748
EUR EMTN 2025	2 August 2012	EUR 750 million	2.875%	4 August 2025	XS0811555183
EUR EMTN 2029	30 January 2014	EUR 200 million	3.500%	30 July 2029	XS1024136282
EUR EMTN 2033	15 April 2013	EUR 180 million	3.250%	15 April 2033	XS0916345621
EUR EMTN 2033	19 April 2013	EUR 100 million	2.562%	19 April 2033	XS0920838371
144A/RegS 2042	10 October 2012	USD 500 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	SGD 22.25 million	3.780%	3 March 2020	SG7V34954621
SGD MTN 2022	7 January 2010	SGD 16.25 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.

Further bondholder information is available on the Company's website: www.theHEINEKENcompany.com/investors.

*After a name change, Heineken Asia Pacific Pte. Ltd is currently registered as Heineken Asia MTN Pte. Ltd.

Historical Summary

	2014	2013	2012*	2011	2010**
Revenue and profit In millions of EUR					
Revenue	19,257	19,203	18,383	17,123	16,133
Results from operating activities	2,780	2,554	3,697	2,215	2,298
Results from operating activities (beia)	3,129	2,941	2,666	2,458	2,430
as % of revenue	16.2	15.3	14.5	14.4	15.1
as % of total assets	9.0	8.8	7.4	9.1	9.1
Net profit	1,516	1,364	2,914	1,430	1,447
Net profit (beia)	1,758	1,585	1,661	1,584	1,456
as % of equity attributable to equity holders of the Company	14.2	13.9	14.2	16.2	14.7
Dividend proposed	632	512	512	477	438
as % of net profit (beia)	35.9	32.3	30.8	30.1	30.1
Per share of EUR1.60 In millions of EUR					
Cash flow from operating activities	5.32	5.07	4.69	5.05	4.61
Net profit (beia) basic	3.06	2.76	2.89	2.71	2.59
Net profit (beia) diluted	3.05	2.75	2.88	2.70	2.58
Dividend proposed	1.10	0.89	0.89	0.83	0.76
Equity attributable to equity holders of the Company	21.58	19.83	20.41	16.70[1]	17.67
Cash flow statement In millions of EUR					
Cash flow from operations	4,140	3,983	3,518	3,720	3,548
Cash flow related to interest, dividend and income tax	(1,082)	(1,069)	(823)	(809)	(891)
Cash flow from operating activities	3,058	2,914	2,695	2,911	2,657
Cash flow (used in)/from operational investing activities	(1,484)	(1,396)	(1,210)	(818)	(664)
Free operating cash flow	1,574	1,518	1,485	2,093	1,993
Cash flow (used in)/from acquisitions and disposals	(189)	555	(4,415)	(937)	257
Dividend paid	(723)	(710)	(604)	(580)	(483)
Cash flow (used in)/from financing activities, excluding dividend	(1,730)	(1,042)	3,660	(454)	(1,689)
Net cash flow	**(1,068)**	321	126	122	78
Cash conversion rate	78.9%	84.0%	81.5%	122.1%	125.6%
Financing ratios					
Net debt/EBITDA (beia)	2.53	2.58	3.09	2.27	2.26

* Restated for the revised IAS 19 as implemented in 2013 and finalisation of the purchase price allocation for APB.
** Restated for the accounting policy change in employee benefits as implemented in 2011.

[1]Including the effect of the Allotted Share Delivery Instrument (ASDI) as included in the Annual Report 2011.

	2014	2013	2012*	2011	2010**
EBIT (beia)/net interest expense	8.0	5.8	6.0	6.4	5.4
Free operating cash flow/net debt	14%	14%	12%	25%	25%
Net debt/total equity	0.8	0.9	1.0	0.8	0.8
Financing In millions of EUR					
Share capital	922	922	922	922	922
Reserves and retained earnings	11,487	10,480	10,812	8,852	9,010
Equity attributable to equity holders of the Company	12,409	11,402	11,734	9,774	9,932
Non-controlling interest	1,043	954	1,071	318	288
Total equity	13,452	12,356	12,805	10,092	10,220
Employee benefits	1,443	1,202	1,575	1,174	1,097
Provisions (including deferred tax liabilities)	2,066	1,982	2,340	1,483	1,589
Non-current loans and borrowings	9,499	9,853	11,437	8,199	8,078
Other liabilities (excluding provisions)	8,370	7,944	7,823	6,179	5,678
Liabilities (excluding provisions)	17,869	17,797	19,260	14,378	13,756
Total equity and liabilities	34,830	33,337	35,980	27,127	26,662
Equity attributable to equity holders of the Company/ (employee benefits, provisions, and liabilities)	0.58	0.58	0.46	0.57	0.60
Employment of capital In millions of EUR					
Property, plant and equipment	8,718	8,454	8,844	7,860	7,687
Intangible assets	16,341	15,934	17,688	10,835	10,890
Other non-current assets	3,685	3,454	3,911	3,724	3,767
Total non-current assets	28,744	27,842	30,443	22,419	22,344
Inventories	1,634	1,512	1,596	1,352	1,206
Trade and other current assets	3,771	2,693	2,904	2,543	2,502
Cash, cash equivalents and current other investments	681	1,290	1,037	813	610
Total current assets	6,086	5,495	5,537	4,708	4,318
Total assets	34,830	33,337	35,980	27,127	26,662
Total equity/total non-current assets	0.47	0.44	0.42	0.45	0.46
Current assets/current liabilities (excluding provisions)	0.73	0.70	0.72	0.78	0.79

* Restated for the revised IAS 19 as implemented in 2013 and finalisation of the purchase price allocation for APB.
** Restated for the accounting policy change in employee benefits as implemented in 2011.

Glossary

Acquisition-related intangible assets
Acquisition-related intangible assets are assets that HEINEKEN only recognises as part of a purchase price allocation following an acquisition. This includes, among others brands, customer-related and certain contract-based intangibles.

Beia
Before exceptional items and amortisation of acquisition-related intangible assets.

Cash conversion ratio
Free operating cash flow/net profit (beia) before deduction of non-controlling interests.

Depletions
Sales by distributors to the retail trade.

Dividend payout
Proposed dividend as percentage of net profit (beia).

Earnings per share
Basic
Net profit divided by the weighted average number of shares – basic – during the year.
Diluted
Net profit divided by the weighted average number of shares – diluted – during the year.

EBIT
Earnings before interest, taxes and net finance expenses. EBIT includes HEINEKEN's share in net profit of joint ventures and associates.

EBITDA
Earnings before interest, taxes, net finance expenses, depreciation and amortisation. EBITDA includes HEINEKEN's share in net profit of joint ventures and associates.

Effective tax rate
Income tax expense expressed as a percentage of the profit before income tax, adjusted for share of profit of associates and joint ventures and impairments thereof (net of income tax).

Eia
Exceptional items and amortisation of acquisition-related intangible assets.

Free operating cash flow
This represents the total of cash flow from operating activities, and cash flow from operational investing activities.

Innovation rate
From 1 January 2013, the innovation rate is calculated as revenues generated from innovations (introduced in the past 40 quarters for a new category, 20 quarters for a new brand and 12 quarters for all other innovations, excluding packaging renovations) divided by total revenue.

Net debt
Non-current and current interest-bearing loans and borrowings and bank overdrafts less investments held for trading and cash.

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

Organic growth
Growth excluding the effect of foreign currency translational effects, consolidation changes, exceptional items and amortisation of acquisition-related intangible assets.

Organic volume growth
Growth in volume, excluding the effect of consolidation changes.

Operating profit
Consolidated operating profit
Results from operating activities.
Group operating profit (beia)
Consolidated operating profit (beia) plus attributable share of operating profit (beia) from joint ventures and associates.

Profit
Total profit of the Group before deduction of non-controlling interests.

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

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

Revenue
Consolidated revenue
Net realised sales proceeds.
Group revenue (beia)
Consolidated revenue plus attributable share of revenue from joint ventures and associates.

Glossary continued

Volume

Consolidated beer volume
100 per cent of beer volume produced and sold by consolidated companies.

Group beer volume
Consolidated beer volume plus attributable share of beer volume from joint ventures and associates.

Group total volume
Total consolidated volume plus attributable share of volume from joint ventures and associates.

Heineken® volume
100 per cent of beer volume sold of the Heineken® brand by consolidated companies, joint ventures and associates and produced and sold under licence by third parties.

Heineken® volume in premium segment
Heineken® volume excluding Heineken® volume in the Netherlands.

Licensed beer and non-beer volume
Cider, soft drink and non-beer volume sold in consolidated companies, joint ventures and associates, as well as HEINEKEN's brands produced and sold under licence by third parties.

Third party products volume
Volume of third party products sold through consolidated companies, joint ventures and associates.

Total consolidated volume
100 per cent of volume produced and sold by consolidated companies (including beer, cider, soft drinks and other beverages), volume of third party products and volume of HEINEKEN's brands produced and sold under licence by third parties.

Weighted average number of shares

Basic
Weighted average number of outstanding shares.

Diluted
Weighted average number of outstanding shares and the number of Long-Term Variable award shares held.

Reference Information

A Heineken N.V. publication
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The full Annual Report can be downloaded as a PDF at: www.theHEINEKENcompany.com

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HEINEKEN

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FSC www.fsc.org RECYCLED Paper made from recycled material FSC® C021590

It is produced with 100 per cent recycled post-consumer fibre in a chlorine-free process PCF (Process Chlorine Free).

More information from HEINEKEN online at: www.theHEINEKENcompany.com

*Photo of Chris Van Steenbergen only.

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.

Front cover image

'The City' campaign was launched globally in May 2014 and was activated in 110 markets. 1 billion special edition bottles were created carrying the names of more than 50 of the world's top cities on the labels.